CHAPTER 2
Public Financing of Education: Federal

Budget Highlights 2014-15
Total Federal Budget: 4,302 billion
Total Education Budget: 84 billion
Current Budget: 63 billion
  → Salary Budget: 18 billion
  → Non-Salary Budget: 46 billion
Development Budget: 21 billion
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Federal education budget continues to follow past trend by rising education budget in 2014-15 as well and this year Rs. 84.33 billion have been allocated for education. Nearly the entire budget is consumed by higher education (financing all the public sector universities, research institutions and colleges in the federal territory), leaving only a minor share for primary and secondary education for schools mostly situated in Islamabad. Although primary and secondary education is now a provincial subject, the primary and secondary schools in capital territory fall under the jurisdiction of Federal Government.

2.1 EDUCATION BUDGET 2014-15 AT A GLANCE

2.1.1 Comparison of Education Budgets 2013-14 and 2014-15

Out of the total federal education budget, Rs. 67.76 billion have been allocated for higher education, whereas Rs. 6.33 billion and Rs. 8.13 billion are earmarked for primary and secondary education, respectively. Federal education budget has increased by 5 percent compared with the allocated budget in 2013-14. But when compared with last year’s actual expenditure, this year’s allocation has decreased by 3 percent. Out of the total education budget for FY 2014-15, 75 percent of the budget has been allocated for current expenditure and 25 percent has been earmarked for development purposes. Within the

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There has been zero allocation in development budgets for primary and secondary education in 2013-14.
current budget, 28 percent of the budget is set aside for salary expenditure and 72 percent has been apportioned for non-salary expenditure.

**Chart 2.1: Federal Education Budget 2014-15**

Compared with last year's actual expenditure, this year's allocation has decreased by 3 percent.

Source: FABS Reports from PIFRA SAP System and Annual Budget Statement

**Table 2.1: Federal Education Budget 2014-15 at a Glance (Rs. Million)**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>A. Current</td>
<td>63,221.90</td>
<td>58,277.00</td>
<td>3,944.90 (7%) - 2,984.20 (-5%)</td>
</tr>
<tr>
<td>Salary</td>
<td>17,501.18</td>
<td>17,985.37</td>
<td>-484.19 (-3%) - 2,689.34 (-13%)</td>
</tr>
<tr>
<td>Non-Salary</td>
<td>45,720.72</td>
<td>41,291.63</td>
<td>4,429.09 (11%) - 294.87 (-1%)</td>
</tr>
<tr>
<td>B. Development</td>
<td>21,106.43</td>
<td>21,121.00</td>
<td>-14.57 (0%) 595.80 (3%)</td>
</tr>
<tr>
<td>Total (A + B)</td>
<td>84,328.33</td>
<td>86,398.00</td>
<td>3,030.33 (5%) - 2,388.40 (-3%)</td>
</tr>
</tbody>
</table>

A comparison with last year's budgetary allocation shows an overall increase of 5 percent in the budget; with all of the increase owing to the raise in current budget.

Overall, the current budget has increased by 7 percent. On the other hand, allocation made for development budget has decreased minutely when compared with 2013-14, but this decrease is negligible. It is noteworthy that except for development budget, change in budgetary allocation with respect to the expended budget last year shows a negative trend; meaning that this year's allocations are lesser than last year's actual expenditure.
2.1.2 Education Budget as a Proportion of Total Federal Budget

About 2 percent of the total Federal budgetary outlay has been earmarked for education this year. In 2013-14, Rs. 80.4 billion (2 percent of the total budget) were allocated for education. This percentage has remained same this year where Rs. 80 billion have been allocated for education out of a total Federal budget of Rs. 4,302 billion. 2 percent of the Federal current budget and 3 percent of the Federal development budget has been allocated for current and development education budget, respectively, in 2014-15. The allocation in terms of percentage have been the same as were for the last year.

### Table 2.2: Education Budget as Proportion of Total Federal Budget (Rs. Million)

<table>
<thead>
<tr>
<th></th>
<th>Federal Budget</th>
<th>Education Budget</th>
<th>Share of Education Budget</th>
<th>Federal Budget</th>
<th>Education Budget</th>
<th>Share of Education Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>3,463,245</td>
<td>63,221.90</td>
<td>2%</td>
<td>3,196,000</td>
<td>59,277.00</td>
<td>2%</td>
</tr>
<tr>
<td>Current</td>
<td>836,500</td>
<td>21,106.43</td>
<td>3%</td>
<td>789,000</td>
<td>21,121.00</td>
<td>3%</td>
</tr>
<tr>
<td>Development</td>
<td>4,301,746</td>
<td>84,328.33</td>
<td>2%</td>
<td>3,985,000</td>
<td>80,398.00</td>
<td>2%</td>
</tr>
</tbody>
</table>

Table 2.2: Education Budget as Proportion of Total Federal Budget (Rs. Million)

Source: FABS Reports from PIFRA SAP System

2.1.3 Composition of Education Budget 2013-14 and 2014-15

Out of the total education budget in 2014-15, major chunk (about 80 percent) has been allocated for higher education. This shows an increase from the previous year 2013-14 where 77 percent of the education budget was apportioned for higher
education. In absolute terms, Rs. 67.76 billion are earmarked during the current fiscal year; Rs. 5.88 billion more than the last year's allocation. In 2014-15, the share of primary education has increased from 7 percent to 8 percent whereas secondary education's share has raised from 9 percent to 10 percent compared with 2013-14. The budgetary allocation for 'others' has decreased from 7 percent last year to 2 percent in 2014-15.

Chart 2.3: Composition of Education Budgets 2013-14 and 2014-15

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**2.2 TRENDS IN EDUCATION EXPENDITURE 2010-11 to 2014-15**

**2.2.1 Trends in Total Budget Allocations and Expenditures**

Total education budget has recorded a gradual increase in allocations over the years (see Table A2.1 in Annex). During the last 5 years, total education budget allocation has increased by 51 percent; in absolute terms, it has increased from Rs. 55.67 billion in 2010-11 to Rs. 84.33 billion in 2014-15. Only in 2010-11, the actual spending fell slightly short of the allocations. Other than that, in all of the succeeding three years actual
spending has exceeded the allocation. True for almost all the categories, additional amount spent was owing to the salary-related expenditure rather than development expenses.

**Chart 2.4: Percentage Change in Budgetary Allocations and Expenditures, 2010-11 to 2013-14**

![Bar chart showing percentage change in budgetary allocations and expenditures from 2010-11 to 2013-14.]

*Note: A positive percentage refers to more budget expensed in relation to the allocated amount in that year whereas a negative percentage refers to lesser budget expensed compared to that year's allocation.*

Source: FABS Reports from PIFRA SAP System

In 2011-12, the allocation fell by 2 percent compared with previous year's allocated budget; thus decreasing the budget to Rs. 54.48 billion. But the actual spending in 2011-12 was Rs. 6.88 billion more than the allocation. Total budgetary allocation further increased to Rs. 65.25 billion in 2012-13 and the actual spending for the same year was 7 percent higher than the allocation. After a 23 percent increase in allocations, equivalent to Rs. 15 billion, the allocation reached Rs. 80.40 billion in 2013-14. But the trend of over-spending continued when around Rs. 6 billion more were spent. The budget allocation for the current financial year did not increase by a significant amount in line with the past trend. It has risen by around Rs. 4 billion, amounting to a total allocation of Rs. 84.33 billion for the current year. Since, expended amount has consistently stayed more than the allocations in previous years, there is a high possibility that the actual spending for 2014-15 will be higher than the apportioned amount. This also points to poor planning.
During the last 5 years, total education budget allocation has increased by 51 percent.

Higher education is continuously receiving highest portion of current budget where the actual spending has consistently remained higher than the allocation. The share of higher education in the total budget has increased by 58 percent over the last 5 years. The expenditure on primary and secondary education has been meager throughout the last 5 years. Although except few times, when the actual spending was higher than allocations on primary and secondary education, mostly expenditure has been lesser than the allocated budget. ‘Others’, on the other hand, does not have a smooth trend as it received a higher share than primary and secondary education in 2010-11 but only 31 percent of it was actually spent.

2.2.2 Trends in Current Budget Allocations and Expenditures

Current budget, constituting major portion of the total budgetary outlay, is the main component for increasing the total education budget from 2010-11 to 2014-15 (see Table A2.2 in Annex). The current budget has increased by 83 percent, during the last 5 years, rising from Rs. 34.5 billion in 2010-11 to Rs. 63.22 billion in 2014-15. It may be noted here that the expensed amount has been even higher by 15 percent or more than the allocated budget in each year. The highest gap of 19 percent between allocation and actual spending was recorded in 2012-13.

Budgetary allocation increased by Rs. 5 billion from 2010-11 to 2011-12, making the total current budget for 2011-12 equal to Rs. 39.51 billion. But an extra amount of Rs. 6 billion was spent during 2011-12. In the following year, the budget was further increased by 21 percent, amounting to Rs. 47.87 billion in 2012-13. A similar
Chart 2.6: Percentage Change in Current Budget Allocations and Expenditures, 2010-11 to 2013-14

Note: A positive percentage refers to more budget expensed in relation to the allocated amount in that year.

Source: FABS Reports from PIFRA SAP System

trend was observed for the next year 2013-14 where the allocation was increased by 24 percent raising the current budget allocation to Rs. 59.28 billion. But the amount actually spent during that year was nearly Rs. 7 billion higher than the allocated budget. For the current fiscal year 2014-15, a 7 percent increase from last year's allocation has been recorded but considering the past trend, the actual expenditure is expected to be more than the allocation.

Chart 2.7: Trends in Current Education Budget 2010-11 to 2014-15 (Rs. Billion)

Source: FABS Reports from PIFRA SAP System

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Over-spending in Current Budget

The highest gap of 19 percent between current budget allocation and actual spending was recorded in 2012-13. The persistent gap clearly identifies lack of planning.
Higher education receives the largest share of the current budget in order to meet its needs of universities and research institutions. The allocation for higher education shows a rising trend from 2010-11 onwards where it has risen by 88 percent (amounting to Rs. 22.3 billion) from 2010-11 to 2014-15. Secondary education receives the second highest share of current budget followed by primary education. Although marginally, the share of secondary and primary education continued to increase for each successive year, whereas ‘others’ has been the smallest receiver of current budget with arbitrary allocation and expenditure over the years.

Chart 2.8: Trends in Current Budget by Educational Level 2010-11 to 2014-15 (Rs. Million)

The actual spending on development budget has always been less than the allocations except for the year 2011-12.
Unlike the provinces where salary expenditure consumes major portion of the current budget, it receives a relatively smaller share at federal level (see Table A2.3 in Annex). Salary expenditure constituted 27 to 32 percent of the current budget during the last few years. The actual spending on salary budget has consistently stayed more than the allocated budget. In 2012-13, the expensed amount on salary related expenditure was 32 percent of the total current expenditure which is equal to Rs. 18.4 billion; the highest expenditure during the last four years. Secondary education receives the largest portion of salary budget, although the share of other sectors has also increased during the last 5 years. The universities get lumpsum grant with embedded salary budget and hence the actual salary expenditure is much higher.

Allocations for non-salary budget range between 70 to 73 percent of the total current budget over the last few years, while the actual spending has been as high as 76 percent of the current budget (see Table A2.4 in Annex). Allocations have increased substantially by 81 percent over the last 5 years which is equal to an increase of Rs. 20 billion earmarking Rs. 45.72 billion for the non-salary budget during the current fiscal year, the highest allocation so far. Higher education has been receiving the most significant amount of the non-salary budget over the years.

### 2.2.3 Trends in Development Budget Allocations and Expenditures

One quarter (25 percent) of the total education budget has been allocated for development purposes in 2014-15 (see Table A2.5 in Annex). The budget figures show that the actual spending has always been less than the allocations except for the year 2011-12 where the actual spending was 8 percent higher than the allocated budget.

**Chart 2.9: Percentage Change in Development Budget Allocations and Expenditures, 2010-11 to 2013-14**

Note: A positive percentage refers to more budget expensed in relation to the allocated amount in that year whereas a negative percentage refers to lesser budget expensed compared to that year's allocation.

Source: FABS Reports from PIFRA SAP System

In 2014-15, higher education has been apportioned 96 percent of the development budget, leaving 1 percent each for secondary education, primary education and 'others'.
The highest percentage difference between allocation and expenditure was observed in 2010-11 where 30 percent of the allocated development budget was never spent, which is alarmingly high. A similar spending pattern was recorded in 2012-13, where 24 percent (equal to Rs. 4 billion) of the allocated budget remained unspent.

As mentioned earlier, the maximum percentage difference between development budget allocation and the expenditure was in 2010-11. In the succeeding financial year, the allocation was reduced to Rs. 14.96 billion which resulted in the expenditure being more than the allocation in that year by Rs. 1 billion. With a budget allocation of Rs. 17.38 billion, the lowest expenditure was recorded for the year 2012-13, i.e., Rs. 13.19 billion. The following year, 2013-14, showed a sharp increase in the actual expenditure almost matching the budget allocation of Rs. 21.12 billion for the year. For the current fiscal year, the budget allocation has remained same as was in the previous year; but considering the unpredictability of actual expenditure, there can be no assurance as to how much of the allocated budget will be actually utilized.


Source: FABS Reports from PIFRA SAP System

Distribution of development budget between different levels of education is biased. In 2014-15, higher education has been apportioned 96 percent of the development budget, leaving 1 percent each for secondary education, primary education and ‘others’. Not only these three levels receive a negligible share of development budget, actual spending is much less than the allocated budget, in general.