Under-financing education and the rise of the private sector: the case of India

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The post-2015 global education agenda is being framed within a crisis of funding. The more impassioned among us may even call it a scandal. Six out of 10 bilateral donors to basic education cut their aid between 2010 and 2011, which has reportedly stagnated since (UNESCO, 2013).

As a result, what was reported to be a $USD 16 billion annual funding gap for basic education just three years prior (in 2010), has risen to $26 billion if we are to reach the goal of universal elementary education by 2015 (UNESCO, 2014b). Just six days of military expenditure by rich countries could have closed the earlier $USD 16 billion gap (UNESCO, 2011).
Furthermore, while UNESCO’s 2013/2014 Education for All (EFA) Global Monitoring Report recommends an allocation of 6% of GNP for education, only 27% (41 of 150) of countries with available data currently spend as much (UNESCO, 2014b, p. 113). Despite the fact that education budgets have increased in most countries over the span of EFA, 25 countries spent less than 3% of GNP on education in 2010 — some of these have further reduced spending (e.g. Bangladesh, Pakistan) (UNESCO, 2014b). In 2009, education accounted for just 2% of humanitarian aid, despite the fact that nearly 50% of out-of-school children lived in conflict-affected or fragile contexts (UNESCO, 2011, p. 204) — and 21 developing countries spent more on the military than on education (UNESCO, 2011).

Within this global context, this paper provides a brief analysis of the public financing of education in South Asia, highlighting the trend in India over the span of EFA (i.e. from 2000 until the latest data available). Results show a chronic under-financing of education despite increased macro-economic growth during this time.

The paper argues that the logic of ‘scarce resources’ has been used to mobilise increased action by private non-state actors in education, in parallel (perhaps, seemingly paradoxically) with a concerted programme for universal elementary education, Sarva Shiksha Abhiyan (SSA) from 2000, and the newly legislated Right of Children to Free and Compulsory Education, 2009 (RTE Act). The paper finds that concerns for political expediency led to under-financing of the RTE Act in favour of increased private sector engagement, presumed to meet additional capacity. Increased private non-state engagement was encouraged by macro-planning processes and frameworks that were enthusiastic about such involvement, particularly through public-private partnerships (PPPs). This has led to the emergence and increased engagement of ‘new/non-traditional’ private non-state actors in education. There may be ensuing tensions regarding the roles that the private non-state sector can play in view of the legal compulsions of the RTE Act.

Public expenditure in South Asia on education is no more promising than the global scenario. Over the span of EFA, we see relatively low levels of education expenditure as a proportion of GDP in the region, with the exception of Bhutan, the Maldives, and an upward trend in Nepal (Figure 1). The Maldives consistently spent between 5%-7% during this time, and is the only country to meet the 6% GDP figure as an average expenditure (Table 1). Though Bhutan outspent Nepal in absolute terms, averaging at 5.35%, there has been an overall decrease from 5.51% in 2000 and its peak at 7.08% in 2005, to 4.65% in 2011.

We see a steady decline in the already low levels of education expenditure in Bangladesh post-2007, Pakistan post-2008, and Sri Lanka post-2009. These countries’ average public expenditures hovered at around 2% between 2000 and 2012. Finally, India’s public expenditure stagnated at around 3%, averaging at 3.38% during this time (Table 3). Most worryingly, it is important to note that between them, India and Pakistan are projected to account for 23% of all out-of-school children in the world in 2015.
India’s education expenditure: insufficient political will or scarce resources?

India’s low public expenditure on education is difficult to explain. Post-independence, the Kothari Commission (1964-1966) proposed a common school system along with a phased increase in public spending for education to 6% of GDP by 1985. This has never materialised, and continues in the post-EFA period (Table 2).
Table 2: Education Expenditure in India as a Proportion of GDP, 2000-2012

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<tbody>
<tr>
<td>India</td>
<td>4.25</td>
<td>N/A</td>
<td>N/A</td>
<td>3.55</td>
<td>3.29</td>
<td>3.13</td>
<td>3.09</td>
<td>N/A</td>
<td>N/A</td>
<td>3.21</td>
<td>3.32</td>
<td>3.17</td>
<td>N/A</td>
</tr>
<tr>
<td>Average (2000-2012)</td>
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<td>3.38</td>
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SOURCE: UNESCO INSTITUTE FOR STATISTICS (UIS) DATA TABLES, 2014

Traditionally, the argument of scarce resources has been used to justify low allocations of public resources to education. However, this argument is difficult to justify as India has seen an economic boom since 2000. Both the Tenth and Eleventh Plan periods saw substantive macro-economic growth rates (Planning Commission, 2005; 2006). Furthermore, India was widely reported as being cushioned from the global economic crisis, and while growth has slowed in recent years, it is still reported as being between 4-5%.

There is, thus, wide discontent on the low levels of government expenditure on education. Scholars have argued that there is a serious lack of political will and commitment at the highest levels (Kumar, 2008; Rao, 2002; Tilak, 2010). Elsewhere, I argue that international agencies and domestic governments (including India’s) use the argument of scarce resources to mobilise increased action from private non-state actors in elementary education, despite EFA commitments (Srivastava, 2010). This is relevant in the Indian context as explained below.

The rise of private sector engagement alongside frameworks for universal education

In 2000, the Government of India launched SSA, its flagship programme for universal elementary education, originally meant to run until 2010. With the passing of the RTE Act, effective as of 2010, the SSA entered a second phase to universalise elementary education in view of the Act (see Little, 2010; Srivastava et al., 2013).

SSA’s main thrust was meant to significantly expand government initiatives for achieving elementary education. While there has been government sector expansion, there was also substantial growth in private schooling (including low-fee private schooling) as well as an increased number of PPPs during the first decade of SSA (Srivastava et al., 2013). This was despite the fact that SSA vision documents did not explicitly articulate a role for the private sector in expanding access.

The private sector’s role in achieving universal access is also contested regarding the RTE Act. At the centre of the debate is the state subsidisation of private schools. Private unaided schools are compelled to allocate 25% of their places in Class 1 for free to socially and economically disadvantaged children until they complete elementary education (Section 12(1)(c), Government of India, 2009). Schools are meant to be reimbursed according to per child state expenditure or the tuition fee charged at the school, whichever is less.
Proponents claim that the free seats provision is an equity measure aimed at opening up a highly stratified school system to disadvantaged children. In the best case, it is meant to provide them with the chance to access the most desirable private schools, though initial data indicate otherwise (Noronha & Srivastava, 2013). Opponents have long argued that such initiatives, coupled with increased decentralisation strategies and weakened government structures, divert much-needed resources and funds from the already under-resourced state sector, which the majority of children, particularly the poorest and most marginalised, actually access (Kumar, 2008; Tilak 2007). The underlying view is that ‘governments find it convenient to use decentralisation [and privatisation] as a mechanism of abdication of its own responsibilities of educating the people’ (Tilak, 2007, p. 3874).

Despite these criticisms, and the commitment to EFA in India in principle, the role for the private non-state sector has increased. I argue that this has been facilitated by concerns for political expedience in nominally achieving EFA and in legislating the RTE Act, and a parallel macro-planning policy process that is generally supportive of the private sector and PPPs in education. Action is predicated on a logic of intervention that rests on viewing the private sector as meeting additional capacity. These themes are explained further below.

**Political expedience: under-financing the RTE Act**

Our recent field study on the early phase of implementation of the RTE Act uncovered that financial concessions were made in policy backrooms regarding the full costs (Srivastava & Noronha, 2014). Working committees tasked with providing technical financial estimates were asked to reduce initial estimates to figures that were more ‘politically acceptable’ or ‘palatable’ for fear that the RTE Act (then a bill) would not be passed, and even if it were, would not be implemented.

Interviewees involved in background drafting processes and in direct implementation of the Act were not convinced that this was in response to genuine resource constraints. The results of this underestimation are being felt. Post-enactment, early financial analyses indicate the need for additional monies to fulfil the Act’s provisions from Rs. 1710 billion to Rs. 2310 billion (Economic Times Bureau, 2010).

**Accepted logic of intervention: private sector to meet additional capacity**

The presumed role of the private sector in meeting additional capacity had a determining role in under-financing the RTE Act (Srivastava & Noronha, 2014). The guiding logic was that an expanding private sector would account for additional capacity to meet the needs of out-of-school children, and thus, should be further ‘encouraged’. There was strong contestation and debate within technical committees on this. They highlighted that financial estimates were already calculated on a residual basis, i.e. estimates had taken into account the numbers of students absorbed in the private sector and existing government capacity, and figures were based on the net number of out-of-school children. Nonetheless, political expedience prevailed.
Our analysis of existing data indicates some further concerns regarding the potential of the private sector to achieve equitable access. Education rounds from the National Sample Survey Organisation (NSSO) household survey data showed a large increase in combined private aided and private unaided sector participation between 1995-1996 (pre-SSA) and 2007-2008 (during SSA).

However, the gap between male and female students in rural and urban areas also increased at primary (up to Class 5) and upper-primary levels (typically, Class 6-8) in 2007-2008, compared to the earlier period. NSSO data for 2007-2008 also showed that children belonging to scheduled caste and scheduled tribe groups were over-represented in government schools, and under-represented in private aided and unaided sectors (Srivastava et al., 2013).

**Enthusiasm for PPPs in macro-planning policy processes**

Analysis of the Tenth, Eleventh, and Twelfth Five-Year Plans shows an increased focus on private non-state actors in each subsequent Plan through an undefined mechanism of ‘PPP mode’ (Srivastava, 2010; Srivastava et al., 2013). The Twelfth Plan further saw the creation of the Working Group on Private Sector Participation and Public Private Partnership in School Education for the background planning process, whose role was to outline the parameters for ‘promoting public private cooperation and involvement’.

Increased private sector involvement in education was an extension of introducing PPPs in social sectors. Proposed strategies in the plans strongly link PPPs in education with privatisation, and further, posit a diminished role for the state in education financing, management, and regulation, despite assertions to the contrary in Plan documents. While the Eleventh Plan’s rhetoric surrounding PPPs and private actors in social sectors and education was more tentative and shrouded around discussion of increased public sector involvement, the Twelfth Plan approach was much more explicit. Notably, in elementary education, the Twelfth Plan Approach Paper positions the 25% free seats provision of the RTE Act — which remains a controversial clause — as the impetus to ostensibly remove entry barriers for further expanding the private sector.

Noting potential controversy in increasing private sector engagement in social sectors, the Eleventh Plan Approach Paper suggested a public relations exercise to garner public support to ‘make PPPs acceptable’ and ‘create credible PPP projects that evoke a positive public response’ (Planning Commission 2006b, p. 41). The Twelfth Plan explicitly acknowledges the debate: ‘Resort to PPPs in the social sector often raises concerns about the commercialisation of services that are normally expected to be provided free or highly subsidised’ (Planning Commission, 2012, p. 18), and notes that ‘these are important concerns’ (Planning Commission, 2012, p. 18). It nonetheless proposes ‘extending the concept of PPP to social...sector projects’ (Planning Commission, 2012, p. 18), including in education.

The tentativeness of increased private non-state action and PPPs raised by the PPP Working Group is muted in the final Plan documents. While the PPP Working Group saw the need for increased private and public resources to meet RTE commitments, it also outlined a number of associated risks with PPPs in education that do not appear in the final Twelfth Plan.
Emergence of new/non-traditional private non-state sector engagement

New/non-traditional private non-sector actors (e.g. corporates, think tanks, venture philanthropy, private foundations, corporate foundations, consulting firms, etc.) and their engagement in education, including by actors with commercial or for-profit motives (Nambissan & Ball, 2010), have increased. This engagement has been facilitated by the broader PPP discourse and macro-planning frameworks, which incorporate diverse entities, from not-for-profit NGOs to national and multinational corporations, private foundations, sometimes established by corporations, and international NGOs, and bilateral, multilateral, and UN agencies.

Newer PPP initiatives include school construction, management, school adoption and model school programmes, investment in low-fee private schools, and computer-aided learning initiatives, among others (Table 3). Corporations establishing partnerships as part of their corporate social responsibility (CSR) initiatives, and a growing and increasingly diverse philanthropic sector are particularly important in the Indian context. CSR initiatives in education may increase further, as the recently legislated Companies Act, 2013 requires all companies earning above a specified threshold to allocate 2% of their earnings to CSR (Section 135(5), Government of India, 2013).

Education is reported as claiming the top share of philanthropic giving in India (Bain & Company, 2012; Hurun Report, 2013; Mangaleswaran & Venkataraman, 2013; Sheth & Singhal, 2011). A total of Rs. 12.2 crore (Rs. 122 million) was estimated as being donated by the top 10 donors in 2012-2013 (Hurun Report, 2013). The sector is diverse. Private foundations like the Bharti Foundation and Azim Premji Foundation, relatively newer entrants, operate alongside older, more established foundations like the Sir Ratan Tata Trust, and international corporate foundations like Hewlett and MasterCard.

Table 3: Examples of PPP Initiatives in Elementary Education in India in Recent Years 2000-2012

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Providers</th>
<th>Time Period</th>
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<tbody>
<tr>
<td>Learning enhancement for students through technology</td>
<td>Educomp, Intel, IBM, Education Initiatives, Central Square Foundation, Azim Premji Foundation, GMR Varadalakshmi Foundation</td>
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<td>(CAL)</td>
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<td>2000-2005 2006-2012</td>
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<tr>
<td>Learning enhancement for students through technology -</td>
<td>Intel, Microsoft, Azim Premji Foundation, Educomp</td>
<td>30 7</td>
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<tr>
<td>teacher training</td>
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<tr>
<td>Assessment</td>
<td>Education initiatives, Rajiv Shiksha Mission, UNICEF, NUEPA, CIIL, HBCSE, University of Michigan, ICICI Bank Foundation, Municipal Corporation of Greater Mumbai, World Bank, Harvard University, Azim Premji Foundation, UNMCT (Torrent) Ltd. CSR initiative</td>
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<tr>
<td>Mid-day Meal Scheme</td>
<td>Naandi Foundation, GMR Varadalakshmi Foundation</td>
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<tr>
<td>Adopt-a-school</td>
<td>Bharti Foundation</td>
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<tr>
<td>Pedagogic support (curriculum development, teacher training support, and provision of teaching-learning material)</td>
<td>ICICI Foundation, Sir Ratan Tata Trust, Care India, Eklavya, Bodh, Rashtrireeya Vidyalaya Educational Consortium (RVEC), Muskaan (Bhopal), SRF Foundation, GMR Varadalakshmi Foundation</td>
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<tr>
<td>Learning enhancement – specific skill/subject</td>
<td>Azim Premji Foundation, Pratham</td>
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<td>Capacity building of school management committees (SMC), District Institutes of Education and Training (DIET), Block Resource Centres, and RTE-related issues</td>
<td>Sir Ratan Tata Trust, Oxfam, Bodh, Lokmitra, Samavesh, Save the Children</td>
<td></td>
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<tr>
<td>Residential schools</td>
<td>Bodh</td>
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**NOTE: ORIGINAL DATA COMPiled FROM STATE AND ORGANISATIONAL WEBSITES**

Source: Reproduced from Srivastava et al., 2013

**Budding tension? The RTE Act’s compulsions and private non-state action**

While on the one hand the emphasis on PPPs and the private schooling sector has increased during SSA and currently, the RTE Act has altered the arrangements that are possible, particularly regarding NGO initiatives. NGOs traditionally provided non-formal education activities for vulnerable populations as substitutes to formal provision. This was encouraged as a strategic objective under SSA, but is no longer viable under the RTE Act.
Similarly, the operation of unrecognised schools, partly attributed in the literature to a laissez-faire attitude under SSA to expand school numbers, is also no longer possible. It is, thus, crucial to address the viability of various private sector activities in education against the spirit of the RTE Act and its legal compulsions, and consider appropriate arrangements.

Nonetheless, while earlier, there was relatively strong NGO and CSO involvement, the range and numbers of initiatives by the private commercial sector has increased towards the end of SSA and post-RTE. However, such private non-state sector engagement is unmapped, and the terrain is vast. The lack of clear frameworks, both for RTE implementation and for private non-state sector engagement in education, in addition to inaccurate and incomplete data sources on such initiatives, provide little clarity on the role of the main providers and the scope of their contributions.

There is also little information on the exact nature of partnerships between different private non-state actors and government and other public bodies, or on the ways in which different providers facilitate or implement particular services. Finally, there is little understanding on the provisions for monitoring and evaluating this engagement, crucial in a context of rapidly increasing numbers of PPPs, and in view of legal compulsions of the RTE Act. These issues, and above all, the chronic under-financing of education must be urgently addressed if quality universal elementary education is to be a reality for the millions of children in India.

BIBLIOGRAPHY


NOTES

1. These were: United States, France, Japan, Norway, Netherlands, and Canada. The United Kingdom, Germany, Australia, and Sweden increased aid to education.

2. This paper used the official World Bank regional grouping for South Asia as comprising: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.


4. Private aided schools are privately managed but substantially financed by the government to meet recurrent costs. Private unaided schools are independently owned, managed, and financed. The latter would be considered closer to the ‘pure’ private sector.

INDEX

Mots-clés: financement de l’éducation, financement public de l’éducation, secteur privé, dépenses publiques

Geographical index: Asie du Sud, Inde

Palabras claves: financiación de la educación, gasto público, financiación pública de la educación, sector privado

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