

# Undertaking an Analysis of Public Spending on Children and Preparing a Child Budget in India

A step-by-step manual

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# Undertaking an analysis of public spending on children and preparing a Child Budget in India

A Step-by-Step Manual  
2020

The manual has been developed by Jyotsna Jha and Madhusudhan Rao B. V. from Centre for Budget and Policy Studies (CBPS) with funding support from UNICEF India.

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## **Public Expenditure Analysis Series (including the Manual)**

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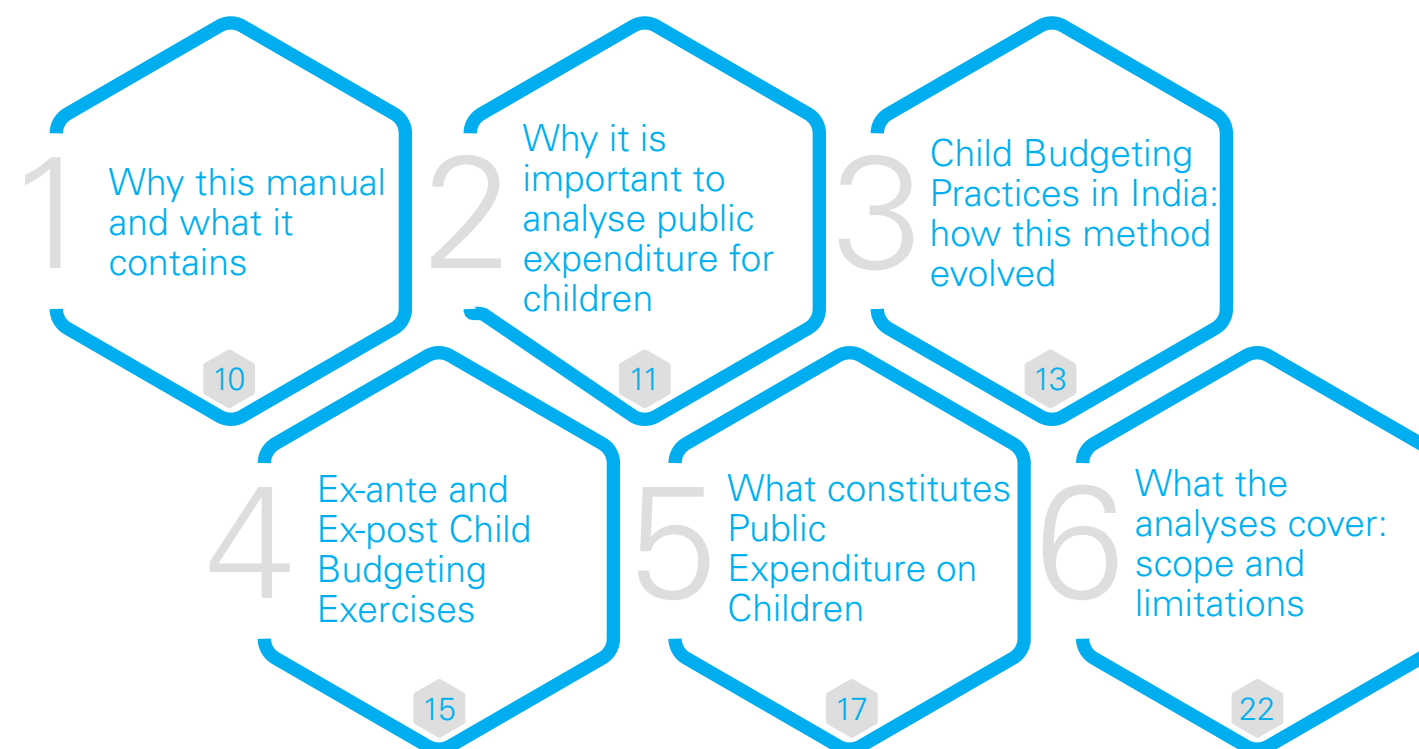
The manual has emanated out of our work on analysing public spending on children in India for the last six years and experimenting with the processes and challenges of this research in diverse contexts. Several people have contributed in various capacities and in a variety of manners to this development, and it is not possible to name each one of them. Nevertheless, we would like to acknowledge the contribution of all our colleagues who worked with us on this project, UNICEF teams, and various state and union governments who commented on the reports, therefore adding to our understanding of the subject. We would especially like to thank Dr Soumen Bagchi from UNICEF, New Delhi for his insightful review of the drafts of this manual. We acknowledge the role of UNICEF Hyderabad Office for supporting our first research in this area, and UNICEF New Delhi for funding this project in particular.

We sincerely hope that this manual helps diverse kinds of users: government officials in preparing Child Budget documents, professionals, and activists in undertaking the analyses and holding the governments accountable, and also the researchers in exploring the domain further. Needless to say, we alone are responsible for all errors and omissions, if any.

Jyotsna Jha and Madhusudhan B. V. Rao

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# Part A. Review, Rationale and Concepts





# 1

## Why this manual and what it contains



# 2

## Why it is important to analyse public expenditure for children

This manual is a complete guide to prepare a **Child Budget or carry out an analysis of public expenditure on children** with special reference to India, particularly at the level of the Indian states. Indian states are part of a federal structure and though united, they are also diverse in terms of their financial capacities, priorities, and policies.

The manual is a result of a **long engagement** with this issue in terms of actually carrying out such analyses for different Indian states and also providing assistance to state governments to develop a Child Budget.

The manual has been divided into three parts:

### Part A

Deals with the issues of **WHY and WHAT**. It is important to understand the history, the rationale behind a particular exercise, and the concepts that are being used. We explain the concepts in simple terms and with examples to make it easy for all kinds of users to connect with them. This part is important for **understanding the context** and for gaining a conceptual clarity that is needed for the application of mechanics!

### Part B

Describes the process, therefore answering the question of **HOW**. It introduces the budget document and processes, and it explains the entire **process with illustrations** drawn from various Indian states. This part describes the steps and provides a menu of **'simple to complex' options** that are possible for carrying out such an analysis.

### Part C

Discusses the institutionalisation of this practice in the states. Using some real-life examples, this part provides guidance in terms of the choices that respective states can make while deciding to prepare, present, and use **Child Budget** as a policy tool.

Today's children are tomorrow's adults. The quality of the adult life in terms of education, status of health, earning capacity and also the capability to make most of the available opportunities to realise one's own potential depends, to a large extent, on the ready and full access to health care, education, nutrition, and secured environment during one's childhood. While the role of the parents and family is important in ensuring the child's access to these services and facilities, the role of the state is no less important in a democratic and progressive society that is committed to the ideas of equality, fraternity, and justice.

Public spending on children assumes greater importance in societies and economies that are characterised by huge structural inequalities of diverse nature and need state interventions to ensure redistribution of income, opportunities, and freedoms<sup>1</sup>. India has one of the highest levels of inequalities in income; a recent report by Oxfam India has provided shocking facts about increasing economic inequalities in India<sup>2</sup>, which can be addressed only if the corrective measures are taken in early years to reverse the impact of birth in poor households and in less privileged contexts. Considering that close to 30% of India's population is in the age group 0-14 years and the working age group of 15-59 years accounts for 62.5% of India's population, the need for this redistribution is urgent if India wants to reap the full benefits of the so-called demographic dividend (Jha et al., 2019<sup>3</sup>).



### Multiple reasons for spending adequately for children

The rationale for adequate and well-directed public spending for the child's well-being can be drawn from several sides.

- The constitutional commitments include legal rights and provisions pertaining to children's education, health, food security, protection, and development.
- The international development discourse has led to the adoption of the Convention on the Rights of the Child (CRC) by the United Nations in the late 1980s, which India ratified in 1992.
- India is also committed to Sustainable Development Goals (SDGs), and SDGs are critical for ensuring CRC commitments.

The importance of public spending on education, nutrition, care, health, and protection from the risks of abuse, exploitation and violence cannot be over-emphasised in the context of CRC and SDGs. The survival, health and well-being of women, children, and adolescents is essential for ending extreme poverty, promoting development and resilience, and achieving the SDGs<sup>4</sup>. Therefore, the state has a responsibility for spending adequate money towards these goals and also for ensuring institutional arrangements for appropriate utilisation of the money allocated.

<sup>1</sup> For conceptual formulation of inequality in terms of restriction of freedoms in the context of deprivation, please refer to the following:

Sen, A. (1992). Inequality Re-examined. Oxford: Clarendon Press and Cambridge, MA, Harvard University Press.

<sup>2</sup> <https://www.oxfamindia.org/blog/15-shocking-facts-about-inequality-india>

<sup>3</sup> <http://cbps.in/wp-content/uploads/Public-Finance-for-Children-PF4C-across-16-Indian-States.pdf>

<sup>4</sup> <https://www.who.int/life-course/partners/global-strategy/globalstrategyreport2016-2030-lowres.pdf>



Any estimate and analysis of the public expenditure on children in a country should help us understand the following questions:

1. Are children's needs prioritised in the public spending choices of the country (or sub-national level, i.e., state)?
2. Is the country (or sub-national level, i.e., state) making full efforts to address the needs to children through adequate and appropriate budgeting provisions?
3. Do public spending choices address differential needs of children in different contexts?



# 3

## Child Budgeting Practices in India: how this method evolved

A number of countries and organisations have attempted to undertake an analysis of public expenditure on children, loosely referred to as Child Budgeting (CB). The CB exercise, therefore, is a tool to track the public budget, expenditure, and allocations made towards children while also linking this to the desired outcomes relating to children, leading to creation of evidence and arguments for making desirable public policy choices.



### Gender Budget (GB) and Child Budget (CB)

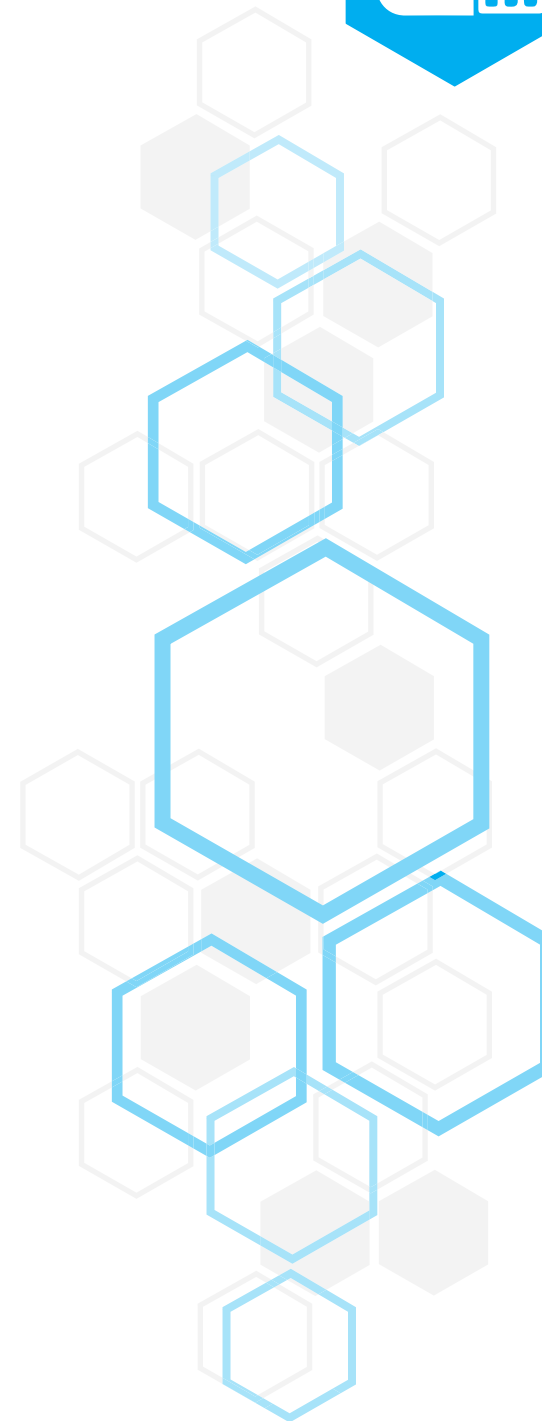
Unlike Gender Budget (GB) work, CB work is yet to take roots globally although the beginning has been made in many countries. Child Budget work is also relatively new, with most initiatives having started in this century, while GB work traces its history to the 1980s. Child Budget work has primarily followed the social budgeting framework where international organisations such as The United Nations Children's Fund (UNICEF) and International Budget Partnership have played a role in a number of African countries.

In India, Haq Centre for Child Rights (Haq), a Civil Society Organisation (CSO), first undertook this exercise in 2001 when it conducted an analysis of the Union Budget from children's perspective. Haq extended this exercise to a few states in later years. A number of other institutions such as the World Bank and Centre for Budget and Governance Accountability have conducted public expenditure reviews for various sectors such as education or health, which are significant for children.

The National Policy for Children, 2013 in India explicitly highlights the importance of Child budgeting exercise by stating that it was important to 'track allocation and utilization of resources and their impact on outcomes for children with regard to budgets and expenditures on children by all related Ministries and Departments'. Since 2008-09, the Union Government of India (GoI) started publishing a separate statement (Statement 22, which is now Statement 12) within the Expenditure Budget- Volume I, which summarises the Budget Provisions for Schemes for the Welfare of Children across all sectors.

A major limitation of the GoI CB statement is that all expenditures within this statement are 'Plan' or new expenditures on schemes that substantially benefit children. This exercise, in any case, has two limitations: (i) it does not take continuing and regular expenditure into account and even in scheme expenditures, it does not cover all relevant Ministries<sup>5</sup>, and (ii) it is not yet mandatory for the state governments to have any such statement at the state level (Jha et al., 2019).

The methodologies followed by most others, including Haq, has been limited to the analysis of schematic expenditures alone. Given that India is a federal country and a number of regular or committed expenditure (or administrative and operational) from



<sup>5</sup> Budget Circular 2019-20 has made it mandatory for all ministries in Government of India (GoI) to identify and report on child specific schemes. Refer to <https://dea.gov.in/sites/default/files/Budget%20Circular%202019-2020.pdf> (page 21).



state governments are critical for determining the adequacy and quality of critical public services in sectors such as education and health, such analyses and statements present only a partial picture. For instance, having an adequate number of suitably qualified teachers is very important for delivering high-quality education; therefore, it is important to track public expenditure on teachers' salaries as well to understand public spending on children in its entirety even though it goes under administrative expenditure (see Exhibit No. 1). With this gap in view, Centre for Budget and Policy Studies (CBPS), Bangalore developed the present methodology through the analyses of budgets in Karnataka, which was conducted for the first time in 2014, and updated annually thereafter<sup>6</sup>. Subsequently, the use of the methodology was extended for analysing public expenditure on children in 16 states<sup>7</sup>.

Exhibit No. 1: Administrative expenditure and Programme expenditure in Education (Odisha state)

DEMAND NO./ ଡାକି ନଂ 10  
GENERAL ABSTRACT OF EXPENDITURE  
ବ୍ୟୟର ସଂକ୍ଷିପ୍ତ ବିବରଣୀ

PAGE NO./ ପୃଷ୍ଠାଙ୍କ 3

IN THOUSANDS OF RUPEES/ ହଜାର ଟଙ୍କାରେ ଦିଆଯାଇଛି

MAJOR HEAD	ACCOUNTS	BUDGET ESTIMATES	REVISED ESTIMATES	BUDGET ESTIMATES
	2016-2017	2017-2018	2017-2018	2018-2019
ମୁଖ୍ୟ ଶୀର୍ଷ	ଦାୟିତ୍ୱ	ବଜେଟ ଅନୁମାନ	ସଂଶୋଧିତ ଅନୁମାନ	ବଜେଟ ଅନୁମାନ
(1)	(2)	(3)	(4)	(5)
I...CONSOLIDATED FUND OF THE STATE OF ODISHA				
ଓଡିଶା ରାଜ୍ୟ ସରକାରଙ୍କର ସଂଗଠିତ ସାମ୍ବଳି				
REVENUE ACCOUNT				
ରାଜସ୍ୱ ହିସାବ				
B. SOCIAL SERVICES				
ସାମାଜିକ ସେବା				
(a) EDUCATION, SPORTS, ART AND CULTURE				
ଶିକ୍ଷା, କ୍ରୀଡା, କଳା ଓ ସଂସ୍କୃତି				
2202...GENERAL EDUCATION	9678,67,98	13376,14,84	12613,47,97	14024,33,88
ସାଧାରଣ ଶିକ୍ଷା				
ADMINISTRATIVE EXPENDITURE	6183,26,94	8391,30,01	8500,26,84	8517,21,83
ପ୍ରଶାସନିକ ବ୍ୟୟ				
ESTABLISHMENT, OPERATIONS AND MAINTENANCE EXPENDITURE	6183,26,94	8391,30,01	8500,26,84	8517,21,83
ପ୍ରତିଷ୍ଠାନ, ପରିଚାଳନା ଓ ରକ୍ଷଣାବେକ୍ଷଣ ବ୍ୟୟ				
PROGRAMME EXPENDITURE	3495,41,04	4984,84,83	4113,21,13	5507,12,05
କାର୍ଯ୍ୟକ୍ରମ ବ୍ୟୟ				

Source: Budget document of Odisha 2018-19.

Exhibit 1 shows that administrative expenditure that includes establishment (including teachers' salaries), operatives and maintenance expenditure is close to twice of that on programme expenditure in Odisha. The same is true for most states. Therefore, not taking this critical input into account can lead to severe underestimate of public spending, especially with respect to states' efforts.

<sup>6</sup>The project was supported financially by UNICEF Hyderabad office and the Government of Karnataka (GoK) had extended full cooperation by providing the entire budget document in the excel format.

<sup>7</sup>The report is referred to as Jha et al., 2019. This was carried out with funding support of UNICEF India. This methodology has now been used by the Government of Tamil Nadu (GoTN) for developing their CB report. The team at CBPS trained the TN team and provided technical support for this task.



4

Ex-ante and Ex-post Child Budgeting Exercises

Following the global practices in the Gender Budgeting (GB) exercise, CB can be either ex-ante or ex-post, or both.

An ex-ante CB exercise refers to one that is undertaken in advance, e.g., the union government's Statement 12 is an ex-ante exercise.

Exhibit No. 2: Example of an ex-ante Child Budget Practice— Statement 12, 2017-18 Government of India Budget (Rs in Crore)

Demand No	Department	2016-17 BE	2016-17 RE	2017-18 BE
4	Atomic Energy	102.28	115.95	115.65
42	Health and Family welfare	2,359.89	2,331.48	2,677.55
57	School Education and Literacy	42,433.85	42,778.71	45,124.00
99	Women and Child Development	15,550.10	15,430.23	17,885.29
Total		65,758.45	66,248.62	71,305.35

Source: Government of India.

Note: BE stands for Budget Estimates and RE stands for Revised Estimates (RE).

Haq's analysis of union and state budgets, and the CBPS study of public expenditure on children in Karnataka for the past several years or that of 16 states are examples of ex-post CB exercise. In order to act as an effective tool for making wise public policy choices for the well-being of children, it is important to carry out an exercise which has both ex-post and ex-ante elements.

An ex-post CB exercise is one where the analysis is undertaken after the expenditure has taken place.

Exhibit No. 3: Example of an ex-post Child Budget Analysis – Age wise expenditure on children in the state of West Bengal (Rs in billion)

Age group	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 RE
0-6 years	8.15	10.49	9.93	11.26	12.73	16.53
14-18 years	74.18	79.31	89.55	89.29	100.93	117.49
6-14 years	74.12	72.64	82.94	81.73	85.80	97.41
Multiple	22.98	24.45	26.90	25.33	18.12	44.85
Grand Total	179.43	186.90	209.31	207.61	217.58	276.29



The CBPS methodology is especially relevant for the sub-national level, i.e., states in particular, and can be used for either ex-ante or ex-post analysis. This manual presents the steps of the CBPS approach in detail. This approach and methodology can be used for either research purposes (largely following ex-post) or for preparing Child Budget statements by respective state governments (largely ex-ante). This exercise leads to a CB estimate that is much wider than what is estimated under Statement 22/12.



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UNICEF/UNI284585/  
PrashanthVishwanathan

Photo credit ©  
UNICEF/UN0280984/  
PrashanthVishwanathan



# 5

## What constitutes Public Expenditure on Children

Drawing largely from the CRC<sup>8</sup>, four areas have been essential for the child’s development and ensuring that each child has an opportunity to realise their full potential: **Education, Health, Food & Nutrition, and Protection**. Therefore, the CB analyses largely focus on these sectors. If one broadens the definition, almost all public expenditure heads would have some implications for children but to keep it to those that are essential, we have confined the analysis to these four sectors.








### Who is a child?








A child in this analysis refers to all individuals in the age group of 0-18 years, which is the legal definition of children as it is in India and as defined by the international Child Rights Convention (CRC). Although a number of our laws such as the Right to Education 2009 and the Child Labour Act 1986 (as amended in 2016) continue to cover children up to 14 years only for defining entitlements and refer to children above that age as adolescents, a number of schemes and other Acts such as Child Marriage Act consider individuals up to the age of 18 as children.

Public expenditure for these four sectors come from a large number of sources (i.e., union government, and state governments) and departments (e.g., money for education comes from the Department of Education, Department of Tribal Welfare, Department of Social Welfare, etc.). This approach takes sectoral rather than departmental classifications for determining the size of expenditure for a particular purpose such as education or health. However, this also means that tagging expenditure heads in the budget document takes a lot of effort! We will return to explaining this issue further a little later.

Exhibit No. 4: Education expenditure from different departments in Odisha (Rs in Lakhs)

Expenditure on education by the following departments	2016-17	2017-18
 Commerce	49	61
 Finance Department	0	0
 Higher Education	1,089	982
 Home	3	2
 Housing and Urban Development	0	0

<sup>8</sup> <https://www.unicef.org/child-rights-convention/what-is-the-convention>

Expenditure on education by the following departments	2016-17	2017-18
 Rural Development	24	25
 Scheduled Tribes and Scheduled Caste Development, Minorities and Backward Classes Welfare	162279	229181
 School and Mass Education	1924	3838
 School and Mass Education	965757	1191315
 Sports and Youth Services	627	841
 Women & Child Development and Mission Shakti	5774	100
 Works	5235	5000
<b>Total</b>	<b>65,758.45</b>	<b>66,248.62</b>

Source: Government of Odisha; pooled together by CBPS team.

Exhibit 4 shows that there are 12 departments that spend money on education in Odisha. The Department of Scheduled Tribes and Scheduled Caste Development, Minorities and Backward Classes Welfare spends substantial amounts of money on education. Therefore, sectoral approach gives a more comprehensive understanding as compared to only the main department.

There are two important concepts that need to be understood while undertaking this analysis. These are Child Specific Expenditure (CSE) and Child Inclusive Expenditure (CIE).<sup>9</sup>

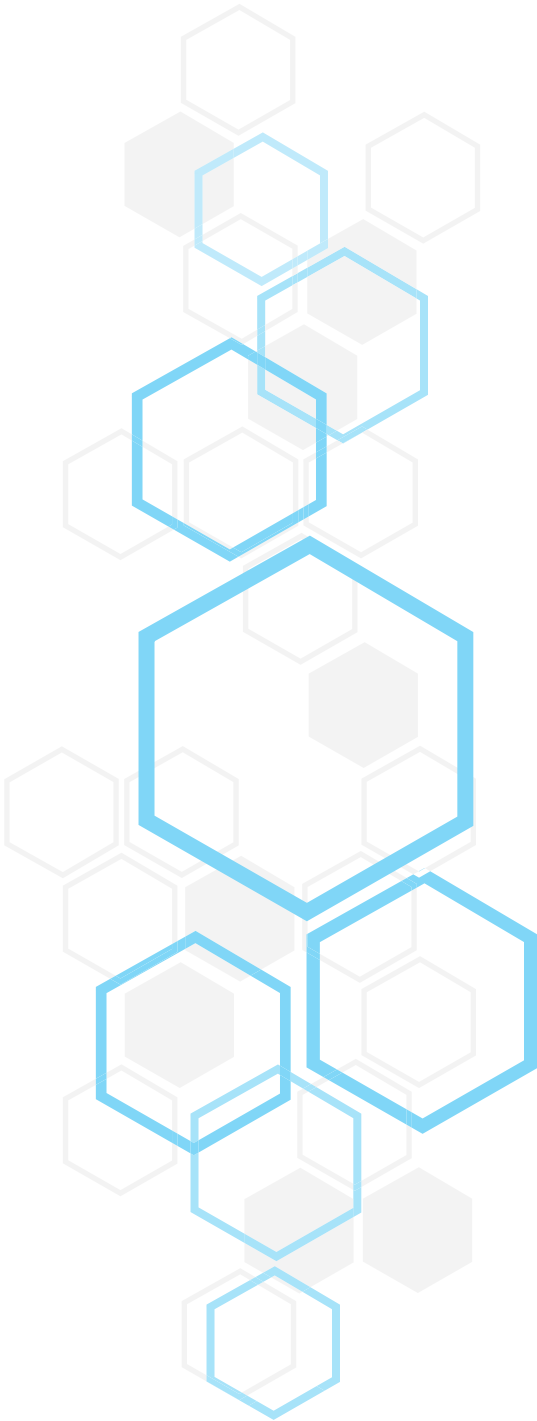
### 5.1 Child Specific Expenditure (CSE)

*Child Specific Expenditure (CSE) is the expenditure that is exclusively for children, either by the Head of Account or by the Description of Expenditure.*

Public expenditure on children includes components of education, health, nutrition, and child protection including legal and institutional provisions. Both the union and state governments spend on heads that are exclusively for children. Under such heads, the entire expenditure is meant to be spent on individuals who are 18 years of age or below, i.e., children. We have termed all expenditures under such heads as CSE.

Child Specific Expenditure includes the entire allocations and expenditures on Early Childhood Care and Education (ECCE), school education (both primary and secondary), the health and nutrition supplement programmes that are targeted to the children, the social welfare component including residential schools, hostels, fee concession for the children belonging to marginalised communities, the juvenile justice, concessions for travel (e.g., bus pass), and capital expenditure relating to the ECCE and school education. It also includes all relevant Centrally Sponsored Schemes (CSS), central sector schemes as well as the state schemes, such as Integrated Child Development Services (ICDS), National Creche scheme, National Nutrition Mission (NNM), Beti Bachao Beti Padhao (BBBP), Integrated Child Protection Scheme (ICPS), Janani Suraksha Yojana (JSY), Pradhan Mantri Matruvandana Yojana (PMMVY), Scheme for

<sup>9</sup>These terms have been coined by the authors in CBPS.



Adolescent Girls, Sarva Shiksha Abhiyan (SSA), Mid-Day Meals, Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and National Health Mission (Maternal and Child Health).

Expenditures that are partly for other age groups are not included under CSE, such as food grains under public distribution system, post-matric scholarships which would also cater to undergraduates along with those in classes 11 and 12.

**Do it Yourself:** There could be many more such examples from various states that can be added to this list—you can try filling these boxes for your state:

CSE includes	CSE excludes

### 5.2 Child Inclusive Expenditure (CIE)

*Child Specific Expenditure (CSE) is the expenditure that are INCLUSIVE of children but NOT EXCLUSIVELY FOR CHILDREN; it is a part of the whole where other parts are meant for other age-group population*

Both the union and state governments spend on Heads that are inclusive of children but not exclusively for children. Under such heads, only part expenditure is meant to be spent on individuals who are 18 years of age or below, i.e., children, while the other part is meant for other who are above 18 years of age. We have termed all expenditures under such Heads as the Child Inclusive Expenditure (CIE).

To illustrate, a state-run hospital meant for all age groups is child inclusive expenditure as only a part of this can be considered as public expenditure on children. The respective state governments spend substantial sums of money on providing public health care, food grains at subsidised prices, insurance coverage, and several other services that cover the child population as well. Ignoring these huge expenditures which are partly meant for children would provide an underestimate of the public expenditure on children. Hence, CIE is important.

However, the task of identifying CIE along with the respective proportions that can be attributed to children is (i) challenging in terms of conceptual clarity regarding what and how much should be included, and (ii) demanding in terms of rigour and time for carrying that exercise for hundreds of Budget Heads. It does involve decision-making that can be referred to as subjective. Nevertheless, as long as the logic and rationale are explained for any inclusion and exclusion, the analysis remains valid. The reasons and rationale can be either be based on conceptual issues or be drawn for practical reasons, e.g., lack of data.

While only the budget documents are the source of data for CSE, the CIE also relies on the data received from the implementing directorates and departments, and the scheme documents for determining the proportion attributable to children and also to arrive at relevant assumptions. The assumptions are also based on the analysis of existing use-data and the relevant literature.



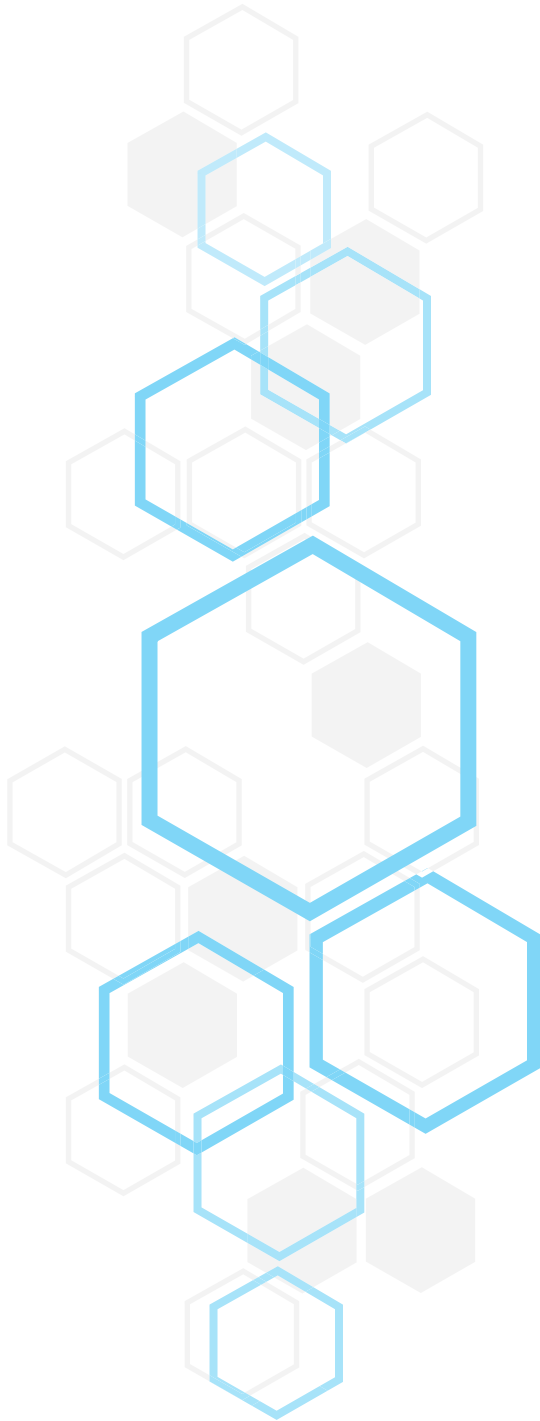
5.3

Full Public Expenditure on Children (FPEC)

The Full Public Expenditure on Children (FPEC) is arrived at by adding CIE to the CSE, which gives a complete picture for the entire public expenditure on children.

FPEC: CSE + CIE

Child specific expenditure (CSE) and Child Inclusive expenditure (CIE) based analysis: main differences and changes that occur when CIE is added to CSE <sup>10</sup> .		
	CSE-based analysis	Adding CIE-based analysis to CSE-based analysis
1.	Entire expenditure on children.	Part expenditure on children.
2.	Relatively simpler to identify the expenditure heads.	Difficult to identify the proportions spent on children and vet the assumptions that would enable estimation of proportions to be attributed.
3.	Tedious yet less time-taking than CIE based analysis.	Tedious and time-taking as compared to CSE-based analysis.
4.	Largely remains based on the State Budget documents.	Needs to go beyond State Budget documents to examine departments' Management Information System (MIS) and other documents that help estimate part expenditure on children.
5.	Limited to the number of departments and major heads that have Heads that entirely meant for children (e.g., Education, Health, Women and Child Development, Department of Social Welfare, Tribal Welfare and Minorities).	Increase in the number of departments and number of Major Heads of Expenditure that needs to be examined (e.g., Food and Civil Supplies, Cooperation, Scheduled Caste [SC] and Scheduled Tribe [ST] development, Finance, Higher education, Housing, Urban Development, Sports and Youth services, Tourism, Public Works).
6.	Comprehensive yet partial; the share of public spending on children a little under-estimated.	Comprehensive and complete; the share of public spending on children is a fairly-precisely estimate. The proportional share of public spending on children goes up in total state expenditure by 1-2 percent points and in Gross State Domestic Product (GSDP) by 0.4 percent points.
7.	Relative proportion of education is very high.	Remains tilted in favour of education, but relative proportions of health, nutrition, and social protection increases (by varying percentages in different states).
8.	The proportional share for the age group 6-14 years remains high in all states.	The proportional share for the age group 6-14 years remains high but it reduces substantially and that of multiple age groups increases (by varying percentages in different states).



Child specific expenditure (CSE) and Child Inclusive expenditure (CIE) based analysis: main differences and changes that occur when CIE is added to CSE. <sup>10</sup>		
	CSE-based analysis	Adding CIE-based analysis to CSE-based analysis
9.	The share of direct transfers and non-wage heads remain low in most states.	The share of direct transfers and non-wage (including capital expenditure) heads goes up in most states. This is due to the fact that proportion of expenditure meant for creation of assets such as hostels, hospitals, libraries, and playgrounds meant for different age groups got included, and this resulted in an increase of share on non-wage expenditures, capital expenditures, and the multiple age-groups.

It is possible and fully justified to undertake CSE-based analysis if the time available is short and quick results are important for policy planning. The challenges of arriving at accurate assumptions and also of data required for the CIE-based analysis makes it a complex and time-taking exercise.

The FPEC-based analysis that includes CIE, however, provides a complete picture, and it is therefore more accurate. It also provides an opportunity to obtain a deeper perspective of how child expenditure has been spread over the departments and to understand the complexity of extracting child related expenditure across different budget line items.



<sup>10</sup> Based on the CSE based analyses and CIE + CSE based analyses in six states, carried out by CBPS.

Photo credit © UNICEF/UN0267942/ ZishaanAkhbarLatif

# 6

## What the analyses cover: scope and limitations



The analysis of public expenditure of children following this approach answers a number of relevant questions but also leaves a few unanswered. The analysis, as stated earlier, classifies the entire public expenditure by sectors (education, health, food and nutrition, protection) rather than by departments. This implies that any expenditure for education from various departments are classified under education, while any health/nutrition related expenditure is classified under health, and the same is true for all other expenditure heads. For instance, midday meal distributed by the department of education or other specific departments gets classified under health and nutrition.

The analysis includes age-group analysis to see the distribution of public expenditure within three age-groups: 0-5 years (early childhood years), 6-14 years (childhood years—elementary school age-group), and 15-18 years (adolescents- secondary school age-group). Since the budgetary allocations are generally, though not necessarily, around these groups, it is possible to make this distinction. Also, developmentally, these groups are usually considered similar with similar needs; hence, it is appropriate to group them together.

The analysis includes all expenditure pertaining to these heads and schemes, including capital and recurrent heads. This approach distinguishes all items into economic categories of wage and non-wage, where wage includes all payments for services including salaries, wages, and benefits. This is different from capital and revenue as only a subset of revenue expenditure would cover wages.

In order to enable suitable policy choices, these estimates also separate direct transfers from indirect expenditures. Direct transfers are those where public money is being transferred to children or the household directly either in monetary or in-kind form. This includes all cash-transfer schemes linked with conditions that are associated with child-related household decisions (i.e., no marriage, no dropping out from school, no child labour, etc.). It also includes all schemes where in-kind transfer is taking place; all meal schemes, bicycle distribution, textbook distribution, etc. get covered here.

Although India is a federal country, in terms of finances, it can at best be referred to as quasi-federal. That is because the union government controls most of the sources of revenue and then distributes it to states based on a complicated formula, as recommended by the Finance Commission (FC). Finance Commission is a statutory body that is reconstituted every five years and its recommendations guide the distribution of resources between union and state governments (also for the third-tier governments like municipalities and panchayats).

Since these principles for distribution of resources also consider the revenue-raising capacity of states in addition to other criteria, states with widely varying economic capacities receive widely varying financial resources. This too impacts their capacity to spend on children in addition to the fact how they prioritise their efforts. The union government also spends directly on several schemes that are meant for children. Therefore, for all these reasons, it helps to distinguish the budget and expenditure for children by sources of revenue between union and state governments.

What the approach covers: scope and limitations
What it answers
a. Size and proportion of total child expenditure in a particular sector (education, health, food and nutrition, protection).
b. Distribution of total child expenditure across age-groups.
c. Distribution of total child expenditure across different kinds of use (revenue/capital).
d. Distribution of total child expenditure across economic classification of wage/non-wage.
e. Distribution of total child expenditure by type of expenditure (direct transfers such as midday meal or cash transfer/delivery of services and other non-transfer expenditures).
f. Distribution of total child expenditure by sources; both Union and state allocations and expenditures are captured in these estimates
What it does not answer
a. Distribution of total child expenditure across communities and social groups (educationally backwards groups such as Scheduled Caste [SC], Scheduled Tribes [ST], Muslims).
b. Distribution of total child expenditure locations (rural-urban).
c. Distribution of total child expenditure across gender groups (male/female/intersex).

While it may be desirable to know the distribution communities and social groups (educationally backwards groups such as Scheduled Caste [SC], Scheduled Tribes [ST], Muslims) and across gender groups (male/female/transgender), this analysis does not take that into consideration for lack of data and overlaps.

While a separate gender budgeting exercise or even SC, ST, or Muslim specific analyses can be taken to assess the impact of public expenditure on these groups, the regular CB exercise that is largely based on the budget document or its preparation is better suited for an aggregate analysis. Similarly, since a majority of the budget allocations do not differentiate between rural and urban, it becomes difficult to separate the two.



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# Part B. Mechanics of Carrying Out Child Budgeting Exercise





# 7

## Understanding the Budget document



Before describing the stepwise methodology for preparing an ex-ante as well as an ex-post CB document based on either CSE or FPEC, it is important to describe the budget documents as is in use in a particular state or at the level of union government. Budgets of states appear in many volumes. Each volume contains information about detailed estimates of expenditure and revenue and has a range of account heads. The budget books provide the detailed coding and description for the account heads along with the expenditure for each line item. The account heads follow a six-tier hierarchical functional classification, with each head broadly signifying the function in the government and the activity on which expenditure was incurred.

The matrix below shows the account code classification of the budgets. The use of these heads beyond minor head (third tier) is not uniform in terms of details and specifications across states. For instance, group heads are four digits in Odisha while it is two digits in Karnataka. The sub minor head or the group head has alphabets in the state of Tamil Nadu.<sup>11</sup>

Functional Classification of Budget Account Heads					
Major Head	Sub Major Head	Minor Head	Group Head	Sub Head	Object Head
XXXX	XX	XXX	XX	XX	XXX
Function		Programme	Scheme/Activity		Object level
Denotes the functions (revenue, capital, loans, and advances) being discharged.	Describes the subfunctions.	Denotes the objective of the programme.	Whether it is for a scheme or organisation.	Schemes for plan expenditure/ admin. Set-up for non-plan expenditure.	Provides an economic classification and informs whether scheme expenditure is for salary, loans, investment, etc.

Each X denotes a digit<sup>12</sup>. Source: Centre for Budget and Policy Studies (CBPS), 2014.

<sup>11</sup> In addition to the state budget document, some states like Karnataka also produce another set of documents titled Budget Allotment for Zilla Panchayats, commonly known as Link Documents. These link documents provide the details regarding the block grants from the state budget to the budgets of Panchayati Raj Institutions with specific descriptions. A single line item titled as block grants in the state budget document breaks up into one or more schemes in the link documents, and these amounts are spent at the district, taluk (block), and gram panchayat level. Unlike state budget, the link documents are not voted for in the state assembly, but it is important to include them to get a complete picture, and therefore any comprehensive analysis needs to include the link documents in states like Karnataka.

<sup>12</sup> The first digit being 0 or 1 denotes that the major head is a receipt head; 2 or 3 denotes revenue expenditure; 4 or 5 denotes capital expenditure; 6 or 7 denotes loan or advance; and 8 denotes public account.

Prescribed by Comptroller and Auditor General of India, the first three heads are common across states and union government while the group head, sub head and object head vary across states.

Exhibit No. 5: Codes for Administration and Supervision Expenditure across three states

STATE	MAJOR HEAD	SUB-MAJOR HEAD	MINOR HEAD	SUB-MINOR HEAD/GROUP HEAD
	Common for all states			State specific
Tamil Nadu	2202	01	001	AA
Karnataka	2202	01	001	01
Odisha	2202	01	001	0010

Source: Budget documents, respective states.



### Voted or charged: understanding the difference

Each account head also has an additional column indicating if it is voted or charged, which indicates whether the head of account was voted for in the legislature or if it was charged directly without any approval of the legislature. Expenditures that are charged to the consolidated fund includes the establishment expenses (salaries) of the independent offices and statutory positions such as courts, governor offices, interest payments, court fees, or dues, etc. (Exhibit No. 6)

Exhibit No. 6: An example of items voted in the legislature and items charged to Consolidated Fund (Telangana)

డిమాండు XIV DEMAND					
నైపుణ్య అభివృద్ధి మరియు శిక్షణ					
SKILL DEVELOPMENT AND TRAINING					
(రూపాయలు లక్షల లో Rupees in Lakhs)					
SUMMARY					
భాగా పేర్లు	HEAD OF ACCOUNT	అకృలు Accounts 2018-19	బడ్జటు అంచనా Budget Estimate 2019-20	సవరించిన అంచనా Revised Estimate 2019-20	బడ్జటు అంచనా Budget Estimate 2020-21
<u>పట్టుబడి</u>	<u>Capital</u>				
ఇతర సాంఘిక సర్వీసులపై పట్టుబడి వినియోగము	4250 Capital Outlay on Other Social Services	5.33	116,92.00	12,16.98	84,50.92
మొత్తము వెరశి ఉపాధికల్పన మరియు శిక్షణ కాఖ	<b>Gross Total EMPLOYMENT AND TRAINING DEPARTMENT</b>	<b>124,25.49</b>	<b>265,23.00</b>	<b>135,03.50</b>	<b>229,24.55</b>
చార్జ్ చేసినది	<b>Charged</b>	<b>1.52</b>	<b>0.10</b>	<b>..</b>	<b>0.10</b>
ట్యూ చేసినది	<b>Voted</b>	<b>124,23.97</b>	<b>265,22.90</b>	<b>135,03.50</b>	<b>229,24.45</b>
తగ్గించు-పూర్వపు	<b>Deduct - Recoveries</b>	<b>-3.05</b>	<b>..</b>	<b>-0.25</b>	<b>..</b>
నికర మొత్తము	<b>Net Total EMPLOYMENT AND TRAINING DEPARTMENT</b>	<b>124,22.44</b>	<b>265,23.00</b>	<b>135,03.25</b>	<b>229,24.55</b>
చార్జ్ చేసినది	<b>Charged</b>	<b>1.52</b>	<b>0.10</b>	<b>..</b>	<b>0.10</b>
ట్యూ చేసినది	<b>Voted</b>	<b>124,20.92</b>	<b>265,22.90</b>	<b>135,03.25</b>	<b>229,24.45</b>
TECHNICAL EDUCATION					

For each year, any state budget book provides expenditure figures for three years (Exhibit No. 6):

- Actual Expenditure (AE) for n-2 year (previous year),
- Budget Estimates (BE) and Revised Estimates (RE) for n-1 year (current year)
- Budget Estimates (BE) for the nth year (ensuing year)

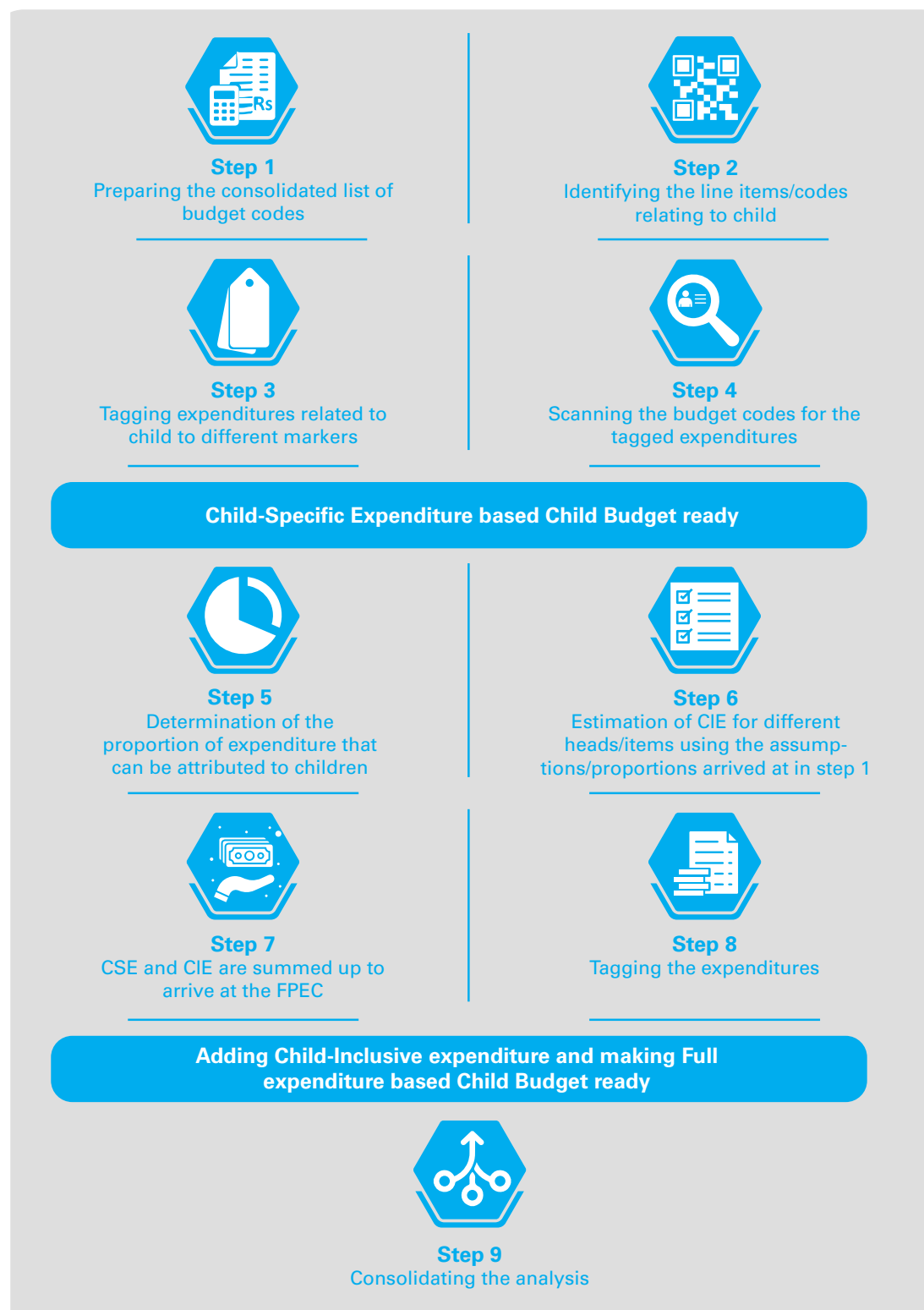


# 8

## How to carry out the analysis: steps and challenges

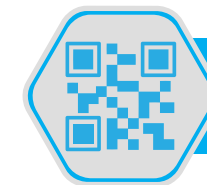
### 8.1 Steps for ex-post CB exercise

First of all, there has to be an agreement on the sectors to be covered. Once that is done, the exercise of budget analysis starts with the following steps:



#### Step 1: Preparing the consolidated list of budget codes.

To begin with a consolidated list of unique budget codes (years for which the budget has to be analysed) has to be created for the state budget (and link documents in case it exists).



#### Step 2: Identifying the line items/codes relating to child.

The next step is that each of the budget codes (line items) is to be tagged as child related/not related to child. While this kind of scanning of each of the budget line item and looking into its expenditure detail would entail a tedious exercise, it would be useful in carrying out the exercise in later years. Then, the existing codes could be easily classified as fully related to child/partly related to child/not related to child (yes/part/no) using their descriptions and details in future years and only new line items/codes would need to be classified in these categories. If this task is undertaken for all the codes in Year 1 or 2, the CB exercise would become a lot easier in future as only updated and new items would need this identification in subsequent years.

This exercise will lead to a three-way classification of codes / line items in the following manner:

Budget codes / Line items	Fully related to child	Partly related to child	Not related to child
	Yes	Partly Yes	No

While undertaking this exercise, one may choose to classify only in two (Yes/No) instead of three for the CSE-based analysis. However, it saves efforts later if these are done together. But if there is a time-constraint, a two-way classification can be carried out first. The examples of those that would go for 'Yes' are school education or midday meal programmes (100 % of the expenditure is spent on children) whereas the examples of those what would go for 'Partly Yes' are public distribution system or health insurance (expenditure head/line item that includes expenses on children as well as adults). The 'No' list will include all other items or codes such as infrastructure, industry, agriculture, etc.



#### Step 3: Tagging expenditures related to child to different markers.

Only line items related to child are to be tagged for multiple purposes. Each of the line items in the 'Yes' list identified as related to child could be tagged as follows (for the CSE-based analysis):



**Age group:** Expenditures are tagged for age-groups (0-6 years, 6-14 years, 14-18 years, and multiple age groups, i.e., schemes which cater to more than one age group). This division of age group is based on the existing practice of (i) early childhood, (ii) elementary school age-group or late childhood, and (iii) adolescence. A number of schemes follow these classifications for identification of targets. However, this can be changed if at any stage it is not considered suitable or the concepts around these principles change over the years.



**Sector:** Expenditures are tagged for their relevant sector (health, education, nutrition and food security, protection, others). Again, this is based on existing sectoral and departmental functions and can be changed if found unsuitable.



**Revenue/Capital:** Expenditures are tagged as revenue or capital using the codes. These codes are usually already available in the budget document<sup>13</sup>.



**Wage/non-wage:** Expenditures relating to wages (salaries, professional services, contractual wages, daily wages) can be tagged using suitable object codes. Unlike, revenue-capital, wage/non-wage classification is not readily available in the budget documents, and, therefore, needs to be tagged afresh.



**State/Centre:** The budgets and expenditures should also be tagged looking into the codes and description by their source of revenue (centre or state) in order to understand the share of centre and state in child expenses.



**Direct/Indirect:** Expenditures which are directly spent on children through transfers such as scholarships, books, mid-day meals, conditional cash transfers, etc. need to be tagged as direct, while the rest, non-transfer expenditures, are indirect.

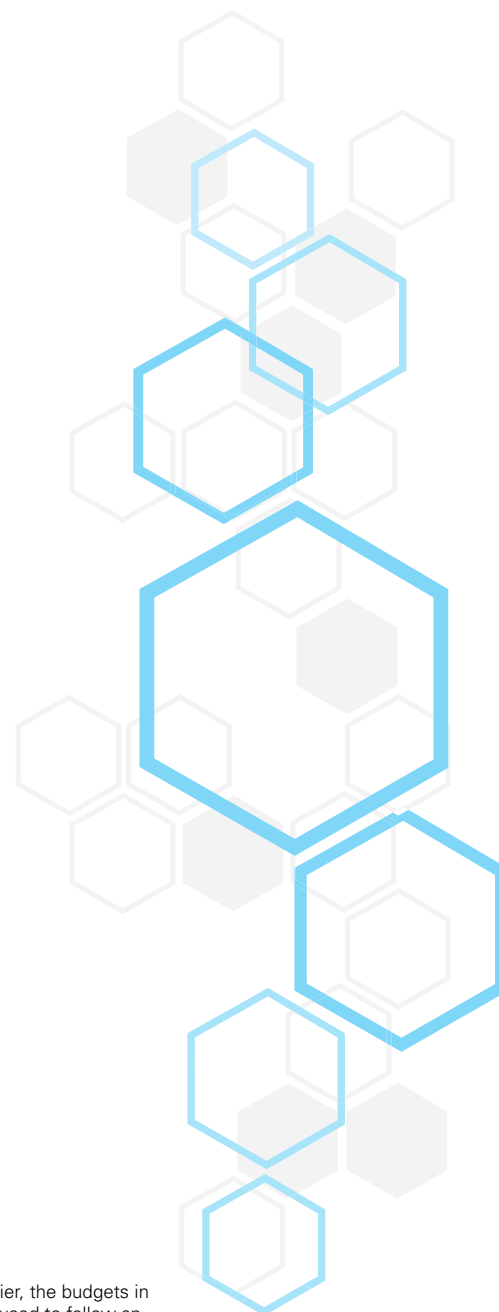
There is another marker that a particular state or analyst can try: differentiating between what is Core and what is Core-Plus for children<sup>14</sup>. Core expenditures are those that are considered to be essential for child while core-plus expenditures include additional expenditures that are important, which improve the efficacy of the core expenditure yet not as essential as core. However, what is essential and what is not is based on subjective judgement, for instance, sports can be in either category. In case the state or the analyst decides to go for these two estimates, then all items need to be tagged for this classification as well and would be guided by their classification of what goes in core and what in core-plus category.



#### Step 4:

#### Scanning the budget codes for the tagged expenditures.

Once the tagging exercise is completed (which can be referred to as master sheet or master document), the budget (of a year) that has to be analysed must be scanned for the tagged codes. This will get us to the child expenditures with different tagging which can be easily extracted, summed, analysed, and interpreted. The possible steps for analysis would be discussed in detail a little later.



<sup>13</sup> Earlier, the budgets in India used to follow an additional classification of plan and non-plan budget/ expenditure depending on whether a particular budget was associated with a new scheme (plan) or an existing expenditure that was considered a maintenance expenditure. However, all plan expenditure was not necessarily capital and all non-plan not revenue as a number of schemes continued to be classified as plan for decades. At that point, it was more challenging to separate revenue and capital for both plan and non-plan heads. But now since the budget documents in India have given up the practice of classifying items using plan and non-plan heads, it is less challenging.

<sup>14</sup> See CBPS (2014) Public Expenditure on Children in Karnataka (cbps.in), and CBPS (2017) Unicef-Karnataka-Policy-Brief\_1-August-2017-High-res-pdf-1.pdf (cbps.in) for the use of core and core plus distribution for public spending on children analysis in Karnataka.

## 8.2

### Additional steps for undertaking CIE-based analysis and arriving at FPEC



#### Step 5:

#### Determination of the proportion of expenditure that can be attributed to children.

This is a lengthy exercise and requires a review of literature if it exists and consultations with respective departments/directorates/ offices. The pointers gathered through these means are used to determine the assumptions that would guide the decision regarding the proportion of expenditure attributed to children for any particular budget head which is meant for both children and adults.

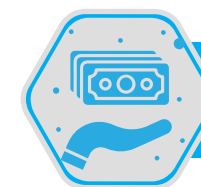
In some cases, the proportion of expenditure can be apportioned using the proportion of children in the total users or target group. For instance, if there is a common head for hostels that are used by both school and college students, the proportion of students in classes 11 and 12, can be used to determine the proportion of expenditure for children in that head. Another example is that of Public Distribution System (PDS) expenditure, where the proportion of children could be taken by using the average family size and proportion of children in the family draw from other sources such as National Sample Survey (NSS) reports.

The details of the apportionment along with the explanation/reasoning used in this analysis needs to be clearly documented.



#### Step 6:

#### Estimation of CIE for different heads/items using the assumptions/proportions arrived at in step 1.



#### Step 7:

#### CSE and CIE are summed up to arrive at the FPEC.

Full Public Expenditure on Children (FPEC) is used for gaining an understanding of the full and entire public spending on children in a particular state or level.

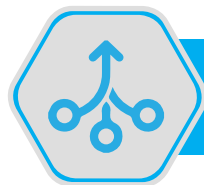


#### Step 8:

#### Tagging the expenditures.

The exercise of tagging the expenditures (i) by sectors (health, education, nutrition, protection, and multiple category that includes expenditure related to sports), (ii) by age group (0-6 years, 6-14 years, and 14-18 years), (iii) nature of expenditure (revenue, capital), (iv) purpose (wage/non-wage), and (v) type of expenditure (direct/indirect expenditure) is to be undertaken in similar manner as was the case for CSE.





### Step 9: Consolidating the analysis.

Once the tagging exercise is completed for CIE as well, the budget (of one year) that has to be analysed has to be scanned for the tagged codes for both CSE and CIE. This will get us to the full child expenditures with different tagging which can be easily extracted, summed, analysed, and interpreted. The following section gives the details of the range of analyses that is possible using this data along and in combination with other sources.

## 8.3 Going beyond budget documents

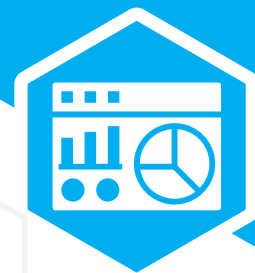
Since the early 1990s, Government of India has been transferring certain amounts of money meant for centrally sponsored schemes through para-statal bodies/state level societies and the same was not reflected in the state budget<sup>15</sup>. Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA), which have now been merged as Samagra Shiksha, and National Health Mission (NHM) are the main examples of such schemes that are run through societies and have expenditures for children. Although unlike older days when the money was directly transferred to the state societies, the union government now transfers the money for these schemes through state budgets; however, there is still an element that remains un-captured. This is because of the rolling nature of these plans, which means that money transferred in a year can remain unutilized and often carries a sizable amount as an interest component as well. Hence, amounts transferred to these societies cannot be always construed as expenditure without going deeper into those accounts.

Therefore, in addition to the state budget, the relevant portion of funds spent through society mode has to be ascertained and included in the estimates. An accurate estimate of expenditure on children, therefore, would require the audited Financial Management Reports (FMR) for this analysis. This pertains to both CSE- and CIE- (and therefore, FPEC) based analyses.



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UNICEF/UN0125858/  
AshutoshSharma

<sup>15</sup> Prior to 2014-15, registered Societies such as Sarva Shiksha Abhiyan (SSA) and State Health Society received Government of India's share directly into their account without going through the state government's treasury and, therefore, remained outside of the state budget. This was changed in 2014-15 and now all transfers from the union government are routed through respective state's budget.



# 9

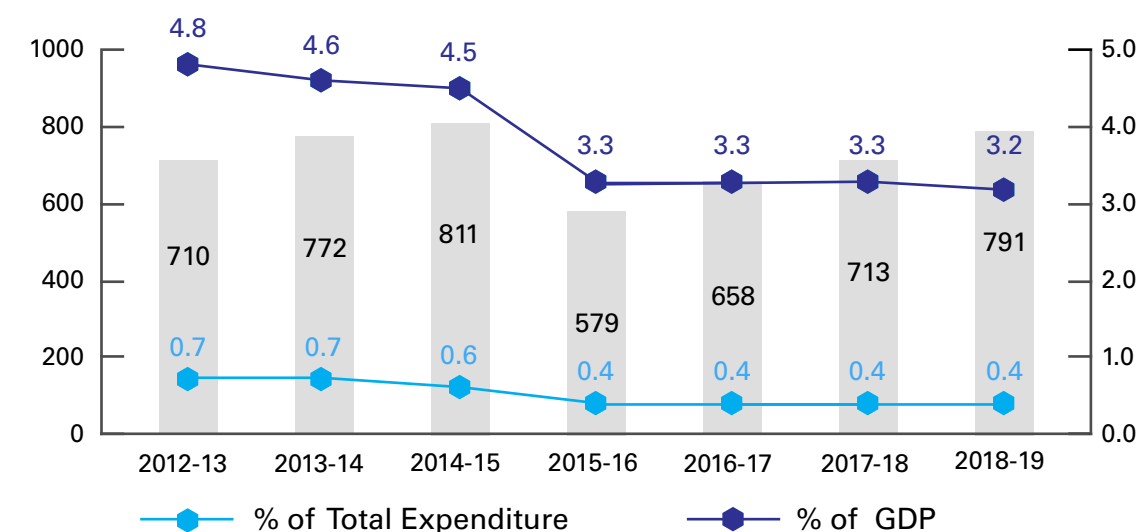
## Deepening the Analysis: From simple to complex

This section contains examples of various kinds of analyses usually conducted with respect to budget and expenditure analysis, and these examples can be extended to the estimation and analysis of public expenditure on children as well.

### 9.1 Priority-based analysis

This is the simplest analysis that can be undertaken even for a single year budget. Based on the tagging across age-groups, sectors, nature, purpose and type of expenditure, the analysis can go into aspects of which group or sector is being prioritised or what type of expenditure (direct/indirect, revenue of capital or wage/non-wage) is being preferred. Exhibit No. 7 presents an example of analysing priority over a period of time, therefore also looking at trends.

Exhibit No. 7: Trend for the budget allocations of Government of India for children (Rs in Billion), as shown in Statement 22/12



Source: Statement 12/22, Government of India (Jha et al., 2019)

### 9.2 The trend analysis

The budget expenditures that are extracted can be analysed for their trends for previous or subsequent years (at any point of time if carried out for more than one year). The trend analysis is important for two reasons:

- It helps in understanding the changes in the priorities (across sector, age-group, or anything else that has been tagged including the source of expenditure—central government or state government) over a period, and
- It also helps in averaging out the sudden spikes or falls for any particular sector or group that is unusual for a particular year for whatever reason.

It is also important to normalise monetary data for (i) inflation, and (ii) population, for gaining a clearer picture. For instance, while Maharashtra has a higher total expenditure on children, it has a lower per-child expenditure as compared to Kerala, which we see when normalised for population. Similarly, real increases in per-child expenditure in both the states are lower than normal increases, which we see when normalised for inflation (Exhibit No. 8).

Exhibit No. 8: Total and Per capita Child Expenditure in Kerala and Maharashtra (Nominal and Real)

Maharashtra	2012-13	2013-14	2014-15	2015-16	2016-17
Total Child Expenditure (Rs in Lakhs)	33,14,748	36,65,930	39,68,971	42,13,856	43,53,452
Total Child Exp (Real) (Rs in Lakhs)	30,83,823	32,25,729	34,39,596	35,21,698	35,22,632
Child Population	3,84,57,718	3,84,26,952	3,83,96,210	3,83,65,493	3,83,34,801
Per Child (Nominal)	8,619	9,540	10,337	10,983	11,356
Per Child (Real)	8,019	8,394	8,958	9,179	9,189
Kerala	2012-13	2013-14	2014-15	2015-16	2016-17
Total Child Expenditure (Rs. in Lakhs)	8,83,779	9,64,979	11,47,667	11,91,323	14,69,031
Total Child Exp (Real) (Rs. in Lakhs)	8,31,007	8,35,787	9,40,311	9,51,438	11,38,550
Child Population	98,68,192	98,04,049	97,40,323	96,77,010	96,14,110
Per Child (Nominal)	8,956	9,843	11,783	12,311	15,280
Per Child (Real)	8,421	8,525	9,654	9,832	11,842

Source: Jha et al, 2019.



Changing Nominal to Real (adjusting for inflation): WHY and HOW

Normalising certain expenditure is important in case of trend analysis. One way of normalising is changing nominal expenditures into real by using a base year and adjusting the monetary changes for inflation. This helps in understanding whether a growth in expenditure is real or just caused by inflation with their purchasing power remaining the same. Similarly, normalising by population helps in comparing per-capita expenditures, which is much more relevant in comparisons as compared to comparing the totals.

To transform a nominal value (current prices) into real terms (for a base year), one needs to use a price index with reference to a base year. The real value tells us what the current value (or purchasing power) of the monetary amount in the current year is with reference to the base year by adjusting it to the decrease in value of money caused by inflation. To arrive at a deflator, the chosen price index is divided by 100 to get a decimal form. The nominal value is divided by the price index in the decimal form) to arrive at the real value with reference to that base year.

Nominal Value

----- = Real Value

Price Index (decimal Form)

The one used most commonly is the Gross State Domestic Product (GSDP) deflator (Ministry of Statistics and Programme Implementation)<http://www.mospi.gov.in/data>. One can also use Consumer Price Index (CPI).



Photo credit © UNICEF/ UN0274927/VinayPanjwani





### Changing Total to Per-capita (adjusting for population size)

It is also important to normalise for population, especially when making inter-state or inter-district or even inter age-groups comparisons. Comparing the total expenditure can be misleading in these respects because of the varying population sizes. Per capita expenditures for respective groups can be calculated using the reference group population for the year and dividing the total expenditure with the population size of this group: child population (0-18 years) of a state or a district; or it can even be population of age groups 0-6 years, 7-14 years or 15-18 groups for intra-group comparison within the 'child population'.

**Total expenditure on children in a state**

----- = **Per child expenditure**

**Child Population in the state**

The most commonly used method of arriving at population figures for a group is through extrapolating the census data using most relevant census for the specific purpose.

### 9.3

### Expenditure tracking: going beyond allocations and expenditure

Expenditure tracking is a tool that tries to analyse the flow of funds from the union or state government's treasury to the final point (e.g., a school or a clinic) where the fund is to be spent. It tries to analyse the amounts that gets spent at different levels (answering the question, 'what finally reaches the lowest level?') and also the time taken in reaching there (answering the question, 'how long does it take to reach the lowest level?'). It helps in identifying points that act as bottlenecks for smooth and faster flow of funds<sup>16</sup>.

Expenditure tracking exercises for particular children-specific schemes can provide useful feedback relating efficiency parameters such as release, utilization, and use-patterns. Civil society organisations often use this tool for advocacy. For instance, Accountability initiative<sup>17</sup> has used this tool successfully to examine the efficiency of education, health, and governance related schemes in different parts of India. This tool is dependent on primary work in the field to collect data at various levels of governance. However, some state governments in India now use sophisticated software that enables such analysis as they capture every point of transfer at every level. If available, the analysis of this data can be very useful for identification of inefficiencies in the system and addressing those to ensure faster and more targeted flows.

<sup>16</sup> International organisations such as The United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Bank, and International Budget Partnerships have resources on these tools that can be referred to.

<sup>17</sup> <https://accountabilityindia.in/>

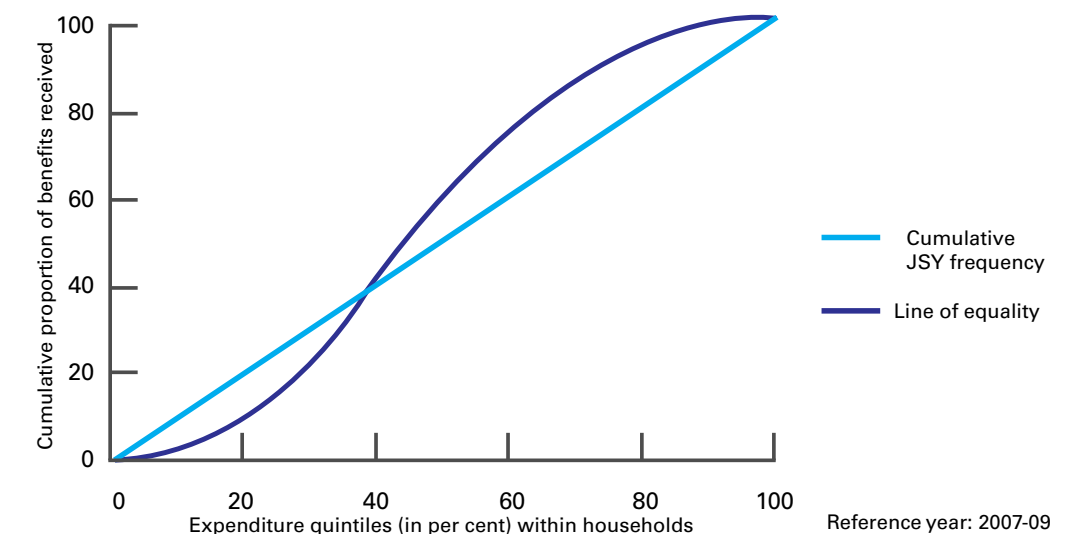
### 9.4

### Matching with the use of public services: examining the policy connects and disconnects

In order to understand and analyse whether the public spending reaches its target groups or not, benefit/ expenditure incidence analysis can be carried out in some cases. The benefit incidence analysis or expenditure incidence analysis is a tool that helps to plot the utilization data from some other sources (i.e., National Sample Survey Organisation [NSSO]) across different groups (i.e., wealth quintiles) by plotting it against the per capita expenditure/unit subsidy and therefore attempts to answer whether the poor are benefitting from public spending or not.

In order to undertake this exercise, first the average per capita expenditure of providing a service or the unit subsidy given in order to provide a service is estimated. This is based on officially reported public spending on the service in question. Then, the users for each type of service are identified and those who use the service are then disaggregated into different sub-groups (as per income/consumption quartiles, wealth index classes) and ranked from poorest to richest in order to compare how the per capita expenditure/unit subsidy is distributed across these groups. Finally, the utilization figure is multiplied with the government's per capita expenditure of provision/unit subsidy to know the amount of public spending on services going to each group.

Exhibit No. 9: Administrative expenditure and Programme expenditure in Education (Odisha state)



Source: Centre for Budget and Policy Studies (CBPS), 2014

In Exhibit No. 9, a concentration curve graph is used to summarise the expenditure pattern. A concentration curve of public spending plots the cumulative proportions of households/individuals, ranked from the poorest to the richest, on the horizontal axis, against the cumulative proportion of benefits received by the household/individual plotted on the vertical axis. Benefit from government spending is said to be pro-poor if the concentration curve is above the line of equality (45-degree line); such a concentration curve results in negative concentration coefficient and if it is concave rather than convex it implies that the particular service is pro-poor (CBPS, 2014).

Moving from fund-flow and use to impact and outcomes, Child Development Index (CDI) can be developed using diverse and relevant set of indicators to gauge what sectors need greater attention and where the progress is satisfactory. For instance, the CBPS analysis suggested that Maharashtra needed to spend more on education to pull up its ranking, while Karnataka's ranking in CDI was pulled down on account of poor performance in nutrition, child marriage, and child sex ratio whereas it was better in education and health. Similarly, the analysis also revealed that that, in general, states that have a higher per child expenditure are also better placed in the indices (Jha et al., 2019).

Such analysis is very helpful in deciding the budget priorities and in making the policy choices. However, the periodicity and authenticity of the data being used for developing the index need to be ascertained. The CBPS Index sources data from reliable sources such as NSSO and National Family Health Survey (NFHS) various rounds but the periodicity of these sources is limited.

This is a futuristic analysis where estimates are made for financial needs to support a particular policy initiative based on norms to be adopted and gaps that exist. This exercise helps in establishing the size of the gap in terms of finances and therefore the need for mobilising additional resources for the said initiative. Such exercises can vary in their scope and emphasis depending on what it is attempting to address. For instance, the Tapas Majumdar Committee Report had undertaken this analysis to estimate the financial implication of making elementary education a fundamental right. This analysis is especially useful in ex-ante CB exercise.

Policy simulations are also futuristic and are conducted to compare policy alternatives for their cost, potential governance challenges and potential outcomes and impact. Although not directly linked, these exercises help in CB process by making these more outcome-focused.

Therefore, a number of ways exist to connect the CB exercise to outcomes, and the list here is not exhaustive. However, what is important here is that it is critical to link the CB exercise to outcomes, and it is also better to adopt such an approach right since the beginning even if the plan is to stagger the steps. It may also be advisable to link this approach to third-tier government, and municipalities as well as panchayats should be required to have a CB exercise. Given that this tier has access to greater untied funds and effective decentralisation, it can address some of the major child-related issues that are also linked with social norms (such as child marriage, nutrition, sex ratio at birth). Such measures are also likely to play a role in making all levels of governance more accountable towards children. The process of CB exercise at all levels can also be made more participatory and collaborative by sharing the research results and seeking ideas as well as evidence for policy prioritising.



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# Part C. Institutionalising the Process: Steps, Challenges and Choices





# 10 Institutionalising the preparation of ex-ante Child Budget: steps and challenges

In order to present an ex-ante CB for the first time, it is very useful to carry out an ex-post CB analysis for one year or a few years. It gives an indication of the gaps and needs that can feed into the preparation of the ex-ante budget document. In subsequent years, an ex-post analysis based on revised estimates against the proposed allocations can also be undertaken to see the shifts in priorities and also identify inefficiencies.

There are SIX important steps for starting the process of CB preparation in a state:



## Step 1: Identification of a nodal agency:

This will be important to ensure accountability and also for capacity building. Depending upon the status in a particular state, this can be either a department (e.g., Department Women and Child Development [WCD] or Department of Planning or Department of Finance) or a technical institution (inside or outside the government).

For instance, Government of Karnataka has identified Fiscal Policy Institute (FPI), which is a government institution, whereas Government of Bihar has identified Asia Development Research Institute (ADRI), which is not a government run institution as nodal agencies for this purpose<sup>18</sup>. The government based nodal agency can also work in collaboration with an external technical partner, if required.

The nodal agency should be responsible not only for preparing the ex-ante Child Budget but also for its analysis in subsequent years and monitoring of expenditure and outcomes in future.

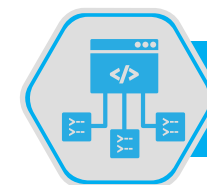


## Step 2: Capacity Building of the Nodal Agency:

This would be important unless the agency itself has prior expertise and exposure to such concepts and processes.

This can take the form of a series of workshops coupled with other modes including handholding. Sharing of experiences of the states with prior experience may also be helpful.

Capacity building should focus not only on preparing the ex-ante CB but also on analysing it in subsequent years and monitoring of expenditure and outcomes in future



## Step 3: Decisions regarding approach and framework:

The Nodal Agency/technical partner and the government can together decide the approach and inform the respective departments and other relevant institutions accordingly. It helps to have clear circulars and push from above for process to move fast and smoothly (Exhibit No. 10).

### Exhibit No. 10: Preparation of Karnataka's first Child Budget 2020-21

The first Child Budget (CB), CB 2020-21, followed a process of identifying and classifying child centric programmes in the state budget by (i) 100% Child Centric Programmes and Non-Programmes, and (ii) less than 100% Child Centric Programmes and Non-Programmes. The preparation of CB was facilitated and coordinated by Fiscal Policy Institute (FPI). The process was as below:



Government of Karnataka (GoK) had decided to prepare the Child Budget (CB) from 2020-21 onwards vide Government Order No. FD 434 Exp-10/2019, dated 27 August 2019.



Child Budget Circular was issued to all departments by Finance Department (Circular No. FD 05 BPE 2019 Dated 16 November 2019). As per this circular, all administrative departments were required to furnish the required information in prescribed formats for all Child Centric Programmes/Schemes and Child Centric Non-Programmes/Non-Schemes under revenue and capital accounts, latest by 30 December 2019. In addition, a separate letter from Additional Chief Secretary and Development Commissioner was sent to all departments (No.ACS&DC/244/2019, dated 07 December 2019) with instructions to provide the prescribed budgetary data and information available in Decision Support System (DSS) software up to Object Heads.



To guide and enable concerned officers in the administrative departments to identify and categorise child centric programmes as per the details sought in prescribed formats in Child Budget Circular, FPI had designed and conducted the capacity and perspective building general and department-specific orientation programmes.



Fiscal Policy Institute (FPI) designed the validation workshops with all departments to officially validate the data and identification and classification of child centric programmes as per details sought in Child Budget Circular.



Preparation of CB was supported by scientific research on public finances for children in Karnataka with inputs from members of Technical Advisory Group. Within FPI, a research team was constituted to provide with policy support to GoK on preparation and policy analyses of CB 2020-21.



The financial support for research for preparation of Child Budget 2020-21 was provided by the UNICEF.

<sup>18</sup> The terms of reference for these two agencies may differ as Asia Development Research Institute (ADRI) in Bihar may function as technical adviser whereas Fiscal Policy Institute (FPI) as a government agency may have a greater role.



Sl. No	Name of the Programme	Department	Date	No. of participants attended		
				Male	Female	Total
1	General Orientation Programme on Preparation of Child Budget Statement.	15 Departments	11 Dec 2019	24	14	38
2	Department Specific Orientation Programme on Preparation of Child Budget Statement.	Health and Family Welfare	24 Dec 2019	2	3	5
3	Department Specific Orientation Programme on Preparation of Child Budget Statement.	Education & Social Welfare Department.	26 Dec 2019	14	2	16
4	Department Specific Orientation Programme on Preparation of Child Budget Statement.	Labour, Kannada and Culture, Home, Transport, Information, Publicity and Youth Services.	27 Dec 2019	12	4	16
5	Department Specific Orientation Programme on Preparation of Child Budget Statement.	Science and Technology, Commerce and Industry, Planning, Urban Development, Food and Civil Supplies, Law, Parliamentary Affairs, Animal Husbandry, Fisheries, and Finance.	27 Dec 2019	13	12	25

Source: Fiscal Policy Institute, Bangalore.



Step 4:  
Child Development. Gap analysis and need assessment:

There are different methodologies that can be adopted for the purpose of understanding needs of children, gaps herein and also the potential of various departments to make provisions for children. The choice would depend on the existing institutional capabilities and time in hand. The two common methods, which can be used either in isolation or in combination, are as below:

- A desk-based review of all available information on child development (reports, papers, newspaper clippings, etc.) to identify the gaps and needs.
- A stakeholders’ workshop with participation of major stakeholders and repository of knowledge about children such as academia, non-governmental organisations, grassroots organisations, and relevant departments.



Step 5:  
Preparing the Child Budget:

The nodal agency and other major stakeholders need to contribute to the process. Although the process can be diverse in different states, a good example would be using the a-priori approach, i.e., taking note of what already exists, in combination with filling the gaps that emerge from the need assessment exercise.

The best approach would be if it can be done at the stage of department itself where all departments are requested and oriented by the nodal agency/ technical partner to identify (i) what they have been doing for different age-groups of children, (ii) what more they can/should be doing in that year, and (iii) how much money would be needed. Alternatively, the Department of Planning/Finance/Nodal Agency can undertake this exercise after the respective departments submit their budget proposals.

It would imply identifying line items for CSE and CIE, and determining the proportions in case of CIE. It would also involve tagging the expenditure for various markers, depending upon the level of detailing the state has decided to go for in that particular year.

Once the CB document is ready, this can be part of the documents presented to the legislature at the time of budget discussions.



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## Preparing an ex-ante Child Budget (CB):

The major steps remain the same in this exercise except that tagging of budget heads and items of expenditure need to be done right at the time of having budget discussions and preparing the budget for tabling in the legislative body. In this case, both Child Specific Expenditure (CSE) and Child Inclusive Expenditure (CIE) expenditure can be identified together to arrive at Full Public Expenditure on Children (FPEC). To reiterate, below are the four steps.

**Step 1:** Identifying the line items/codes relating to child: This step includes identifying line items/codes that are either fully or partly related to child.

**Step 2:** Determination of the proportion of expenditure that can be attributed to children for those heads that are partly related. As discussed earlier, assumptions to determine the proportion can be arrived based on discussions and through use of existing data; in some cases, the proportion of expenditure can be apportioned using the proportion of children in the total users or target group.

**Step 3:** Tagging expenditures related to child to different markers: Only the line items which are related to child (both CSE and CIE) are to be tagged for multiple purposes as below.

- Age group
- Sector
- Revenue/Capital
- Wage/non-wage
- Expenditures relating to wages (salaries, professional services, contractual wages, daily wages)/ non- wage
- State/Centre (source of expenditure)<sup>19</sup>
- Direct/Indirect

**Step 4:** Each department can then separate the budget heads / line items that would constitute CB and also produce analysis by age, sector, purpose, nature, and use of expenditure, and their source.

An ex-ante CB prepared in this manner would be comprehensive and allow its use for monitoring of expenditure by departments and by all other markers for which the same has been tagged. The CB in subsequent years could include a reporting frame where releases against allocations, revised estimates, and expenditure are also presented.



## Step 6:

### Monitoring plan of the Child Budget Expenditure and Outcomes:

It would be essential to include this as a part of the institutionalisation; otherwise, the exercise would run the risk of remaining tokenistic and not making a real difference. This can be done by giving this mandate to the nodal agency/technical partner and identifying a process of monitoring with diverse activities. The activities could include

some or all of these: (i) stakeholders' workshops, (ii) tracking of particular schemes/ sectors in a particular year, (iii) including this item of a priority basis in high-level programmatic follow-ups by the government, (iv) commissioning review studies for selected sectors/schemes, and (v) establishing a feedback loop for information flowing from these channels to the reparation of next year's CB.

Once the process is established, state governments may also choose to pick particular sectors for further analyses through adoption of more sophisticated tools and techniques such as policy simulations exercise to arrive at policy choices for children that are more efficient and effective as described earlier in section 9.



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<sup>19</sup> Given that the states often spend from their kitty and the funds for Centrally Sponsored Schemes (CSS) arrive at a later point, the actual expenditure for a particular year often does not match with the ratio for union:state government (60:40).



# 11

## The Choice of Approach



Different Indian states are in different states of preparedness in terms of preparing CB. There can be two options: (i) CSE-based or (ii) FPEC-based (CSE+CIE). While option two is more comprehensive, it is also more challenging as it involves multiple year trend analyses and calls for the use of specific skill sets. Option one is less challenging although still providing good details that are important for understanding CB. A good approach for most states could be a midway where they adopt a stage-wise approach starting with a limited yet comprehensive exercise and slowly, with better understanding of the method and deeper grip over skills, to take part-expenses as well, and move to option two in a pre-determined time frame of two to three years.



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## Notes

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