

10 July, 2013

Alif Ailaan's analysis of the 2013-14 budget for education

Increasing government spending on education in Pakistan has been a long-standing demand of citizens, civil society and academics. In the run-up to the May 2013 general elections, political parties began to address these demands by promising to increase financial allocations for education. Every major political party committed to raise the share of education to at least 4% of GDP (this is the global standard to which most countries have committed, and most have lived up to).

To assess whether this commitment was reflected in the budget announced last month, Alif Ailaan carried out a detailed analysis of the federal and provincial budgets for the fiscal year 2013-14. We found that while allocations for education were increased both at the federal level and in each of the provinces, much remains to be done and the conversation needs to go deeper than simply increasing allocations. The PML(N), PTI, PPP, Awami National Party and all other parties in power directly, or in coalition, have made many promises related to education, and the modest increases in allocation will not go nearly far enough to help keep those important promises.

The federal and provincial governments need to pay attention not only to finding more money for education but to improving how the money is spent. An overwhelming share of public expenditure on education is devoted to teachers' salaries and other recurring expenses, with little left over for investing in new capacity.

How much money is allocated

- The combined budgetary allocation (federal and provincial) and the expenditure at the district level for all tiers of education (primary to higher) is an estimated Rs 504 billion for 2013-14.¹
- This amount is nearly 17% higher than last year's actual spending and represents 8% of the entire budgeted expenditure for 2013-14.
- In terms of GDP, the combined budget allocation amounts to 1.9% of GDP and this figure has remained stagnant over the last 2-3 years (it stood at 1.8% last year).
- At this level, only 7 developing countries in the world spend less on education than Pakistan (according to the UNDP Human Development Report 2013).
- Pakistan ranks 177th globally in terms of public spending on education.

¹ The reason this is an estimate is that, unlike for other provinces where district spending on education is shown as part of the provincial budget, the budget for Punjab only shows a block allocation or transfer to the lower tiers of government. A disaggregated break-up of spending by districts/local government in Punjab is not available in the budget.

How the money is spent

The budget is essentially made up of two types of expenditure: current and development. The current budget is for expenses that are recurring, such as teacher salaries. The development budget is for new expenses like buildings, improvements to school buildings or heavy equipment for laboratories. The upkeep and maintenance of new facilities and equipment is paid for in subsequent years through the recurring budget.

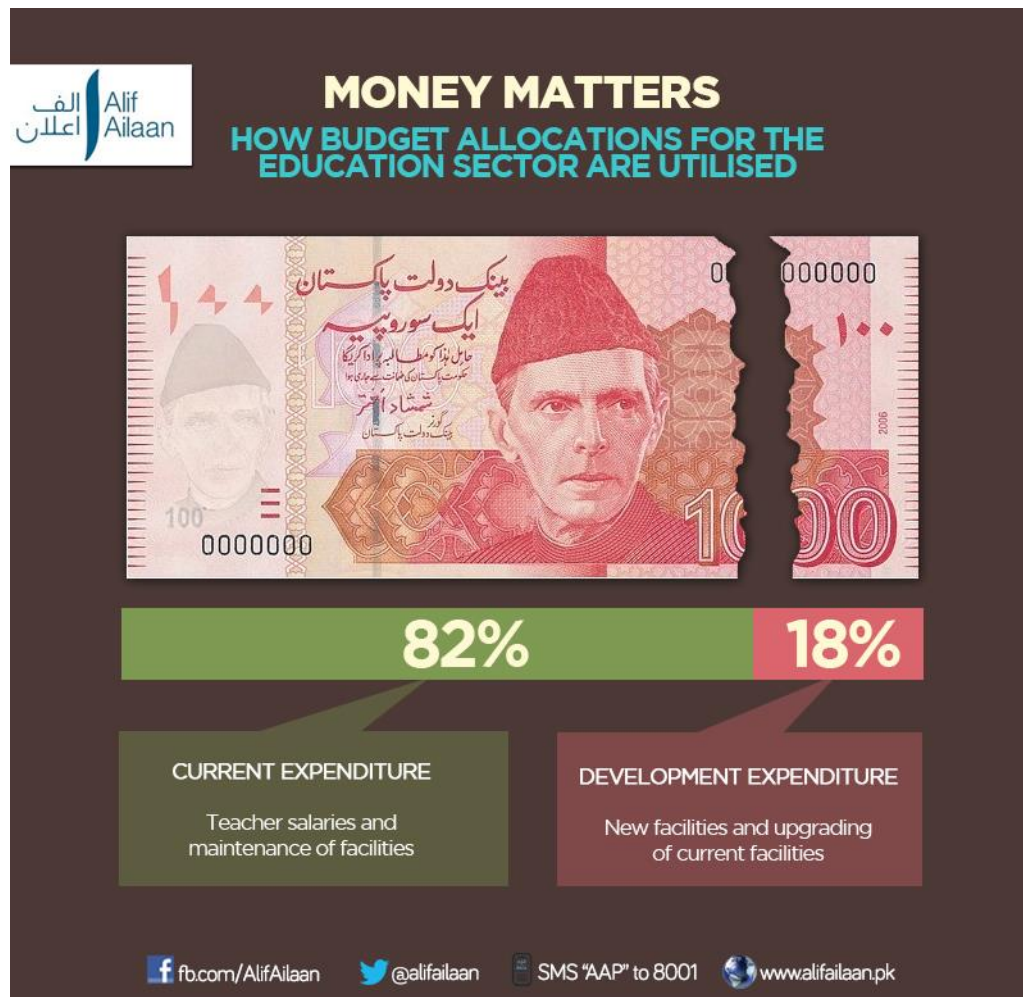
- Of the total combined budgeted allocation for education, 82% is earmarked for current expenditure (mainly salaries) and 18% for development expenditure (construction of new facilities, upgrading existing facilities, etc.).
- This means that for every 100 rupees the government spends on education, roughly 82 rupees are spent on teacher salaries and the maintenance of schools, while only 18 rupees remain for new investment in the schools system.
- Remember, this is the average for all levels of schooling – primary, secondary and higher.
- Budget allocations are not the same as actual budget spending which is reported at the end of a financial year. Pakistan has a chronic problem of utilising all of the current budget but

under-utilising the development budget.

Spending patterns in the education sector are no different.

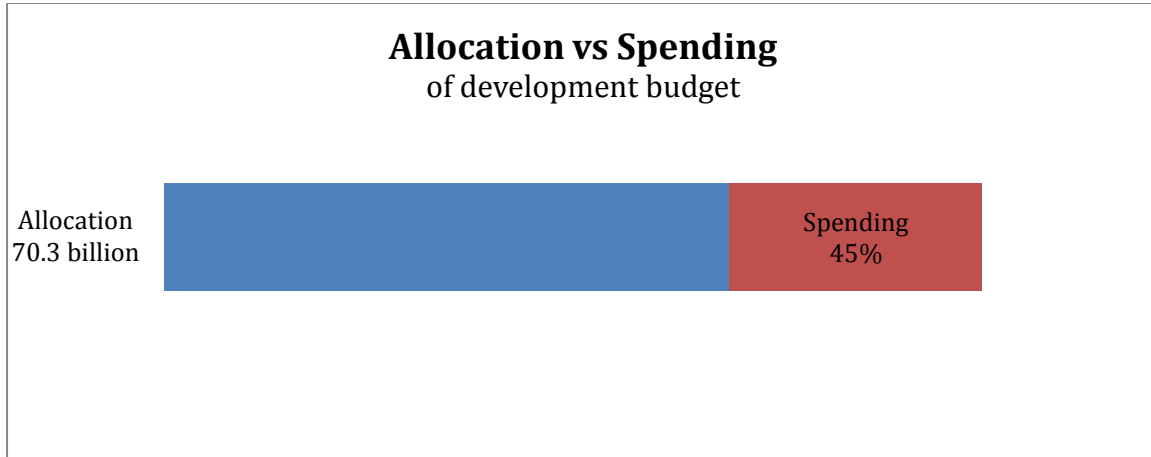
- Actual development spending in the education sector has fallen woefully short of budgeted amounts. In 2012-13, actual development expenditure on education by all four provinces combined (Rs 31.3 billion) was less than 50% of what was allocated (Rs 70.3 billion).

- In 2012-13, Punjab had the highest rate of under-utilisation of the development budget,



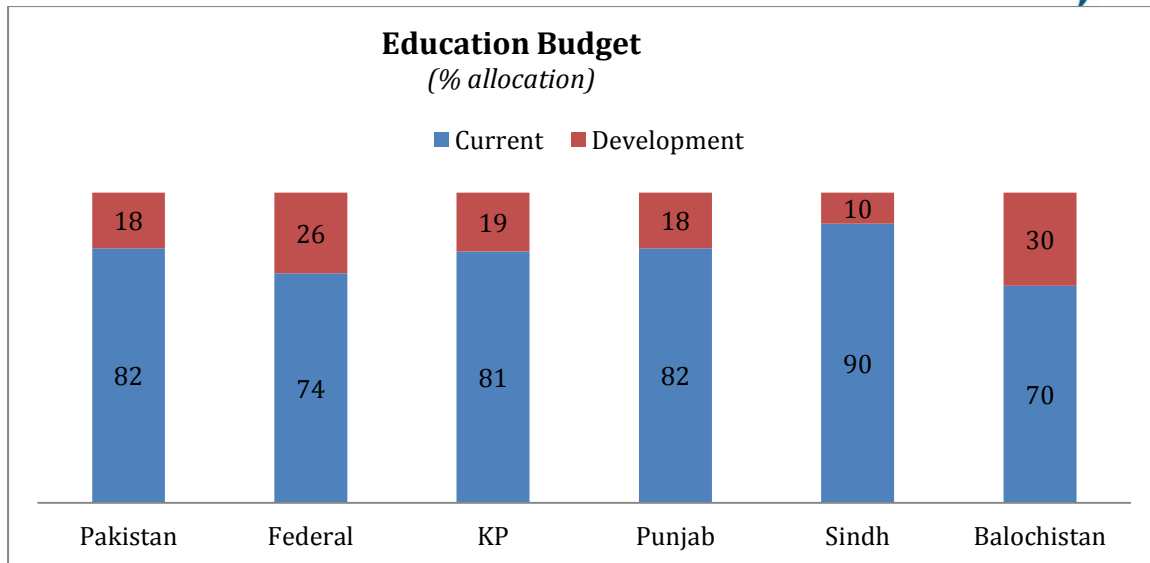
spending only 21.4% of what was allocated.

- In terms of the ratio of current-to-development spending, Sindh has the most skewed ratio with 90% current expenditure and 10% development expenditure.



The picture in the provinces

- The combined 2013-14 budgetary allocation by all provincial governments for all tiers of education amounts to approximately Rs 424 billion.
- This figure is nearly 18% higher than last year's actual spending.
- Since 2010-11, the first year of the flow of greater resources to provinces under the 7th National Finance Commission (NFC) Award, provincial spending on education has increased 37%.
- Adjusted for inflation over this period, however, real spending on education by the provinces has risen only 4.3%.
- Among the provinces, Punjab's allocation for education is the highest (approximately Rs 182 billion), followed by Sindh (Rs 134 billion). Khyber Pakhtunkhwa (KP) has recorded the highest increase (30%) in allocations in the current year compared to actual spending in the previous year.
- Approximately 83% of the overall allocation is for current expenditure (mainly staff salaries), while 17% is for development.
- There are wide variations between the provinces in terms of the proportion of resources allocated for development spending and current expenditure. Provincial allocations for development expenditure in education are as follows:
 - Balochistan 30%
 - KP 19%
 - Punjab 18%
 - Sindh 10%



Salient features – provinces

Khyber Pakhtunkhwa

- KP's headline announcement of the size of the education budget was Rs 72.7 billion.
- Of this amount, 44.7 billion pertains to the education budgets of district/local governments.
- The 2013-14 allocation for education is 30% higher than actual spending in 2012-13.
- Greater detail is missing in the KP budget, especially in terms of total allocations for different tiers of education.
- However, under the head of Development Expenditure, Rs 8.1 billion has been allocated to the primary and secondary levels, and Rs 5.7 billion to higher/tertiary education.
- Salaries account for 92% of the overall allocation for education, with the ratio at 89% in the case of primary education.

Punjab

- Punjab has allocated 15% of its total budget outlay for education.
- However, this total allocation includes:
 - Health and agriculture education (Rs. 1.8 billion)
 - Arts colleges (Rs 15.6 billion)
 - Archives and museums (Rs 0.27 billion) and
 - Administration costs (Rs 11.1 billion).

Sindh

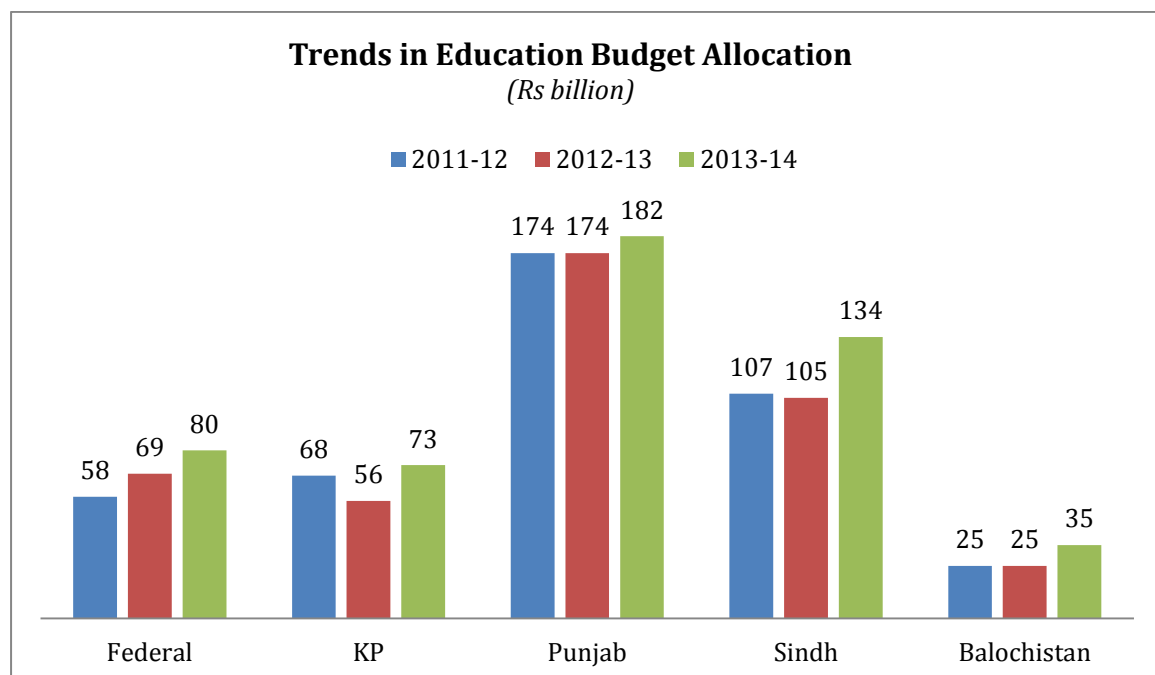
- Sindh's allocation for education is Rs 134 billion.
- Despite the size of the allocation, district-wise education outcomes in Sindh are amongst the lowest in Pakistan.

- This potentially raises serious concerns regarding the effectiveness of spending.
- Sindh has earmarked Rs 52 billion for primary education, which represents 38% of the total allocation for education
- However, it seems that no funds (i.e. Rs 0 billion) have been allocated for primary education in the provincial ADP from the province's own resources.

Balochistan

- Balochistan's allocation for education in 2013-14 is Rs 35 billion.
- This represents 21% of the total budget and amounts to a 43% increase over actual spending in 2012-13.
- The allocation for development expenditure (education) is Rs 10.5 billion, as opposed to actual spending of Rs 1.7 billion in 2012-13, representing an increase of more than 600%.
- For current/recurring expenditure on education, 84.2% of the amount allocated is under the head of salaries (Rs 20.8 billion out of a total of Rs 24.7 billion).

For more details on allocations and spending, see Tables 1-3 below.



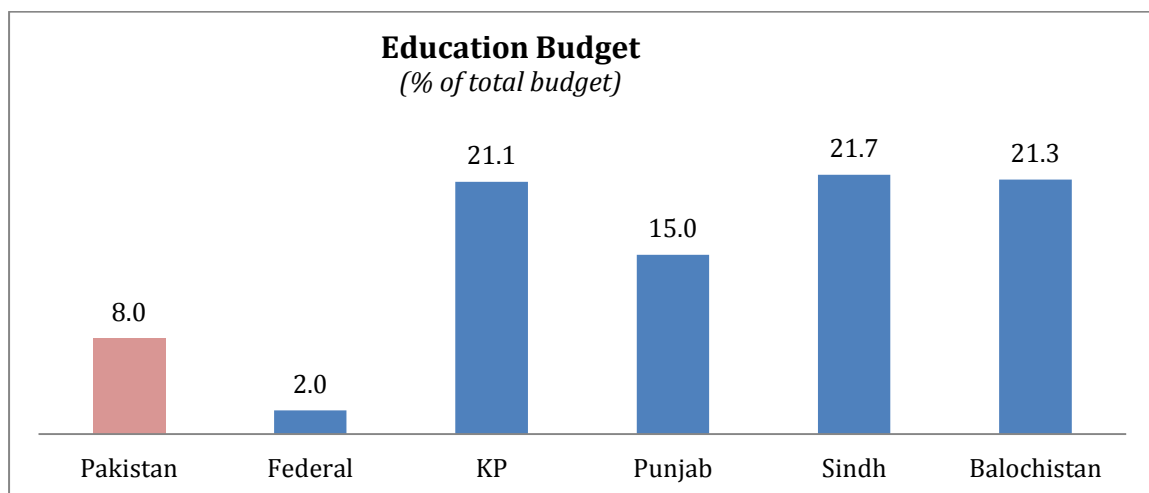
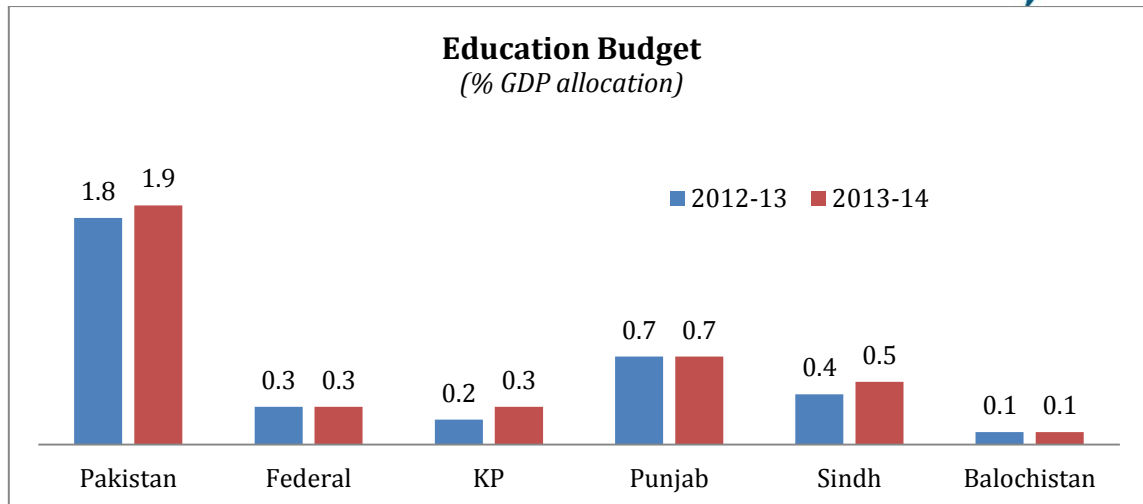


TABLE 1

Education budget- combined (including districts)

Federal + Provinces-All tiers

Rs billion	2011-12	2012-13 (RE)	2013-14 (B)	% of total Exp.	% change	% GDP:	
						2012-13	2013-14
Federal.....(A)	58	69	80	2.0%	16%	0.3%	0.3%
Provinces.....(B)	374	360	424	18.1%	18%	1.5%	1.6%
KP	68	56	73	21.1%	30%	0.20%	0.3%
Punjab*	174	174	182	15.0%	4%	0.70%	0.7%
Sindh	107	105	134	21.7%	27%	0.40%	0.5%
Balochistan	25	25	35	21.3%	43%	0.10%	0.1%
Total-combined (A+B)	432	429	504	8.0%	17%	1.80%	1.9%

*district spending estimated

TABLE 2

Rs billion	Current	Development	Total	As % of:		
				Current	Development	Total
Federal	59	21	80	74%	26%	2%
Provinces	354	70	424	83%	17%	18%
KP	59	14	73	81%	19%	21%
Punjab	150	32	182	82%	18%	15%
Sindh	121	14	134	90%	10%	22%
Balochistan	25	11	35	<u>70%</u>	<u>30%</u>	<u>21%</u>
Total	413	91	504	82%	18%	8%

*district spending estimated