



Public Financing of Education in Pakistan

Analysis of Federal, Provincial and District Budgets

2010-11 to 2014-15

CHAPTER 3

Public Financing of Education: Punjab



Budget Highlights 2014-15

Total Provincial Budget: 1,095 billion

Total Education Budget: 260 billion

Current Budget: 221 billion

→ **Salary Budget:** 199 billion

→ **Non-Salary Budget:** 22 billion

Development Education Budget: 39 billion

CHAPTER 3

Public Financing of Education: Punjab

A total of 53,935 public sector schools exist in the province out of which 73 percent are primary schools. 17 percent of the schools at primary level are running with only one teacher. Survival rate to grade 5 hovers around 56 percent whereas the transition rate from primary to middle is 87 percent¹. The number of out-of-school children (5-16 years age group) in the province is estimated to be 7.5 million; 48 percent of which are girls².

▶ **17%**
% of the schools at primary level running with only one teacher

3.1 EDUCATION BUDGET 2014-15 AT A GLANCE

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

A total of Rs. 259.63 billion has been allocated for education budget for the fiscal year 2014-15. 85 percent of the education budget will be consumed by the recurrent expenditures, leaving only 15 percent for the development budget. Out of the current budget, 90 percent of the amount is reserved for salary-related expenditure (Rs. 198.76 billion) whereas 10 percent of the current budget (Rs. 22.27 billion) will be used for non-salary expenses.

▲ **12%**
Increase in Total Budget

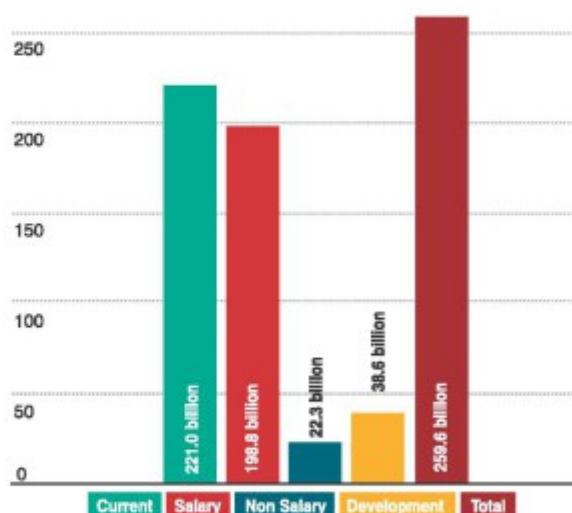
▲ **10%**
Increase in Current Budget

▲ **19%**
Increase in Development Budget

¹NEMIS, 2012-13

²I-SAPS estimates, 2012-13

Chart 3.1: Punjab Education Budget 2014-15



Source: FABS Reports from PIFRA SAP System

Table 3.1: Punjab Education Budget 2014-15 at a Glance (Rs. Million)

	2014-15	2013-14		Increase/Decrease in 2014-15 vis-à-vis 2013-14	
	Allocation	Allocation	Expenditure	Allocation	Expenditure
A. Current	221,039.32	200,110.31	182,173.56	20,929.01 (10%)	38,865.76 (21%)
Salary	198,764.81	182,475.18	167,618.94	16,289.63 (9%)	31,145.87 (19%)
Non -Salary	22,274.51	17,635.14	14,554.62	4,639.37 (26%)	7,719.89 (53%)
B. Development	38,589.72	32,456.03	28,933.71	6,133.69 (19%)	9,656.00 (33%)
Total (A + B)	259,629.04	232,566	211,107.28	27,062.70 (12%)	48,521.76 (23%)

Source: FABS Reports from PIFRA SAP System

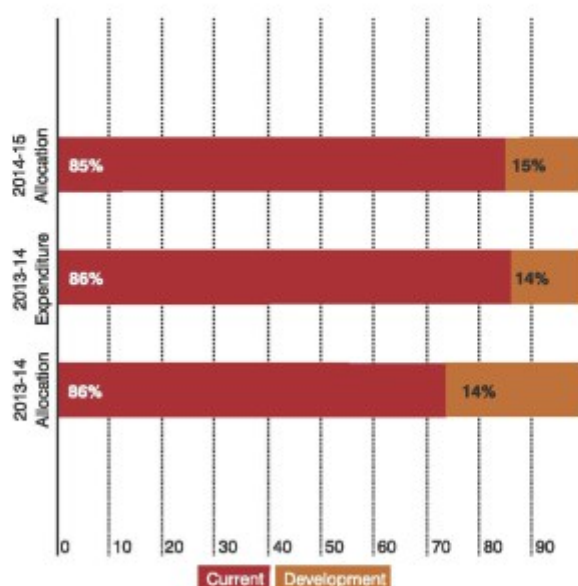
The education budget of Punjab experienced a 12 percent increase in total allocation, equivalent to Rs. 27,062.70 million. Comparing the allocation for 2014-15 with last year's expenditure, an increase of 23 percent can be seen. An increase of 9 percent has been registered in the salary expenditure while a huge increase of 53 percent can be noted in non-salary budget when compared with last year's expenditure, but it is yet to be seen how much of the increase in allocation will be actually spent; since during the last year 17.5 percent of the allocated non-salary budget remained unutilized.

3.1.2 Education Budget as a Proportion of Total Provincial Budget

Total provincial budget of Punjab is Rs. 1,095.12 billion for FY 2014-15 out of which 24 percent, i.e., Rs. 259.63 billion has been reserved for education. Current education budget is equal to 29 percent of the total current budget of the province while

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A huge increase of 53 percent can be noted in non-salary budget when compared with last year's expenditure.

Chart 3.2: Increase/Decrease in Education Budgets 2013-14 and 2014-15

Source: FABS Reports from PIFRA SAP System

development education budget will consume 11 percent of the total development budget of the province.

Share of education budget in the provincial budget has fallen when compared to 2013-14 where it was 26 percent of the total budget. This year it has been reduced to 24 percent of the total budget. Share of development budget remained unchanged while current budget's share has decreased by 4 percent this year.

Table 3.2: 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	750,125	221,039.32	29%	607,569	200,110.31	33%
Development	345,000	38,589.72	11%	290,000	32,456.03	11%
Total	1,095,124	259,629.04	24%	897,569	232,566.34	26%

Source: FABS Reports from PIFRA SAP System.

3.1.3 Composition of Education Budget 2014-15

The two sectors receiving largest portion of the education budget are primary and secondary education. Both these sectors have been allocated almost equal shares in 2014-15 (43 percent for secondary education and 42 percent for primary education). In

Education Budget as Proportion of Total Provincial Budget 2014-15

Provincial Total Budget



Provincial Current Budget



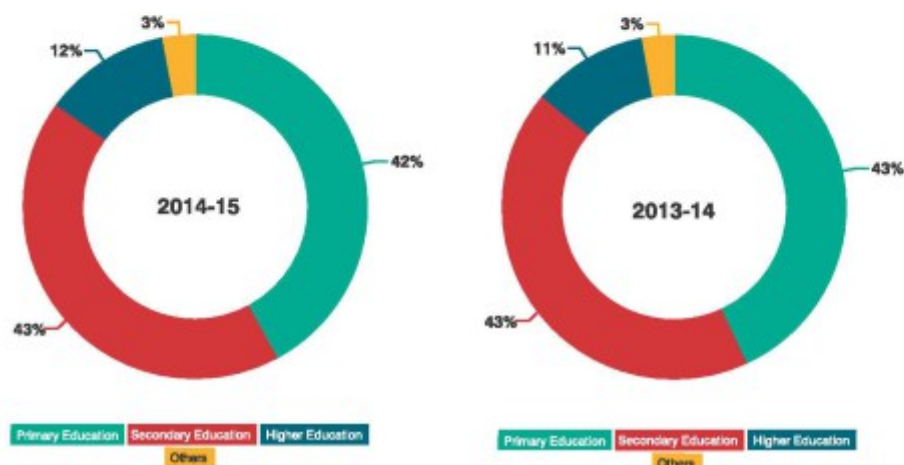
Provincial Development Budget



Education Budget

absolute terms, share of both primary and secondary education has increased from last year as primary and secondary education have been apportioned additional budget of Rs. 9.6 billion and Rs. 11.7 billion in 2014-15, respectively, compared with last year's allocations. This year, the share of higher education is 12 percent of the total budget, 1 percent higher than last year; while 'others' consistently receives 3 percent of the education budget.

Chart 3.3: Composition of Education Budgets 2013-14 and 2014-15



Source: FABS Reports from PIFRA SAP System.

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

3.2.1 Trends in Total Budget Allocations and Expenditures

Education budget of Punjab shows a consistent upward trend during the last 5 years (see Table A3.1 in Annex) where it has been increased by 67 percent (Rs. 104.5 billion), rising from Rs. 155.15 billion in 2010-11 to Rs. 259.63 billion in 2014-15. Most of this increase can be attributed to the rising recurrent budget over the years. A point of concern while considering the budgetary allocations for Punjab is that the actual spending always falls short of the allocated budget.

In 2011-12, the budgetary allocation increased by Rs. 36.82 billion compared with the allocated budget in 2010-11, making the total education budget equal to Rs. 191.98 billion. But in terms of actual expenditure in 2011-12, 12 percent of the allocated budget remained unspent. The increasing trend continued during the next year where allocation rose to Rs. 220.58 billion in 2012-13; but again 13 percent of the apportioned budget (Rs. 27.8 billion) could not be utilized. In the following year, the increase in education budget was relatively reasonable but the actual spending in 2013-14 was even lesser than the allocation for 2012-13. For 2014-15, the budget has

Chart 3.4: Percentage Change in Budgetary Allocations and Expenditures, 2010-11 to 2013-14

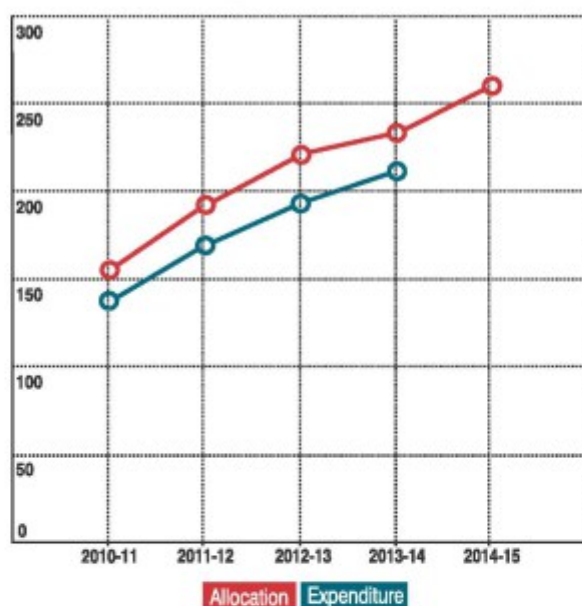


Note: A negative percentage refers to lesser budget expended compared to that year's allocation.

Source: FABS Reports from PIFRA SAP System.

been increased by Rs. 27.1 billion, which makes the budgetary allocation of Rs. 259.63 billion for education.

Chart 3.5: Trends in Education Budget 2010-11 to 2014-15 (Rs. Billions)



Source: FABS Reports from PIFRA SAP System.

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Over the years, the actual spending always falls short of the allocated budget.

From 2010-11 to 2012-13, the highest share of education budget was appropriated to primary education. The trend changed afterwards, where secondary education started to receive the highest share although the share of primary education was nominally decreased. The budget for higher education has continued to increase over the years and this fiscal year, Rs. 31.6 billion have been earmarked for higher education, highest in the last five years; while 'others' continue to receive the minimum share of the education budget.

3.2.2 Trends in Current Budget Allocations and Expenditures

Current budget continues to consume majority of the education budget with its share ranging from 85 percent to around 95 percent during the last five years under study (see Table A3.2 in Annex). For the year 2014-15, 85 percent of the total budget, amounting to Rs. 221 billion, has been allocated for the recurrent budget. From 2010-11 to 2014-15, the current budgetary allocation has increased by 62 percent but this allocated amount has never been fully utilized. In fact, the allocated budget has always been under-spent during the last 5 years. The highest gap between allocations and actual expenditure was recorded in 2011-12, when 12 percent of the allocations remained unspent.

Chart 3.6: Percentage Change in Current Budget Allocations and Expenditures, 2010-11 to 2013-14



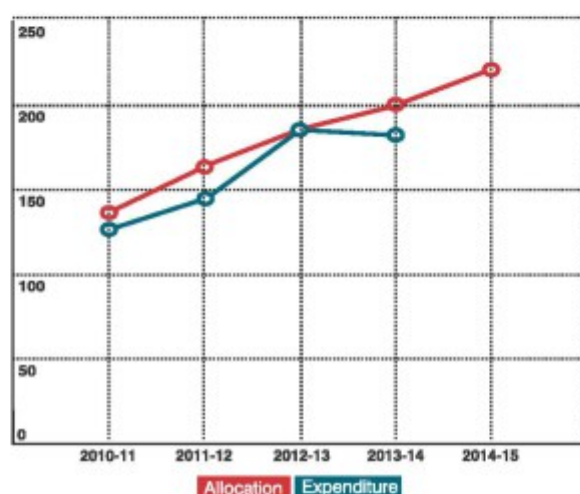
Note: A negative percentage refers to lesser budget expensed compared to that year's allocation.

Source: FABS Reports from PIFRA SAP System

The current budget shows a rising trend while considering the allocations made under this head. The allocation has been increased by 20 percent between 2010-11 to

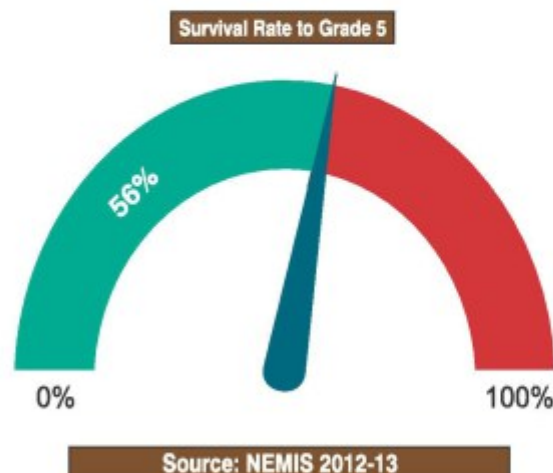
2011-12, equal to an absolute increase of Rs. 27 billion. The allocated budget for 2011-12 was equal to Rs. 163.5 billion but the actual spending in 2011-12 was even less than the budget allocated for the preceding year. In the following year, the current budget increased by Rs. 22.1 billion, therefore, setting a budget of Rs. 185.6 billion for 2012-13. The budget again increased in 2013-14 by 8 percent compared with the previous year; but little significance does this increase hold, since the actual spending was even Rs. 2.7 billion lesser than last year's actual spending. In 2014-15, Rs. 221 billion have been earmarked for recurrent budget, after an increase of Rs. 20.9 billion from last year.

Chart 3.7: Trends in Current Education Budget 2010-11 to 2014-15 (Rs. Billion)



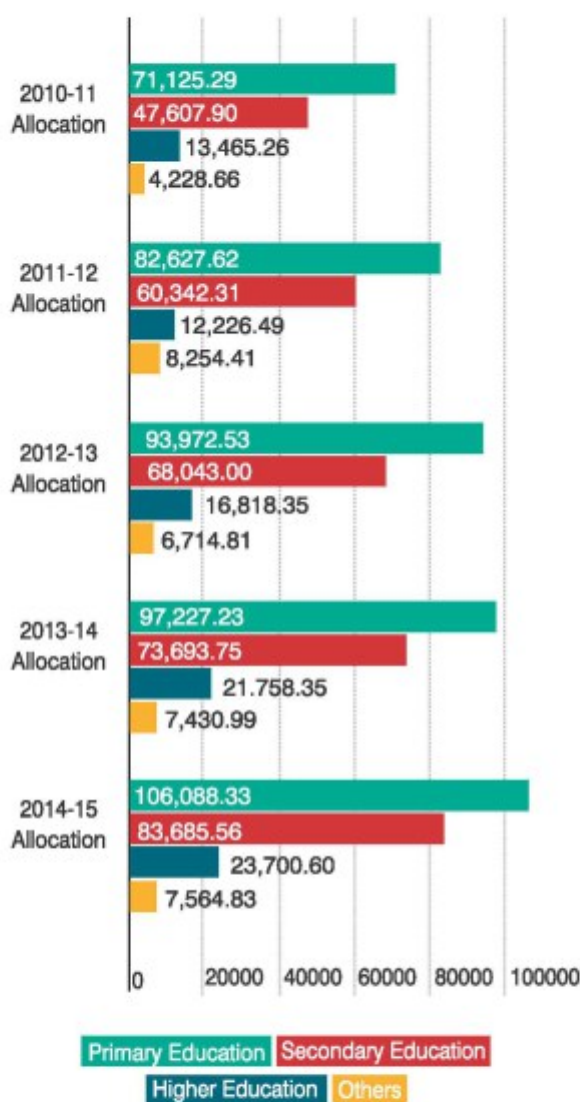
Source: FABS Reports from PIFRA SAP System.

Current budget has mostly been consumed by primary education where the share of primary education has continued to increase over the years along with considerable increase in other sectors also, except for 'others'. The share of secondary education has shown significant increase over the last 5 years, starting from over Rs. 48 billion in 2010-11 to over Rs. 84 billion in 2014-15.



The highest gap between current budget allocations and actual expenditure was recorded in 2011-12, when 12 percent of the allocations remained unspent.

Chart 3.8: Trends in Current Budget by Educational Level 2010-11 to 2014-15 (Rs. Million)



Source: FABS Reports from PIFRA SAP System.

Salary budget consumes the major portion of current budget with its share being over 85 percent of the total current budget in the last five years (see Table A3.3 in Annex). It is not just that large sums of budget are allocated for salary budgets, but the real expenditure has also never dropped below 88 percent from 2010-11 to 2013-14. The highest allocation for salary budget has been recorded for fiscal year 2014-15 where a sum of Rs. 198.8 billion has been earmarked for salaries and related expenses. Primary education has consistently received the highest share of salary budget, followed by secondary education; but the actual salary expenses for primary education has been constantly lesser than the allocations.

Non salary budget has received a meager share of about 10 to 12 percent of the current budget during the last five years (see Table A3.4 in Annex). Compared with last year, non-salary budget has increased by 26 percent in 2014-15, which in absolute terms equals Rs. 4.6 billion.

3.2.3 Trends in Development Budget Allocations and Expenditures

In last 5 years, development budget has received allocations ranging from 12 to 16 percent of the total education budget (see Table A3.5 in Annex). Not only lower allocations for development budget is an area of concern, particularly in the context of Article 25-A of the constitution, but over the years the actual expenditure has also been short of the allocated budget. In 2012-13, a record high for unspent allocations was observed where 77 percent of the allocated budget remained unutilized. It is appreciable that Punjab has significantly improved the underspending pattern in 2013-14 but still needs to go a long way to absorb all available resources.

Chart 3.9: Percentage Change in Development Budget Allocations and Expenditures, 2010-11 to 2013-14



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

Source: FABS Reports from PIFRA SAP System.

In 2012-13, a record high for unspent allocations were observed where 77 percent of the allocated budget remained

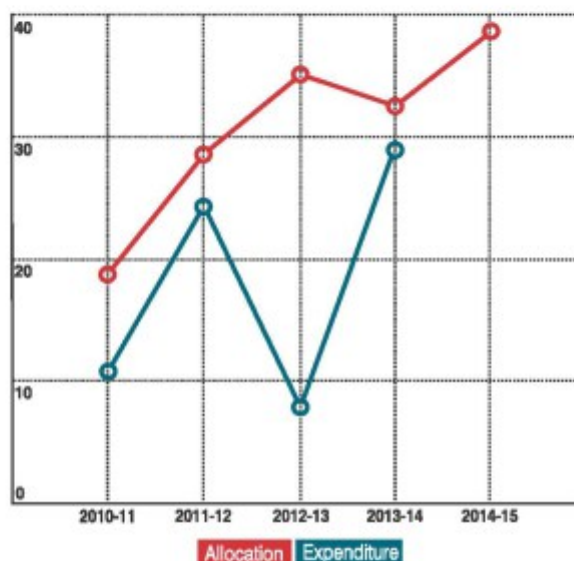
Despite huge discrepancies existing between the allocated and expended budgets, the allocated budget has continued to increase gradually over the years. An increase of 106 percent can be seen from 2010-11 to 2014-15 in the development budget allocations which shows an increase of Rs. 19.9 billion in absolute terms. The actual spending hit an all-time low in 2012-13 when only Rs. 7.9 billion were spent against the allocated budget of Rs. 35 billion. The actual spending in 2013-14 rose by 267 percent

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For the current fiscal year, 72 percent of the development budget has been allocated for secondary education, 20 percent of the budget being apportioned for higher education, whereas 6 percent and 1 percent of the total development budget has been earmarked for primary education and 'others', respectively.

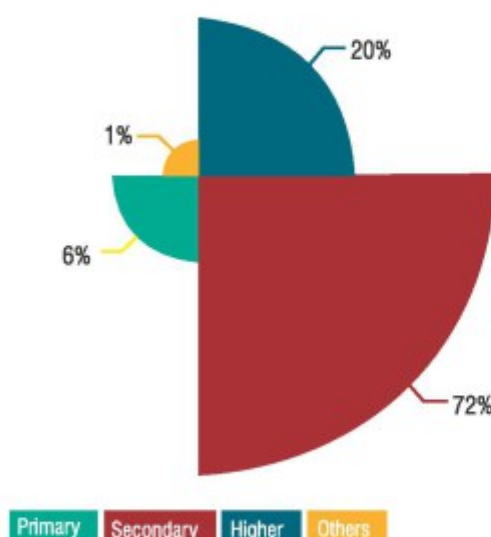
compared with the expensed budget in 2012-13, closing the gap between allocation and expenditure to only Rs. 3.5 billion in 2013-14. An amount of Rs. 38.6 billion has been apportioned for development budget in 2014-15 but considering the unpredictable spending pattern of the past, it is yet to be seen that how much of it will actually be consumed.

Chart 3.10: Trends in Development Education Budget 2010-11 to 2014-15 (Rs. Billion)



Source: FABS Reports from PIFRA SAP System.

The distribution of development budget within various levels of education has remained same among the sectors receiving major shares of the total pie of development budget. The prime consumer of the development budget has been the secondary education, where its share has remained highest for the last five years. Secondary education is followed by higher education, primary education and 'others' in terms of appropriated budget. For the current fiscal year, 72 percent of the development budget has been allocated for secondary education, 20 percent of the budget being apportioned for higher education, whereas 6 percent and 1 percent of the total development budget has been earmarked for primary education and 'others', respectively. This huge difference between secondary and primary education and that higher education is receiving more budget compared to primary education comes as a surprise. Considering the national focus on primary education, lower allocation for primary education does not align with the commitment of achieving Universal Primary Education by 2015 and compliance with Article 25-A of the constitution.

Chart 3.11: Priorities in Development Budget Allocation, 2014-15

Source: FABS Reports from PIFRA SAP System.

3.2.4 Trends in District Expenditure

District education budget is utilized mostly in salary expenses with meager budget set aside for non-salary expenditures. These funds are provided by the provincial government as a single line transfer to the district. Planning and financing of development schemes is overlooked by the provincial government, therefore, the share of development budget in the district budget is negligible.

Share of district expenditure in total education budget has ranged between 70 to 77 percent in last few years, 74 percent, 70 percent and 77 percent in 2010-11, 2011-12 and 2012-13 respectively. During 2013-14, the share of district education budget as a proportion of total education expenditure of the province has been 72 percent, which is less than last year.

Net Enrolment Rate at Primary Level

**Boys**

Source: PSLM, 2012-13

Net Enrolment Rate at Primary Level

**Girls**

Source: PSLM, 2012-13

Table 3.3 distributes the 36 districts of Punjab according to the range they fall in with respect to the education budget expenditure in 2013-14. Highest annual expenditure has been recorded for Faisalabad and Lahore where the expenditure is above Rs. 7 billion. Aggregate expenditure of these two districts is 12 percent of the total district education expenditure and 9 percent of the provincial education expenditure. Seven districts lie in the Rs. 5.1 – 7 billion annual expenditure range with their aggregate expenditure constituting 27 percent and 20 percent of the total district education expenditure and total education expenditure of the province, respectively.

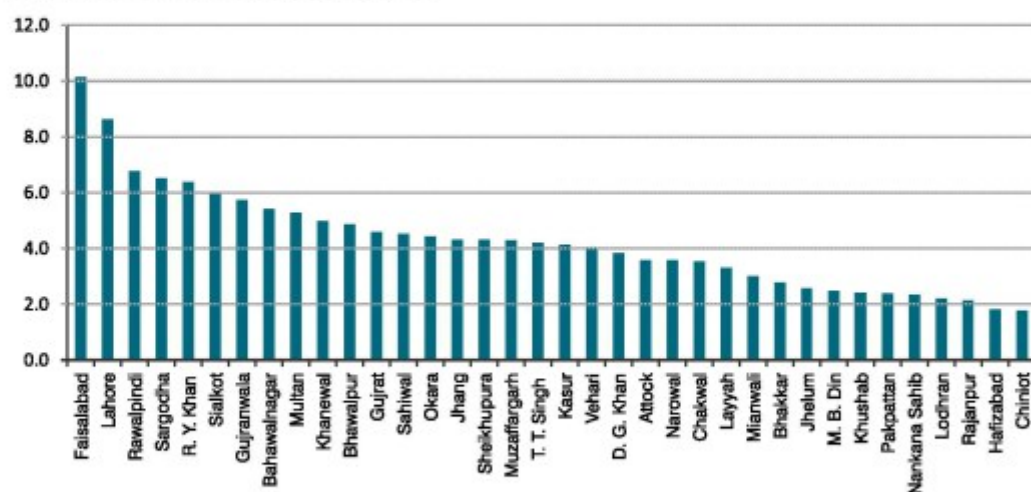
Table 3.3: Variations in Annual Education Budget Expenditure of Districts in Punjab, 2013-14

S. No.	Annual Expenditure Range	No. of Districts	Names of Districts	% of Total District Education Expenditure	% of Total Punjab Education Expenditure
1	Above 7 billion	2	Faisalabad, Lahore	12%	9%
2	5.1 to 7 billion	7	Rawalpindi, Sargodha, R.Y.Khan, Sialkot, Gujranwala, Bahawalnagar, Multan	27%	20%
3	4.1 to 5 billion	11	Khanewal, Bhawalpur, Gujrat, Sahiwal, Okara, Jhang, Sheikhupura, Muzaffargarh, T.T.Singh, Kasur, Vehari	32%	23%
4	2.6 to 4 billion	8	D.G.Khan, Attock, Narowal, Chakwal, Layyah, Mianwali, Bhakkar, Jhelum	17%	12%
5	1.5 to 2.5 billion	8	M.B.Din, Khushab, Pakpattan, Nankana Sahib, Lodhran, Rajanpur, Hafizabad, Chiniot	11%	8%
Total		36			

Source: FABS Reports from PIFRA SAP System.

Most of the districts (11 districts) make an annual expenditure between Rs. 4.1 to 5 billion. Eight districts with an annual expenditure in the range of Rs. 2.6 to 4 billion, take up 17 percent of the total district education expenditure and 12 percent of Punjab education expenditure. Finally, eight districts including, M.B.Din, Khushab, Pakpattan, Nankana Sahib, Lodhran, Rajanpur, Hafizabad, Chiniot, have the lowest annual expenditure that is between Rs. 1.5 to 2.5 billion. Large disparity in education budget expenditure between districts is evident from the fact that the combined expenditure of these eight districts that lie in the lowest annual expenditure range is still less than the sum of total annual expenditure of Lahore and Faisalabad. This discrepancy manifests the unfair distribution of resources for the education between districts.

Chart 3.12 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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