

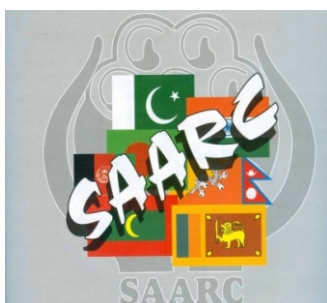
# Dismal Picture of Public Spending on Education in Pakistan

## – A comparison with SAARC States

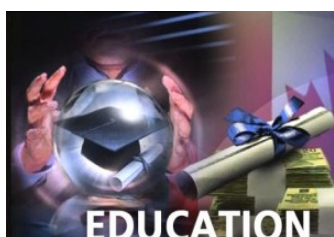
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**Abstract:** This paper gives an overview of literacy level and public spending on education in Pakistan and SAARC countries. It provides an in-depth analysis of the federal and provincial education budget allocations vis-à-vis the utilization of budget by the Provinces. The recurrent and development expenditures on account of educational budget have also been highlighted, supplemented by statistical tables. The paper also examines the share of recurrent and development expenditures in the total education budget of each province and finally suggests measures on how to improve public spending on education in Pakistan.

**Keywords:** budget, allocations, public spending, recurrent expenditure, development expenditure



Our research indicates that governments in the African region seems to be more concerned about educating their people than the Asian nations, which is reflected from the fact that several African countries are spending more than 25 percent of their total budget expenditure on education.



### Preamble

It is an admitted fact that countries attaching special focus on educating their masses are considered to be the world leaders and have achieved economic progress and prosperity. On the contrary, countries not according priority to education as an important pillar and backbone of development, are lacking in global economic progress. Unfortunately, Pakistan is also included in the list of such countries, where literacy rate is abysmally low – even lower than several African countries. The basic reasons for this dismal state of affairs are lack of political will in spreading education and low level of public spending on education.

Research has proved that investment in education has a positive impact on economic growth of countries. Resultantly, countries all around the world have increased allocations on education in their development budgets. Investment in education sector gives impetus not only to improve the outreach and quality of education but also to enhance the skills and capabilities of human resource, especially the labour force. It also helps in research and development.

It would be interesting to refer here to the example of 'Japan' whose economy was completely ruined during the World War II but the then leadership of Japan took a sagacious long term decision of allocating huge money to educate their people. Today, Japan is one of the highly industrialized countries of the World. Another recent example is of 'Malaysia' which spends

almost 8 percent of its GDP on education. In fact, Malaysia far exceeds other countries in Asia and Pacific region, as its public expenditure on education has constantly been maintained at around 8 percent of GDP during last few decades. This is because in Malaysia, education is considered a social policy to achieve nation building through education, rather an economic policy.

In this Research Paper, we have attempted to first look at where Pakistan stands in SAARC bloc in terms of literacy and the overall status of education in the Asian region, in the light of various researches done by regional and international agencies. We would also be analyzing the Federal and Provincial budget allocations in Pakistan vis-à-vis the utilization of funds by the provinces.

### Literacy Level in Pakistan vis-à-vis SAARC countries

Maldives and Sri Lanka lead others in SAARC countries with highest literacy rate of above 90 percent, followed by India with

**Table-1 : Literacy Rate (%) in SAARC Countries**

Country	Literacy Rate
Bangladesh	59.8
Bhutan	52.0
India	73.8
Maldives	99.0
Nepal	66.0
Pakistan	60.0
Sri Lanka	91.2

74 percent literacy rate (see Table-1). The other countries in the region, have literacy rate in the range of 52 percent to 66 percent, with Pakistan standing at second last position with 60 percent literacy rate and Bhutan on last with 52 percent. It is interesting to note here that according to the definition of literacy used in Pakistan, a person who can merely sign his or her name is considered to be literate. Secondly, as per Federal Bureau of Statistics, male literacy rate is higher than females in all the Provinces and regions of the country. Male literacy in Pakistan stands at 71 percent as against female literacy of just 48 percent. Around 90 percent of rural females in Balochistan are illiterate. This gender disparity needs to be addressed by the government on war footing basis.

More disappointing fact is that the Pakistan youth aged between 15 to 24 years, fair lowest in SAARC region with literacy rate of just 70.7 percent. All other countries in the SAARC region, with the exception of Bhutan and Bangladesh, are better placed with more than 80 percent youth literacy rate, Maldives being at top with 99.3 percent, followed by Sri Lanka 98.2 percent, Nepal 82.4 percent and India 81.1 percent. Bhutan is at the second last position (last being Pakistan) with youth literacy rate of 74.4 percent whereas Bangladesh has youth literacy of 78.7 percent.

According to a UNESCO Report released in 2014, Pakistan has the second highest population of out-of-school children in the world, after Nigeria, with almost 5.5 million school-aged children not accessing school. This figure accounts for almost 10 percent of the world's out-of-school children.

Another important reason is the quality of education imparted by the South Asian countries to their people. The World Bank in its Report issued in June 2014, which analyzed the performance of South Asian education systems in terms of student learning observes that "poor quality education is holding back South Asia to achieve faster economic growth". The Report acknowledged the impressive performance of Sri Lanka in reaching near-universal primary education decades ago and notes that Afghanistan and Pakistan still lag significantly behind other South Asian countries.

### Asia lags behind other regions in public spending on Education

The Asian Development Bank in its 'Asian Development Outlook 2014 - Fiscal Policy for Inclusive Growth' has noted that while the government spending on education is rising as a percentage of GDP in many economies in developing Asia, the developing Asia still lags far behind other regions in fiscal spending to promote equity. As per ADB Outlook 2014, public spending on education averages 5.3% of GDP in the advanced economies; 5.5% in Latin America; and only 2.9% in Asia. ADB foresees that as Asian populations age from 2010 to 2050, public spending is expected to fall to 2.7% of GDP by 2015. This projection has been calculated on the basis of fertility decline and consequent decline in school-age share of population. The

greatest decline in public spending on education has been projected for South Asia and Southeast Asia.

This observation by the Asian Development Bank (ADB) is also supported by another study carried out by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). In its 'Statistical Year Book for the Asia and the Pacific 2014', UNESCAP observes that the government spending on education, relative to other sectors, is lower in Asian and Pacific countries than in the world's low-income and lower-middle-income countries.

Our research indicates that governments in the African region seems to be more concerned about educating their people than the Asian nations, which is reflected from the fact that several African countries are spending more than 25 percent of their total budget expenditure on education. For instance, in the South African region, Tanzania and

**As part of the national education policy and to improve education outreach and quality, the government should make it mandatory for the federal and provincial government to spend at least 40 percent of the education budget on development expenditure such as improving facilities, investing in infrastructure etc .**

Lesotho are investing around 27 percent and 24 percent, respectively, of their budget on education. In East Africa, Kenya is spending 27 percent and Uganda allocating around 16 percent on education budget. Similarly, the Central African country viz. Burundi is spending 22 percent and West African Togo is spending 17 percent of their total budget expenditure on the education sector. These figures are really an 'eye opener' for the Asian region, especially the South Asian countries, including Pakistan for taking the illiteracy issue in their countries seriously, otherwise a time will come that the African countries would be far ahead of us on the path of progress and prosperity.

### Public Spending on Education in SAARC region

It is quite unfortunate that governments in SAARC countries, with the exception of Maldives, are not giving utmost emphasis on education sector and making minimal budgetary allocations even lower than that in many African countries, in terms of percentage of total budget and Gross

**Table-2 : Expenditure on Education in SAARC Countries (as % of GDP)**

Country	Expenditure (%)
Bangladesh	2.2
Bhutan	4.7
India	3.4
Maldives	11.2
Nepal	5.4
Pakistan	2.1
Sri Lanka	1.9

**Table 3 : Expenditure on Education in Pakistan (as % of GDP)**

Years	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Expenditure (% of GDP)	1.7	1.8	1.8	1.8	1.7	1.8	2.0	2.1	2.1

Domestic Product (GDP). According to statistics compiled by relevant agencies, the combined federal and provincial budgetary allocations to education is lowest in South Asia at around two percent of GDP.

**Table-2** depicts this dismal picture of SAARC countries. As can be noted, Pakistan, Bangladesh and Sri Lanka are spending just around two percent of their GDP on education. Maldives is well ahead in SAARC with education spending of 11.2% of GDP, followed by 5.4% of Nepal and 4.7% of Bhutan. The statistics, as depicted in **Table-3**, shows that public spending on education in Pakistan as percentage of GDP has hovered around just two percent. Since 2005, we have managed to improve this figure by just 0.4 percent, which is quite embarrassing if we compare this with expenditure made by other countries in the world, especially the African nations. It may be noted here that a big chunk of this budgetary allocation is spent on recurrent expenditures, mainly salaries of teachers and other education staff, which leaves less amount for development (see **Table-10**).

According to reports published in the press, the Pakistani government has committed to gradually increase the budgetary allocations for education from present 2 percent of GDP to 4 percent by 2018 as envisaged in the National Plan for Action for MDGS (Millennium Development Goals) Acceleration Framework (MAF) 2013-2014. However, this proposed target would still be far below the target of 7 percent of GDP set for 2015 in National Education Policy 2009. It is relevant to mention here that Sri Lankan Education Minister has recently announced to raise the annual budgetary allocations to education sector to 6 percent of GDP. It transpires from current scenario of non-serious attitude of provincial governments towards education, that it would be difficult to achieve the target of 7 percent of GDP for education budget allocations.

As far as public spending on education as percentage of total government budgetary expenditure is concerned (see **Table-4**), Nepal is at top position with educational budget allocation of over 20 percent, followed by Bhutan with 17%

**Table- 4 : Public Spending on Education as % age of Total Government Expenditures in SAARC Countries**

Country	2012	2011	2010	2009	2008
Bangladesh	11.5	14.1	14.1	13.8	15.0
Bhutan	17.0	11.3	10.0	13.6	14.0
India	11.3	11.3	10.5	10.1	10.4
Maldives	14.2	15.8	--	17.5	12.6
Nepal	22.7	20.2	22.7	24.9	23.9
Pakistan	9.9	10	10.9	11.5	12.4
Sri Lanka	8.8	9.3	8.6	8.3	--

and Maldives 14.2%, respectively in 2012. Pakistan and Sri Lanka are investing less than 10% of their budget on education, whereas India and Bangladesh are slightly ahead with around 11% budget allocation. It may be pointed out here that the recommended global standard of percentage share of education in national budgets is 20 percent. In the SAARC bloc, only Nepal is meeting this target, whereas other countries are far behind the target. It may be noted in **Table-4** that during 2008, Pakistan's budget allocation for education was 12.4% which has gradually come down to

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reach the level of below 10 percent. In Bangladesh, the budgetary allocation for education has also shrunk gradually over the last several years, from 15% in 2008 to 11.5% in 2014, despite the fact that the number of students has almost doubled from over 2 crore in 2010 to 5 crore in 2014. India has consistently maintained uniform education budget, though the State-wise education budget varies. Rich Indian states like Kerala spend about US\$ 685 per pupil per year, whereas in poor states like Bihar, only US\$ 100 is spent.

### Federal and Provincial Education Budget Allocations and Expenditures

According to UNDP Human Development Report 2013, Pakistan ranks at 177th globally in terms of public spending on education. Only seven developing countries spend less than Pakistan. It is high time that our government, both Federal and Provincial, should accord 'national priority' to education and not only allocate sufficient funds to education sector but also put in place a strong monitoring system to ensure effective utilization of these funds in the larger interest of the educational benefit of the people.

### Current and Development Budget

Before we proceed, let us have an understanding of two main budget classifications viz. (1) current or non-development budget and (2) capital or development budget.

The **Current Budget (Non-Development Budget)** is for expenses that are recurring such as teachers salaries;



**Table- 5 : 7th NFC Award Allocation and Transfer of Funds to Provinces in FY 2014-15 (Rs. in Billion)**

Provinces	Total Budgeted Allocation	Transferred to Provinces by first half of FY 2014-15	% age of share transferred to Provinces
Sindh	464	194	41.8%
Punjab	813	336	41.4%
KPK	284	119	41.9%
Balochistan	160	80	50.0%
<b>Total</b>	<b>1721</b>	<b>729</b>	<b>42.36%</b>

allowances to teaching and non-teaching staff, which comes under 'salary head'. The 'non-salary head' includes expenses related to utilities; repair and maintenances and other operating expenses.

On the other hand, the **Development Budget (Capital Budget)** is for new expenses such as investments in new facilities, upgrading of existing facilities, purchase of equipments for laboratories etc.

**Table- 6 : Overall Federal Education Budget (2008-09 to 2013-14) -- (Rs. in Billion)**

Year	Total Education Budget (a+b)	Recurrent Budget (a)	Development Budget (b)
2013-2014	80	59	21
2012-2013	69	52	17
2011-2012	61	45	16
2010-2011	55	40	15
2009-2010	56	32	24
2008-2009	45	25	20

It is also to be understood here that '**budget allocations**' are different from '**actual budget spending**'. In Pakistan, it is quite unfortunate that in every government department, including the education sector, the current budget is fully utilized, mainly due to disbursement of salaries to teachers and other teaching staff. The actual development budget, however, remains under-utilized and always fall short of allocated budget. There are several reasons for this under-utilization of development budget such as delay in release of approved budget and lack of staff capability to submit bills to concerned department.

## 18th Amendment and transfer of Education Responsibility to Provinces

A new Article 25-A was inserted in the 18th Amendment to the Constitution of Pakistan and it was adopted by the Parliament in April 2010. This new Article 25-A made education a basic right and call for free and compulsory education to all the children aged 5 to 16 in Pakistan. A major initiative taken in the 18th Constitutional Amendment is that curriculum, syllabus, planning, policy, centres of excellence and education standards, which were earlier under the Federal control, have been transferred to the Provinces.

With the devolution of the education ministry and shifting the responsibility to the Provinces in 2010-2011, the recurrent expenditure on education by the Federal government has been declining gradually. The 7th NFC Award finalized in 2009-2010 has transferred a bigger share of revenues to the provinces with special focus on delivery of social services in line with the 18th Constitutional amendment.

**Table- 7 : Federal and Provincial Budget Allocations for Education Sector in Pakistan (Rs. in Billion)**

	2011-2012	2012-2013	2013-2014	2014-2015
<b>A) Federal</b>	<b>61</b>	<b>69</b>	<b>80</b>	<b>86</b>
<b>B) Provinces</b>				
Sindh	107	105	136	145
Punjab	174	174	233	273
KPK	68	56	96	111
Balochistan	25	25	35	29
<b>Total Provinces</b>	<b>374</b>	<b>360</b>	<b>500</b>	<b>558</b>
<b>Total Pakistan (A+B)</b>	<b>435</b>	<b>429</b>	<b>580</b>	<b>644</b>

## Allocations to Provinces under 7th NFC Award in 2014-15

The 7th NFC Award has guaranteed provinces' share at 57.5% of the net federal tax receipts, however, Balochistan's annual share is irrespective of FBR tax collection. In 2011-2012, total budget allocation to provinces stood at Rs. 1208 billion, which was increased to Rs. 1459 billion in 2012-2013 (estimated).

For FY 2014-15, the Federal government allocated total amount of Rs. 1720 billion for transfer to provinces under

**Table- 8 : Current and Development Education Expenditures by Provinces in FY 2014-2015 (Rs. in Billion)**

	Total Budget (a)	Recurrent Expenditure (b)	Development Expenditure (c)	Total Education Budget (d) = b+c	%age of Recurrent Expenditure in Education Budget (b/d)	%age of Development Expenditure in Education Budget (c/d)	%age of Total Education Budget in Total Budget (d/a)
Sindh	686	135	10	145	93%	07%	21.13%
Punjab	1044	225	48	273	82%	08%	26.15%
KPK	405	97	14	111	87%	13%	27.40%
Balochistan	215	18	11	29	62%	38%	13.50%

**Table-9 : Current and Development Expenditures in Federal and Provincial Education Budgets in Pakistan in FY 2013-2014 (Rs. in Billion)**

	Total Federal/ Provincial Budget (a)	Recurrent Expenditure (b)	Development Expenditure (c)	Total Education Budget (d) = b+c	%age of Recurrent Expenditure in Education Budget (b/d)	%age of Development Expenditure in Education Budget (c/d)	%age of Total Education Budget in Total Fed/ Provincial Budget (d/a)
A) Federal	3985	59	21	80	74%	26%	2%
B) Provinces							
Sindh	586	119	17	136	87%	13%	23%
Punjab	898	200	33	233	86%	14%	26%
KPK	329	66	30	96	69%	31%	29%
Balochistan	198	25	10	35	71%	29%	18%
Total Provinces	2011	410	90	500	82%	18%	25%
Total Pakistan (A+B)	5996	469	111	580	81%	19%	10%

the 7th NFC Award, as part of their share in federal revenues and straight transfers. As can be noted from Table-5, the Federal government transferred a sum of Rs. 729 billion by end of December 2014 (first half of FY 2014-15) which is just 42.36% of the total budgeted share.

### Consistent Increase in Education Budget Allocations

Table-6 shows the overall education budget allocation by the Federal government. As can be noted, both the recurrent and development budgets are showing a consistent increase. The overall education budget has increased from Rs. 55 billion in 2010-2011 to Rs. 80 billion in 2013-2014. As per Table-7, the overall education budget allocations by the four Provinces have also expanded i.e. from Rs. 374 billion in 2011-12 to Rs. 558 billion in 2014-15. In Balochistan, however, the education budget allocations shows a decline from Rs. 35 billion in 2013-14 to Rs. 29 billion in 2014-15.

### KPK leads other Provinces with highest allocation for education in total budget of 2014-15

KPK Province is well ahead of other three provinces in allocating highest percentage share for education in the total provincial budget (see Table-8). In 2014-2015, KPK

has allocated 27.40% funds (Rs. 111 billion) for education sector, out of the total budget of Rs. 405 billion. Punjab is at second position with 26.17% share of education budget in the total budget, followed by Sindh with 21.13% and Balochistan only 13.50 percent.

Table-8 also depicts the high ratio of recurrent expenditures in the total education budgets of all Provinces, with Sindh at the top with 93% share of recurrent or non-development expenditure, followed by 87% of KPK and 82% of Punjab. Balochistan has lowest share of 62% of recurrent expenditure in education budget.

### Balochistan's education budget shows marked decline from 18% in 2013-14 to 13.5% in 2014-15

Table-9 indicates that in FY 2014-15, Balochistan government has reduced the percent share of education budget in the total provincial budget to 13.50% (Rs. 29 billion) from 18% (Rs. 35 billion) in 2013-14. However, despite this marked decline, it is quite interesting to note that Balochistan is the only province which has invested more in capital or development activity, as its share of development expenditure in total education budget has gone up from 29% in 2013-14 to 38% in 2014-15. The other provinces are far behind in utilizing the development budget as reflected from Table-8 and Table-9. The percent share of

**Table-10 : Percentage Share of Salary and Non-Salary Expenses in Total Recurrent Expenditure of Education Budget in FY 2013-14 in Pakistan (Rs. in Billion)**

	Total Recurrent Expenditure	Salary Expenses	Non-Salary Expenses	%age of Salary Expense in Recurrent Expenditure	%age of Non-Salary Expense in Current Expenditure
A) Federal	59	18	41	31%	69%
B) Provinces					
Sindh	119	94	25	79%	21%
Punjab	200	182	18	91%	09%
KPK	66	61	05	92%	08%
Balochistan	25	21	04	84%	16%
Total Provinces	410	358	52	87.32%	12.68%
Total Pakistan (A+B)	469	376	93	80%	20%

development expenditure of Sindh decreased from 13% in 2013-14 to 7% in 2014-15, whereas the share of Punjab came down from 14% to 8% during same period. The highest reduction in the share of development expenditure is witnessed in KPK province with huge decline from 31% in 2013-14 to 13% in 2014-15.

**It is high time that our government, both Federal and Provincial, should accord 'national priority' to education and not only allocate sufficient funds to education sector but also put in place a strong monitoring system to ensure effective utilization of these funds in the larger interest of the educational benefit of the people.**

### Major Chunk of Recurrent education expenditure goes to Salaries of teachers

The major chunk of the recurrent or non-development expenditure goes to pay the salaries and allowances of the teaching and non-teaching staff, as exhibited in **Table-10**. Almost 80 percent of the total recurrent expenditure is incurred on the salary head, with only 20 percent left for investing in development projects. If we exclude the expenditure of the Federal government, the overall salary expenditure of provinces comes to around 87.32% which is quite high. Out of the four provinces, Sindh is incurring around 79% of its non-development expenses on salaries head, followed by 84% of Balochistan. Punjab and KPK are on top with share of salary expenditure over 91 percent, with less than 10 percent left for non-salary expenses.

### Recommendations

1. The federal and provincial governments should give 'national priority' to education by increasing funds allocation, on one hand, and cutting down their expenditures in other heads, on the other hand. Without spending a major portion of revenues on education, we cannot achieve the recommended global standard of spending on education as percentage of GDP and national budget.
2. As part of the national education policy and to improve education outreach and quality, the government should make it mandatory for the federal and provincial government to spend at least 40 percent of the education budget on development expenditure such as improving facilities, investing in infrastructure etc
3. The government should ensure smooth and timely release of education budget at the District level as delay in funds release by concerned government departments is the main reason in lower spending on education. The budgetary process should be simplified and allocations be school-specific and the district education officer should be made the focal person for education matters of the district.

4. The quality of spending in the education sector need to be improved and the government apparatus responsible for this sector should be strengthened. The government must take practical measures to fill the gaps between allocation, spending and needs of education sector in Pakistan.
5. The provincial governments should increase development budget allocation for government schools, especially in the areas of infrastructure development; teachers training and teaching material provision.
6. This gender disparity needs to be addressed by the government on war footing basis. The government must ensure that public spending on education should be targeted to regions of higher gender disparities so that it could contribute towards reducing gender disparity.

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