

Pakistan Education Budget Analysis

Highlights from 2009-2010



Campaign for Quality Education



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Social and Policy Sciences

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Preface

This report has been produced by the Campaign for Quality Education (CQE) in collaboration with the Institute of Social and Policy Studies (I-SAPS) and is part of an on-going initiative to improve education in Pakistan. The purpose of this particular report is to advocate for an important, yet often ignored, aspect of providing quality education, that is improving budgeting of the education sector. The analysis concentrates on education budgets of the Federal and all provincial governments for three fiscal years – 2007-08 to 2009-10.

Prioritizing education in public expenditure is a complex issue. The financing structure of education in Pakistan indicates that the government is the biggest investor in the sector. However, the government faces many challenges in allocating budgets and, while it may claim to support education, it is not always able to put this in practice. Budgeting for the education sector in Pakistan remains problematic at two levels a) at the stage of resource allocation as an outcome of the budgeting process and financial planning mechanisms; and b) at the stage of resource utilization as an outcome of the planning process and capacity to undertake utilization/expenditures.

By specifically analyzing the federal and provincial education budgets for 2008-09 and 2009-10, based on the findings from both the *Pre and Post Budget Dialogues on Education* held jointly by CQE and I-SAPS in 2008 and 2009, we gain insight into government priorities, while at the same time collect information that can be useful for campaigning for and influencing budget work. However, the analysis is limited in its scope in as much as it focuses only on the federal and three provincial education budgets; it does not cover an analysis of district budgets¹.

The education budget 2009-10 has now been reviewed to draw inferences related to issues that focus on irrationality of resource allocation by highlighting inadequacy of research funds, bias towards higher education, insufficient allocation of funds, predisposition towards non-development expenditure, in addition to an array of misplaced priorities. It also highlights the low rate of utilization of funds in the education sector.

The audience of this document is primarily the civil society, parliamentarians and donor agencies looking to increase funding in this sector or bringing out reforms with regards to improving financial management of the education sector. This document is also useful at a time when development aid is on the rise in Pakistan. By highlighting the issues of the lack of effective and appropriate resource allocation for the education sector, the donors and governments alike can re-adjust their objectives or reform agendas to account for the factors brought forth through this report.

¹ ISAPS and CQE have undertaken a similar analysis of the district budget of Haripur in a separate report. Moreover, the provincial education budget of Balochistan is not covered in the analysis, because the budget books are not available.

Analysis of the Federal & Provincial Education Budget 2009-10

As citizens, and as advocates for quality education for all children in our country, it is important that we understand and be able to critique the federal and provincial budgets. This brief has been developed on the basis of analysis shared earlier by ISAPS and CQE pertaining to the FYs 2009-10 and 2008-09 federal and provincial budgets for education.

The brief aims to help readers critically review the new budget particularly in terms of a) Resource allocations by analyzing federal and provincial level priorities and rationality of sub-sectoral allocations, and b) Resource utilizations by looking at trends in expenditure. Specifically, we hope to encourage a focus on:

1. Adequacy of budgetary allocations
2. Preference given to the education sector in terms of allocations
3. The government's response in meeting educational needs
4. Equity in resource allocation in terms of geographical expanse across provinces
5. Efficiency in public expenditure essentially measuring the rate of utilization
6. Effectiveness of public expenditure including development and non-development expenditure

The purpose of the following brief is to articulate demand for effective public spending on education by highlighting key issues in allocations and spending at the Federal and Provincial levels.

Resource Allocations

Education as a Priority in the Federal and National Budget

Allocation of appropriate and sufficient finances is the real demonstration of commitment of any government to quality education for all children. Recently, there have also been announcements to increase public spending on education from the existing level of 2.3% to 4% of the Gross Domestic Product (GDP) (Ministry of Education, 2008). However, the actual allocations in the past years show a different picture (refer to Figure 1.1).

Figure 1.1 Education Low as a National Priority

- Education expenditure as a percentage of GDP fell from 2.47% in 2007-08 to 2.10% in 2008-09
- Per capita spending on education decreased from Rs 304 (USD 3.8) in 2007-08 to Rs 300 (USD 3.75) in 2008-09
- Share of foreign assistance in the federal education budget decreased from Rs 460 mil in 2007-08 to Rs 116 mil in 2008-09 to Rs 84 mil in 2009-10.
- Allocated federal level budget for 2009-10 is 29% higher than last year

In view of official figures, the total budget allocation for the education sector has been on the rise. In absolute terms, the budgetary allocations for the education sector have increased from Rs 70 billion in 1999-2000 to Rs 216 billion in 2006-07 (Akram & Khan, 2007) indicating, at least, a three-fold increase in expenditure on education over the last seven years. However, the available education budgets show a low priority, overall the share of education in total federal budget has decreased since 2007-08 (refer to Figure 1.2).

A close observation of 2009-10 education figures clearly shows that increase in budgetary allocations fall far from equaling the rhetoric. A decrease in education's share in the federal budget may be a matter of concern if it is not compensated for by an overall increase in the national budget for education. A low increase therefore reflects low priority of the government for the education sector.

Figure 1.2 Declining Share of Education in the Federal Budget

- The share of education, as a percentage of the federal budget, fell from 2.77% in 2007-08 to 2.27% in 2009-10
- Federal education budget for 2008-09 registered an increase of merely 0.9% over the previous years' budget whereas 2009-10 federal budget saw an increase of 29% over 2008-09's budget
- Decrease in federal government's development budget for education over 2007-08 by 0.89%. However 2009-10's budget saw an increase of 26% over previous year's budget
- The development plan for 2007-08 proposed an allocation of PKR 24.6 billion for the education sector and of the total funds for the Ministries allocated to education sector constituted only 6.6%.

More financial and human resources are continuously required due to the high demand for quality education and the need for expanding enrolment. Official documents recognize that the implementation of all education reforms and plan of actions involve huge financial resources which put a heavy burden on resource constrained countries like Pakistan, with its limited and meager resource base. Yet it is evident that Education for All (EFA), Millennium Development Goals (MDG) and Poverty Reduction Strategy Paper (PRSP) targets cannot be achieved if the current level of budgetary allocations (both current and development) is maintained. Further, in order to furnish resources to fill this gap, the assistance of international development partners for financial support is inevitable and extremely essential.

The figures from the education budget 2009-10 mentioned above clearly show a departure from the commitment to improving education and enhancing investments in education as a majority of the budget is for current expenditure and is used for higher education. The modest increases in the education budget, both current and development, do not reflect either the government's determination to meeting the international targets or adequate understanding of the returns to social investment, including education as an important tool for achieving and sustaining economic growth.

Misplaced Priorities

The low levels of budgetary allocations are compounded by irrational division of these resources to appropriate targets. The more daunting task, however, remains the assurance of an amicable division of resources and appropriate and justified allocation to each sub-sector. The absence of a systemic planning process and a verifiable and credible information system is resulting in ill-considered allocation decisions. The cost of such irrational and incremental allocation choices and misplaced priorities, mainly due to lack of concrete data on education outcomes and finances, can be particularly high, especially when the resource levels are already. Some examples have been provided in Figure 1.3.

Figure 1.3: Examples of Misplaced Priorities & Inconsistencies

- Federal government financial assistance for private educational institutions is increasing rapidly; tripling since 2007-08 – from Rs 38.5 million in 2007-8 to Rs 146.22 million in 2009-10
- Federal government allocated Rs 1.5 billion to a private sector university for establishing its engineering school when huge investments are already being made for new engineering universities in the public sector and despite criticism allocation in 2009-10 rose from Rs 50 million to Rs 125 million.
- Education Division is spending a sizeable proportion (Rs 8.2 billion) of its development budget 2009-10 on establishment of 25 cadet colleges that amounts to 21.2% of the Federal Development Education Budget, when a very small number of cadet college graduates actually join the army.
- Several adult literacy programs launched in the past, were under financed, planned and launched in haste, implemented without effective monitoring, and closed abruptly due to administrative or political changes. The utilization for funds allocated for literacy stood at 15% in 2008-09 and for 2009-10 funding for literacy was curtailed.
- Allocation for administrative costs in the Punjab, almost 19%, of total budgetary allocations in 2008-09, also remain unjustifiably high
- In Sindh, the budgetary resources for private sector have been tripled from 1.6% (Rs.323 million) in 2008-09 to 4.3% (Rs.959 million) of total provincial education budget in 2009-10, thus according high priority to the promotion of private sector educational institutions.

Another important example is that limited amounts of research funds have been made available with various government research organizations. Thus they can contribute little to planning and innovation in education if they do not have sufficient resources at their disposal for research and surveys (refer to Figure 1.4 for further details).

Figure 1.4: Limited Research Funds

- Academy for Education Planning and Management (AEPAM) received PKR 22.35 million in 2009-10, an increase from 16.55 million in 2008-09 for salaries of its staff, but only PKR 0.5 million (since 2007-08) for research survey and exploratory operations - one of its core requirements for planning and management
- National Education Management Information System (NEMIS) was allocated PKR 3.22 in 2009-10, an increase from 2.69 million in 2008-09 for salaries. However a major cut in “Project Pre-investment Analysis” with a decrease from Rs.0.2 million in 2008-09 to Rs.0.05 million in 2009-10
- National Education Assessment System (NEAS) receives no budget in 2009-10 and depends only on current budget (Rs.13 million). One consequence of this dependence is that little resources are available for performing the core functions which involves research and large-scale surveys.

Provincial Allocations

The relative share of the provinces remains comparatively constant with the Punjab, the largest province, being allocated the largest share of the education budget, followed by Sindh, NWFP and Balochistan respectively (refer to Figures 1.5 and 1.6).

Figure 1.5: Provincial Share in Total Government Spending

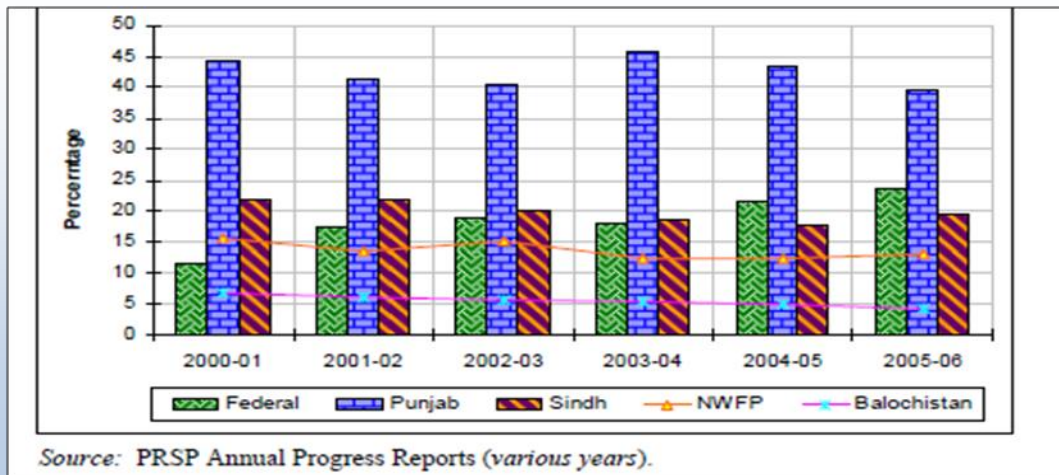


Figure 1.6: Inequity in Provincial Allocations

- Punjab continues to receive the highest proportion (13%) of the total development federal education budget, followed by Balochistan (12%), NWFP (9%) and Sindh (5%).
- On the other hand funding for other national programs and AJK, FANA, and so on has remained the same at 52%.
- The percentage of development budget received by Sindh is the lowest standing at 3% for 2009-10, in comparison to other provinces this is unjustifiably low.

The level of development varies greatly for each province. Therefore it is critically important that this level of development, rather than share of population and a backwardness index², is considered as a central factor on which the size of provincial allocations is determined. Basing allocation of funds on the basis of population and a backwardness index does not ensure that NWFP and Balochistan receive adequate funds.

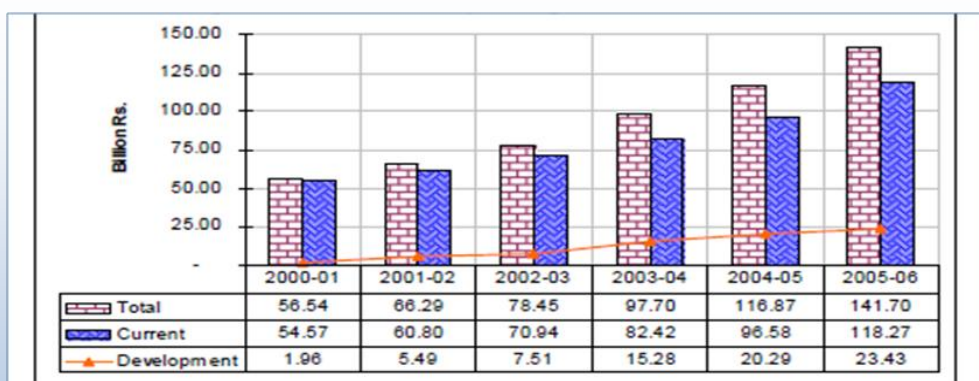
Development versus Current Funds

Even though the development expenditure has been increasing over the years, the increase in current expenditure has been significantly higher and more substantial. For 2008-09, both NWFP and the Punjab

² The index like a deprivation index is a weighted average of service delivery and infrastructure indicators, and calculated in a manner that the higher it is, the less developed was the jurisdiction.

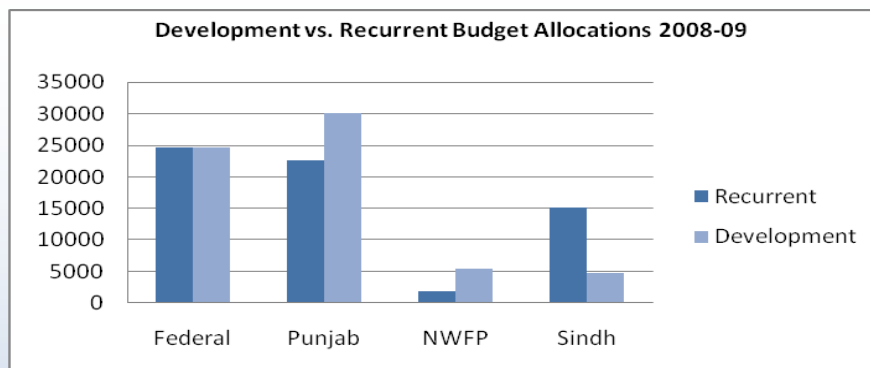
have been allocated a proportionately higher amount for development expenditures. Experience of past spending suggests that development funds tend to be the most underutilized portion of the budget. Therefore, it is more useful to analyze *revised estimates* (actual expenditure) instead of *budget estimates* (allocated amount). Figure 1.7 shows the trends in utilization of development allocations from FY 2000-01 to FY 2000-06.

Figure 1.7: Government Spending on Education-Current vs. Development



Source: PRSP Annual Progress Reports (various years).

Figure 1.8: Bias towards Current Budgets

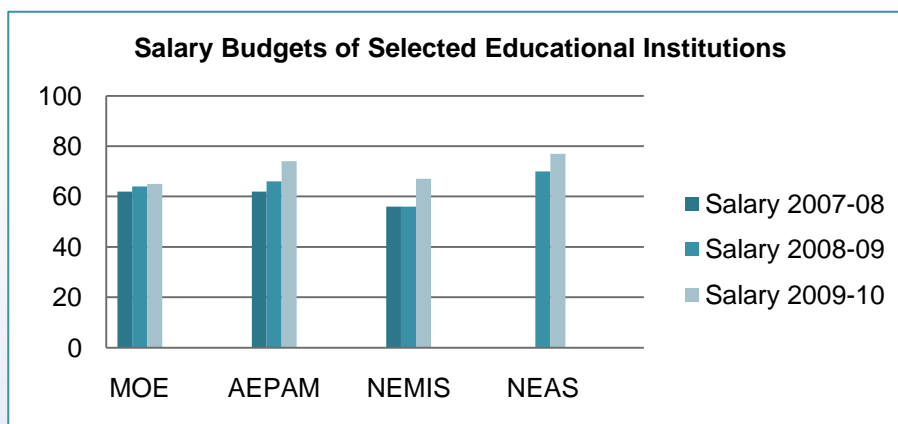


- The size of current budget has been increasing consecutively for the last three years – 43% of total education budget in 2007-08, 44% in 2008-09 and 45% in 2009-10
- In 2009-10, increase in current budget (32%) was larger than development budget (26%) while the ratio of current to development budget remained at 45:55
- In Punjab, education development budget 2009-10 has been slashed by 13% which indicates a decline in political commitment of the provincial government for development of education sector
- In Sindh, although the share of development expenditure in total education budget grew from 15% in 2007-08 to 24% in 2008-09 and 27% in 2009-10, it is the current budget which received higher priority, as 73% of the total education budget went to salaries and other recurring expenditure

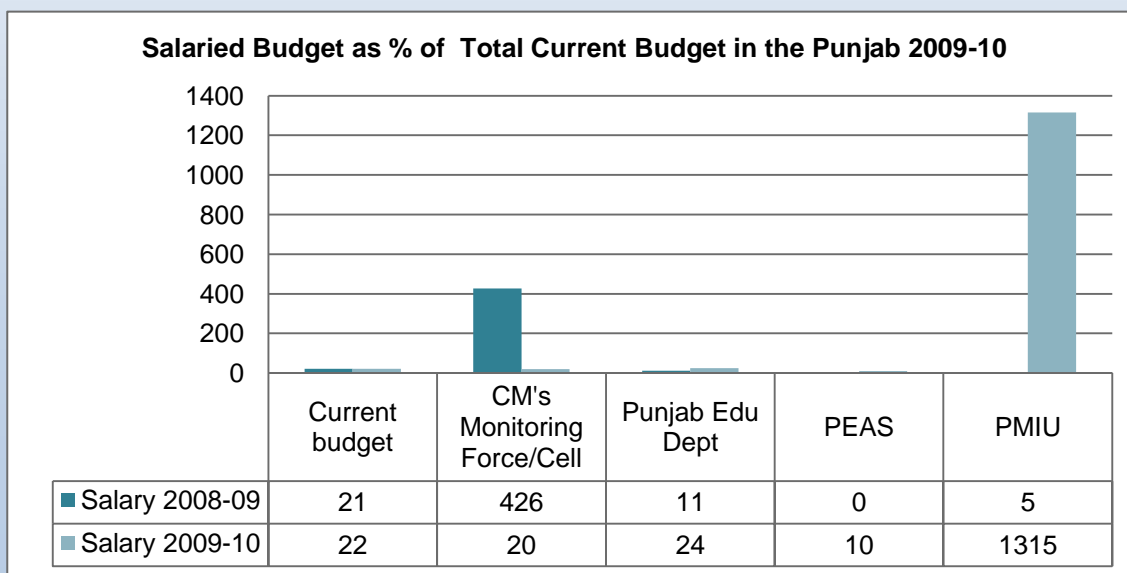
Furthermore, even within current budgets there is a clear bias for salary as opposed to non-salary expenditure. Figures from the Punjab for FY 2008-09 are representative of a general malaise that afflicts other provincial budgets as well (refer to Figure 1.9)

Figure 1.9: Bias towards Salary in the Current Education Budget

It is clear that a significant proportion of the current budget is spent on salaried expenditure. In most instances, percentage of salary budget is higher in both 2008-09 and 2009-10 over 2007-08



Similar observations can be made for Punjab, the salary budget as a percentage of total current budget has been increasing from 21% in 2007-08 to 22% in 2009-10. In comparison, non-salary budget has been slashed by 6% and 25% during the same period.



Thus, an analysis of sub-sectoral allocations within the education budget clearly reveals a mismatch between the gaps and the resources available. From the above discussion, it follows that there is a historical trend of allocating a significant proportion of the education funds for current (non-

development) expenditures. This trend tells us that we are virtually spending nothing on things that are likely to improve the quality of education. With the predominant chunk of allocations going into salaries alone, we are left with meager amounts to maintain schools or to invest in providing textbooks and other instructional materials to students.

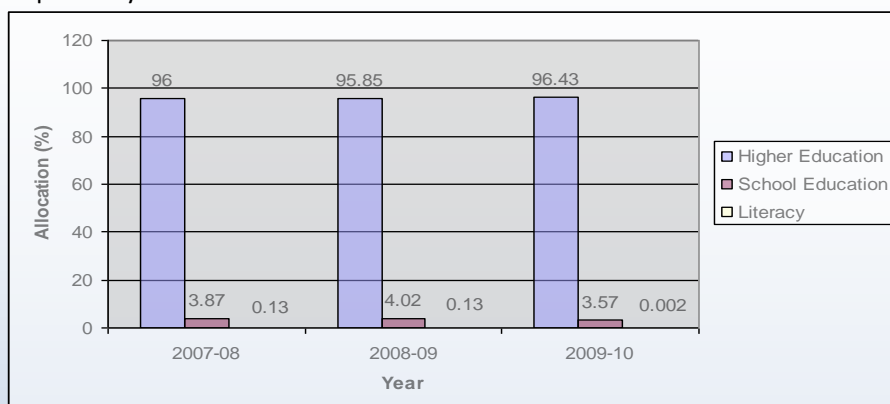
Sectoral Allocations

Higher Education

In the 2009-10 and 2008-09 Federal Education Budgets, the allocations show a preferred level of funding to higher education, which needs to be examined for its effects (refer to Figure 1.10 for details). There is a need to analyze whether within this sector the priorities of the federal government are rational.

Figure 1.10: Skewed Allocation towards Higher Education

- Higher education (including colleges) receives the largest chunk of allocations followed by school education and adult literacy, in 2009-10 the proportional shares were 96.43%, 3.57% and 0.002%, respectively



- The highest proportion of increase (82%) in the federal education budget 2009-10 has gone to higher education, as Rs 10.23 billion has been added to its budget.
- Most of federal education budget has been allocated to the HEC (79%) up from 68.53% in 2008-09 despite the fact that its project satisfaction rate two years ago, according to Commission's own estimates, was 46%.
- Development budget for HEC increased by 25% in 2009-10 up from almost 73% in 2008-09 and the highest allocation of the current budget was also for HEC at 64%.
- Out of 334 ongoing schemes in 2008-09, 260 schemes were being implemented by the HEC. In 2009-10 the total number of HEC schemes stands at 358. Out of this number, allocations have been made even for 112 unapproved schemes, indicating the haste with which development schemes for higher education are budgeted.

Given that HEC schemes are mostly concerned with strengthening existing universities, faculty development, research facilities, establishment of new science and technology universities, provision of infrastructure, scholarships and so on, higher education is being favored at the expense of basic education schemes that increase literacy, improve access to schooling, in-service training, and enhance and improve outcomes of basic education. This beckons an inquiry into or a reassessment of activities these funds are being directed towards. There is ample evidence suggesting an unsatisfactory

performance of a high percentage of HEC projects whereas non-lapsable funds available with the HEC may have been better spent elsewhere.

The allocations to higher education sector in general need to be examined for their effects on the sector as a whole, given that schools for the underprivileged are also competing for the same funds. Furthermore, cadet colleges also cater for a privileged middle class minority and any investments on creation of such colleges do not reflect a pro-poor orientation (refer to Figure 1.11). It is a matter of trepidation that the Education Division puts such a high priority on these colleges. There is an urgent need to reconsider this policy in order to efficiently use the budgetary allocations.

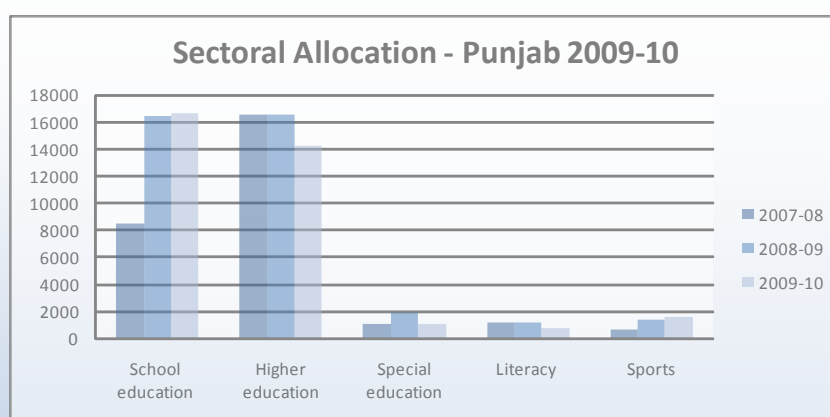
Figure 1.11: High Investments in Cadet Colleges

- Total cost of 25 cadet colleges is estimated at Rs 8.2 billion spread over several years, equal to Education Division’s entire development budget for a year.
- Expenditure of the development budget on cadet colleges has always been disproportionately high, as huge amounts of financial resources have been earmarked for their establishment within provinces, with the expenditure amounting to 13.8% of the PSDP for the FY 2008-09. In 2009-10, Rs 1.8 billion has been allocated against this cost.
- No new scheme in Balochistan had been introduced except federal government cadet colleges and HEC schemes in 2008-09

Sectoral Priorities

Apart from a heavy bias towards higher education, the area of special education has remained a largely ignored area of social service delivery in Pakistan. Special education lacks basic infrastructure and human resources; in the absence these there is limited absorptive capacity of funds allocated to this sector. Figure 1.12 provides an overview of other priorities with regard to sectoral allocations.

Figure 1.12: Sectoral Priorities in Education Budget



- The order of priorities remains unchanged in 2009-10, Government of Punjab allocated the largest share of the development budget on school education (63%) followed by higher education (23%), special education (4%), sports (6%) and literacy (4%)
- The size of budgets for higher education and literacy has been reduced from Rs.16.54 billion to Rs.14.28 billion, and Rs.1.2 billion to Rs.725 million, respectively, over the allocations for 2007-08.

Examination of the sub-sectoral share of the education budget across different levels of education in all the four provinces between 2000-01 and 2005-06 (refer to Figure 1.13) shows that at federal level most of the budget share is inclined towards college and universities and professional education, with this share increasing over the years. Expenditure on primary and secondary education is proportionally higher at the provincial level but has remained steady over the years.

On average, slightly more than half of the education budget, at the national level, goes to primary education, whilst the remainder is distributed evenly between secondary and other levels. These percentages differ between provinces. Punjab allocates the highest proportion (over 65%) to primary education whereas Balochistan allocates less than half of its education budget to primary education (UNESCO, 2008).

Figure 1.13: Percentage Share in Education by Level of Education & Provinces

	Federal	Punjab	Sindh	NWFP	Balochistan	Percentage Pakistan
2000-01						
Primary Education	15.58	56.97	48.39	47.69	41.82	47.79
Secondary Education	17.28	26.55	30.56	36.92	31.09	28.27
College and Universities	33.17	9.12	8.58	7.65	5.04	11.30
Professional	25.34	4.11	5.59	5.10	9.20	7.41
2001-02						
Primary Education	9.09	56.41	46.62	35.52	36.75	32.65
Secondary Education	10.78	24.9	32.25	32.32	28.32	28.51
College and Universities	29.44	9.39	8.55	6.01	7.70	14.71
Professional	28.82	5.83	7.24	5.10	8.59	10.21
2002-03						
Primary Education	8.79	57.54	45.72	41.55	36.75	42.4
Secondary Education	11.94	24.27	33.81	35.73	28.32	25.81
College and Universities	46.59	9.77	9.23	3.09	8.43	15.52
Professional	16.92	5.17	6.36	3.42	11.86	7.73
2003-04						
Primary Education	7.83	60.14	43.08	44.88	34.88	44.32
Secondary Education	10.25	21.35	32.61	38.52	29.66	24.00
College and Universities	50.81	7.30	8.26	7.14	6.83	15.27
Professional	13.76	4.65	6.11	4.93	7.37	6.74
2004-05						
Primary Education	11.46	57.6	42.91	45.84	30.66	42.18
Secondary Education	8.81	21.56	33.41	41.3	24.44	23.46
College and Universities	28.70	7.88	8.93	6.22	6.35	12.31
Professional	40.54	4.49	6.85	4.97	7.79	12.97
2005-06						
Primary Education	5.47	55.06	39.73	45.71	30.43	37.99
Secondary Education	7.82	23.18	32.87	41.14	26.85	23.89
College and Universities	59.10	8.73	10.29	6.17	6.93	20.62
Professional	13.12	5.17	6.13	5.31	9.79	7.47

Improvements in tertiary education are nonetheless pertinent to improving basic education, as the supply of good teachers is essential for raising the education standards. Perhaps college level education has been ignored by policymakers in Pakistan and not been on the list of priorities for either the governments or the HEC. However, in the absence or inadequacy of even the basic infrastructure as complementary inputs for primary and secondary education, a sound teaching staff would not be able to achieve much. Therefore, it is important to highlight that it is not possible to ensure significant and sustained quality reform in basic education unless there is a clear recognition of the nexus between basic and higher education.

Resource Utilization

Thus far we have considered the ways in which the budgetary allocations are either low, or irrational. In this section, we will examine the problems with actual spending. One of the most important distinctions budget analysts can make is to differentiate between *budgeted* spending (what government officials commit to spend when they enact the budget) and *actual* spending (the amounts that are actually spent during course of the year), referred to in budget documents as *budget estimates* and *revised estimates* respectively. While it is often easier to analyze *budgeted* spending, what really matters is *actual* spending, and would be at the heart of any education budget tracking or monitoring system. Estimates range from 20% to 30% of allocated funds remaining unutilized (Ministry of Education, 2009), the underlying causes for which may lie in the lack of a planning culture and/or capacity and weaknesses in accountability mechanisms.

An overview of the federal and provincial budgets from 2007-08 to 2009-10 indicates that poor spending capacities continue to forestall the potential impact of budgetary allocations. The analysis reveals significant differences between allocations and the actual expenditure (refer to Figure 1.14).

Figure 1.14: Low Rates of Utilization

Category	Utilization as % of Allocation	
	2007-08	2008-09
Total education budget	93	92
Current budget	100	100
Development budget	87	85
School education	92	94
Higher education (incl colleges)	96	94
Literacy	62	15
Ministry of Education	78	79
HEC (all)	97	95
HEC current budget for univ programs	100	57
Stipends and scholarships	100	100

- Utilization of the education budget in 2008-09 has declined by 1% (from 93% to 92%) for the aggregate education budget and 2% (from 87% to 85%) for the development budget
- At the sector level, the highest decline has occurred in literacy, as only 15% of its total budget could be spent in 2008-09
- A considerable amount of Rs 3.28 million from federal government development budget remained unutilized in 2007-08.
- A key issue with in-service teaching training program is very low utilization of allocated resources. In 2008-09, only 40% could be spent in Punjab and 46% in ICT, FATA, NA, and AJK whereas information about spending of NWFP and Punjab was incomplete in the budget book. The only exception was Balochistan where spending was 100%.
- In 2008-09, one-fourth of Punjab's education budget could not be spent where under spending is much higher in development budget, as compared to current budget
- Underutilization of funds allocated to the School Councils (SC) in the Punjab continues. Rs 772 million was allocated to SCs in 2007-08, out of which only Rs 53.33 million could be spent.

In addition to the relatively low allocations for non-salary current and development expenditure, low utilization rates for these allocations impact particularly hard on a range of input activities that are linked to quality in education, including the provision of instructional materials, education planning, supervision and monitoring. Expenditure as a proportion of budget over recent years has been 71%, 89%, 82% and 92% on average for Punjab, Sindh, NWFP and Balochistan respectively (UNESCO, 2008). Within these figures, utilization rates for current budget support to education have been relatively high and the utilization rates for the salary component higher still. Low utilization rates, therefore, represent mainly the non-salary component of current expenditure and on development expenditure.

The particularly low utilization rate for development budget suggests a slow implementation of projects or schemes earmarked under the education sector. For example, Pakistan's spending of the development budget was 25%, 28%, and 26% of the allocated budget in 1998-99, 1999-00 and 2000-01, respectively (PIDE, 2003). At the provincial level, the spending has been even lower in Sindh and Balochistan. On average, the spending of development budget was 29% in the Punjab, 9% in Sindh, 29% in NWFP, and only 4% in Balochistan over a period of seven years between 1998-99 and 2004-05 (Akram & Khan, 2007). The spending of the current budget, however, has been much higher, generally above 80% (UNESCO, 2008).

Over time, the low utilization of funds has been attributed to a number of factors that include a) the late release of funds by the Ministry of Finance b) delays in site selection and land acquisition c) interdepartmental disputes d) non-availability of technical staff e) failures in appointing full-time projects for larger projects f) delayed consultant reports and g) late issuance of work orders and h) late submission of progress reports for release of funds by the related implementing organizations (CPDI, 2005).

A major reason for underutilization of funds remains the complex financial allocation and release system where authority to allocate and release funds rests at the federal and provincial levels while actual utilization of funds is highest at the district level. The district government is responsible for planning human resource, physical, and financial needs of the education sector at the district level. However, the devolution process continues to suffer from many problems, a major one being the failure to devolve financial responsibilities. While the largest amount of education funds are to be disbursed through the district government, the allocating and disbursing authorities remain at the federal or provincial level. Furthermore, the capacity of many districts to utilize available funds effectively and timely is limited, and considerable and sustained efforts are needed to assist district education authorities to overcome this constraint.

Thus, low investment combined with inefficient utilization of available resources has meant that Pakistan's education statistics present a bleak picture especially when compared with rest of South Asia (Bano, 2007). However, earlier observations point towards the fact that increase in allocations alone cannot be effective for enhancing access and quality of education unless management capacities are also improved for spending of the allocations on development schemes. Although allocation of adequate financial resources is crucial, effective, optimum and timely utilization of available resources are equally important.

A Review of Issues in Public Spending on Education

Recap of Analysis of Budgetary Allocations and Expenditure

1. **Inadequate Resource Allocations:** Availability of limited funds bears consequences on the government's resolve to meeting important milestones and targets as set through the MDGs and EFA framework. Low level of public sector investment in education persists and is reflected through the low share of expenditure on education as a percentage of GDP.
2. **Misplaced Priorities:** In the absence of a systemic planning process and a verifiable and credible information system, it becomes very difficult for policymakers, at different levels of governance, to undertake evidence-based allocation decisions. As has already been seen, most of the budgetary allocations by the federal government are incremental and often irrational.
3. **Provincial Allocations:** NWFP and Balochistan are spending the least on education. In order to ensure that returns to investments in education are equally realized by all provinces, expenditure needs to be raised in these provinces, with particular focus on development and infrastructure. Especially in the absence of supporting infrastructure, the capacity of the provinces to utilize funds is further undermined and hence they require sizeable investments.
4. **Skewed Allocation for Current Expenditures:** Even though the development expenditure has been increasing over the years, the increase in current expenditure has been more substantial and significantly higher which can lead to chronic under-investment in infrastructure, textbooks and other instructional materials.
5. **Low Investments in Basic Education:** The allocation of existing government funds is skewed towards higher education when there is a need for more resources to provide basic education for all children.
6. **Low Rates of Utilization:** In addition to the relatively low allocations for non-salary and development expenditure, low utilization rates for these allocations impact particularly hard on a range of input activities that are linked to quality and provision of basic education. The particularly low utilization rate for development budget suggests a slow implementation of projects or schemes earmarked under the education sector.

Shortcomings of the Budgetary Process in Pakistan

The budget making process in Pakistan leads to the creation of a budget that is often not pro-poor or oriented towards social development. Whereas political factors form an important dimension, problems are made worse by the technical drawbacks within the budget systems and processes.

1. **Incremental Budgeting:** Ministries and Departments generally consider the previous year's budget as the base and request additional funding accordingly, as a result of which the budget is

merely an incremental one without reflecting the needs of the masses and is completely detached from the Education Management Information Systems (EMIS).

2. **Departmental Orientation (instead of program or output):** The first priority is keeping the administrative machinery running smoothly and often not enough is left for development activities. The variance between the process of approval of current and development budgets implies a greater cost in terms of manpower, effort and time for the preparation of development budgets and there is an instinctive bias towards preparing and presenting current budgets.
3. **Lack of Information:** Lack of information systems and databases make planning more complex and normative as opposed to evidence-based.
4. **Lack of Financial Planning and Management Capacities:** With inefficient budgeting processes exacerbated by even more inefficient means of spending allocated funds, financial planning and management systems in Pakistan remain far from adequate

Recommendations

1. **Context-based Policies:** A 'one size fits all' approach to the design of a common provincial and district budgetary support instrument is unlikely to be optimal for supporting education reform in Pakistan. Rather, a distinct, albeit similar instrument is likely to be required based on a government-donor dialogue for each province, with policies and strategies to be supported emerging from this.
2. **Increase Public Sector Investment:** All efforts should be made to enhance the budgetary allocation to education to at least 4% of the GDP, as suggested by UNESCO.
3. **Increase Development Spending:** The allocation of budget must be prioritized, placing more emphasis on quality improvements such as teachers training, curriculum development, supervision, monitoring and so on. Secondly, the process of attaining approvals for development funds should be made less arduous while placing more checks and balances on issuing approvals for current budgets in an attempt to dissuade irrational revenue projections and allocations. Infrastructure also needs to be improved on an urgent basis.
4. **Increase Investment in Basic Education:** Investment in basic education and infrastructure must be enhanced as in the inadequacy of even the basic infrastructure at the primary and secondary level, a sound teaching staff alone would not achieve much.
5. **Improve Financial Management:** It is strongly recommended that obstacles in management and procedural systems hindering the efficient utilization of allocated resources should be removed through an overhaul of the financial procedures governing release of funds.

6. **Improve Information Systems:** The scope of provincial and National Educational Management Information Systems (EMIS) should be expanded to collect and compile, besides physical and enrolment data, financial information pertaining to school expenditures.
7. **Enhance Transparency in Budget Formulation:** There should be open budget preparation, execution and reporting. The transfer of finances, from one level of governance to the other, needs to be discussed in detail while mechanisms for ensuring speedy transfers should be ensured. Annual budgets should be formulated following broad consultations with parliamentarians and members of civil society, including representatives of interest groups, from all the regions of the country through pre-budget proposals received from the parliament and its committees.
8. **Enhance Role of the Elected Bodies:** To contribute fully to the budget process parliamentarians must have adequate time to debate government spending plans in the house and in the standing committee on education, and must be empowered to change government spending and priorities with full access to ministers and the civil servants for detailed explanations of past expenditure performance and future spending plans. Given the greater role of districts, we should stress the effective role of not only Parliament but District Councils as well. Parliamentary Standing Committees should have a key role to play in budget review, especially Demands for Grants of each Ministry should be reviewed in detail in the respective Standing Committees and their recommendations should be discussed in the plenary session.
9. **Encourage Constituency-based Spending Programmes:** The use of constituency-based spending programs could be a possible mechanism to ensure every corner of the country saw tangible benefits from each national budget. What we can recommend could be a robust monitoring mechanism down to school-level spending which can then be used to analyze constituency-based spending. This is important for the purpose of accountability of the elected representatives only.
10. **Enhance Donor to Donor and Donor to Government Coordination:** The donor agencies need to sustain the increased development flows to Pakistan especially those earmarked for education. They also need to coordinate their role and work directly with the Ministry of Education and respond to the needs it identifies rather than developing a number of ad hoc programs and implementing them through multiple partners.

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Annexure

Federal Budget

Year	Current			Development		
	Allocation	Change (%)	Exp (%)	Allocation	Change (%)	Utilization (%)
2007-08	18,775.61	-	100	24,508.78	-	87
2008-09	19,104.96	2	100	24,269.65	-1	85
2009-10	25,218.67	32	-	30,597.61	26	-

Year	School Education			Higher Education			Literacy		
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)
2007-08	1,472.55	-	92	36,576.05	-	96	50.00	-	62
2008-09	1,530.03	4	94	36,521.00	0	94	50.00	0	15
2009-10	1,760.02	15	-	47,538.37	30	-	1	-98	-

Year	Total			Salary			Non-Salary			% of Total Budget	
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Salary	Non-salary
2007-08	27.81	-	100	17.19	-	100	10.62	-	100	62	38
2008-09	24.92	-10	100	16.55	-4	100	8.37	-21	100	66	34
2009-10	30.22	21	-	22.35	35	-	7.87	-6	-	74	26

Table 1.4: National Education Assessment System (NEAS)

Year	Total			Salary			Non-Salary			% of Total	
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Salary	Non-salary
2007-08	8.63	-	100	8.63	-	100	0	0	0	-	-
2008-09	13.47	56	100	9.47	10	100	4.01	-	-	70	30
2009-10	13.50	0.22	-	10.43	10	-	3.07	-23	-	77	23

Table 1.5 National Education Management Information System (NEMIS)

Year	Total			Salary			Non-Salary			% of Total	
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Salary	Non-salary
2007-08	4.77	-	100	2.66	-	100	2.11	-	100	56	44
2008-09	4.83	1	100	2.68	1	100	2.15	2	100	56	44
2009-10	4.83	0	-	3.22	20	-	1.61	-25	-	67	33

Table 1.6 Federal College of Education

Year	Total			Salary			Non-Salary		
	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)
2007-08	21.34	-	100	15.78	-	100	15.56	-	100
2008-09	26.20	23	100	15.78	0	100	10.42	87	100
2009-10	26.44	1	-	17.42	10	-	9.02	-13	-

Punjab Budget

Table 2.1: Salary and Non-Salary Budget in Punjab

Year	Salary			Non-Salary			% of Total Budget	
	Rs. Million	Change (%)	Expenditure (%)	Rs. Million	Change (%)	Expenditure (%)	Salary	Non-Salary
2007-08	7,701.77	-	99	14,052.80	-	46	35	65
2008-09	9,329.13	21	101	13,192.49	-6	150	41	59
2009-10	11,344.43	22	-	9,922.74	-25	-	53	47

Table 2.2: Allocation and Expenditure by Sector in Punjab

Year	School Education		Higher Education		Special Education		Literacy	
	Rs. Million	Exp. (%)	Rs. Million	Exp. (%)	Rs. Million	Exp. (%)	Rs. Million	Exp. (%)
2007-08	8,512.24	69	16,539.40	39	1,048.44	7	1200	-
2008-09	16,485.40	35	16,585.61	69	1,896.71	8	1218.6	5
2009-10	16,615.82	-	14,276.26	-	1,087.62	-	725	-

Table 2.3: Provincial Education Assessment System (PEAS) in Punjab

Year	Total			Salary			Non-Salary		
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)
2007-08	9.35	-	71	6.67		84	2.68	-	39
2008-09	8.87	-5	71	6.66	0	81	2.21	-18	41
2009-10	17.10	93		7.32	10		9.78	343	

Table 2.4: Teacher Training in Punjab

Year	Total			Pre-Service (Elementary Colleges)			In-Service (DSD)		
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)
2007-08	2129.19	-	54.59	394.46	-	95.61	1734.73	-	45.26
2008-09	1535.85	-27.87	74.53	343.83	-12.83	131.42	1192.02	-31.28	58.12
2009-10	1719.74	11.97	-	395.40	15.00	-	1324.36	11.1	-

Table 2.5: Project Management Implementation Unit (PMIU) / EMIS in Punjab

Year	Total			Salary			Non-Salary		
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)
2007-08	8,226.55	-	28	73.18	-	86	8,153.37	-	28
2008-09	9,507.82	16	36	66.72	5	87	9,430.83	16	36
2009-10	5,765.00	-39	-	1,089.80	1315	-	4,675.20	-50	

Table 2.6: Chief Minister Monitoring Force/Cell in Punjab

Year	Total			Salary			Non-Salary		
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)
2007-08	41.07	-	356	17.58	-	517%	23.49		235
2008-09	149.71	265	114	92.50	426	131%	57.21	144	86
2009-10	172.00	15	-	111.00	20	-	61.00	7	-

Table 2.7: Scholarships and Stipends in Punjab (Rs. million)

Year	Allocation		Expenditure	
	Total	Change (%)	Total	%
2007-08	926.25	-	1093.48	118
2008-09	1011.76	9	54.52	5.4
2009-10	1010.40	0.1	-	-

Table 2.8: Development Budget for Sports in Punjab (Rs. Million)

Year	Allocation				Expenditure			
	Capital	Revenue	Total	% of Dev. Budget	Capital	Revenue	Total	%
2007-08	40.0	652	692	3.4	95.18	431.58	526.76	76
2008-09	1404	0	1404	4.7	900.75	33	933.75	67
2009-10	1532.5	67.50	1600	6.1	-	-	-	-

Table 2.9: Punjab Education Department

Year	Total			Salary			Non-salary		
	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)	Rs. Million	Change (%)	Exp. (%)
2007-08	105.47	-	91	73.48	-	80	31.98	-	116
2008-09	113.39	8	359	81.37	11	86	32.02	0	1051
2009-10	138.71	22	-	100.95	24	-	37.76	18	-

Note: The budget of Punjab Education Department (shown in Table 2.9) is charged from General Administration, and is not included in all other tables in this chapter.

Sindh Budget

Table 3.1: Overall Budgetary Allocations for Education in Sindh

Year	Allocation		Expenditure	
	Rs. Million	Change (%)	Rs. Million	% of Allocation
2007-08	17,056.23	-	13,739.27	81
2008-09	19,755.83	16	18,284.21	93
2009-10	22,444.81	14	-	-

Table 3.2: Current & Development Budget in Sindh

Year	Current		Development		% of Total Budget	
	Rs. Million	Change (%)	Rs. Million	Change (%)	Current	Development
2007-08	14,556.23	-	2,500.00	-	85	15
2008-09	15,055.83	3	4,700.00	88	76	24
2009-10	16,494.81	10	5,950.00	27	73	27

Table 3.3: Salary and Non-Salary Expenditure (% of Total Current Expenditure) in Sindh

	Salary			Non-Salary		
	2007-08	2008-09	2009-10	2007-8	2008-09	2009-10
Total Current budget	35	40	44	65	60	56
Education Department	1	6	5	99	94	95
Sindh Reforms Support Unit	60	62	65	40	38	35
Bureau of Curriculum	88	78	82	12	22	18
Bureau of Curriculum	88	78	82	12	22	18

Table 3.4: Allocations by Sector in Sindh (Rs Million)

Sector	Allocation		
	2007-08	2008-09	2009-10
School Education	1120.07	1511.03	867.15
Higher Education (inc. colleges)	5,617.89	6,120.06	8,536.30
Special Education	8	80	131.25

Table 3.5: Utilization of Budgetary Allocations in Sindh

Category	% of Allocation	
	2007-08	2008-09
Total Education budget	81	93
Current budget	72	81
Development budget	132	130
School education	147	147
Higher education	102	112
Technical Education	87	97
Special Education	13	0
Education Department (Secretariat)	52	26
Teacher Education	90	93
Sindh Reforms Support Unit	113	86

Table 3.6: Current Expenditure on Teacher Education & Training in Sindh

Year	Salary			Non-Salary			Total		
	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)
2007-08	212.66	-	90	14.30	-	125	226.96	-	93
2008-09	310.31	46	93	23.32	63	113	333.63	47	94
2009-10	407.83	31	-	29.61	27	-	437.44	31	-

Table 3.7: Public Financing of Private Educational Institutions in Sindh (Rs. Million)

Scheme	Allocation		
	2007-08	2008-09	2009-10
Education Foundation: Setting up of Rural Community-based Schools through Public-Private Partnership	9	120	100
Education Foundation: Promotion of Private Schools in Rural Areas/Urban Slums	0	200	800
Public Private Partnership for the Promotion of Adopt a School Program	0	0	50
Improvement of Functions and Quality of Education of Chartered Institutions in the Private Sector in the Province of Sindh	2.5	2.5	8.81
Total	11.5	322.5	958.8
% of Total Provincial Education Budget	0.07	1.6	4.3

NWFP Budget

Table 4.1: Overall Budgetary Allocations for Education in NWFP

Year	Allocation		Utilization	
	Rs. Million	Change (%)	Rs. Million	% of Allocation
2007-08	6,645.84	-	6,690.87	101
2008-09	7,411.27	12	8925.19	120
2009-10	8,009.86	8	-	-

Table 4.2: Current and Development Budget in NWFP

Year	Current		Development		% of Total Budget	
	Amount	Change (%)	Amount	Change (%)	Current	Development
2007-08	1,802.49	-	4,843.35	-	27	73
2008-09	1,903.89	6	5,507.38	14	26	74
2009-10	1,950.51	2	6,059.35	10	24	76

Table 4.3: Salary & Non-Salary Expenditure (% of Current Expenditure) in NWFP

	Salary			Non-Salary		
	2007-08	2008-09	2009-10	2007-8	2008-09	2009-10
Current Expenditure	82	91	93	18	9	7
Directorate of Schools and Literacy	93	93	89	7	7	11
Schools and Literacy Department*	16	25	67	84	75	33
Provincial Institute for Teacher Education	93	94	95	7	6	5
Director Higher Education (Colleges)	92	92	94	8	8	6
Director of Curriculum and Teacher Education	95	96	96	5	4	4

*Schools and Literacy Department has been renamed as Elementary & Secondary Education Department in 2009-10.

Table 4.4: Distribution of Development Expenditure in NWFP (Rs. Million)

Sector	Allocation		
	2007-08	2008-09	2009-10
Primary Education	1448.29	1287.71	1019.24
Secondary Education	2416.54	3057.65	3848.18
College Education	1281.71	1296.65	1460.09
University Education	0	28	0

Table 4.5: Utilization of Budgetary Allocations in NWFP

Category	Utilization as % of Allocation	
	2007-08	2008-09
Total Education budget	101	120
Current budget	85	99
Development budget	106	128
Primary Education	128	147
Secondary Education	94	133
Higher Education	92	97
Teacher Education and Training	83	104

Table 4.6: Expenditure on Teacher Education and Training in NWFP

Year	Current		Development		Total	
	Allocation	Change (%)	Allocation	Change (%)	Total	Change (%)
2007-08	118.41	-	40	-	158.41	-
2008-09	135.90	14.77	5	-87.50	140.90	-11.05
2009-10	159.73	17.53	7.924	58.48	167.65	18.98

Balochistan Budget

Table 5.1: Overall Budgetary Allocations in Balochistan

Year	Allocation		Spending	
	Amount	Change (%)	Amount	Utilization (%)
2007-08	4,028.18			86%
2008-09	4,450.32	10%		75%
2009-10	5,161.72	16%		

Table 5.2: Current & Development Budget in Balochistan

Year	Current			Development			% of Total Budget	
	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Current	Development
2007-08	2,072.45		87%	1,955.73		85%	51%	49%
2008-09	2,231.53	8%	102%	2,218.79	13%	49%	50%	50%
2009-10	2,804.22	26%		2,357.50	6%		54%	46%

Table 5.3: Salary & Non-Salary Budget in Balochistan

Year	Salary			Non-Salary			% of Total Budget	
	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Salary	Non-Salary
2007-08	1,525.98		89%	546.47		83%	74%	26%
2008-09	1,656.47	9%	99.8%	575.06	5%	108%	74%	26%
2009-10	2,022.39	22%		781.83	36%		72%	28%

Table 5.4: Education Department in Balochistan

Year	Total			Salary			Non-Salary			% of Total Budget	
	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Salary	Non-Salary
2007-08	58.89		44%	54.85		31%	4.05		220%	93%	7%
2008-09	64.20	9%	48%	62.17	13%	44%	2.03	-50%	163%	97%	3%
2009-10	181.26	182%		178.57	187%		2.69	32%		99%	1%

Table 5.5: Public Spending by Education Level in Balochistan

Year	School Education			Higher Education			Total		
	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Allocation	Change (%)	Utilization (%)
2007-08	320.47		66%	1,658.09		78%	1,978.56		88%
2008-09	260.88	-19%	91%	1,685.44	2%	111%	1,946.32	-2%	108%
2009-10	750.79	188%		2,001.08	19%		2,751.87	41%	

Table 5.6: School Education in Balochistan

Primary			Middle			Secondary			Total		
Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)	Amount	Change (%)	Utilization (%)
90.038		39%	76.779		115%	153.6539		57%	320.4709		66%
54.042	-40%	116%	96.505	26%	77%	110.3316	-28%	92%	260.8786	-19%	91%
325.233	502%		58.5	-39%		367.053	233%		750.786	188%	

Table 5.7: Stipends & Scholarships in Balochistan

Scholarship/Stipend Scheme	2007-08	2008-09	2009-10	Total
Allocation	12.344	12.34	78.344	103.03
Change in Allocation (%)		0%	535%	
Utilization (%)	100%	100%		