

## SPECIAL ARTICLE

# Analysing the Functional Budget Allocation in Pakistani Provinces – Public expenditure with special focus on vertical programs

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## INTRODUCTION

One objective of this article is to give a comprehensive overview of government expenditures at different functional levels in the last 2 years on provincial (2005/6 and 2007/8) and 3 years for federal level (2005/6, 2007/8, 2009/10). This overview of expenditures provides details at different functional levels and can be applied as basis for assessments of fund allocation to different categories in upcoming budgets. Data source is the federal appropriation account prepared by Accountant General Pakistan Revenues (AGPR) Islamabad, and provincial appropriation accounts prepared by provincial accountant general offices.

To make this accounting system more productive, efficient and timely available Project to Improve Financial Reporting and Auditing (PIFRA) has been introduced. This system runs on fully automated SAP computer program, which has the capacity to handle data on runtime basis. The PIFRA project has been launched at federal and all provincial levels. Federal data for fiscal year 2009-10 even allow for analysis at detailed minor object level as well, which lacks in previous annual appropriation accounts.

To demonstrate the value added of electronic PIFRA access points, we take the expenditures at major function level which starts from function 01 (General public services) up to function 10 (social protection). To extend this analysis further the disaggregation of each function is shown at major object level expenditure categories (A01-A13, salaries, physical assets etc.). In order to analyse development of allocation over time, we apply the standardized functional and object level classifications based on charts of accounts prescribed by AGPR.

While analyzing major functions across years, we also analyse function 07 i.e. health at detailed function and sub-detailed function level. This is done in order to compare developing trends of on and off budget expenditures of vertical programs, which can be identified in federal appropriation accounts as well. Vertical programs are running all over the country and deal with special diseases like Tuberculosis,

HIV Aids, mother and child health care etc. Here we are able to take advantage of the new PIFRA tool which allows for more disaggregated analysis than before.

**Figure 1: Functional Classification**

Major Function	
No.	Description
01	General Public Service
03	Public Order and Safety Affairs
04	Economic Affairs
05	Environment Protection
06	Housing and Community Amenities
07	Health
08	Recreation, Culture and Religion
09	Education Affairs and Services
10	Social Protection

In the light of fiscal decentralization we also analyse the situation of vertical programs, i.e. national AIDS control programme and national programme for family planning and primary health care in the provinces. Here we are able to identify a very heterogeneous picture, since the absolute figures of vertical programs differ and the shares of refinancing in the budget differ as well.

Section 2 describes the public expenditure on all functions on federal and then also on provincial level. After that we analyse the detailed functional level for health expenditures together with a cross classification of object expenditures in this functional field. Section 3 describes the expenditures of vertical programs on national level. Afterwards, the expenditure of the 'National Program for Family Planning & Primary Health Care' is analysed in more detail since here provincial results are available. We are able to estimate provincial equity differences in family planning and primary health care by calculating expenditures per capita. Section 4 provides an assessment of donor spending impacts on functional on budget expenditure in certain fields. Section 5 summarises impacts of vertical programs and donor spending on

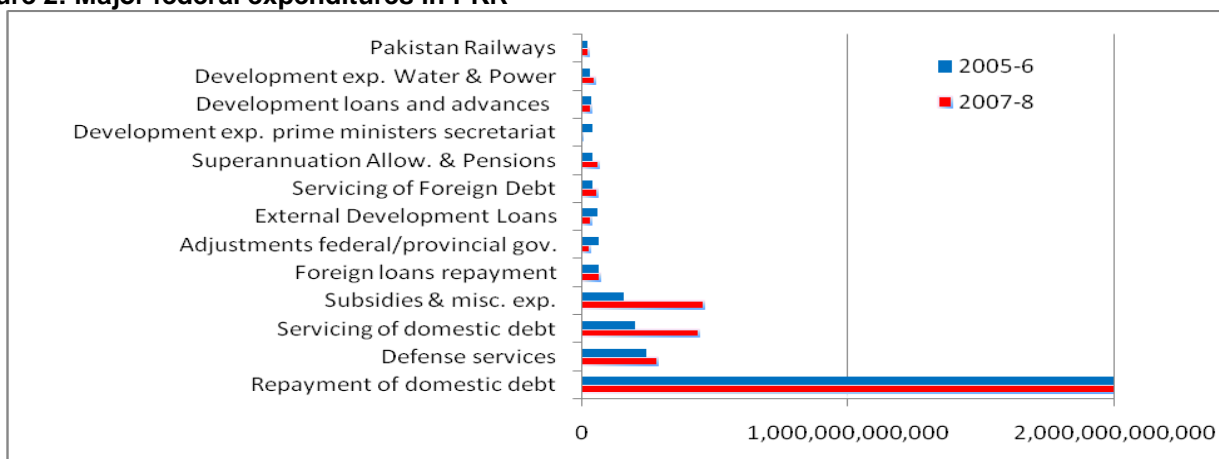
the on budget expenditures in this function and concludes.

### PUBLIC EXPENDITURES

In this section we compare the public expenditure for the fiscal years 2005-6, 2007-8 and 2009-10. Source is the PIFRA access point, where data are available for the federal level as well as for the four provinces Punjab, Sindh, Khyber Pakhtunkwa (formerly known

as NWFP) and Balochistan. The data are structured along with public object and functional coding system, so that there are ten function codes available for analysis. Since the structure of expenditures is different in provinces, we first show the most important expenditures on federal level by function, which cover more than 90% of the total in the three years.

Figure 2: Major federal expenditures in PKR

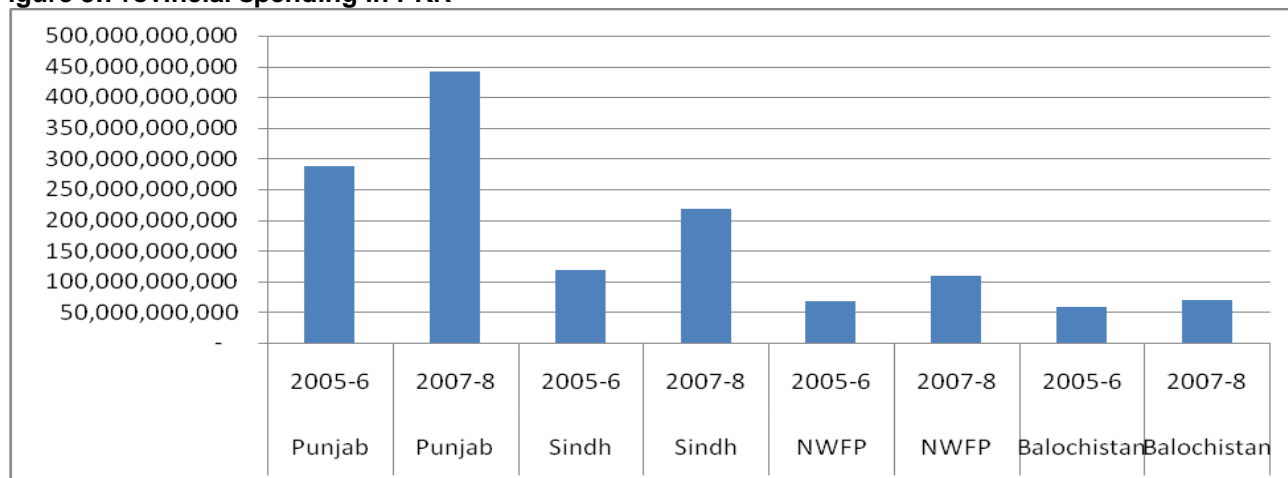


Source: Own calculations based on data downloaded from Project to improve financial reporting and auditing (PIFRA) that has Integrated Financial Management Information System PIFRA.

The total expenditure has increased from 3.3 trillion PKR in 2005-6 to 4 trillion in 2007-8. The most important expenditure for all years is the repayment of domestic debt, which is 61% in 2005-6 or 51% in 2007-8. The other major expenditures are defence

services with 7%, servicing of domestic and foreign debt with about 7 and 13%. Subsidies have a high share of 5 and 12%.

Figure 3: Provincial spending in PKR



Source: Authors compilations on the basis of data from PIFRA.

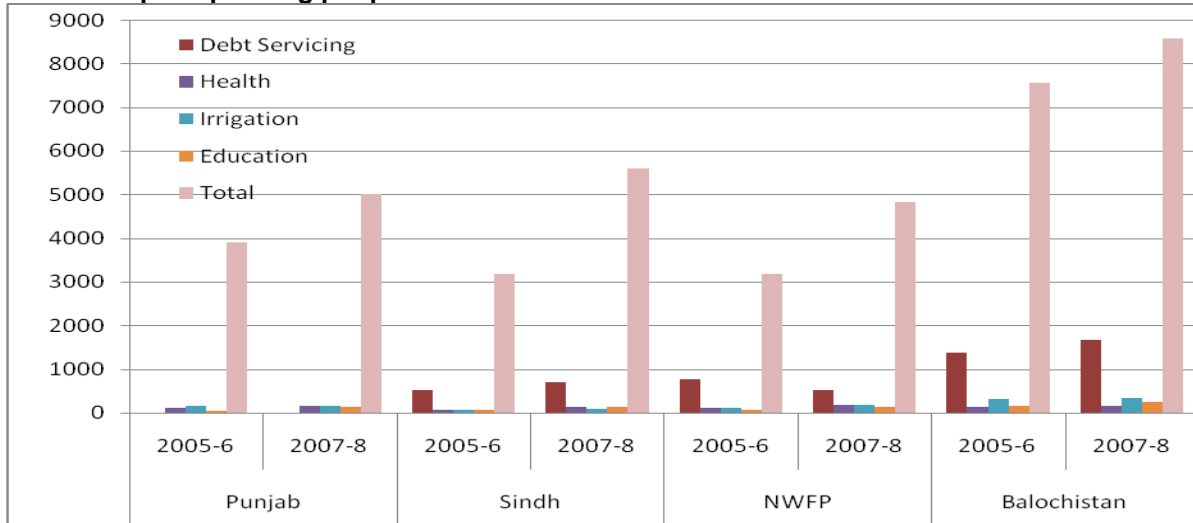
One first finding for the provincial expenditures is that the applied categories differ substantially between provinces. Provinces do not apply the international

classification standard of governance finance statistics (GFS manual<sup>1</sup>, but some major expenditures per province can be compared. The main expenditures

are made for grants, but also for debt servicing. The chosen categories are mainly the same in all provinces and therefore can be compared directly by showing the share of the category of the total provin-

cial expenditure as well as the expenditure per capita on this field.  
(1. See International Monetary Fund, Government Finance Statistics Manual 2001 (GFSM 2001))

**Figure 4: Per capita spending per province in PKR**



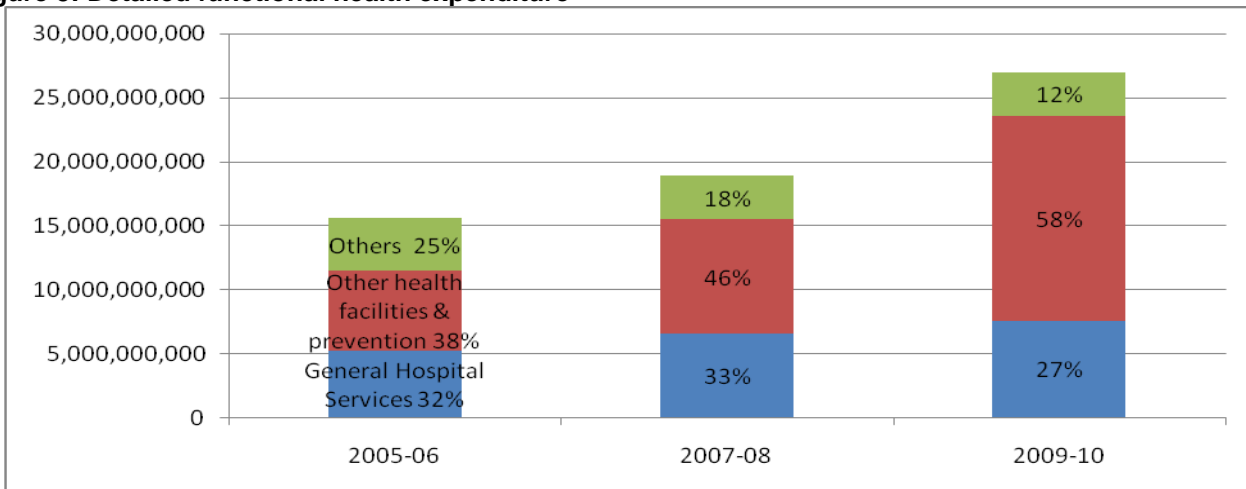
Source: Authors compilations on the basis of data from PIFRA.

Interestingly, the per capita expenditure are highest in Baluchistan, Sindh, Punjab and NWFP. The figures show that for Baluchistan the per capita expenditure per inhabitant are highest with more than 8,500 PKR compared to NWFP with only about 4,800 PKR. Directly comparable are only health, irrigation

and education since each province applies different categories.

On federal level, the available data allow to further disaggregate the functional level for health, so the following table gives an overview of the absolute federal expenditures on the function health over time.

**Figure 5: Detailed functional health expenditure**



Source: Authors compilations on the basis of data from PIFRA.

This analysis shows that the total amount spend on health on budget is increasing over time from 16 billion in 2005-6 to 28 billion in 2009-10. The major shares are spend on public health services, which range from 38% in 2005-6 to even 58% in 2009-10.

The relative share of general hospital services is decreasing from 32% in 2005-6 to 27% in 2009-10. The share of current expenditures is increasing from 74% to 88% in 2009-10 compared to development expenditures. Interestingly, the amounts spend on mother

and child health stay constant over time; with increasing total spending one could assume that also mother and child health expenditure would increase. An explanation for this finding can be found by directly comparing this on budget expenditure with the spending in the same field out of the relevant vertical program (see section 3). In addition to the functional disaggregation we are able to show the expenditure on different object types for vertical programmes for 2009-10.

### VERTICAL PROGRAMS

Health systems are made up of a horizontal system of general services, providing prevention and care for prevailing health problems and of vertical programmes for specific health conditions. Vertical programmes are found more frequently where poverty prevails and epidemics flourish; general health services are weakly developed under such conditions.

This theme issue deals with health workforce limitations in developing countries that hinder vertical programmes in reaching their targets<sup>1</sup>.

Besides the main Health Management Information System (HMIS) for first level care facilities, there are other program which are running parallel with minimal linkages with each other. The main information systems are 'Lady Health Workers Management Information System' for 'National program for Family planning and Primary health care'. All these programs are running parallel and fall under the ministry of health with own information systems<sup>2</sup>. A full list of other vertical programs is given in the following table.

(1. See Elzinga, Vertical–horizontal synergy of the health workforce, 2005.)

(2. See Moazzam; Horikoshi, Situation analysis of health management information system in Pakistan, 2002.)

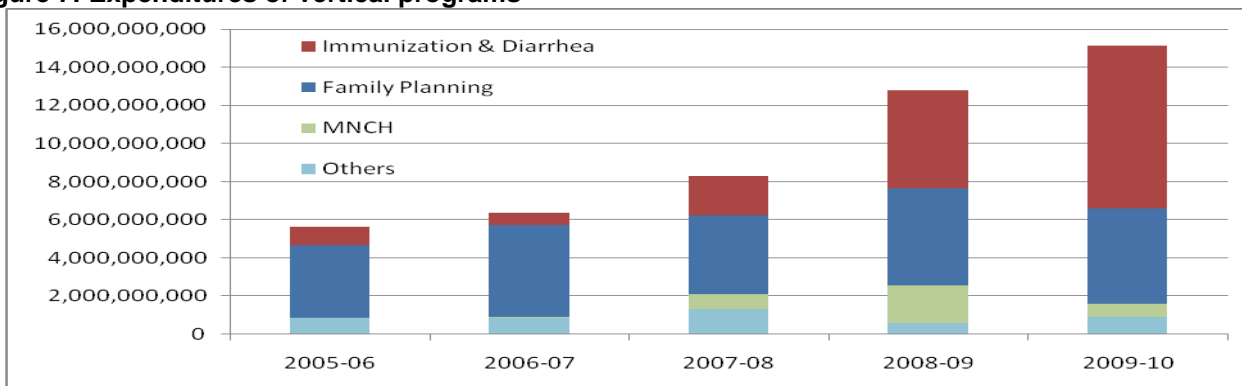
**Figure 6: Vertical Program**

Name	Short name
National Program for Family Planning & Primary Health Care (LHW Programme)	Family planning
Expanded Programme of immunization (EPI), Control of Diarrheal Disease (CDD)	Immunization
Enhance HIV/AIDS Control Programme	HIV
Improvement of Nutrition Through PHC Islamabad	Nutrition
Roll Back Malaria Islamabad	Malaria
National TB Control Programme	TB
Prime Minister's Programme for Prevention & Control of Hepatitis NIH Islamabad	Prevention
National Program for Prevention and Control of blindness NIH Islamabad	Blindness
National Maternal, Neonatal and child Health Programme (MNCH) NIH Islamabad	MNCH
National Programme for prevention and control of Avian Pandemic influenza NIH	Influenza

Source: Authors compilations on the basis of data from PIFRA.

The following table shows the aggregated on budget expenditures for the main vertical programs on all regional levels for the years 2005/6 until 2008/9.

**Figure 7: Expenditures of vertical programs**



Source: Own calculations based on data downloaded from Project to improve financial reporting and auditing (PIFRA) that has Integrated Financial Management Information System PIFRA. Data for 2008-9 are taken from Ministry of Health.

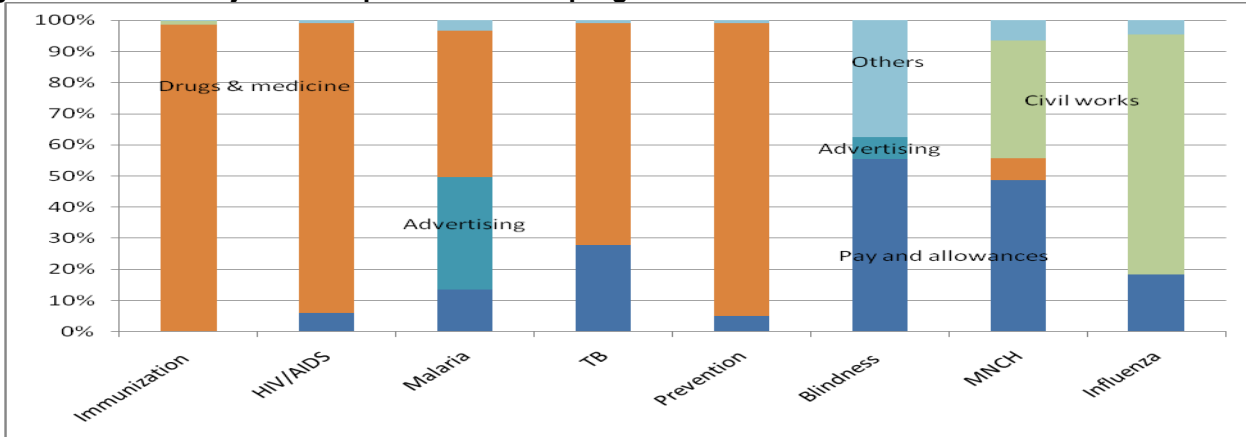
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The total amount spent from the government and the donors on budget on vertical programs has increased drastically from 5.6 billion PKR in 2005-6 to 15.1 billion in 2009-10. In former years the program for family planning was most important with shares of two thirds or even three quarters of the total expenditure,

but its importance decreased to one third in 2009-10. The weight of the vaccination program increased from about 10% to over 50% in 2009-10.

For the National Program for Family Planning & Primary Health Care even the expenditures on regional level are available.

**Figure 8: Detailed object description of vertical programs 2009-10**



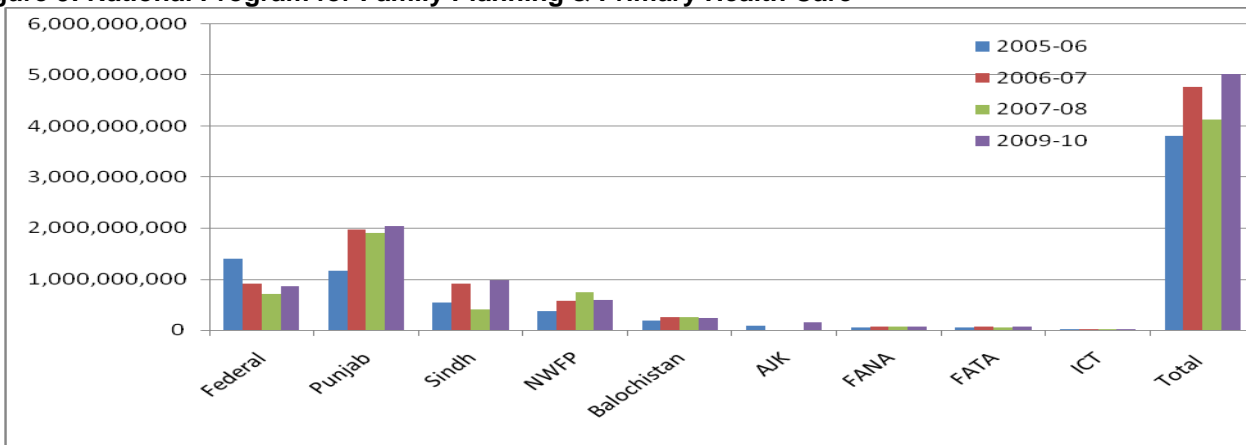
Source: Own calculations based on data downloaded from Project to improve financial reporting and auditing (PIFRA) that has Integrated Financial Management Information System PIFRA<sup>1</sup>.

The combination of function and very detailed object level in PIFRA allows for analysis of cost expenditures of specific categories in a specific program. For the family planning and primary health care program detailed disaggregation expenditure figures are available at provincial and federal level<sup>2</sup>. For most vertical programs the purchase of drugs and medicines has a relative high share. Also employment costs have high expenditure shares especially for blindness and MNCH. Construction costs for new premises are relevant for MNCH and the influenza program. Advertising costs are only important for the malaria and the

blindness program. For the important family planning program figures are available for four years.

1. The object category 'others' contains general expenditure like (stationery, printing and publication, conference, newspaper & books, uniforms, advertising, payments and others), research, trainings, transportation, POL, physical assets, repairs and maintenance as well as the PIFRA category others, which is further classified into communication, utilities, occupancy costs, motor vehicle, employee retirement benefits and entertainment and gifts.
2. The improvement of nutrition program has been finished in year 2008-09.

**Figure 9: National Program for Family Planning & Primary Health Care**



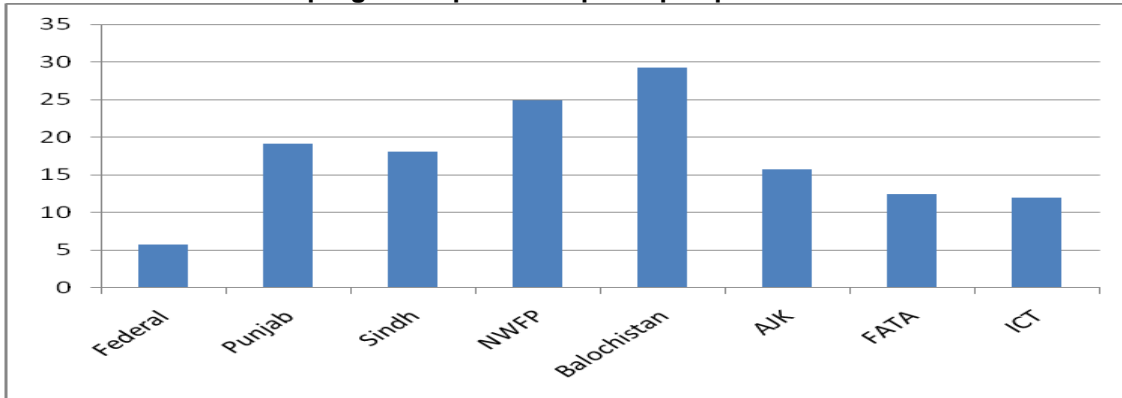
Source: Own calculations based on data downloaded from Project to improve financial reporting and auditing (PIFRA) that has Integrated Financial Management Information System PIFRA. Expenditure in PKR.

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Looking at the regional disaggregation of the program expenditures one can see that there is a shift from federal to provincial expenditures which might occur due to increased financial autonomy. With the 18<sup>th</sup> amendment of the concurrent list, which also includes health, some social sectors are in the sole domain of the provinces. The levels of qualitative and quantitative

capacities on provincial level is not analysed here, but we can shed some light on the resources spend on public service delivery in social sectors. To identify the importance of sectors, we analyse the per capita expenditure for each region, which serve as indicator for available capacities.

**Figure 10: FP&PHC vertical program expenditure per capita province wise**



Source: Own calculations based on data downloaded from Project to improve financial reporting and auditing (PIFRA) that has Integrated Financial Management Information System PIFRA. Expenditure in PKR.

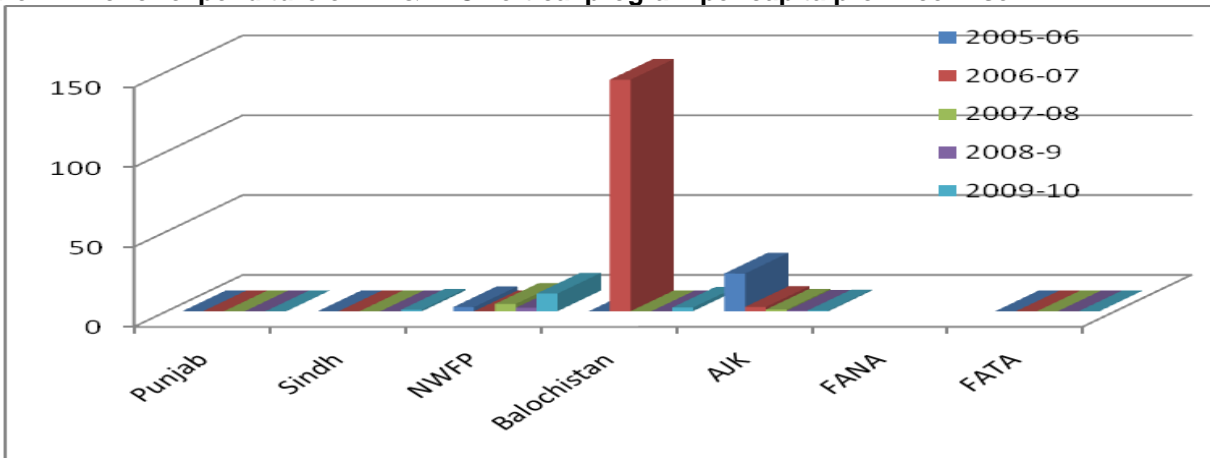
This table shows the average levels of spending from 2005 until 2010 across the regions on the National Program for Family Planning & Primary Health Care. The per capita spending in provinces ranges from 12 up to 29 PKR and therefore might raise equity concerns. If similar effects can be found for a majority of health programs than for some population groups the stronger social protection net might lead to migration to these regions.

gram. DAD is the donor assistance database, which contains disbursement amounts across different years along with the implementing agency details and major sector and sub sector details where the amount has been allocated to. DAD also depicts the on/off budget disbursement classification which allows identifying the expenditures on specific programs or categories. We focus on family planning and primary health care since this is available even on provincial level and compare the vertical program expenditures across different years with the disbursement figures taken from DAD, which is available for on and off budget expenditure.

**DONOR ASSISTANCE**

Besides these on budget expenditures which also partly come from donors' money, donors run certain off budget activities related to the topic of the pro-

**Figure 11: Donor expenditure on FP&PHC vertical program per capita province wise**



Source: Economics Affairs Division, Development Assistance Database, <http://www.dadpak.org/dad/>

It has been clearly identified that donors put some extra money under this specific program on FP&PHC in AJK and Khyber Pakhtunkwa (NWFP); the per capita on average is 5.65 PKR in AJK and 4.07 in KPK respectively. AJK has the highest donor assistance in 2005-06, the year of the big earthquake in this region. This funding amount is off budget and the same trend has been observed in the on budget category, where per capita is highest with 29.2 in Baluchistan and 24.9 in KPK respectively.

## CONCLUSION

As demonstrated with the example of public expenditure on detailed functional level for health expenditures together with a cross classification of object expenditures, the electronic PIFRA access point is a powerful tool for public finance data analysis. These on budget expenditures are interlinked with expenditures on vertical programs on different diseases in order to identify their interdependence. In more detail data availability allows for analysis of expenditure of the 'National Program for Family Planning & Primary Health Care' for each province. Combined with donor expenditure money on health, we show rough provincial results which can be defined as equity differences in family planning and primary health care between provinces. Analysing the donor spending on family planning and primary health care, we found that by far the highest expenditures per capita have been made since 2005 in Baluchistan and NWFP. This ranking is similar to the on budget spending per capita where also Baluchistan is highest.

Overall, it is found that classifications on public expenditure are not applied homogeneously over

provinces and should be harmonised at least between the provinces if not at all adjusted to international standards of GFS.

The object category 'others' contains general expenditure like (stationery, printing and publication, conference, newspaper & books, uniforms, advertising, payments and others), research, trainings, transportation, POL, physical assets, repairs and maintenance as well as the PIFRA category others, which is further classified into communication, utilities, occupancy costs, motor vehicle, employee retirement benefits and entertainment and gifts.

(1. The improvement of nutrition program has been finished in year 2008-09).

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