

**FALLING THROUGH THE CRACKS:
ALLOCATIONS VERSUS
EXPENDITURES IN EDUCATION
FINANCE**

Policy Note

The Problem

Although the total outlay of federal and provincial education budgets has increased by 37 percent in the past five years, underspend remains a recurrent and significant issue. Pakistan spends 1.7 percent of its Gross Domestic Product (GDP) on education¹. This level of investment is low when compared to the international norm of a 4 per cent minimum, or the international standard² of allocating 20 percent of the total budget to education. In 2022-2023, budget allocation for education was consistent with the 20 percent benchmark only in Sindh and Khyber Pakhtunkhwa (KPK). This conceals the fact that almost all provinces miss huge opportunities for making steady progress year-on-year due to underutilization of allocated budgets.

Education budget as proportion of total budget

Provinces	2022-23
Balochistan	17%
KPK	21%
Punjab	16%
Sindh	20%

In 2021-22, for example, the total federal and provincial allocations for education amounted around 1.19 trillion. Of this total, 11 percent could not be used. Key reasons for this include the fact that a portion of the budget is either released too late in the fiscal year when planning any meaningful spend is not possible or is not released at all due to re-appropriation or other reasons.

This issue of budget allocation and execution needs to be considered within a national context. Pakistan has demonstrated good progress on several education indicators in the last decade. Despite this, considerable challenges remain in meeting the progress towards internal and external commitments such as Article 25-A, and the provincial Free and Compulsory Education Acts. Over 20 million children aged 5-16 years are still out of school³. There is also a sharp decline in participation rates at middle and matric levels. In addition to access, the quality of education poses a significant challenge as many children do not have even grade-appropriate skills of reading and numeracy.

Although education is a devolved subject, many issues in planning and execution of budgets cut across the federal and provincial governments. For example, **many projects and schemes, especially the new ones, planned in a particular year do not receive full allocations during the year, or the funds are released too late in the year when execution becomes a problem.** Pakistan's education challenge is massive and cannot be resolved without addressing those issues to ensure effective utilisation of allocated budgets. For example, education sector planning is not fully responsive to constraints and pressures on fiscal space at the provincial levels.

This increases gaps between the proposed budgets as part of education sector plans, the actual allocation for the education sector, and spending levels. Furthermore, there is a recurrent practice of late transfer of funds from the centre to the spending units. In many cases, there is no regular tracking of the budgetary releases and utilisation. The COVID-19 pandemic, floods, and other emergencies have played a vital role in reducing spending on education as significant portions of the education budgets had to be diverted to other sectors⁴.

This note analyses education budgets from the standpoint of utilisation rates. The objective is to draw attention of the policymakers and other stakeholders to the scale of the problem. At the end of the note, we provide suggestions to improve spending of education budgets in Pakistan.

¹ Economic Adviser's Wing (2023). *Pakistan Economic Survey 2022-23*

² UNESCO (2015). *The Education 2030 Framework for Action*

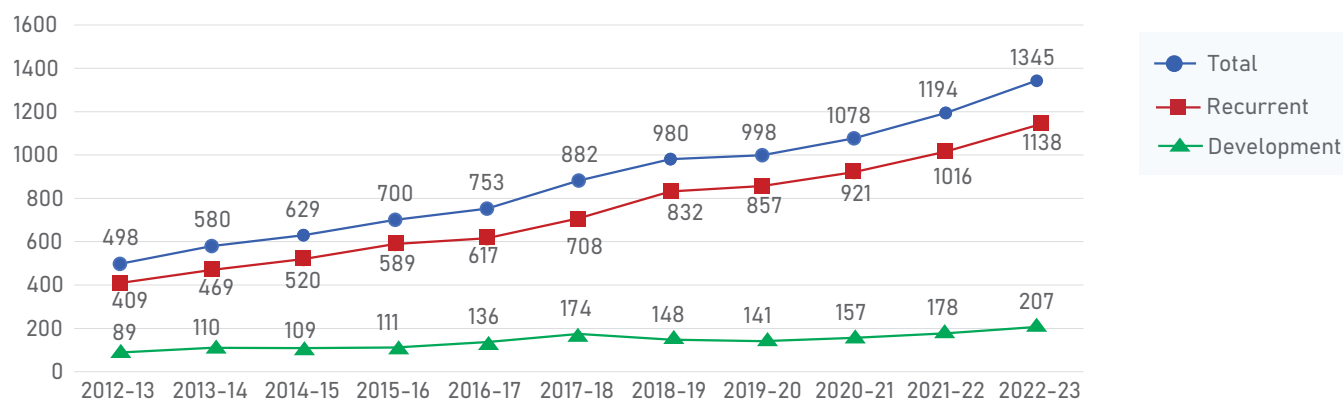
³ Various sources, including PES Reports, PSLM, UNICEF and I-SAPS

⁴ UNICEF (2023). *Transforming Education with Equitable Financing*.

Growth of Budget Allocations and Spending

Over the past decade, the size of cumulative education budget at the national level has more than doubled from PKR 498 billion in 2012-13 to PKR 1,345 billion in 2022-23. Over the past five years since 2018-19, the budget allocation has increased by 37 per cent. In 2022-23, the cumulative education budget amounts to PKR 1345 billion. This represents a 7 per cent share in the total outlay of the Federal and provincial expenditure of PKR 19,182 billion.

Figure 1: Trends of education budgets in Pakistan, disaggregated by total budget, recurrent budget, and development budget, 2022-23



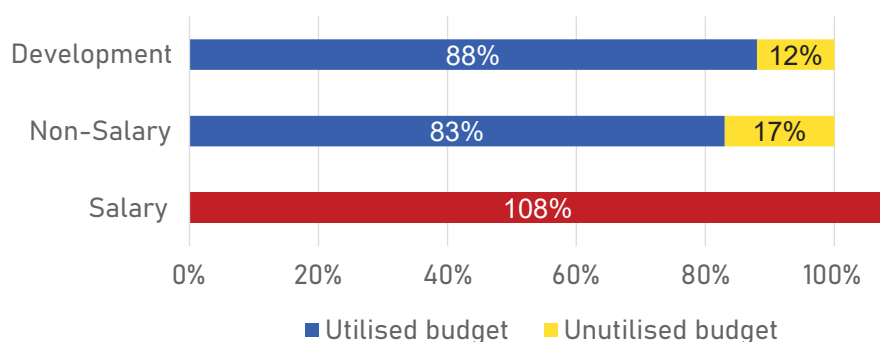
Source: I-SAPS (2023)

As the above chart shows, growth of the development budget has been quite low compared with the recurrent budget allocation for education. In percentage terms, the development budget for education has increased by 133 per cent since 2012-13, while the recurrent budget has grown by 178 per cent.

Education Budgets⁵: Recent trends in allocation and spending

In the last three years, education spending has improved. Around 90 per cent of the allocated budget is being spent each year. In 2021-22, 89 per cent of the earmarked funding for education was utilised. On the surface, this seems a good spending trajectory. However, aggregate data masks many important challenges. It is important to breakdown the data into operational areas: salary, non-salary, and development gain a clearer view of the issue.

Figure 2: Utilisation of Salary, Non-Salary, and Development Budgets, 2021-22



Source: I-SAPS (2023)

⁵ This section uses data compiled by I-SAPS (2023) from education budget documents and other records.

As the above chart shows, spending on salaries exceeded the allocated budget by eight percentage points. On the other hand, 12 percent and 17 percent of the allocated budget development schemes and non-salary budgets respectively could not be spent. The situation significantly varies at the federal and provincial levels.

In order to more closely examine the federal and provincial spending patterns, it is also important to outline some of the key reasons for low budget utilisation in Pakistan.

- › **Delays in release of funds from the provincial government to districts and schools.** Under the Provincial Finance Commission (PFC) award, districts receive the funds for departmental spending. Similarly, some funds like school-specific non-salary budgets are released to the schools. The receipt of funds by the province, its approval for disbursement to the districts, and then to the schools is a lengthy process. A general pattern is that the releases in the first quarter are very low. Funds are disbursed mostly in third and fourth quarter at a time when execution becomes a challenge leading to underspend.
- › **Untimely reallocation of funds from low-spending to high-spending heads also plays a role in the underspending of allocated budgets.** Normally, at the mid-year point, budget reallocation and reappropriation takes place. Budget heads with low spending should either be pushed for spending or reallocated to areas needing additional funding. In many cases, this does not happen at all or does not happen well in time, resulting in low spending against these budget heads at year close.
- › **Inefficiencies and complexity of approval processes consume additional time to reach the spending units.** For example, the salaries of afternoon schoolteachers were not part of the regular budget of schools. District officials compiled information of all schools in the district and claimed it from the province. The approval and disbursement process took many months, and the allocated budget was not fully released at the end of the year.
- › **Underspending in recurrent budget is also related to teacher deployment issues.** The gaps between sanctioned posts and filled posts is a primary reason for that. The government allocates budget for sanctioned positions and those that are not filled during the year result in underspending.
- › **Underspending in development budget can be attributed to complex public procurement⁶ procedures.** These procedures sometimes delay the timely procurement of materials (books and teaching and learning materials, for example) and services (human resources, for instance). This has a direct impact on the release of funds and its timely spending.

Federal

The federal government allocated a budget of PKR139 billion for education in 2022-23. This represents a decrease of 0.5 per cent over the previous year's allocation. In 2021-22, only 3 per cent of the allocated budget remained unspent. However, when we disaggregate the budget into salary, non-salary, and development heads, a different picture emerges. In 2021-22, the Federal government spent 158 per cent of the earmarked budget on salaries, while 18 per cent of the allocated budget for non-salary purposes remained unspent. Spending on development budget exceeded marginally by one percentage point during 2021-22.

⁶For a detailed discussion on procurements in the Education Sector, please see: I-SAPS(2014), *Education Sector Procurements in Punjab and KPK: A Horizontal Accountability Perspective*. Islamabad.

Balochistan

The Balochistan government allocated a budget of PKR104 billion for education in 2022-23. This highlights an increase of 15 per cent over the previous year's allocation. In 2021-22, only 82 per cent of the allocated budget could be spent, with an unutilised budget of PKR16 billion. However, when we disaggregate the budget into salary, non-salary, and development heads, it becomes clear that 56 per cent of the allocated budget for development purposes remained unspent. In comparison, 90 per cent of the earmarked budget was spent on salaries, and 101 per cent for non-salary purposes was used during the year.

Khyber Pakhtunkhwa

The Khyber Pakhtunkhwa government allocated a budget of PKR275 billion for education in 2022-23. This highlights a decrease of 21 per cent over the previous year's allocation. In 2021-22, 11 per cent of the allocated budget remained unspent.

On disaggregating the education budget for 2021-22 into salary, non-salary, and development heads, it becomes evident that the allocated salary budget was fully spent during the year. However, 61 per cent of the budget earmarked for non-salary purposes remained unspent in 2021-22. Similarly, looking at the development budget, an underspending of 21 percentage points was recorded during the year.

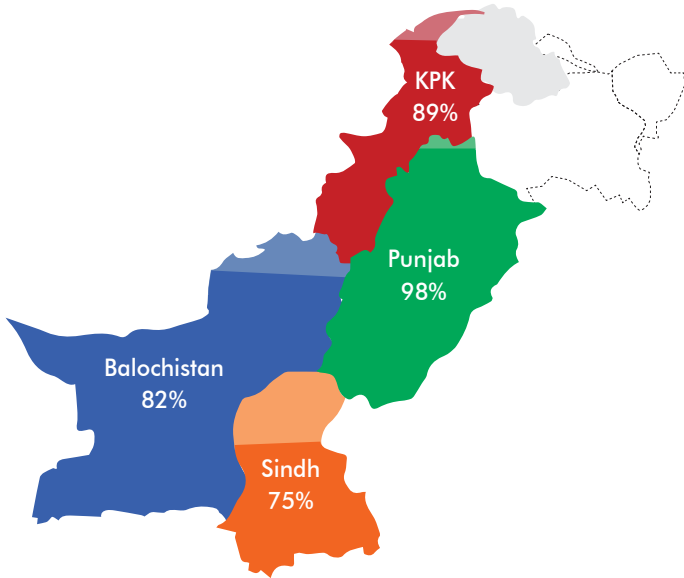
Punjab

Punjab allocated a budget of PKR493 billion for education in 2022-23. This highlights an increase of 13 per cent over the previous year's allocation. In 2021-22, only 2 per cent of the allocated budget remained unspent. However, when we disaggregate the budget, a different situation unfolds. In 2021-22, the Punjab government spent 102 per cent of the earmarked budget on salaries, while 21 per cent of the allocated budget for non-salary purposes remained unspent. 10 per cent of the development budget could not be utilised during 2021-22.

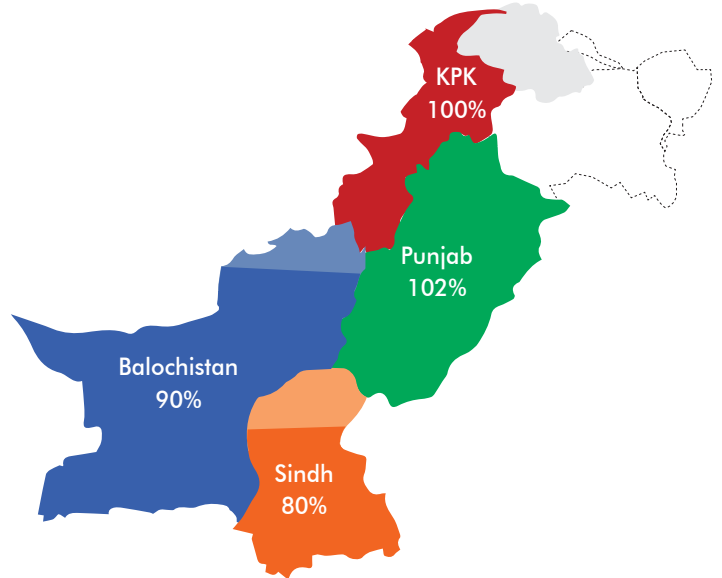
Sindh

The Sindh government allocated a budget of PKR335 billion for education in 2022-23, showing an increase of 11 per cent over the previous year's allocation. In 2021-22, only 75 per cent of the allocated budget could be spent, with an unutilised budget of PKR77 billion. Upon disaggregating the budget, it became clear that 58 per cent of the allocated budget for development schemes remained unspent in 2021-22. In comparison, 80 per cent of the earmarked budget was spent on salaries, and 28 per cent of the allocated budget for non-salary purposes remained unutilised during the year.

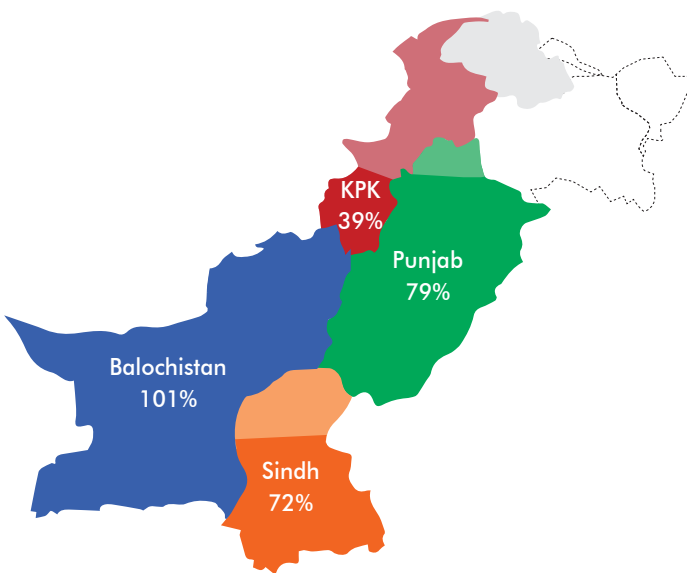
Total Budget



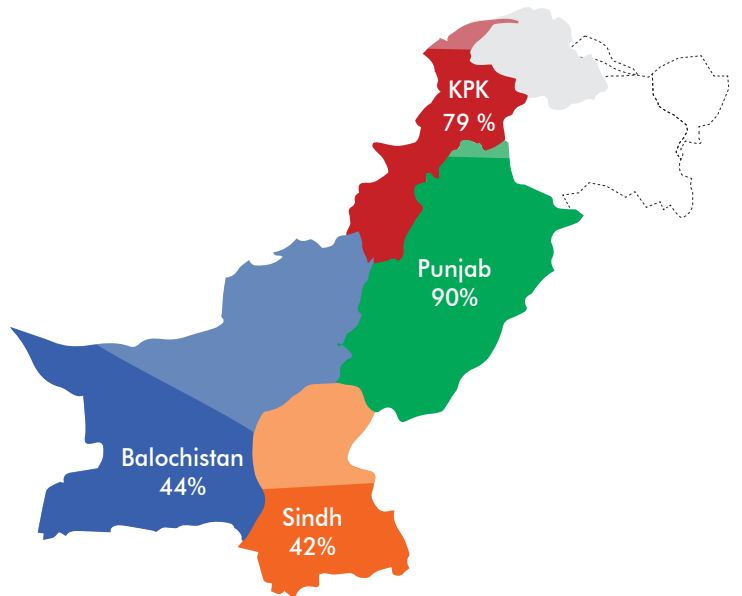
Salary Budget



Non-Salary Budget



Development Budget



The darker colors represents the spend of education budgets.

Recommendations

- › **Preventing Delayed Budget Releases:** Considering the massive backlog in education access and quality, the federal and provincial governments should collectively agree to protect the allocations for education from re-appropriations and timely releases of tranches in non-emergency contexts. If line departments cannot make progress, the Council of Common Interests (CCI) should convene discussions on this issue and facilitate a decision.
- › **Engagement Across Governments:** The federal and provincial governments should devise a mechanism to jointly discuss budget utilisation rates for salary, non-salary and development schemes and causes of underspending. This will encourage cross-province learning on best practice to manage spend in time.
- › **Citizen Driven Accountability:** The School Education Departments should encourage communities and civil society to monitor education spending at the local levels. Development partners should invest in budget tracking systems and citizen-led accountability initiatives like Reforming Education Accountability in Pakistan (REAP)⁷. The initiative ensures that the civil society is engaged in planning and monitoring education inputs and financing.
- › **Improved Advocacy:** It is crucial to advocate with government counterparts to discuss and minimise the gaps in education allocation and spending. Development partners should also leverage their traction with governments to create pathways for tracking budget utilisation but also building the capacity of the government to allocate better and track education budgets.
- › **Better Human Resource Planning:** It is essential to reduce the gap between the sanctioned posts and filled posts. This is especially critical for teaching posts because it directly impacts education outcomes. Teaching and non-teaching posts should either be filled or adequately reflected in the budget to minimise the gap between the allocated recurrent budget and the utilised budget at the end of the year.
- › **Supportive Procurement Processes:** The government must facilitate the timely procurement of services and materials. In many cases, devolving the procurement process to districts and schools can resolve the delays and complexities. In other cases, simplified procurement procedures and timely initiation of the procurement process can ensure better utilisation of education budgets.

⁷ REAP is a GPE supported initiative and is currently being implemented in six districts across Punjab and KPK for improving citizen led accountability.

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Acknowledgements

This policy note has been developed by a team led by Dr Muhammad Shahid Soroya, Director General PIE and Dr Zaigham Qadeer, Director PIE, with the technical and academic support of Ahmad Ali, Director Programmes, I-SAPS. The Authors would like to acknowledge the valuable support from the PIE and I-SAPS teams, which worked diligently on data acquisition and analysis.