



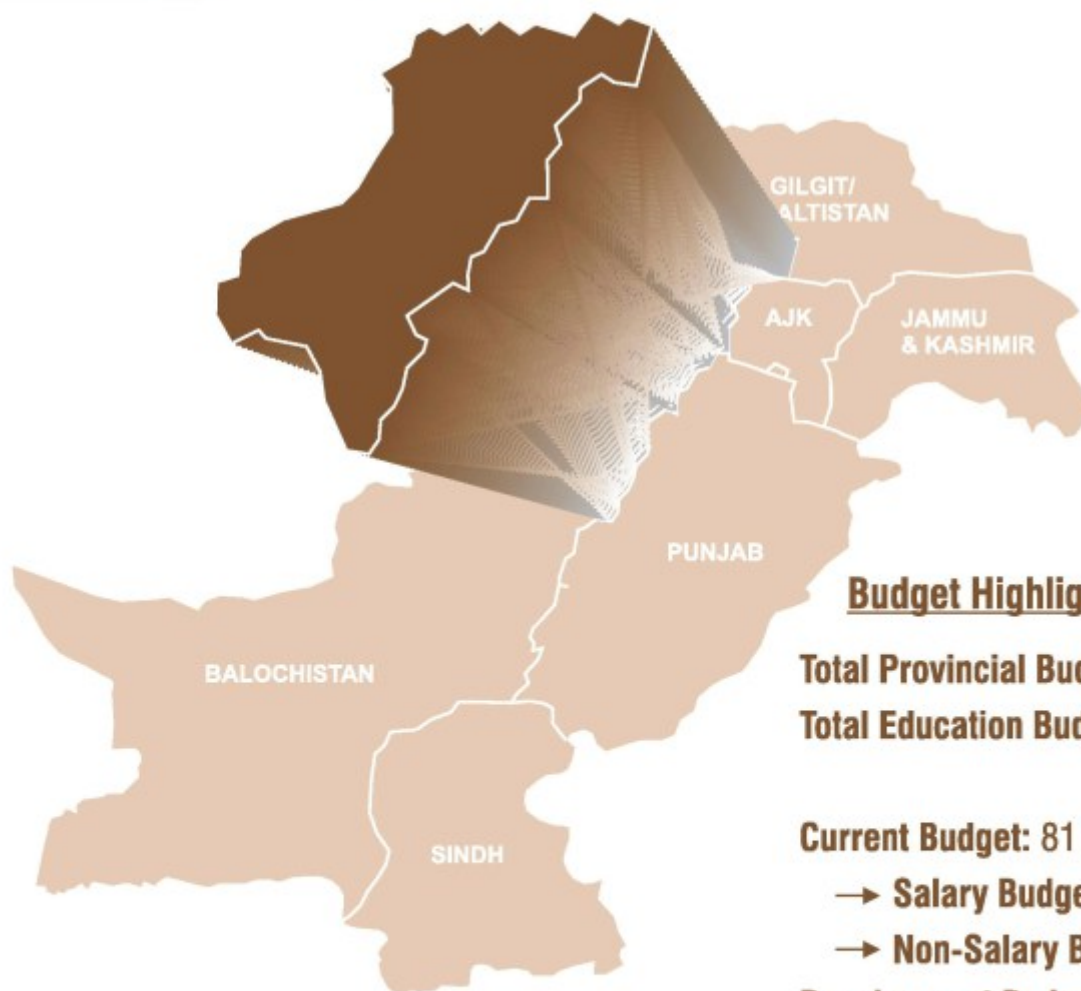
Public Financing of Education in Pakistan

Analysis of Federal, Provincial and District Budgets

2010-11 to 2014-15

CHAPTER 5

Public Financing of Education: Khyber Pakhtunkhwa



Budget Highlights 2014-15

Total Provincial Budget: 405 billion

Total Education Budget: 107 billion

Current Budget: 81 billion

→ **Salary Budget:** 72 billion

→ **Non-Salary Budget:** 9 billion

Development Budget: 26 billion

CHAPTER 5

Public Financing of Education: Khyber Pakhtunkhwa

A total of 28,427 public sector schools exist in the province out of which 83 percent are primary schools. 21 percent of the schools at primary level are running with only one teacher. Survival rate to grade 5 hovers around 64 percent whereas the transition rate from primary to middle is 72 percent¹. The number of out-of-school children (5-16 years age group) in the province is estimated to be 4 million²; 60 percent of which are girls.

► **21%**
% of the schools at primary level running with only one teacher

5.1 EDUCATION BUDGET 2014-15 AT A GLANCE

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

The total education budget allocated for FY 2014-15 is Rs. 106.8 billion. 76 percent of the total budget has been allocated for current budget whereas 24 percent of the budget has been earmarked for development purposes. Out of the Rs. 80.7 billion current budget, 89 percent budget will be spent on salary related expenses and a mere 11 percent has been apportioned for non-salary expenditure.

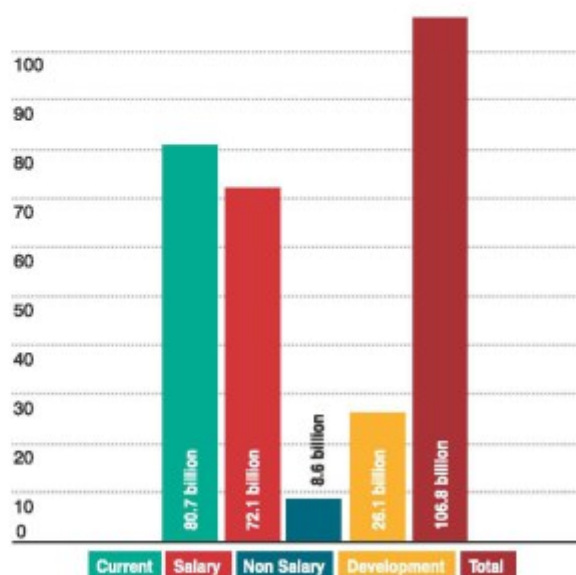
▲ **11%**
Increase in Total Budget

▲ **21%**
Increase in Current Budget

▼ **12%**
Decrease in Development Budget

¹ NEMIS 2012-13.

² I-SAPS estimates, 2012-13

Chart 5.1: Khyber Pakhtunkhwa Education Budget 2014-15

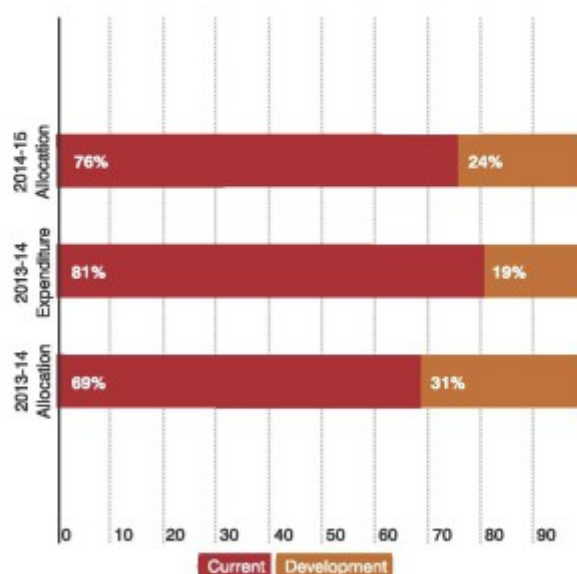
Source: FABS Reports from PIFRA SAP System

Table 5.1: Khyber Pakhtunkhwa Education Budget 2014-15 at a Glance (Rs. Million)

	2014-15	2013-14		Increase/Decrease vis-à-vis 2013-14	
	Allocation	Allocation	Expenditure	Allocation	Expenditure
A. Current	80,729.32	66,608.03	65,707.54	14,121.29 (21%)	15,021.78 (23%)
Salary	72,122.22	61,864.69	62,908.73	10,257.53 (17%)	9,213.49 (15)
Non -Salary	8,607.10	4,743.34	2,798.82	3,863.76 (81%)	5,808.29 (208%)
B. Development	26,106.58	29,798.97	14,967.51	-3,692.39 (-12%)	11,139.07 (74%)
Total (A + B)	106,835.90	96,407	80,675.05	10,428.90 (11%)	26,160.85 (32%)

Source: FABS Reports from PIFRA SAP System.

The Government of Khyber Pakhtunkhwa has increased the overall education budget by 11 percent in year 2014-15 in comparison with the previous year. In absolute terms, the budget has increased by Rs. 10.4 billion. Although there is an increase in current budget by 21 percent surging the allocation to Rs. 80.7 billion, but on the other hand development budget has been decreased by 12 percent leaving development allocations for 2014-15 to be only Rs. 26.1 billion. Under recurrent budget, salary budget has increased by 17 percent and non-salary budget has recorded a massive increase of 81 percent.

Chart 5.2: Increase/Decrease in Education Budgets 2013-14 and 2014-15

Source: FABS Reports from PIFRA SAP System

5.1.2 Education Budget as a Proportion of Total Provincial Budget

Although the overall Provincial budget for Khyber Pakhtunkhwa (KP) for 2014-15 has increased by Rs. 76 billion compared with 2013-14, the share of education in the provincial budget shrunk from 29 percent in 2013-14 to 26 percent this year. About one fourth of the total provincial budget has been allocated for education sector, i.e., out of the total Rs. 405 billion budget of KP, Rs. 107 billion has been appropriated for KP's educational budget in 2014-15.

Table 5.2: Education Budget as Proportion of Total Provincial Budget (Rs. Million)

	Provincial Budget	Education Budget	Share of Education Budget	Provincial Budget	Education Budget	Share of Education Budget
	2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
Current	265,000	80,729	30%	211,000	66,610	32%
Development	139,805	26,107	19%	118,000	29,800	25%
Total	404,805	106,836	26%	329,000	96,410	29%

Source: FABS Reports from PIFRA SAP System.

The current education budget is expected to consume 30 percent of the total provincial current budget whereas 19 percent of the provincial development budget has been reserved for education.

Education Budget as Proportion of Total Provincial Budget 2014-15

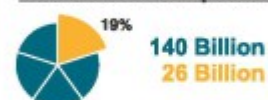
Provincial Total Budget



Provincial Current Budget



Provincial Development Budget



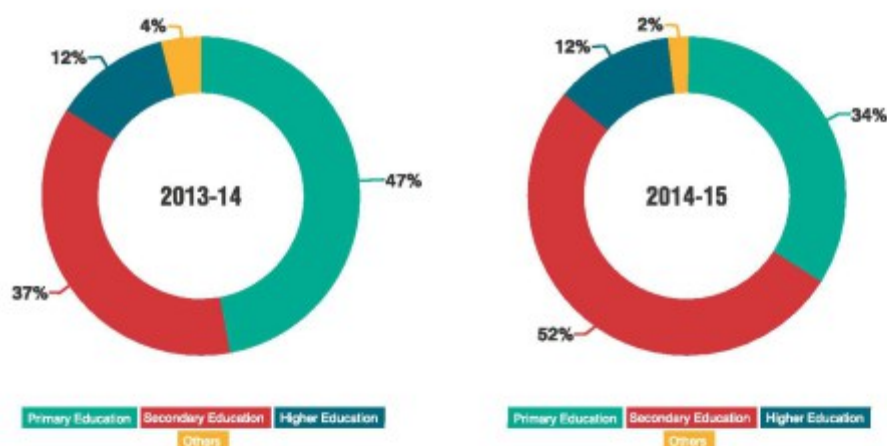
Education Budget

5.1.3 Composition of Education Budget 2014-15

For the fiscal year 2014-15, the distribution of education expenditure varies significantly between the sub-categories. Highest share of the education budget (52 percent) has been allocated for secondary education, i.e., Rs. 55.6 billion, and the lowest share of 2 percent of the total education budget has been apportioned for 'others' (Rs. 1.99 billion). Primary education and higher education have been appropriated Rs. 35.97 billion (34 percent) and Rs. 13.2 billion (12 percent), respectively.

A comparison of education budget 2013-14 with 2014-15 gives useful information about the changes in budgetary allocations for each of the categories. The percentage change shows a remarkable increase in the budget assigned to secondary education while only a slight increase has been observed in the budget for higher education. On the contrary, primary education and 'others' have been allocated lesser budgets this year in comparison with the previous year.

Chart 5.3: Composition of Education Budgets 2013-14 and 2014-15



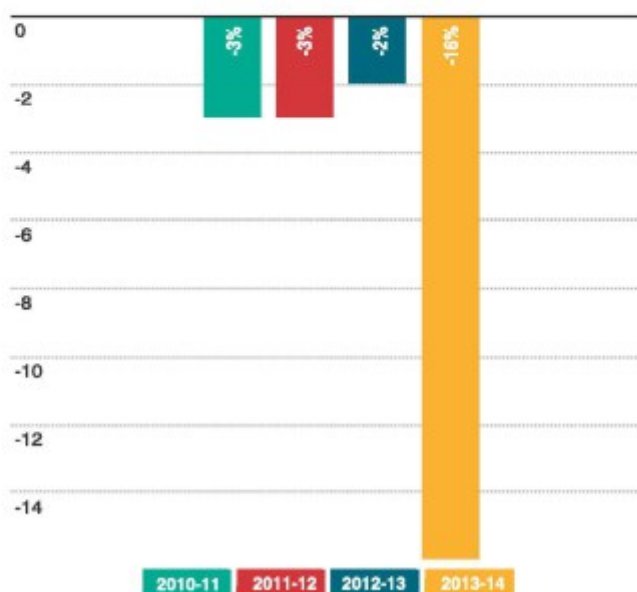
Source: FABS Reports from PIFRA SAP System.

5.2 TRENDS IN EDUCATION EXPENDITURE 2010-11 to 2014-15

5.2.1 Trends in Total Budget Allocations and Expenditures

The allocated budget for the education sector has experienced a rising trend from 2010-11 to 2014-15 where the overall budgetary allocations augmented by 110 percent over the last five years. However, the expenditure has always fell short of the allocated budget but not by more than about Rs. 2 billion. Hence, the expenditure trend line closely followed the allocation trend line; except for the year 2013-14. For 2013-14, there was an alarming discrepancy between the budgetary allocation and the expensed budget which fell short by Rs. 16 billion.

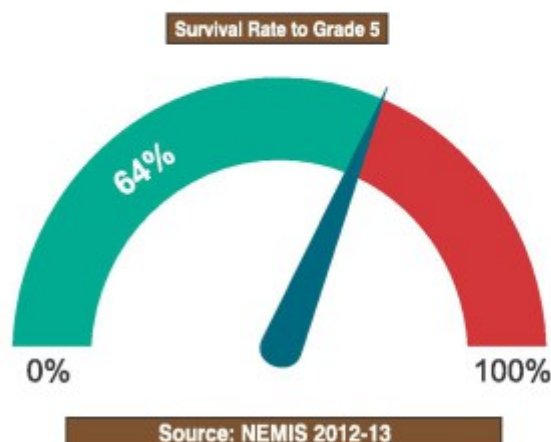
Chart 5.4: Percentage Change in Budgetary Allocations and Expenditures, 2010-11 to 2013-14



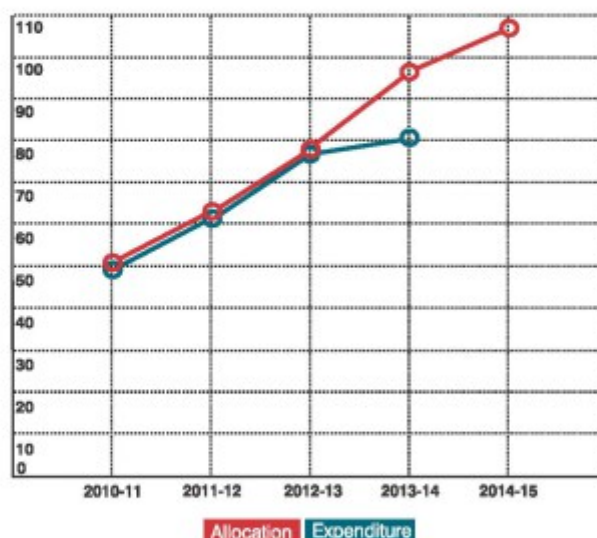
Note: A negative percentage refers to lesser budget expensed compared to that year's allocation.

Source: FABS Reports from PIFRA SAP System.

In 2011-12, Rs. 63.17 billion were allocated for the education budget, Rs. 12.2 billion more than the previous year. In 2010-11, out of the allocated budget, Rs. 1.75 billion remained unspent. In 2011-12, the expensed amount was 3 percent lesser than the allocated budget. Rs. 78.2 billion were earmarked for education in 2012-13 but again 2 percent of the allocations remained unspent. Although in 2013-14, the allocations increased substantially by Rs. 18.3 billion compared with previous year, but more than 16 percent of the budget (Rs. 15.7 billion) remained unspent.



Although in 2013-14, the allocations increased substantially by Rs. 18.3 billion compared with previous year, but more than 16 percent of the budget (Rs. 15.7 billion) remained unspent.

Chart 5.5: Trends in Education Budget 2010-11 to 2014-15 (Rs. Billions)

Source: FABS Reports from PIFRA SAP System.

Only in 2012-13, the current expenditure exceeded the allocation by Rs. 4.8 billion, i.e., 9 percent more budget was spent than was allocated.

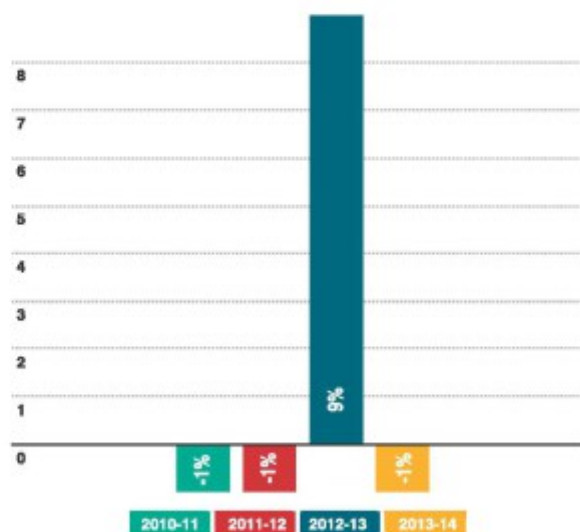
Within the total education budget, secondary education usually had the largest share until 2013-14 when the trend was broken and primary education received the largest share of the budget. But again in 2014-15, secondary education has been apportioned highest proportion of the total education budget. Moreover, while higher education budget allocations increased gradually over the last few years, budgetary allocations for 'others' have been inconsistent largely with an abrupt increase in 2012-13. This surge was followed by a shocking fall in the allocations in the following years.

5.2.2 Trends in Current Budget Allocations and Expenditures

Current budget consumes major part of the total education budget of Khyber Pakhtunkhwa; around 80 percent on average. The percentage share of current budget in the total education budget of the province has decreased over the years from 79 percent in 2010-11 to 69 percent in 2013-14; however, in the current fiscal year the allocation has again risen to 76 percent of the total education budget. Analyzing the budgets allocated and the expenditure made shows almost full utilization of the funds in 2010-11, 2011-12 and 2013-14. Only in 2012-13, the current expenditure exceeded the allocation by Rs. 4.8 billion, i.e., 9 percent more budget was spent than was allocated.

Budgetary allocation for current budget was Rs. 40 billion in 2010-11, whereas Rs. 9.95 billion more budget was allocated for recurrent expenses during 2011-12. An increase of Rs. 6.03 billion was observed during 2012-13 compared to the budget

Chart 5.6: Percentage Change in Current Budget Allocations and Expenditures, 2010-11 to 2013-14

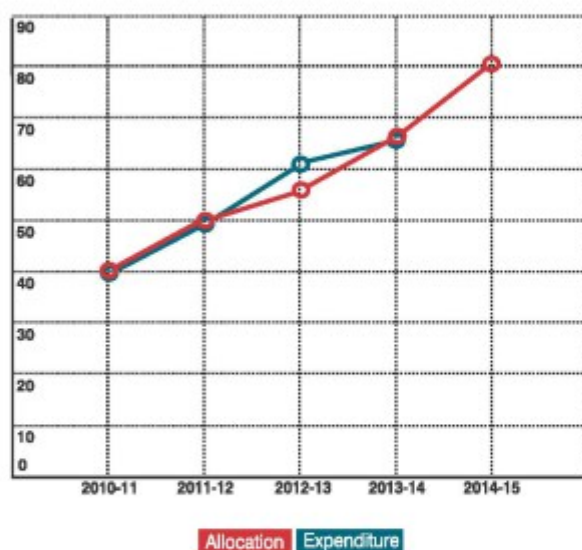


Note: A positive percentage refers to more budget expended in relation to the allocated amount in that year whereas a negative percentage refers to lesser budget expended compared to that year's allocation.

Source: FABS Reports from PIFRA SAP System

allocated in 2011-12, whereas an increase of about 19 percent was recorded for the next fiscal year 2013-14. In the current fiscal year 2014-15, Rs. 80.73 billion have been earmarked for current budget, which is Rs. 15 billion higher than the last year's expenditure.

Chart 5.7: Trends in Current Education Budget 2010-11 to 2014-15 (Rs. Billion)



Source: FABS Reports from PIFRA SAP System.

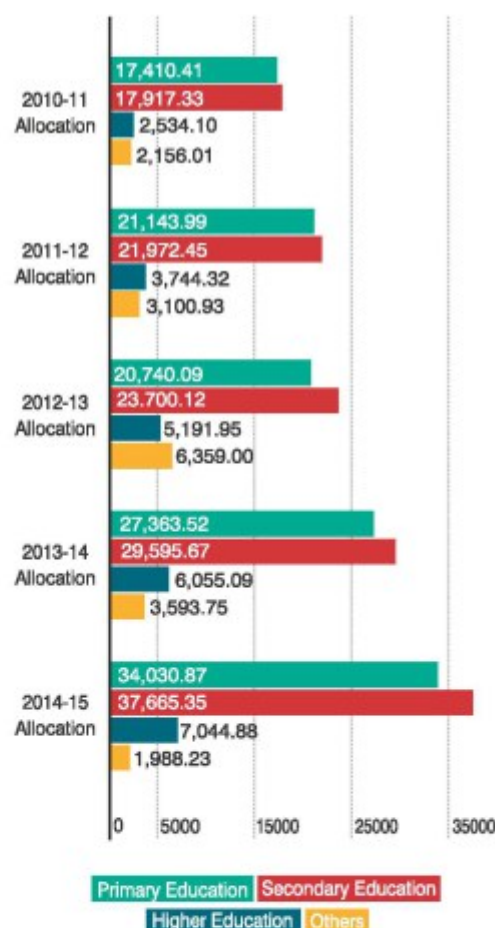
The percentage change each year has been approximately 15 percent or more but the actual spending under the salary budget has continued to exceed the allocated budget.

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The expenditure under non-salary budget has always been less than the amount allocated, except for year 2012-13 when actual spending exceeded the allocated budget for that year.

Current expenditure has been primarily consumed by primary and secondary education in the last few years, whereas higher education and 'others' only have a minor share in comparison. The share of primary and secondary education in the total current budget was almost same, slightly above Rs. 17 billion and Rs. 21 billion in 2010-11 and 2011-12, respectively. But in 2012-13 and 2013-14, the share of current budget assigned for secondary education started to exceed the share of primary education. Rs. 23.7 billion and Rs. 29.6 billion were apportioned for secondary education whereas Rs. 20.74 billion and Rs. 27.4 billion were earmarked for primary education in 2012-13 and 2013-14, respectively. Although the allocation for primary education in 2013-14 was less than the secondary education, the actual expenditure on primary education exceeded secondary education mainly due to up-gradation of posts of primary school teachers and resultant increase in salaries expenditure. For the current fiscal year 2014-15, the share of current expenditure appropriated to secondary education is again higher than primary education to the tune of Rs. 3.63 billion.

Chart 5.8: Trends in Current Budget by Educational Level 2010-11 to 2014-15 (Rs. Million)



Source: FABS Reports from PIFRA SAP System.

Like other provinces, salary budget consumes the major portion of the current budget in Khyber Pakhtunkhwa also. The salary budget has recorded a consistent increase during the last 5 years where its share has increased by about 90 percent from 2010-11 to 2014-15. The percentage change each year has been approximately 15 percent or more but the actual spending under the salary budget has continued to exceed the allocated budget.

From 2010-11 to 2011-12, a 64 percent increase in the allocations was observed but in the following year, the allocations decreased by 28 percent in comparison with the previous year. As far as the expenditure is concerned, it has always been less than the amount allocated, except for year 2012-13 when actual spending exceeded the allocated budget for that year.

5.2.3 Trends in Development Budget Allocations and Expenditures

For the fiscal year 2014-15, Rs. 26.1 billion have been earmarked for development purposes, which constitutes 24 percent of the total education budget. 21 percent of the total education budget was allocated for development budget in 2010-11 and 2011-12; which was increased to 28 percent in 2012-13 and then further raised to 31 percent in 2013-14. Despite the increase in allocations for development budget in 2012-13 and 2013-14, the actual spending has unfortunately remained very low.

Chart 5.9: Percentage Change in Development Budget Allocations and Expenditures, 2010-11 to 2013-14



In 2013-14, development budget incremented by 35 percent but the actual spending was almost half of the allocated budget.

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

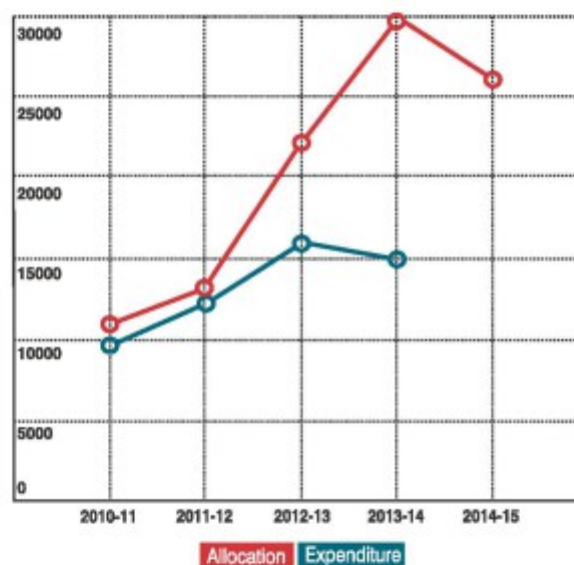
Source: FABS Reports from PIFRA SAP System.

Except for 2014-15 where the development budget allocation has been reduced by Rs. 3.7 billion compared with the previous year's allocation, development

District budget's share in the total education budget of Khyber Pakhtunkhwa has diminished over the years.

budget for Khyber Pakhtunkhwa has been increasing at a reasonable rate. Development budget rose from Rs. 10.9 billion in 2010-11 to Rs. 13.2 billion in 2011-12. A remarkable increase in allocation for development budget was seen in 2012-13 when it soared by 68 percent compared with the previous year's allocation. But the actual spending failed to match this rise in allocation, since only 72 percent of the allocated budget was expensed during the year. In the following year 2013-14, development budget incremented by 35 percent but the actual spending was almost half of the allocated budget, making the increased development allocations for 2013-14 pointless. For the current fiscal year 2014-15, development budget allocation has been reduced by 12 percent compared with previous year's allocation; disrupting the existing trend of a rising development budget.

Chart 5.10: Trends in Development Education Budget 2010-11 to 2014-15 (Rs. Billion)

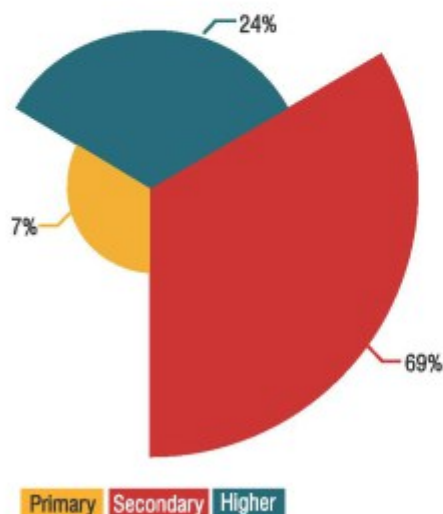


Source: FABS Reports from PIFRA SAP System.

Until 2011-12, the sectoral allocation figures showed that secondary education was preferred over other levels of education but the preference changed to 'others' in 2012-13. The share of 'others' was increased from 24 percent of the total development budget allocation in 2011-12 to 46 percent in 2012-13. Regardless of the fact that there was a significant increase under the head of 'others', the actual spending on it remained nil indicative of the fact that funds are parked under 'Others' and then re-appropriated. Subsequently for the next year 2013-14, there was no allocation for 'others' and maximum allocation was granted to the primary sector, from 8 percent of the development budget in 2012-13 to 60 percent in 2013-14. However, in 2014-15, secondary education has been allocated the largest chunk of the development budget where its share has increased from 25 percent in 2013-14 to 69 percent in 2014-15,

indicative of arbitrary trend in budgetary allocations.

Chart 5.11: Priorities in Development Budget Allocation, 2014-15



Source: FABS Reports from PIFRA SAP System

5.2.4 Trends in District Education Budget

District expenditure's share in the total education budget of Khyber Pakhtunkhwa has diminished over the years. Although the decrease from 2010-11 to 2012-13 was marginal, that is, from 74 percent to 73 percent to 71 percent over the period of 3 years; in 2013-14, the share of district education expenditure as a portion of total education expenditure of the province reduced shockingly to 66 percent. District expenditure only comprises of salary and non-salary expenditure on primary and secondary education. There is no mentionable amount of development budget allocated to the districts, since developmental works are handled at the provincial level alone. Higher education and teacher training are also provincial subjects.

The following table segregates the districts according to their education budget expenditure in 2013-14 into four budget ranges. With respect to this table, highest expenditure among all the districts is in Peshawar, Mansehra and Mardan. The annual budget expenditure is above Rs. 3.5 billion for each of these districts. They account for 23 percent of the total district education expenditure and 15 percent of the total

The sum of these four district's (Tor Ghar, Hangu, Tank and Battagram) allocations is equal to 56 percent of the education expenditure of Mansehra alone.

Net Enrolment Rate at Primary Level



Net Enrolment Rate at Primary Level



Source: PSLM, 2012-13

educational expenditure of KP in 2013-14. The second range of annual budget expenditure groups together ten districts where expenditure lie between Rs. 2.1 to 3.5 billion. Aggregate of these ten districts absorbs 50 percent of the total district education expenditure and 33 percent of the total education expenditure of the province.

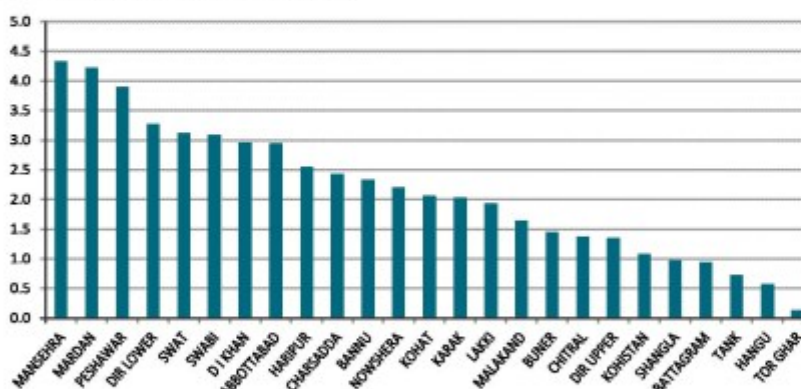
Table 5.3: Variations in Annual Education Budget Expenditure of Districts in Khyber Pakhtunkhwa, 2013-14

S. No.	Annual Expenditure Range	No. of Districts	Names of Districts	% of Total District Education Expenditure	% of Total KP Education Expenditure
1	Above 3.5 billion	3	Peshawar, Mansehra, Mardan	23%	15%
2	2.1 to 3.5 billion	10	Kohat, Nowshera, Bannu, Charsada, Haripur, D I Khan, Abbottabad, Swabi, Swat, Dir Lower	50%	33%
3	1 to 2 billion	8	Lakki, Karak, Kohistan, Chitral, Dir Upper, Buner, Malakand, Shangla	22%	15%
4	Less than 1 billion	4	Tor Ghar, Hangu, Tank, Battagram	4%	3%
Total		25			

Source: FABS Reports from PIFRA SAP System.

Tor Ghar, Hangu, Tank and Battagram are in dire situation in terms of the education budget expensed in these districts. Not only the education expenditures of these districts lie below Rs. 1 billion, but also their expensed budget combined rounds about to Rs. 2.4 billion, a poor show of equitable distribution. It is critical to shed light on the fact that sum of these four districts' expenditure is equal to 56 percent of the education expenditure of Mansehra alone. Clearly educational needs of these districts are ignored.

Chart 5.12 Distribution of Districts according to their Size of Education Expenditure (Rs. Billions) 2013-14



Source: FABS Reports from PIFRA SAP System.

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