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# **Pakistan Government's Health Budget & Expenditure Analysis**

**2008-2009 to 2010-2011**

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**August 2012**



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## ABBREVIATIONS

<b>BCC</b>	Budget Call Circular
<b>BE</b>	Budget Estimates
<b>Bn</b>	Billion
<b>CCI</b>	Council of Common Interest
<b>FD</b>	Finance Division
<b>FY</b>	Fiscal Year
<b>GoP</b>	Government of Pakistan
<b>MoH</b>	Ministry of Health
<b>MoD</b>	Ministry of Defence
<b>MDG</b>	Millennium Development Goals
<b>MTBF</b>	Medium Term Budgetary Framework
<b>MTDF</b>	Medium Term Development Framework
<b>NFC</b>	National Finance Commission
<b>O&amp;M</b>	Operation and Maintenance
<b>P&amp;DD</b>	Planning & Development Division
<b>PIFRA</b>	Project to improve Financial Reporting and Auditing
<b>PSDP</b>	Public Sector Development Programme
<b>Rs.</b>	Pakistan Rupees
<b>RE</b>	Revised Estimates
<b>TRF</b>	Technical Resource Facility
<b>YoY</b>	Year on Year basis

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## EXECUTIVE SUMMARY

1. **Pakistan is the sixth largest country in the world in terms of population and is regarded as a middle-income country.** The average per capita income in 2008-09 was \$990, which increased to \$1,256 by 2010-11 demonstrating an increase of 27%.
2. **The period between 2008-09 and 2010-11 witnessed economic turmoil that increased economic challenges in the country.** Floods of 2010, deteriorating security situation, energy crisis, rising global commodity prices, persistent double-digit inflation, international financial crisis and recession, and low foreign direct investment contributed to low economic growth and increased unemployment. These factors have had their impact on tax revenue<sup>1</sup>, which decreased from 10.5% of GDP in 2008-09 to 9.6% of GDP in 2010-11. Reduction in revenue meant that the country faced increased fiscal pressures with an average fiscal deficit of over 6% of GDP between 2008-09 and 2010-11.
3. **Health as a function was devolved to the provinces in the last week of June, 2011 as per the 18<sup>th</sup> Amendment.** Post 18<sup>th</sup> Amendment, policy and management of health as function has been devolved to provinces. However, in the meeting of April, 2011 the Council of Common Interests decided that the federal government would continue to finance the vertical health programmes till the end of the period of the 7<sup>th</sup> NFC Award – i.e. 2014-15.
4. **The Government of Pakistan incurs health expenditure largely through the provider-payment model.** The Government of Pakistan comprises of Federal Government, four provincial governments (Sindh, Punjab, Balochistan, and Khyber Pakhtunkhwa), two special areas (Gilgit Baltistan and Azad Jammu and Kashmir – both having legislative assemblies but the latter having a President and a Prime Minister) - and Federally Administered Tribal Areas (FATA). The Federal Government provides funds to special areas and FATA through its own budget, while the provinces are provided funds as per the National Finance Commission Award. The provinces receive share of divisible taxes and other grants and raise their own revenues. In Punjab and Khyber Pakhtunkhwa (KPK), the Provincial

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<sup>1</sup> Tax revenue includes federal and provincial tax revenues, and levies and surcharges. Source; Ministry of Finance

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Finance Commission Awards distribute funds to the local governments. This report consolidates and analyses budget and expenditure data based on reports of individual governments/special areas. These detailed reports are available separately.

5. **The 7<sup>th</sup> National Finance Commission Award (transfer of resources from Federal Government to Provincial Governments) was announced on 18<sup>th</sup> March 2010.** The NFC Award increases provincial share in divisible pool (taxes divided between federal and provincial governments) from around 47% to 57.5%. The increase in revenue resources together with the 18<sup>th</sup> Amendment, that was passed by the National Assembly on 8<sup>th</sup> April 2010 and which abolished concurrent list (through which health as a subject was devolved to the provinces), meant that the provinces had been given increased resources and increased functions especially in social sector. Post 18<sup>th</sup> Amendment, provinces have greater responsibility of improving management and governance in the area of health.
6. **The Government of Pakistan incurs health expenditure through Ministries/Departments of Health and through Executive District Officer (EDO)-Health in District Governments.** Expenditure on health is also incurred through Bait-al-Maal, Zakat, Income Support Programmes, Military and Autonomous Public Sector Entities. This report however, only reports health expenditure incurred by Ministries/Departments of Health and EDO-Health in District Governments (referred in the report as 'government expenditure on health').
7. **Pakistan is a country with high Out of Pocket Expenditure.** As per the health accounts of 2005-06 around 74% of total expenditure on health was out of pocket.
8. **On average government expenditure on health was 0.7% of GDP in each of the three years (2008-09, 2009-10, and 2010-11).** The government of Pakistan collected 14.5%, 14% and 12.5% of revenue (tax and non-tax revenue) as proportionate of GDP in the years 2008-09, 2009-10 and 2010-11, respectively. The government incurred a fiscal deficit of 5.3%, 6.3% and 6.6% of GDP in these three years. This means that the government's total expenditure was 19.8%, 20.3%, and 19.1% of GDP. Out of a total expenditure falling between 19% and

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20% of GDP, the government incurred expenditure in the tune of 0.7% of GDP on health demonstrating expenditure pressures and policy priorities.

9. As a proportion of total expenditure (excluding principal repayments on loans) of the Government of Pakistan, the health spending in the three years was around 3.5%.
10. **The entire budget allocated on health is not spent by the government Ministries/Departments.** Average utilisation rates are higher on recurrent side of the budget as compared to development. On average 85% utilisation was noted in total expenditure in 2008-09, 79% in 2009-10 and 79% in 2010-11. Utilisation of development expenditure was 73%, 68% and 59% in the three years of study. There are however, a number of reasons contributing to low utilisation which do not always relate to spending capacity of the Ministries/Departments.
11. The Public Sector Development Programme is the government's developmental agenda and is normally undertaken to improve access and quality of service delivery. However, there are cases where development budget is used for paying salaries especially in the vertical health (largely preventive in nature) programmes.
12. **Per capita government expenditure on health was \$6.5, \$7 and \$7.8 in the years 2008-09, 2009-10 and 2010-11, respectively.** Translated into Pakistani Rupee this is Rs. 506, Rs. 588 and Rs. 664.60 per capita per person. In real terms (adjusted for inflation), this amounted to a 5.4% increase in 2009-10 as compared to 2008-09 and 0.6% decrease in 2010-11 as compared to 2009-10. The inflation in the three years on average remained in double digits of 20.8%, 10.1%, and 13.7%, respectively.

## BUDGET AND EXPENDITURE ANALYSIS

1. The government spends on average around 3.5% of its total spending on health. In 2008-09 a total of Rs.88.5 billion were spent on health, while in 2009-10 the spending was increased to Rs.104.5 billion. This level of spending was further increased to Rs.120.9 billion in 2010-11.

**Table 1: Health Budget and Expenditure (Rs. Millions)**

Government / Special Area	2008-09		2009-10		2010-11	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Azad Jammu and Kashmir	1,780	1,875	2,026	1,974	1,994	2,642
Gilgit Baltistan	317	293	428	310	412	408
KPK	10,492	10,805	11,913	12,273	17,548	16,957
Punjab	42,960	38,031	58,205	42,077	73,012	47,949
Sindh	18,384	14,629	23,188	18,612	27,056	22,207
Balochistan	4,204	3,915	4,830	4,167	8,312	6,741
FATA	1,706	1,580	2,141	2,272	2,293	2,279
Federal	24,329	17,372	29,252	22,849	23,573	22,061
<b>Total</b>	<b>104,172</b>	<b>88,500</b>	<b>131,983</b>	<b>104,534</b>	<b>154,200</b>	<b>121,244</b>
Total Government Expenditure*		2,497,297		3,038,866		3,414,791
Health Expenditure as % of Total Govt Expenditure		3.5%		3.4%		3.6%

\* Source: Pakistan Fiscal Operations, Ministry of Finance

2. As a proportion of GDP, the actual spending over the past three years has remained almost the same at 0.7%. Data on GDP at the provincial level is not available; however, it is generally perceived that the level of investment as proportionate of sub-national GDP's is also somewhat same as the national proportion.



**Table 2: Expenditure on Health as %age of GDP**

	2008-09	2009-10	2010-11
Total Expenditure (Rs. Millions)	88,500	104,534	121,244
GDP at market prices (Rs. Millions)*	12,723,987	14,803,650	18,032,871
<b>Expenditure as %age of GDP</b>	<b>0.7%</b>	<b>0.7%</b>	<b>0.7%</b>

\* Source: Economic Survey 2011-12

- As a proportion of total Government budget, health spending in FATA remained the highest in the three years at over 10%. Excluding Federal Government that has defence and other expenditure liabilities, lowest spending on health as proportion of total budget was witnessed in Gilgit Baltistan falling between 2.3% and 3.2%.
- Highest amount of health spending increase was noted for the Government of Sindh where as a proportionate of total budget, the health sector spending grew from 6.1% in 2008-09 to 7% in 2010-11, depicting an increase of over 13%. On the contrary Gilgit Baltistan's health spending as a proportion of total expenditure reduced from 3.2% in 2008-09 to 2.7% in 2010-11, depicting a decrease of 17%. High variation was noted between original health budget and actual expenditure of Balochistan in the year 2009-10. This was largely due to higher total government spending, which was 64% more than the original budget.

**Table 3: Health Spending as Proportion of Total Spending of Government / Special Area**

Government / Special Area	2008-09		2009-10		2010-11		Variation in Actual
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	2010-11 Vs. 2008-09
Azad Jammu and Kashmir	5.9%	6.1%	5.7%	6.3%	5.6%	7.0%	16.2%
Gilgit Baltistan	3.5%	3.2%	3.0%	2.3%	3.2%	2.7%	-17.0%
KPK	6.2%	10.1%	5.6%	8.3%	6.0%	9.8%	-3.7%
Punjab	8.0%	7.1%	8.5%	6.2%	9.1%	6.5%	-8.9%
Sindh	7.2%	6.1%	7.3%	6.6%	6.4%	7.0%	13.3%
Balochistan	6.7%	4.6%	7.3%	3.8%	5.7%	5.0%	7.8%
FATA		10.3%		11.9%		11.0%	7.0%
Federal		0.9%		1.0%		0.9%	-4.1%

## BUDGET UTILISATION

1. In terms of utilisation rates, highest utilisation is noted in Azad Jammu and Kashmir and in KPK in 2008-09 while the lowest utilisation was noted in Federal Area with around 71% utilisation rate in 2008-09. In 2008-09, the Federal Government's utilisation rate on the development budget was 65%, which lowered the overall utilisation rate. Up to 93% of recurrent budget and 73% of development budget was actually spent against original allocations in 2008-09. Details have been reproduced in Table 4.

**Table 4: Utilisation Rates – Health Spending** (Rs. Millions)

Government / Special Area	2008-09			2009-10			2010-11		
	Original Budget	Actual	Utilisation Rate	Original Budget	Actual	Utilisation Rate	Original Budget	Actual	Utilisation Rate
Azad Jammu and Kashmir	1,780	1,875	105%	2,026	1,974	97%	1,994	2,642	132%
Gilgit Baltistan	317	293	92%	428	310	72%	412	408	99%
KPK	10,492	10,805	103%	11,913	12,273	103%	17,548	16,957	97%
Punjab	42,960	38,031	89%	58,205	42,077	72%	73,012	47,949	66%
Sindh	18,384	14,629	80%	23,188	18,612	80%	27,056	22,207	82%
Balochistan	4,204	3,915	93%	4,830	4,167	86%	8,312	6,741	81%
FATA	1,706	1,580	93%	2,141	2,272	106%	2,293	2,279	99%
Federal	24,329	17,372	71%	29,252	22,849	78%	23,573	22,061	94%
Recurrent	62,664	58,129	93%	81,254	70,080	86%	95,808	86,680	90%
Development	41,508	30,371	73%	50,729	34,454	68%	58,392	34,563	59%
<b>Total</b>	<b>104,172</b>	<b>88,500</b>	<b>85%</b>	<b>131,983</b>	<b>104,534</b>	<b>79%</b>	<b>54,200</b>	<b>121,244</b>	<b>79%</b>

2. In 2009-10, the highest utilisation rate was noted in FATA where 100% on the recurrent budget and 111% on the development budget were spent against the original budget.
3. The government can spend higher amounts than original budgets based on the policy of executive's approval of the supplementary budgets with ex-post approval by the legislature. In addition, since there is no budget availability check on

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employee related expenditure (i.e. salaries and allowances) and the actual expenditure can go beyond the original budget. If no supplementary budget is made available during the year (which forms part of Revised Budget), then any excess budget is debated by Public Accounts Committee and regularised through Excess Budget Statement as per the Article 84/124 of the Constitution.

4. Lowest utilisation was noted in Gilgit Baltistan and in Punjab in 2009-10. In Punjab 79% of the recurrent budget and 54% of the development budget was actually spent in 2009-10.
5. There are a number of reasons of low utilisation of budget. These include: inadequate or slow releases of funds, austerity measures imposed by the government during budget execution not envisaged at the time of budget preparation, inability to hire staff within stipulated time, block-allocations in the budget against which schemes are unapproved and money is either diverted to other schemes or no approvals take place during the year, less revenue transfer from Federal Government as part of NFC Award due to less realisation of taxes against budget, budget is made on sanctioned posts which are not always filled, non-implementation of physical phasing of schemes on time, etc.
6. In 2010-11, the highest amount of utilisation was noted in Azad Jammu and Kashmir where actual expenditure surpassed by 32% as compared to original budget. Lowest utilisation in 2010-11 was noted in Punjab where 66% of the total budget was actually spent. This included 85% utilisation on the recurrent side and 33% utilisation of development budget. Around 31% of development budget allocated to Punjab health department was actually spent in 2010-11, while district development utilisation remained at 48%.

## DIVISION OF RESOURCES ON HEALTH BETWEEN PROVINCES AND DISTRICTS

1. Analysis of the division of resources between province and districts suggest that in Punjab the health budget for district governments is gradually being reduced as a proportion of total health expenditure in the province. This is because a greater number of schemes (development projects) and district development activities are being routed through the provincial budgets. In Balochistan, in 2009-10 the district funds for health have been reduced from an average of 55% of total expenditure in previous two years to 44%.

**Table 5: Share of Resources between Provincial and District Governments on Health**

Government / Special Area	Original Budget		Original Budget		Original Budget	
	2008-09		2009-10		2010-11	
	Centre / Province	Districts / Agencies	Centre / Province	Districts / Agencies	Centre / Province	Districts / Agencies
Azad Jammu and Kashmir	100%	0%	100%	0%	100%	0%
Gilgit Baltistan	100%	0%	100%	0%	100%	0%
KPK	71%	29%	70%	30%	71%	29%
Punjab	53%	47%	59%	41%	65%	35%
Sindh	59%	41%	64%	36%	62%	38%
Balochistan	45%	55%	45%	55%	56%	44%
FATA	8%	92%	10%	90%	11%	89%
Federal	100%	0%	100%	0%	100%	0%
Recurrent	52%	48%	56%	44%	55%	45%
Development	89%	11%	92%	8%	95%	5%

2. A consistent change is noted in the development spending over the three years as the funds for district governments in total have reduced from 11% in 2008-09, to 8% in 2009-10 and to 5% in 2010-11. This demonstrates that development budgets have been gradually reduced in district governments and increased in the provincial governments. The trend is apparent in the wake of the fact that most of the district level development activities are now routed through the provincial departments. For example, renovation of District Health Headquarter was undertaken through the provincial development funds in Punjab.

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## PER CAPITA HEALTH SPENDING

1. Per capita actual expenditure on health through the government health expenditure has been \$6.5 in 2008-09, \$7.0 in 2009-10 and \$7.8 in 2010-11.
2. In terms of real increase in per capita in Pakistani Rupee, the per capita expenditure increased by 5.4% in 2009-10 as compared to 2008-09 while it fell by 0.6% in 2010-11 as compared to 2009-10.
3. Highest per capita expenditure in 2008-09 was in Azad Jammu and Kashmir, followed by Balochistan and KPK, while the lowest per capital expenditure was in Gilgit Baltistan.
4. In 2009-10, highest per capita spending was noted in FATA (including its agencies) while the lowest was noted in Gilgit Baltistan. In 2010-11, highest per capita expenditure was noted in Balochistan.
5. In KPK, substantial increase in actual health expenditure was noted in 2010-11 when the per capita spending jumped to \$7.8 per capita from \$5.9 in 2009-10. Likewise, in Balochistan per capita actual health expenditure increased to \$8.9 from \$5.9 in 2009-10.

**Table 6: Per Capita Actual Expenditure in Rupees and US\$**

Government / Special Area	2008-09				2009-10				2010-11			
	Actual	Population	Per Capita	Per Capita	Actual	Population	Per Capita (Rs.)	Per Capita (US\$)	Actual	Population	Per Capita (Rs.)	Per Capita (US\$)
	Rs. millions	millions	Rs.	US\$	Rs. millions	millions	Rs.	US\$	Rs. millions	millions	Rs.	US\$
Azad Jammu and Kashmir	1,875	3.69	508.0	6.5	1,974	3.79	520.3	6.2	2,642	3.9	677.3	7.9
Gilgit Baltistan	293	1.14	258.0	3.3	310	1.17	265.8	3.2	408	1.2	340.3	4.0
KPK	10,805	24.08	448.7	5.7	12,273	24.76	495.6	5.9	16,957	25.5	666.0	7.8
Punjab	38,031	90.63	419.6	5.3	42,077	92.53	454.7	5.4	47,949	94.5	507.5	5.9
Sindh	14,629	41.33	353.9	4.5	18,612	42.50	437.9	5.2	22,207	43.7	508.2	5.9
Balochistan	3,915	8.55	457.9	5.8	4,167	8.69	479.7	5.7	6,741	8.8	763.7	8.9
FATA	1,580	4.00	395.0	5.0	2,272	4.08	556.4	6.6	2,279	4.2	546.8	6.4
Federal	17,372	1.00			22,849				22,061			
<b>Total</b>	<b>88,500</b>	<b>174.42</b>	<b>507.4</b>	<b>6.5</b>	<b>104,534</b>	<b>177.52</b>	<b>588.8</b>	<b>7.0</b>	<b>121,244</b>	<b>181.7</b>	<b>667.2</b>	<b>7.8</b>
Real Increase (Inflation adjusted)							5.4%				-0.3%	

NB: Average exchange rate is taken. Exchange rate source: State Bank of Pakistan.

**Table 7: Recurrent and Development Budget as %age of Total Budget**

(Rs. Millions)

	2008-09				2009-10				2010-11			
	Original Budget		Actual		Original Budget		Actual		Original Budget		Actual	
Recurrent	62,664	60%	58,129	66%	81,254	62%	70,080	67%	95,808	62%	86,680	71%
Development	41,508	40%	30,371	34%	50,729	38%	34,454	33%	58,392	38%	34,563	29%
<b>Total</b>	<b>104,172</b>		<b>88,500</b>		<b>131,983</b>		<b>104,534</b>		<b>154,200</b>		<b>121,244</b>	

## RECURRENT AND DEVELOPMENT SPENDING

1. In total, the government spent 66% on recurrent budget in 2008-09 (Table 7). This increased to 67% in 2009-10 and further to 71% in 2010-11. Partly, the reason is the increase in salaries in 2010-11 when the government announced 50% increase to basic pays and made it part of ad hoc-relief allowance. Also, another reason is that there is low utilisation rate on development expenditure as compared to recurrent expenditure.
2. The divide between recurrent budget and development budget remained at the same level of 62% and 38% in the years 2009-10 and 2010-11. Therefore, overall 60:40 ratio has been maintained at the time of budget formulation. However, this ratio varies amongst the provinces and special areas.
3. The average nominal increase in 2009-10 as compared to 2008-09 was 18% while in real terms the increase was around 7% (Table 8). In 2010-11, the nominal increase as compared to 2009-10 was 16% while in real terms the increase was 12%. Total actual spending in 2010-11 increased by 20% in real terms as compared to 2008-09.

**Table 8: Real Increase in Actual Spending on Health** (Rs. Millions)

	2008-09	2009-10	2010-11
Recurrent	58,129	70,080	86,680
Development	30,371	34,454	34,563
<b>Total</b>	<b>88,500</b>	<b>104,534</b>	<b>121,244</b>
%age Increase compared to previous year		18%	16%
%age Increase compared to 2008-09		18%	37%
Inflation Deflator Index*	1.00	1.10	1.25
<b>Total</b>	<b>88,500</b>	<b>94,945</b>	<b>106,635</b>
%age Increase compared to previous year		7%	12%
%age Increase compared to 2008-09		7%	20%

\* Source: Economic Survey 2011-12

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4. The average nominal increase in 2009-10 as compared to 2008-09 was 18% while in real terms the average increase was around 7%. In 2010-11 the nominal increase as compared to 2009-10 was 16% while in real terms the increase was 12%. Total actual spending in 2010-11 increased by 20% in real terms as compared to 2008-09.

## **BUDGET AND ACTUAL SPENDING BY CHART OF ACCOUNTS (OBJECT CLASSIFICATION)**

1. Of the total expenditure on health by the government, around 40% were spent on employee related expenditure in 2008-09 and 2009-10 (Table 9). However, this ratio increased to 51% in 2010-11 due to announcement made by the government to provide 50% increase in basic pay of government employees. Between 25% and 30% is spent on operating expenses, around 8% on civil works, and 4% to 6% on grants, subsidies and transfers, while the remaining 6% is spent on other expenses such as repairs and maintenance, employee retirement benefits and project pre-investment analysis.
2. Budget utilisation rates on employee related expenditure remained at 87%, 86% in 2008-09 and 2009-10 but increased to 98% in 2010-11. One reason for increase in utilisation rate is the increase in salaries of government employees. Normally, the budget is made on sanctioned posts as opposed to filled posts and most likely to be filled posts. This therefore, leaves a cushion in the employee related expenditure. However, in 2010-11 this cushion was filled by increase in pay by 50%.
3. Utilisation rate of operating expenditure increased from 78% in 2008-09 to 86% in 2009-10. However, the utilisation rate fell to 84% in 2010-11.



**Table 9: Health Budget and Actual Expenditure by Chart of Accounts (Object Classification)**

**(Rs. Millions)**

	2008-09			2009-10			2010-11		
	Original Budget	Actual	Utilisation Rate	Original Budget	Actual	Utilisation Rate	Original Budget	Actual	Utilisation Rate
Employee Related Expenses	41,951	36,346	87%	50,822	43,527	86%	62,143	61,082	98%
Operating Expenses	30,849	24,091	78%	38,243	33,952	89%	37,249	31,399	84%
Grants, Subsidies and Transfers	4,344	5,226	120%	9,385	4,093	44%	14,726	4,698	32%
Physical Assets	10,150	9,965	98%	13,038	7,927	61%	11,658	6,122	53%
Civil Works	11,513	6,643	58%	14,639	7,934	54%	22,502	9,534	42%
Repairs and Maintenance	1,531	1,240	81%	1,424	1,114	78%	1,450	1,051	73%
Others	3,834	4,988	130%	4,432	5,987	135%	4,471	7,359	165%
<b>Total</b>	<b>104,172</b>	<b>88,500</b>	<b>85%</b>	<b>131,983</b>	<b>104,534</b>	<b>79%</b>	<b>154,200</b>	<b>121,244</b>	<b>79%</b>

**Table 10: Proportion of Budget and Actual Expenditure by Chart of Accounts (Object Classification)**

**(Rs. Millions)**

	2008-09				2009-10				2010-11			
	Original Budget	Proportion of total	Actual	Proportion of total	Original Budget	Proportion of total	Actual	Proportion of total	Original Budget	Proportion of total	Actual	Proportion of total
Employee Related Expenses	41,951	40%	36,346	41%	50,822	39%	43,527	42%	62,143	40%	61,082	50%
Operating Expenses	30,849	30%	24,091	27%	38,243	29%	33,952	32%	37,249	24%	31,399	26%
Grants, Subsidies and Transfers	4,344	4%	5,226	6%	9,385	7%	4,093	4%	14,726	10%	4,698	4%
Physical Assets	10,150	10%	9,965	11%	13,038	10%	7,927	8%	11,658	8%	6,122	5%
Civil Works	11,513	11%	6,643	8%	14,639	11%	7,934	8%	22,502	15%	9,534	8%
Repairs and Maintenance	1,531	1%	1,240	1%	1,424	1%	1,114	1%	1,450	1%	1,051	1%
Others	3,834	4%	4,988	6%	4,432	3%	5,987	6%	4,471	3%	7,359	6%
<b>Total</b>	<b>104,172</b>	<b>100%</b>	<b>88,500</b>	<b>100%</b>	<b>131,983</b>	<b>100%</b>	<b>104,534</b>	<b>100%</b>	<b>154,200</b>	<b>100%</b>	<b>121,244</b>	<b>100%</b>

4. Utilisation rates in physical assets and civil works remained low in 2009-10 and 2010-11. This is largely due to low utilisation rates in development expenditure.
5. When compared against those in 2008-09, in nominal terms the employee related expenses increased by 68% in 2010-11, operating expenses increased by 30%, physical assets decreased by 39%, civil works increased by 44%, repairs and maintenance decreased by 15% (Table 11).
6. In real-terms as compared to 2008-09, the employee related expenditure increased by 48% in 2010-11, while physical assets decreased 46% and repair and maintenance decreased by 25% and civil works increased by 26%.

**Table 11: Real Increase in Actual Expenditure by Chart of Accounts (Object Classification) – Rs. Millions**

	2008-09	2009-10	% change	2010-11	% change	% change compared to 2008-09
Employee Related Expenses	36,346	43,527	20%	61,082	40%	68%
Operating Expenses	24,091	33,952	41%	31,399	-8%	30%
Grants, Subsidies and Transfers	5,226	4,093	-22%	4,698	15%	-10%
Physical Assets	9,965	7,927	-20%	6,122	-23%	-39%
Civil Works	6,643	7,934	19%	9,534	20%	44%
Repairs and Maintenance	1,240	1,114	-10%	1,051	-6%	-15%
Others	4,988	5,987	20%	7,359	23%	48%
<b>Total (nominal)</b>	<b>88,500</b>	<b>104,534</b>	<b>18%</b>	<b>121,244</b>	<b>16%</b>	<b>37%</b>
		<b>Inflation adjusted (real)</b>		<b>Inflation adjusted (real)</b>		
Employee Related Expenses	36,346	39,534	9%	53,722	36%	48%
Operating Expenses	24,091	30,837	28%	27,615	-10%	15%
Grants, Subsidies and Transfers	5,226	3,718	-29%	4,132	11%	-21%
Physical Assets	9,965	7,200	-28%	5,384	-25%	-46%
Civil Works	6,643	7,206	8%	8,385	16%	26%
Repairs and Maintenance	1,240	1,012	-18%	925	-9%	-25%
Others	4,988	5,438	9%	6,472	19%	30%
<b>Total (real)</b>	<b>88,500</b>	<b>94,945</b>	<b>7%</b>	<b>106,635</b>	<b>12%</b>	<b>20%</b>

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## BUDGET AND ACTUAL SPENDING BY FUNCTIONAL CLASSIFICATION

1. The functional classification shows that there is an increase in trend in spending on the public health services (Table 12). Primarily this relates to the preventive health care services and vertical health programmes. In the vertical health programmes, there is an increased trend of spending over the years in Family Planning and Primary Health Care Services programme which employs Lady Health Workers (Table 14). After regularisation of Lady Health Workers, their pay has been increased considerably.
2. However, the proportion of public health services in the total health expenditure is decreasing overtime (Table 13). Out of the total spending around 13% was spent on public health services in 2010-11. The same trend is witnessed on the budget. Out of the total budget around 17% was allocated to public health services in 2008-09, 15% in 2009-10 and 10% in 2010-11.
3. Between 8% and 11% of health spending is on health administration.
4. General Hospital Services occupy the largest portion of health spending. Around 65% on average has been spent each year in the three years.
5. For the vertical health programmes highest amounts of utilisation rate was witnessed in two programmes namely: Extended Programme for Immunization (EPI) and Family Planning and Primary Health Care (FP-PHC).
6. The Council of Common Interests (Constitutional committee chaired by the Prime Minister and members include provincial Chief Ministers) in its meeting in April 2011 agreed that the Federal Government would continue funding for the vertical health and population welfare programmes till the end of the period of the 7<sup>th</sup> NFC Award i.e. 2014-15. However, the funding has almost been frozen by the Federal Government who has requested the provinces to increase expenditure on vertical programmes. However, it is yet to be seen how much additional funding is made available by the provinces for the vertical programmes between 2012 and 2015 and beyond.

**Table 12: Health Budget vs Expenditure by Functional Classification**

(Rs. Millions)

	2008-09			2009-10			2010-11		
	Original Budget	Actual	Utilisation Rate	Original Budget	Actual	Utilisation Rate	Original Budget	Actual	Utilisation Rate
General Hospital Services	61,169	57,751	94%	77,720	66,529	86%	98,452	80,177	81%
Public Health Services	17,867	12,990	73%	20,225	17,118	85%	16,018	16,086	100%
Health Administration	11,956	7,952	67%	17,944	9,847	55%	14,231	9,326	66%
Others	13,180	9,807	74%	16,094	11,040	69%	25,499	15,655	61%
<b>Total</b>	<b>104,172</b>	<b>88,500</b>	<b>85%</b>	<b>131,983</b>	<b>104,534</b>	<b>79%</b>	<b>154,200</b>	<b>121,244</b>	<b>79%</b>

**Table 13: Proportion of Budget and Expenditure by Functional Classification**

(Rs. Millions)

	2008-09				2009-10				2010-11			
	Original Budget	Proportion of total	Actual	Proportion of total	Original Budget	Proportion of total	Actual	Proportion of total	Original Budget	Proportion of total	Actual	Proportion of total
General Hospital Services	61,169	59%	57,751	65%	77,720	59%	66,529	64%	98,452	64%	80,177	66%
Public Health Services	17,867	17%	12,990	15%	20,225	15%	17,118	16%	16,018	10%	16,086	13%
Health Administration	11,956	11%	7,952	9%	17,944	14%	9,847	9%	14,231	9%	9,326	8%
Others	13,180	13%	9,807	11%	16,094	12%	11,040	11%	25,499	17%	15,655	13%
<b>Total</b>	<b>104,172</b>	<b>100%</b>	<b>88,500</b>	<b>100%</b>	<b>131,983</b>	<b>100%</b>	<b>104,534</b>	<b>100%</b>	<b>154,200</b>	<b>100%</b>	<b>121,244</b>	<b>100%</b>

**Table 14: Budget and Actual Expenditure of National Vertical Health Programmes**

**(Rs. Millions)**

National Vertical Health Programmes	2008-9			2009-10			2010-11		
	Original Budget	Actual Expenditure	Utilisation Rate	Original Budget	Actual Expenditure	Utilisation Rate	Original Budget	Actual Expenditure	Utilisation Rate
Enhanced HIV/AIDS Control Programme	182	69	38%	300	119	40%	247	170	69%
Extended Programme for Immunization	6,198	4,858	78%	6,196	8,619	139%	2,734	3,324	122%
Improvement of Nutrition through Primary Health Care	50	1	2%	50	4	8%	11	5	45%
Maternal, New-born and Child Health Care (MNCH) Programme	2,502	1,730	69%	3,000	681	23%	2,281	1,516	66%
National Breast Cancer Screen Programme	100	0	0%	25	4	16%	41	5	12%
National Programme for Family Planning and Primary Health Care	5,550	4,885	88%	7,037	5,234	74%	5,803	8,728	150%
National Programme for Prevention and Control Avian Pandemic Influenza	45	8	18%	45	13	29%	37	3	8%
National Programme for Prevention and Control of Blindness	500	11	2%	300	174	58%	272	14	5%
National TB Control Programme	210	68	32%	240	83	35%	213	166	78%
National Tobacco Control Programme	0	0	0%	0	0	0%	25	0	0%
Prime Minister's Programme for Prevention and Control of Hepatitis	468	57	12%	452	270	60%	601	413	69%
Roll-back malaria Control Programme	100	15	15%	100	71	71%	123	30	24%
National Blood Transfusion Project	0	0	0%	0	0	0%	10	6	60%
National Plan for Action for Non-Communicable Diseases	5	0	0%	0	0	0%	0	0	0%
National Plan for Disease Surveillance	1	0	0%	1	0	0%	1	0	0%
<b>Total</b>	<b>15,911</b>	<b>11,703</b>	<b>74%</b>	<b>17,747</b>	<b>15,272</b>	<b>86%</b>	<b>12,398</b>	<b>14,381</b>	<b>116%</b>

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## CAVEATS

1. Data for Gilgit Baltistan for the year 2010-11 could not be obtained. Method of extrapolation based on past trends has been used.
2. The population data differs between data provided by National Institute of Population Studies (NIPS) and the data provided by the relevant governments. For the purpose of this report, data as provided by the relevant governments is used.
3. Health expenditure is also incurred through Military, autonomous bodies (public entities), Zakat and Bait-al-Maal institutions, Employee Social Security institutions, and medical allowance/reimbursements to government employees. This report however, only examines health expenditure by the Federal/Provincial and Special Areas through Ministry/Department of Health, and District Governments/Agencies.
4. Ministry of Finance reports total government expenditure through a report called 'Pakistan Fiscal Operations' on a yearly basis. This report is used as main source of expenditure by the Federal Government/International Agencies. The total government expenditure by Federal/Provincial/Districts/Special Areas as reported in respective detailed reports differs in total with the totals reported under 'Pakistan Fiscal Operations' report. The latter has been used in this document.
5. Detailed health budget and expenditure analysis reports of each government/special area provide different format of functional classification. It is therefore, difficult to aggregate data on a fairly detailed functional classification structure.
6. Data by object classification (Chart of Accounts) for development budget of Azad Jammu and Kashmir and for recurrent and development budget of Gilgit Baltistan could not be obtained. The amounts for these two areas have been classified under the head 'others'.



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