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THE COST AND FINANCING OF THE RIGHT TO EDUCATION IN INDIA: CAN WE FILL THE FINANCING GAP?

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The Cost and Financing of the Right to Education in India: Can we fill the financing gap?

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Abstract

India's Parliament passed the Right to Education Act in 2009, which entitles all children 6-14 years old to at least eight years of schooling. This paper examines the cost of achieving this right to education, and asks whether India can fill the financing gap that must be filled if the right is to be realized. The paper notes the very considerable increase in central and state government allocation implied by the Act, and finds that there will be difficulties in finding the resources, given the large fiscal deficit occasioned by the global economic crisis. However, the paper goes on to suggest a series of measures that can be taken so that the right to schooling is no more denied or delayed.

Keywords: elementary education, finance, right to education, costs

1. Introduction

India's population of illiterates in the year 2001 was greater than the total population of the country at the time of independence (1947). The illiterate population of around 350 million was the outcome of policies and funding patterns that prevailed in India from the Second Five Year Plan onwards (1957-62). While the First Five Year Plan had taken serious note of the requirements of elementary education, very soon thereafter higher and technical education began to take precedence over elementary education in policy-makers' priorities. The nation is still paying the price for this monumental lack of vision, and the poor in particular have remained excluded from the fruits of even elementary education. In an already highly socially stratified society, the exclusion from elementary education has been the underlying cause of the mass scale of chronic poverty in the country. It is not surprising that in 2004-5 the number of poor (as estimated by the Planning Commission) is not dissimilar from the number of illiterates in India – 300 million. This is the context that gives urgency to the Right to Education (RTE). India is already half a century too late and behind the constitutional directive to universalize schooling for 6-14 year olds within 10 years from independence.

A 'Right' can be attained in two ways – immediately and progressively. An example of the former is the Right to Information in India (which is enshrined in law since 2005), where except for enacting the various provisions of the 'Right', nothing much needs to be put in place – other than government departments putting in place some procedures to enable the citizen to exercise her right. On the other hand, economic, social and cultural rights fall into the second category, where the State progressively puts in place structures to protect, promote and fulfill the social compact. At no place in the actual publication in the official Gazette is the word 'progressive' utilized, which leads us to infer that RTE has to fall in the first category also. This puts an immediate financing burden on the duty-bearer (i.e., the State). This is the critical point in the debate – where the money will come from. One of main contributions of the paper is to identify these channels, and to set them in the context of the immediatecy argument.

In December, 2002, the Indian Parliament passed the Constitution 86th Amendment Act which mandated the provision of free and compulsory education, by inserting Article 21A in the Fundamental Rights: "the State shall provide free and compulsory education to all children of the age of 6-14 years in such a manner as the State may, by law, determine". Article 21A in the Fundamental Rights chapter replaced Article 45 in the Directive Principles of State Policy: "the State shall endeavour to provide early child-hood care and education for all children until they complete the age of 14 years". But the 86th Constitutional Amendment stipulates that "It shall come into force from such date as the central government may by notification in the Official Gazette, appoint". Unfortunately, this notification was never issued. Therefore, the 86th Constitutional Amendment did not come into force. It is for this reason that the need arose for the Right to Education (RTE) bill.[1]

Many arguments were made in the intervening period (2002-2009) against the need for a RTE Act. For instance, it was suggested that resources have not been an obstacle for some Indian states to provide free and compulsory education. States like Kerala, Himachal Pradesh, Mizoram and Tamil Nadu have already provided universal elementary schooling to a large extent even without legislation like the proposed one and it was argued that other states can also do the same. However, this argument overlooked the large backlog of out-of-school children, especially in certain states, and the fact that the vast number of illiterates in India are geographically concentrated in very poor, northern and the eastern states, with a large population. In fact, Uttar Pradesh (undivided), Bihar (undivided), Madhya Pradesh (undivided) and Maharashtra together accounted for 49per cent of the poor in India in 1993, but by 2004-05, the share of the same territory in the total poor of the country had increased to 58per cent (Planning Commission, 2008). These states will need to give priority to elementary education in their own plans and allocations, but they will also need additional fiscal support from the central government to universalize elementary education. This is key to the achievement of universal elementary education in India, and is a subject we return to later in the paper.

Another argument against the RTE was that the central government should not take over the responsibility for an ever-expanding list of key state subjects such as law and order,

[1]The Bill was introduced in Parliament in the last Session before the 14th Lok Sabha came to an end in April 2009. The Bill was introduced in the Rajya Sabha, and hence it was taken up again when the 15th Lok Sabha met and has since been passed and become an Act of Parliament.

health and education.[2] It was also suggested that if the centre were to go on doing this, state governments would go on with their lopsided prioritizing of populist, not priority programmes. While there is indeed a need for correcting the lopsidedness in state governments' allocations, there is an equal need to incentivise the poorest state to prioritize elementary education and not penalize them for their erstwhile populism in economic and social policy. Such a system of incentivisation should be the responsibility of both the Planning Commission as well as the 13th Finance Commission.[3] We will return to this issue later in the paper.

The real issue that emerges is the following: now that the RTE Bill has become law, will the central and state governments together be able to provide necessary funding to ensure the right of children to free and compulsory education up to class-VIII? The title of the 11th Five Year Plan is Towards Faster and More Inclusive Growth (Planning Commission, 2007), and ensuring better access and retention of children at elementary level is an essential component of inclusive growth. But the fact remains that after five years of fiscal consolidation over 2002-03 to 2007-08, the global financial and economic crisis that began in the third quarter of the year 2008 has resulted in a very sharp deterioration in the fiscal balance of the central government, and to some extent that of all the state governments as well. So much so, the total fiscal deficit to GDP ratio of central and state governments in 2008-09 has exceeded 10 per cent. Under the circumstances, the task of increasing financial allocations for elementary education, as mandated by the RTE, would remain a challenge - especially since allocations are required over and above the Sarva Shiksha Abhiyaan (SSA) allocations - a central government programme for elementary education being implemented by the states.

This paper focuses on the cost and financing of the RTE over the next five year period or so, i.e. until the end of the 12th Five Year Plan (2012-2017). Section 1 of the paper begins by outlining in brief some key provisions of the RTE, to set the context for discussing cost and financing. Section 2 examines the costs of achieving the universalisation of elementary education with adequate levels of quality. It also discusses whether there might be ground for concern on the cost estimates of RTE, especially the possibility of some under-estimation. Section 3 goes on to examine the financing of the RTE. In particular, a critical issue that will arise is that some 85per cent of

[2]The Indian Constitution of 1950 divides subjects into three categories: those on which only the central government can legislate, those on which only the states can do so, and those on which both can do so (the last called the concurrent subjects).

[3]The Planning Commission, the Government of India's ministry for planning, prepares the Five Year Plans of the country, and inter alia, is responsible for allocating central budgetary resources for investment purposes (or Plan funds) for major national priorities as determined in the Five Year Plan. The Finance Commission, constituted every five years only, determines the principles by which tax revenues collected by the central and state governments are divided between the central and state governments. The Finance Commission's resources allocated to states can be used in the manner desired by the states, while the sectoral purpose of the Planning Commission's transfers to states are determined by the central government.

the total elementary education expenditure by all levels of government is undertaken by state governments, and yet state governments will have to rely largely upon central allocations (in addition to their own allocations) to reach the targets required by the norms set in the RTE. In particular, the challenge facing the educationally backward states in the north and east of the country are especially daunting, and there is a special need for them to be enabled and supported to raise their per student elementary education expenditure up to the average level of national per student elementary education expenditure of government.

2. Provisions of the Right to Education Act

We will first discuss the norms and standards for a school laid down in the Act, and then briefly discuss the provisions in the main Act. The schedule appended to the Act lays down the norms and standards for a government elementary school. These relate to pupil-teacher ratio per school as well as infrastructure. The current prevailing pupil-teacher (PT) ratio at primary level in India is 40, but the RTE ambitiously pegs the target PT ratio at 30 for each primary school. In other words, the PT ratio of 30 is not applicable at a block or district level but at the level of each and every school, so that the phenomenon of single or two teacher school (still found in many rural areas) will practically disappear with the implementation of the RTE norms and PT ratio of 30. Second, at upper primary level (classes 6 to 8), the PT ratio should be 35 with at least one teacher per class for Science and Maths, Social Studies and Languages.

Third, in respect of infrastructure, there should be at least one classroom for every teacher, which implies that the age-old though still current phenomenon of two- or three-room schools has to disappear. The school building must also provide for separate toilets for boys and girls, which would bring about a revolutionary change from the position prevailing now. For example, in 2005-06, 45per cent of the primary schools and 15per cent of upper primary schools did not have a toilet. The RTE Act also provides that the school must have safe drinking water facilities, which again would be a remarkable change from the current situation where 15per cent of primary schools and 5per cent of upper primary schools did not have drinking water. Thus, we have found that children in schools (in a village) that do not have drinking water go home to drink water and then do not return to school that day (Mehrotra et al, 2005). The RTE also provides a kitchen where the Mid Day Meal is cooked in the school. In addition, it provides a playground and the need for the school building to have a boundary wall or fencing. All these provisions have very clear cost implications, which we discuss in the next section.

It states that the minimum number of working days should be 200 for primary schools and 220 for upper primary schools. This again is a welcome change from the current prevailing situation where in most states the number of school working days rarely exceeded 180 (Mehrotra et-al, 2005).

In addition to the norms and standards mentioned above, we should also take note of some key provisions in the main draft bill of the RTE. First, the Act provides that children between the ages of 3-6 years should have access to early childhood care and education and indicates that the "appropriate government may make necessary arrangements for providing free pre-school education". This is perhaps one of the weakest clauses of the Act, which clearly under-estimates the importance of pre-school education, and does not even begin to estimate the costs of ensuring pre-school education to all children between 3-6 years.

Second, the Act provides that private unaided schools will be required to admit in class-I, at least 25per cent of the strength of that class, children of weaker sections and disadvantaged groups in the neighbourhood, and offer them free elementary education till its completion. The school will be able to get reimbursement on the basis of per child expenditure from the state. This has been one of the most criticized clauses in the Act, as it has been seen to encourage private schooling, and to entrench the current segmentation in the school system between high-quality private and low-quality government schools. It is also seen as signifying the death-knell of the idea of a 'common school system', as opposed to a segmented one, that has been advocated ever since the Kothari Commission (1964) (Sadagopal, 2009; Dubey, 2009).

Third, the Act ensures that no school can be established without obtaining a certificate of recognition from the government. This is a welcome development from the hitherto situation of large numbers of unrecognized unaided schools proliferating in the country in the private sector.

Fourth, every school will be required to constitute a School Management Committee (SMC) formed by the elected representatives of local authorities, parents of children studying in such a school and teachers. The SMC would hopefully be able to control teacher absences – a well known problem in Indian government schools – overtime.

Fifth, to address the long standing complaint of teachers and guardians that their services are often used for non-educational purposes by the government, the Act provides that their services will not be used for any purposes other than the decennial population census, disaster relief duties or duties relating to elections of the local authorities, state legislatures or parliament.

Areas of Concern in the Act

There are two broad types of concerns with the provisions of the RTE Act. First, there are concerns which do not necessarily have any financial implication. Second, there are those which have financial costs associated with them. We will discuss each in turn.

One of the biggest reasons for the poor learning experience of children in government elementary schools is the very high level of teacher absenteeism. Kremer et-al (2004), in a seminal study for the World Bank based on a representative sample in each of the 20 major states in India, had concluded that teacher absenteeism on average amounted to 24per cent of the total working days in a school calendar year. The most educationally backward states were characterized by even higher levels of absenteeism, with Jharkhand showing the maximum absentee rate of 38per cent, while the southern states had rates usually below 20per cent. What was worrying in that study was that even when teachers were present there was not a great deal of teaching activity going on during classroom hours. Therefore, the real issue is whether the SMC to be instituted by the RTE will have the necessary clout to ensure improvement in this state of affairs. The SMC does not seem to be any different from the already existing village education committees found in every village (gram panchayat) – which are captured by local elites and the teacher, if they function at all. It would be far better if at least the rules that will be formulated (by the Central education ministry) after the passage of the RTE

Act in Parliament will ensure that in future the SMC will be awarded the power to (a) sanction the leave of the teachers when she wishes to be absent; and (b) to sanction the salary release, subject to attendance and performance. In other words, the rules should provide that the teacher should remain an employee of the district administration and will receive his salary from the administration, but neither leave nor salary will be granted until the SMC approves. This kind of measure has the potential of off-setting the power yielded by teacher unions in a state. The original draft bill actually did give SMCs the power to appoint teachers, and made teachers a school-based, rather than a district-based, cadre. They were the only two reforms that were going to reform the teacher accountability/incentive structure, as opposed to most of the input-based reforms that are included in the Act. However, these reforms were dropped from the final version of the bill when it was presented to Parliament.[4]

The Act also compromises further the possibility of improving teacher attendance by requirement of his services for such non-educational purposes as the census, PRI, state and parliament elections, and disaster relief duties. In other words, what is proposed in the Bill is hardly different from the current situation in regard to the diversion of teachers' time for non-teaching duties. Of course, studies that examine teacher absence in detail find that by far the most important reason for teacher absence is personal leave days, and that non-teaching duties account for only a small portion of the total days of teacher's absence from school. This is also confirmed by DISE (District Information System on Education) data which shows that by schools' own self-reporting, only 8-10 days (out of the mandated 220 days) are spent on non-teaching duties. Nevertheless, the fact that teachers are still given no respite from other duties by the government itself, bodes ill for continuous teacher presence in school.

[4]Our information is that the rules also do not make any reference to means to improve teacher presence in schools, and sanction them if teachers absent themselves without adequate reason.

Finally, the Act pays scant attention to pre-school education (PSE). There is overwhelming research evidence on the efficacy of early childhood care and education, which has established that pre-school age children who undergo PSE not only perform better in school but also do better in life. This evidence holds even for children whose parents have had reasonably good education. PSE becomes even more important for children of functionally illiterate parents, who constitute one-third of the total adult population of India. The children of illiterate parents are ill-prepared for entry into primary classes at class I, and hence such poor children often tend to drop out from class 1 and 2. PSE has not been costed in the total cost of achieving universalisation of elementary education. Even though the RTE refers to ages 6 to 14 the fact remains that the retention of children in primary and upper primary school critically depends on their successful preparation for primary school by undergoing PSE. While PSE has been seen in India as belonging to the domain of the Integrated Child Development Scheme (1.2 million ICDS centres exist throughout India), the fact remains that PSE is among most neglected aspects of the ICDS. Therefore, to not cost what it would take to universalize PSE is tantamount to its near total neglect in the Indian school system. To that extent, the cost of achieving universalized elementary education has been underestimated.

There are other issues around the cost and financing of the RTE, which we will turn to in Section 2.

3. The Cost of RTE

The cost of universalization of elementary education, as estimated by the Ministry of Human Resource Development (MHRD), for the five year period from 2010-11 to 2014-15 is Rs. 1.71 lakh crore (or Rs 1710 billion). The detailed break up of the total cost estimate is presented in Table-I.

As currently estimated, the sub total for teacher's salary for the 5-year period comes to an additional cost of around Rs. 56383 crore (or Rs 563.83 billion), which is nearly 32.8per cent of the total additional cost until 2014-15 (see Table-I).

The calculations for financial estimates for teachers' salaries are made with pupil-teacher ratio of 30:1 at the primary and upper primary level. The teacher salaries are the state level salary of Rs. 8400 per month for all teachers at primary level and 80 percent of teachers at upper primary levels, and Rs. 11200 per month for 20 per cent of the upper primary teachers who are Trained Graduate Teachers. These salary levels are arrived at on the basis of revised pay scales as per the Sixth Central Pay Commission.

[5]Given that children who attend government schools in rural areas are among the poorest, the social distance between the teacher and the taught is huge, and it is

[5]Kingdon (2009) discusses how much regular teachers' salaries have increased following 6th Pay Commission recommendations. For example in UP, the starting salary of a teacher rose from 8300 Rs. pm to Rs. 18000 pm, an increase of 115per cent in one go. She also shows that teacher salary as a multiple of state per capita GDP in UP now is 17: 1, i.e. the regular teacher's pay is 17 times the state per capita income.

perhaps one reason why such well paid teachers do not take the education of these poor children seriously.

Table 1: Annual total estimated additional costs from 2010-11 to 2014-15 (Rs. in Crore)

	Non-recurring				Recurring					
	Civil work	Facilities in Schools (non-Recurring)	Mainstreaming Out of school children	Professional training of untrained teachers	Teacher salary	Entitlement and Quality Improvement*	Total	% share of teacher salary	% of non-recurring	% recurring
2010-11	6790	940	3578	602	11159	11810	34879	32	34.15	65.85
2011-12	6790	940	3578	602	11218	11926	35054	32	33.98	66.02
2012-13	6790	940	3578	602	11277	11910	35097	32.13	33.93	66.07
2013-14	6790	940	3578	602	11335	11896	35141	32.26	33.89	66.11
2014-15	6790	940	0	602	11394	11881	31607	36	26.36	73.64
Total	33950	4700	14312	3010	56383	59423	171778	32.8	32.58	67.42

Source: Ministry of Human Resource Developmment, Government of India, New Delhi

Of the entire total estimated additional costs from 2010-11 to 2014-15 civil works account for 19.8per cent (see Table 1) while the share of teacher sa lary is 32.8per cent. In other words, of the total additional cost of the RTE, more than half is accounted for, according to the Ministry, by teacher salaries and civil works. The remaining half of total additional costs of RTE are accounted for by the following: annual maintenance grants to schools (3.4per cent), text books and stationery for children (6.8per cent), school uniform (10.74per cent), integrated education for disabled children (5.96per cent), and mainstreamingout-of-school children (8.33per cent) (see Table 2). Given the very significant nature of recurrent spending requirements (67.42of total additional requirements, including for teacher salaries) to meet the commitments of the RTE Act, the role of the Finance Commission, which is responsible for the devolution of taxes and provision of grants to the States, cannot be under estimated.

3. Financing the RTE

There are several issues which should be discussed before we can say with some degree of certainty that the additional cost requirements to universalize elementary education can be financed. First, on account of the global financial and economic crisis that began in late 2008 there is an increase in the fiscal deficit following the multiple stimuli the central government initiated to ensure economic growth is sustained in 2009-10 and beyond. The current fiscal deficit to GDP ratio of the centre and states taken together stands at over 10per cent. This constitutes a significant deterioration in the fiscal situation from that prevailing in fiscal 2007-08, when the deficit was under 7per cent of GDP. Partly on account of the rapid economic growth in the preceding five years of the 10th Five Year Plan period there was a sharp increase in tax and non-tax revenues, with

Table 2: Components of Cost other than teacher salaries/civil work

Sl. No.	Item	Estimate 2010-11 to 201 4-15	% to total	Details.
1	Annual Maintenance Grants to Schools	5847	3.4	Grants every year for (a) maintenance of infrastructure and equipment (Rs. 10,000 per primary only and upper primary only school s); (b) Sports and Co-curricular activities (); and (c) Community-based monitoring research and evaluation
2	Provision of Text books, note - books and stationery for children	11700	6.8	Text-books (Rs. 150 per primary school student and R s. 200 per UP school student per annum) for 75% of children
3	School uniform for children	18452	10.74	50% of students to be given 2 sets of school uniform per year (200 per child per year per set)
4	Integrated education for disabled children	10241	5.96	Including home -based education for severely disabled
5	**Mainstreaming Out-of-School Children (Total)**	14312	8.33	(i) Residential courses @ Rs. 10000/- per child per annum (ii) Non-residential courses @ Rs. 3000/- per child per annum

Source: Ministry of Human Resource Development, Government of India, New Delhi

the result that total revenues in 2007-08 stood at 20.5per cent of GDP, for centre and state together, which is quite unprecedented in India' fiscal history. In addition, the discipline imposed on both centre and states by the Fiscal Responsibility and Budget Maintenance Act and their equivalent Acts in 20 states, had also resulted in reduction in the fiscal deficit over time. But these two processes have been compromised by the global and financial crisis. The result will be that there will be fewer resources available to all levels of government just when there would be an increase in the requirements for elementary education on account of the RTE.

There may be another constraint on fiscal resources, arising from the demands of higher levels of education. Thus, the 11th Plan had already increased allocation for secondary education by a factor of 12.8 in nominal prices (as the central government initiated a national programme to universalize secondary education during the 11th Plan period), and for higher education by a factor of five as compared to the 10th plan period. This significant increase in commitments over the 11th plan for secondary and tertiary levels of education will naturally put a downward pressure upon the requirements of elementary education in plan funding. In fact, over the last few years a strong case had been made in government circles for increasing public funding for secondary and tertiary education. Reference was often made to China, which has 20per cent of its relevant age-cohort in higher education. However, China's secondary-level enrolment is 74per cent as against 57per cent in India. Its literacy rate is 91per cent as against 64per cent for India. Its pupil-teacher ratio at primary level is 19:1, as against 40:1 in India. It will be difficult to attain 20per cent enrolment in higher education in India if we can not ensure full coverage of all children aged 6-14 in elementary school, and simultaneously ensure an increase in the completion rate at elementary level – thus raising the transition rate to secondary education.

As the RTE has become law there will be no choice but to find the resources to meet the norms and standards laid down in the RTE Act. However, apart from the pressures arising from the national fiscal deficit, there is an additional issue: the centre and the states will need to arrive at some agreement on the share of the increased fiscal burden between the federal government and the state governments. In addition, there will have to be some clarity within the centre about the respective role of the Planning Commission and that of the 13th Finance Commission. The simple answer to the question of the respective responsibilities of the Planning Commission and the 13th Finance Commission is that non-plan expenditure (consisting mostly of recurrent expenditures) would remain the responsibility of the Finance Commission, while the Planning Commission will ensure that plan funds to meet to the cost of civil works will be ensured by the Planning Commission. We return to this issue later.

For good or for ill, we have a distinction in India's classification of expenditure which is unique to our country: between plan and non-plan. Plan expenditure has been defined as that which focuses on new schemes/new projects/new extensions to currently running schemes. As the 11th Plan document notes, this distinction has become 'dysfunctional' and 'illogical', because of two reasons: one, it results in the neglect of maintenance of existing capacity and service levels, and two, it has created the perception that non-plan expenditure is wasteful and has to be minimized. This distinction has increasingly become untenable, since the ban on recruitment for non-plan posts, which are especially important for sectors like education and health, has caused irreparable damage to the quality of service delivery over the last few decades. Nevertheless, we shall side-step this dysfunctionality of the distinction between plan and non-plan expenditure, for the purposes of this paper – since the current system still recognizes it, and until it is abolished, 'planning' will have to continue on the basis of this distinction. This distinction is of relevance for the expenditure requirements of elementary education.

Three-fourths of total plan expenditure on elementary education is accounted for by the central government, and the remaining one-fourth comes from state governments[6] (Tilak, 2009); in fact, the state governments must provide their share of the planned resources in order to receive the allocation from the central government. Most additional expenditure that we have referred to in the previous section on costs of RTE would fall under the Plan category. The issue that will then arise is: will the States meet those plan expenditures, or the Centre will? Given that three-fourths of the total plan expenditure

[6]During the 10th Plan, 65per cent of States' total plan resources were derived from States' own resources (i.e. the balance from current revenues, resources of public sector enterprises and borrowings), and the remaining 35per cent from central assistance for States' plan spending (Planning Commission, 2008, chap 3, vol 1).

on elementary education is met by the central government (as we noted above), the States' expectation will be that the Centre will meet the additional expenditure mostly on its own, since the RTE is a Central government legislation.

That this will be a terrain full of contention between the Centre and the States can be anticipated from the contentious nature of the division of funding responsibility that Sarva Shiksha Abhiyaan (SSA) has proved to be in the recent past. During the 9th Plan, the central:state sharing arrangement for expenditure on elementary education was 85:15, (i.e. for SSA), which changed to 75:25 during the 10th Plan, and after much debate it was agreed that over the 11th Plan the Centre's share would taper down from 65:35 to 50:50 in the final year of the Plan (2011-12).

Almost all (99per cent, according to Tilak, 2009) of the non-plan expenditure on elementary education is undertaken by State governments. Most of this expenditure is, of course, on teacher salaries. It is unlikely that the 15per cent additional costs on teacher salaries (see previous section) for the RTE will have to be met by State governments from non-plan funds. It will almost certainly come from the central government under plan funds. However, the fact remains that even for plan funds for elementary education, we have seen that three-fourths of that is met by the central government. In fact, for plan and non-plan expenditure together, the share of the central government in total elementary education (by centre and states together) increased from 11per cent in 2001-2 to 27per cent in 2007-8, while the share of the State governments fell accordingly (Tilak, 2009). Yet, there is no question that the absolute increase in both plan and non-plan expenditure as a result of the RTE will mean that the States will have to increase their expenditures under the non-plan head. In any case, States do have to meet one-fourth of plan expenditure, so that head of expenditure will also increase.

The central government's share of plan funding for elementary education has been increasing steadily. The central government's funds for elementary education come from two sources: the education cess, which is an ear-marked 'tax-on-income tax', which goes straight into the ear-marked Fund for Elementary Education (or Prarambhik Shiksha Kosh); and Gross Budgetary Support, which is sourced from the general revenues of the central government. The contributions from the education cess have been increasing over the last few years (2006/7 to 2008/9), with the cess accounting for 53per cent, 66per cent and 59per cent respectively in the three years of central government's allocation for the Sarva Shiksha Abhiyaan (elementary education) (CPR Budget Briefs 2009/10).[7] One will have to wait to see whether the Central government decides to increase the cess to replenish the Fund for Elementary Education to meet the costs of RTE, or simply rely upon an increase of general revenues.

[7]The Sarva Shiksha Abhiyan and the Mid day Meal (MDM) given to school children at elementary level together account for 97per cent of the central government's elementary education expenditure. For MDM, the education cess contributed 45per cent, 54per cent and 36per cent of total central funds, while the remainder of MDM funds came from gross budgetary support in those same years.

The biggest area of concern remains: how will the States, especially the educationally backward States, meet their obligations under the RTE?The difficulty arises from the fact that the 12th Finance Commission covering the period 2005-10, managed to disappoint the educationally backward states. A major reason for the poor educational performance of the northern and the eastern states has been the much lower per student expenditure at elementary level compared to the national average.[8] The Finance Commission, which makes allocations to States in the form of grants as well as devolves tax revenues to them, could only ensure that over 2005-10 barely 10per cent of the gap between per student elementary education expenditure of backward states and the national average was met from earmarked grants. It is absolutely critical, therefore, that at least in respect of non-plan spending this gap is completely filled by the recommendations of the 13th Finance Commission. That would mean that the earmarked grants for elementary education over the period 2010 to 2015 should increase significantly.

Table 3: Utilisation of SSA funds by Educationally Backward States

Sl. No.	States	2005-06		2006-07		2007-08		2008-09		2009-10	Total (2005-10)
		1	2	3	4	5	6	7	8	9	10
		Allotted	Released	Allotted	Released	Allotted	Released	Allotted	Released (as on 29.09.08)	Allotted	Allotted
1	Assam	183.20	183.20	200.60	200.60	219.66	109.83	240.53	120.27	263.38	1107.37
2	Bihar	443.99	443.99	486.17	486.17	532.36	266.18	582.93	291.47	638.31	2683.76
3	Jharkhjand	107.82	107.82	118.06	59.03	129.28	66.64	141.56	70.78	155.01	651.73
4	M.P.	76.03	76.03	83.25	83.25	91.16	91.16	99.82	49.91	109.30	459.56
5	Orissa	53.49	53.46	58.57	58.57	64.13	64.13	70.22	35.11	76.89	323.30
6	Rajasthan	20.00	20.00	20.00	20.00	20.00	10.00	20.00	10.00	20.00	100.00
7	U.P.	736.87	736.87	806.87	806.87	883.52	441.76	967.45	483.73	1059.36	4454.07
8	W.B.	64.83	64.83	70.99	35.50	77.73	38.86	85.11	42.56	93.20	391.86
	Total	1686.23	1653.79	1844.51	1749.99	2017.84	1088.56	2207.62	1103.81	2415.45	10171.65

Source: Ministry of Human Resource Development, Government of India, New Delhi

A final issue relates to States' capacity to absorb the resources. The problem can be illustrated by examining the relationship or ratio of expenditure to allocation for SSA, and the ratio of expenditure to releases for SSA. SSA is implemented by the State Implementation Society through its state and district level officers. There are major delays in the release of funds from the Central and State governments to the implementing agency. For all states taken together, the expenditure-allocation ratio in 2006/7 was 70per cent, or 30per cent of funds remained unspent. The expenditure-release ratio in 2007/8 was 78per cent for all States, so 22per cent of funds released to the Societies were unspent. Table 4 shows that in 2007/8, for most of the educationally backward States, the expenditure-release ratio was much worse than 78per cent. In other words, even if the financing was available, there will still issues around the

[8]Some of the literature shows that per pupil expenditure shows no relationship with student learning (e.g. Hanushek (2003) in the Economic Journal provides evidence from a large number of developing and developed countries).

capacity of the weakest states, which account for most children out of school, to absorb the funds available.

Government finance is not the only source of potential financing for the RTE. There are other sources. First, since 1990 the Government of India has accepted external finance for elementary education. Given that the fiscal deficit of the Centre and the States has increased significantly after the global economic crisis (beginning 2008), India may well have to think hard about external sources of finance. Since 2008, India is no more a low income country under the World Bank classification, and hence not eligible for the soft-loan window of the multilateral financial institutions. In other words, just as the needs of elementary education for increased funding have increased, two new constraints have emerged: the increased fiscal deficit which cannot be increased further without causing macro-economic instability, and the closure of the soft-loan window for external finance. In fact, we know that during the 11th Five Year Plan, there was a sudden and sharp increase in expenditure on infrastructure and on rural development as part of the fiscal stimulus to increase domestic investment and consumption demand as well as to counteract the effects of the fall in external demand. The automatic squeeze effect of this fiscal stimulus has been felt, and will continue to be felt in the two big ticket items in the 11th Plan: health and education, since these are the two sectors that had witnessed the greatest increase in allocations at the beginning of the Plan period (i.e. 2007). Hence, India may well have to consider approaching the major bilateral donors for increased finance for elementary education, to partially address the financing gap.

Data confirm the rapidly rising trend in the real value of aid for education throughout the 1990s, with some variation since 2002/3 (Colclough and De, 2009).[9] On the other hand, when expressed as a proportion of development expenditure in the sector, its role has been much more substantial, increasing from 5 per cent of central government plan expenditure on education in 1993-94 to 20per cent in 2000-01 (Tilak 2008). The proportion is considerably higher for elementary education, where aid was concentrated, increasing from 10per cent to 35per cent over those years. This implies that aid donors have been financing a very significant part of the development costs of elementary education expenditures in India over many years, as Colclough and De (2009) rightly note. It is now time for India to prepare to increase bilateral borrowing for elementary education. Servicing these loans will be relatively easy for India, given its large foreign exchange reserves, which have hardly been dented by the global crisis. Multilateral funding can also still be explored, since there is a transition period after a country ceases to be a low-income country,[10] instead of merely relying upon borrowing from bilaterals.

[9]When compared to the total volume of public spending on education in India, foreign aid to the sector is very small. For example, in 2002-3 when external aid was roughly at its height, aid was equivalent to only 1.5per cent of total education expenditure and to 3per cent of expenditure on elementary education.

[10]In other words, India is still permitted to borrow from the World Bank's International Development Agency and the Asian Development Bank, on the softer terms applicable to low-income countries, rather than the harder terms applicable to middle-income countries (a category to which India now belongs).

A second method of finding additional resources for meeting RTE requirements is private-public partnership. There is now a new-found emphasis in the last few years on private-public partnership (PPP) in the social sectors. If there is a resource constraint, government will need to find new ways to relax the financial constraint upon itself. There have so far not been many examples of PPP in education, especially not in elementary education. However, we cannot continue to be ideologically opposed to PPP in education, where it is feasible, and where the objective of equity is not undermined.

A third method of finding additional resources would be, as the central Ministry for Human Resource Development has also suggested, that the proposed National Education Finance Corporation should finance school education as well as government local bodies to increase enrolment and improve infrastructure. An earlier proposal was for the Corporation to finance only higher education but the Ministry has suggested that funding of the Right to Education (i.e. school education) should also be included in the mandate of the National Education Finance Corporation. The mandate of the Corporation will be directly finance educational institutions recognized under law and finance any government or local body for increasing enrolment. The Corporation could also grant loans to any scheduled public sector bank by way of refinance for establishment, development or promotion of educational institutions. An institute with 25per cent project cost sourced from donations or contributions will get a loan at concessional rates. Also, it is proposed that for setting up educational institutes in backward areas, loans would be cheaper. Such lending or refinancing by the Corporation would only amount to additionality for the elementary education funding envelope if the Corporation was to raise finances from the capital market, rather than from government sources.

Finally, the Finance Minister has announced that part of the proceeds from disinvestment in major public sector enterprises will be set aside for the next three years (2010-13) for meeting the infrastructure costs of social sector projects. This allocation should also help in part meeting the additional costs resulting from the RTE.

Concluding Remarks

We have expressed a number of concerns about the content of the Right to Education Act itself in this paper – even though we remain staunch supporters of the Act. Notwithstanding these concerns, and even if the issues we have raised in this paper around the cost estimates are resolved, there will still remain serious unresolved issues around the financing of the RTE. Just as the requirements of funding will increase for elementary education, thanks to the passage of the RTE Act, the resource constraints have tightened. If the Thirteenth Finance Commission is unable to meet the gap between backward states and the national mean for per student elementary education expenditure, the objectives of the RTE will remain unrealized. In any case, the central government will need to think hard about finding external resources for elementary education, in addition to exploring the possibilities for private-public partnership. In addition, the central government has announced that for the next three years (2010-2013) funds generated from disinvestment of major public sector enterprises will be partly put aside for infrastructure investments in the social sector; however, the issue remains whether this allocation alone will suffice to meet the additional costs of RTE-based infrastructure. Finally, the pressure to re-think the plan/non-plan distinction itself will become greater, as we indicated in this paper, given that an overwhelming proportion (about 90per cent) of government expenditure on elementary education is devoted to teacher salaries.

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