
Punjab Population Welfare Budget and Expenditure Analysis

(2008 - 09 to 2012 – 13)

HEALTH REPORT



Acknowledgement

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Plan
A.E	Actual Expenditure
AKA	Also known as
BCC	Budget Call Circular
B.E	Budget Estimates
Bn	Rupees in Billion
CCI	Council of Common Interest
FD	Finance Department
FY	Fiscal Year
GoP	Government of Pakistan
GoPb	Government of the Punjab
HD	Health Department
LG	Local Government
LHW	Lady Health Worker
MDG	Millennium Development Goals
MNCH	Maternal & Neonatal Child Health
MTBF	Medium Term Budgetary Framework
NFC	National Finance Commission
O&M	Operation and Maintenance
P&DD	Planning & Development Department
PIFRA	Project to improve Financial Reporting and Auditing
Rs.	Pakistan Rupees
R.E	Revised Estimates
TRF	Technical Resource Facility
Wef	With effect from
YoY	Year on Year basis

EXECUTIVE SUMMARY

1. The aggregate health expenditure (Provinces and consolidated Districts) for FY 2011-12 is Rs 63.4 bn against budget allocation of Rs 79.6b showing a growth of 67% over four years (FY 2008-09 to 2011-12). Increase in growth rate of health expenditure is shared equally between Provincial and District Governments.
2. Current expenditure dominates aggregate health expenditure (Provinces and consolidated Districts). It accounts for more than 80% of aggregate health expenditure (Provinces and Districts) since FY 2009-10. Within aggregate health expenditure (Provinces and consolidated Districts), since FY 2008-09, current expenditure has grown by more than 80% whereas development expenditure grew by a meager 6%. Share of 'employee related expenses' in current health expenditure is growing and stands at 63% in FY 2011-12.
3. Aggregate health budget (Provinces and consolidated Districts) is growing at a rate faster than aggregate health expenditure (Provinces and consolidated Districts). Since FY 2008-09, aggregate health budget (Provinces and consolidated Districts) grew by 85 % as compared to growth in expenditure which grew by 67%.
4. Growth in aggregate health development budget (Provinces and consolidated Districts) has not resulted in actual expenditure: From FY 2008-09 to 2011-12, health development budget (Provinces and consolidated Districts) grew by more than 90% whereas actual expenditure grew by ONLY 6%. Actual expenditure for FY 2011-12 was Rs 9.2bn against budget allocation of Rs 24.8b. Allocations for health development budget look largely 'ceremonial' or some form of a notional exercise.
5. Over last five years, Provincial health budget allocation has grown considerably much faster than District health budget allocation. Provincial health budget grew by more than 120% as against District health budget which grew by only 40%.
6. Districts Governments have received no health development budget allocation during FY 2011-12 and 2012-13.
7. Provincial health budget allocation (current and development) shows a consistent rise over the period of last 5 years. Since FY 2008-09 budgets have grown by 178%

and stands at Rs 63.8 bn in FY 2012-13. Health budget allocation (current and development) in relation to over-all provincial budget outlay after showing slight growth (YoY basis) in FY's 2009-10 & 2010-11 and then remains steady round i.e 8% of over-all provincial outlay.

8. Provincial health current budget allocation for FY 2012-13 is Rs 36.8 bn showing a rise of more than 174% during last 5 years. Ratio between salary and non-salary budget is clearly showing more bias towards salary budget since last two years. In FY's 2011-12 and 2012-13 more than 53% of budget is being allocated towards salary related costs. This trend was exactly the opposite in FY's 2009-10 and 2010-11.
9. Provincial health salary budget for FY 2012-13 is Rs 21.03 bn showing an unprecedented growth rate of 50% on YoY basis. While the official public sector increase was around 20% across the board but in health the over and above amount can be attributed to increase in allowances for doctors, nurses, house officers and post graduate trainees. During the period of analysis salary budget grew around 30% on average annual basis.
10. Provincial budget allocation for 'physical assets' and 'repairs and maintenance' appear to remain consistently ignored over the years. Allocations for repairs show consistent negative growth in nominal and real terms during the period of analysis.
11. Budget allocation for health development budget is Rs 27bn for FY 2012-13 recording an increase of more than 183% since last 5 years. FY 2010-11 witnessed the largest increase (100% on YoY basis) – this is the same year where size of development budget crossed the size of current budget. Apparently, most of the development budget allocation is not necessarily for a classic 'asset creation' activity. During FY's 2011-12 and 2012-13, less than 50% of budget allocation is going to 'civil works' and 'physical assets'.
12. Each year ADP continues to show a good number (& size) of un-approved schemes and worse a rising trend during last 5 financial years. There also seems to be a growing trend towards setting aside (parking!) budget allocation in ADP 'block allocation' (except for FY 2009-10). More worrying is that most of these of these block allocations are un-approved.

13. Over last 4 years, though the Provincial health budget (current and development) allocation has grown by more than 123% but the actual expenditure has increased ONLY by 66%. The actual expenditure for FY 2011-12 was Rs. 37.3 bn.
14. Provincial health current budget shows consistent impressive budget execution rates (actual spending as % of budget allocation). Budget execution rates for FY's 2008-09, 2009-10, 2010-11 and 2011-12 has been 114%, 78%, 86% and 106% respectively. Ratio of salary with in current expenditure has gone up in FY's 2010-11 and 2011-12 comprises of more than 52% of current expenditure.
15. Provincial health development expenditure for FY 2011-12 was Rs 9.2 bn registering an increase of mere 30% and 16% over last 5 years in nominal terms and real terms.
16. Consolidated health budget allocation for Districts is Rs 29.97 bn for FY 2012-13 registering a growth of around 50% (nominal terms) during last five years. Annual average growth for last 5 years has been around 11%. Though, the total budget is showing some increase but the effective increase is due to slight increase in health current budget allocation.
17. Consolidated District health current budget allocation is growing but faces a declining trend in terms of YoY growth. Current budget allocation for FY 2012-13 is Rs 29.97 bn showing a growth rate of only 6% on YoY basis. With in current budget, over last five years, salary budget allocation grew by more than 120% as against non-salary budget which grew by ONLY 3%.
18. Within consolidated District health current budget, ratio of composition between salary and non-salary budgets is widening with more emphasis on salary budget. Ratio between salary and non-salary budget is highest ever since last 5 years and stands at 79:21 for FY 2012-13.
19. District budget allocations for 'drugs and medicines' is also showing consistent negative growth rate since last three years. For FY 2012-13, budget allocation for 'drugs and medicines' stands at almost the same level as it was 5 years ago.
20. District development budget execution for development budget has gone down drastically. Budget execution rate has fallen to 48% in FY 2010-11 from 56% in FY 2009-10. In real terms the development budget spending is showing negative growth

rates. In FY 2010-11, development budget spending in real terms is Rs 822 mn which is half the size of development spending in FY 2008-09.

21. Functional classification of health needs reform and alignment with Punjab's health policy / strategic objectives. As per functional classification of expenditures more than 80% of consolidated expenditure (province and aggregate districts) in health is towards 'General Hospital Services' and 10% towards 'Administration'. This is not a very informative classification which can facilitate users and policy makers for example to identify expenditure between primary and secondary health services or MNCH for that matter.
22. Following passage of 18th Constitutional Amendment (wef 1 July 2011), Ministry of Health stands dissolved while most of its functions have been transferred to Provincial Government. Analysis of budget documents reveal Sheikh Zayed has been absorbed into Provincial health current budget for FY 2012-13 through a supplementary grant. Certain schemes have been added on the Provincial health development budget side for the same year.
23. Executive summary does not provide any commentary on the fiscal situation of the Province. Summary will be updated once civil accounts for FY 2011-12 have been finalized perhaps in a few weeks' time.

TABLE 1: GOVERNMENT OF THE PUNJAB AND AGGREGATE DISTRICTS-BUDGET AND ACTUAL EXPENDITURE

(Rs in Million)

	Budget Estimate 2008-09	Actual Expenditure 2008-09	Budget Estimate 2009-10	Actual Expenditure 2009-10	Budget Estimate 2010-11	Actual Expenditure 2010-11	Budget Estimate 2011-12	Actual Expenditure 2011-12	Budget Estimate 2012-13
Government of the Punjab	22,947	22,384	34,572	23,906	47,581	27,476	51,203	37,300	63,807
District Governments	20,012	15,646	23,632	18,172	25,431	20,473	28,400	26,139	29,971
Total	42,959	38,030	58,204	42,078	73,012	47,949	79,602	63,439	93,778
Government of the Punjab & District Governments									
Current budget	29,984	29,358	43,062	33,922	46,243	39,233	54,802	54,217	66,778
Development budget	12,976	8,673	15,142	8,156	26,769	8,716	24,800	9,223	27,000
Total	42,959	38,030	58,204	42,078	73,012	47,949	79,602	63,439	93,778
Government of the Punjab									
Current budget	13,415	15,301	22,547	17,485	22,801	19,717	26,403	28,077	36,807
Development budget	9,533	7,084	12,025	6,421	24,780	7,759	24,800	9,223	27,000
Total	22,947	22,384	34,572	23,906	47,581	27,476	51,203	37,300	63,807
District Governments									
Current budget	16,569	14,057	20,516	16,436	23,441	19,516	28,400	26,139	29,971
Development budget	3,443	1,589	3,117	1,735	1,990	957	-	-	-
Total	20,012	15,646	23,632	18,172	25,431	20,473	28,400	26,139	29,971

% Share in Budget and Actual Expenditure

Overall	100%	100%	100%	100%	100%	100%	100%	100%	100%
Government of the Punjab	53%	59%	59%	57%	65%	57%	64%	59%	68%
District Governments	47%	41%	41%	43%	35%	43%	36%	41%	32%
Overall	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current budget	70%	77%	74%	81%	63%	82%	69%	85%	71%
Development budget	30%	23%	26%	19%	37%	18%	31%	15%	29%
Current budget	100%	100%	100%	100%	100%	100%	100%	100%	100%
Government of the Punjab	45%	52%	52%	52%	49%	50%	48%	52%	55%
District Governments	55%	48%	48%	48%	51%	50%	52%	48%	45%
Development budget	100%	100%	100%	100%	100%	100%	100%	100%	100%
Government of the Punjab	73%	82%	79%	79%	93%	89%	100%	100%	100%
District Governments	27%	18%	21%	21%	7%	11%	0%	0%	0%

Per Capita Expenditure

Population of Punjab (in Million)*		90.628		92.531		94.474		96.458	
Per Capita Expenditure - Total		420		455		508		658	
Per Capita Expenditure - Current		324		367		415		562	
Per Capita Expenditure - Development		96		88		92		96	

*Source: Projections of 1998 Census, Population Census Organization – Government of Pakistan

INTRODUCTION

1. This Report on health budget and expenditure analysis of the Provincial Government (Government of the Punjab) and the District Governments in Punjab has been prepared by Consultant at the request of Technical Resource Facility (TRF). It is an update of previous report which was issued in September 2011. This Report will be further updated in coming weeks based on availability of fiscal accounts (civil accounts and financial statements) of Punjab Province for FY 2011-12.
2. Analysis in this Report cover FY's 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13. Cut-off date for acquiring expenditure data expenditure for FY 2011-12 is November 20th, 2012. Consultant would like to highlight here that the fiscal accounts (civil accounts and financial statements) of Punjab Province for FY 2011-12 have not yet been finalized and approved. However, the actual expenditures for the Health Department are by and large finalized and have been used for analysis in this Report.
3. Source of provincial budget data is from the annual budget documents. Where as all other data i.e provincial expenditures, budget and expenditure of Districts is taken from PIFRA System. Data obtained from PIFRA System was also verified on test cases by checking it with records at the Accountant General's Office (Lahore) and District Accounts Offices.
4. In case of Provincial Government, Development expenditure figures are also being maintained by Health Department based on information received from P&D and spending units/programs. Reliability of these figures is doubtful, therefore Consultant has taken figures from PIFRA System which actually represents record of State.
5. This document explains situation from macro perspective and then narrowing down in details. It analyses budget and expenditure trends separately. Report is divided into following Sections for clarity and understanding.

Section I Analysis of Health Budgets and Budgetary trends

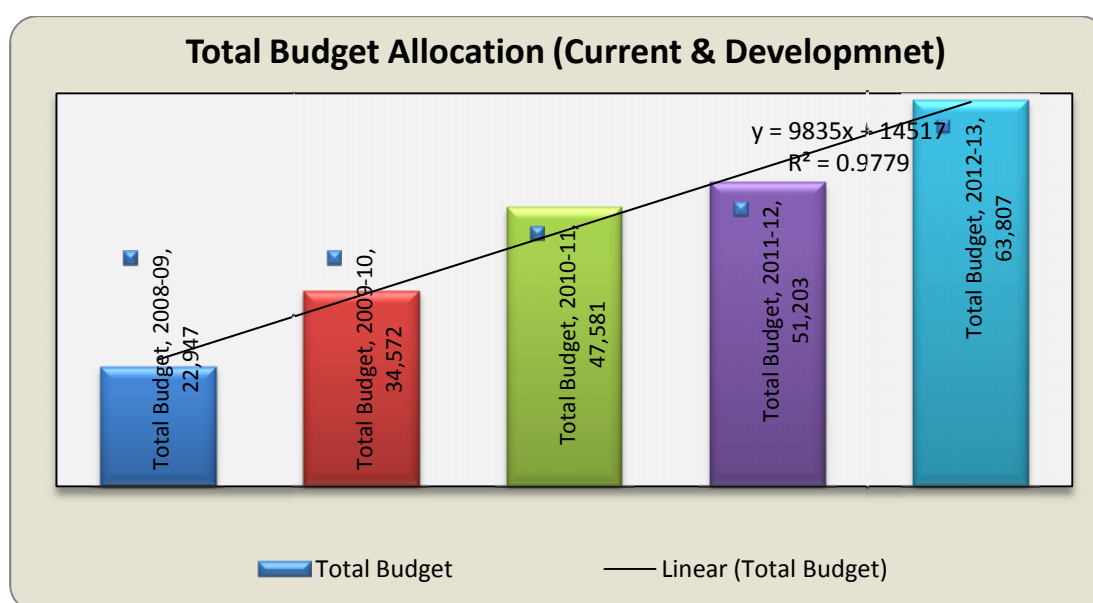
Section II Analysis of Health Budget Execution and Expenditure trends

6. **Section I** attempts to analyse budgetary allocations and how budget has grown over the years in terms of aggregate and at detail levels. This Section also provides a commentary on MTBF estimates of Provincial Government;
7. **Section II** reviews the expenditure against budget allocations against various dimensions starting from aggregate to detail levels from economic and functional classification perspective. Further expenditure by 'service delivery' area was also performed for three Districts i.e Bahawalpur, Sialkot and Khanewal;
8. Once fiscal accounts (civil accounts and financial statements) of Punjab Province for FY 2011-12 are available, this Report, will be further updated in coming weeks by adding a section on 'macro-fiscal context of Punjab';
9. The analysis has been done after extracting and carefully reformulating quite a voluminous budget and expenditure data over last five years (FY's 2008-13). All such data tables forming the basis of analysis have been included as Appendices of this Report which have been referred while appreciating budget analysis.
10. With in Appendices, Appendix A – Glossary of terms has been specially developed which describes key budget and expenditure terminologies which will guide readers in appreciating relevant financial terms and its local connotation. It also provides an overview of types of spending units with in Provincial Health Department and District Governments of the Punjab.
11. Key assumptions – the budget and expenditure analysis following sections does not provide commentary on:
 - Actual health expenditure figures (extracted from PIFRA) for FY 2011-12 are not likely to change
 - Budgetary processes and flows, basis of budgeting and budget priorities used formulating budget estimates and their revision
 - Causes and reasons for low budget execution (spending)
 - The qualitative impact and aspects of expenditure
 - Budget formulation and budget execution procedures and institutions

Section 1: Analysis of Budget and Budgetary Trends

1. This Section of the Report provides analysis on the budget allocation and its historical trends during five financial years i.e FY's 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 for (a) Health Department in Government of the Punjab, and (b) Districts Governments. It starts by providing analysis on the total budget allocation (current and development) i.e providing the macro perspective, then describes typical composition of current / development budget and then finally drills down separately into allocations for current and development budget for each level of Government
2. Punjab comprises of 36 Districts and each District has its own current and development budget like that of a Provincial Government. These Districts were provided considerable autonomy under Punjab Local Government Act 2001. This Act is in the process (under discussion with legislative committees) of being replaced by Punjab Local Government Bill 2012 which when in effect would have drastic impact on the structure of local governments. Discussion on District budget in proceeding paragraphs starts by discussing consolidated budget (meaning ALL Districts) allocation but also provides a light commentary on particular Districts showing unusual movements in their budget allocations.

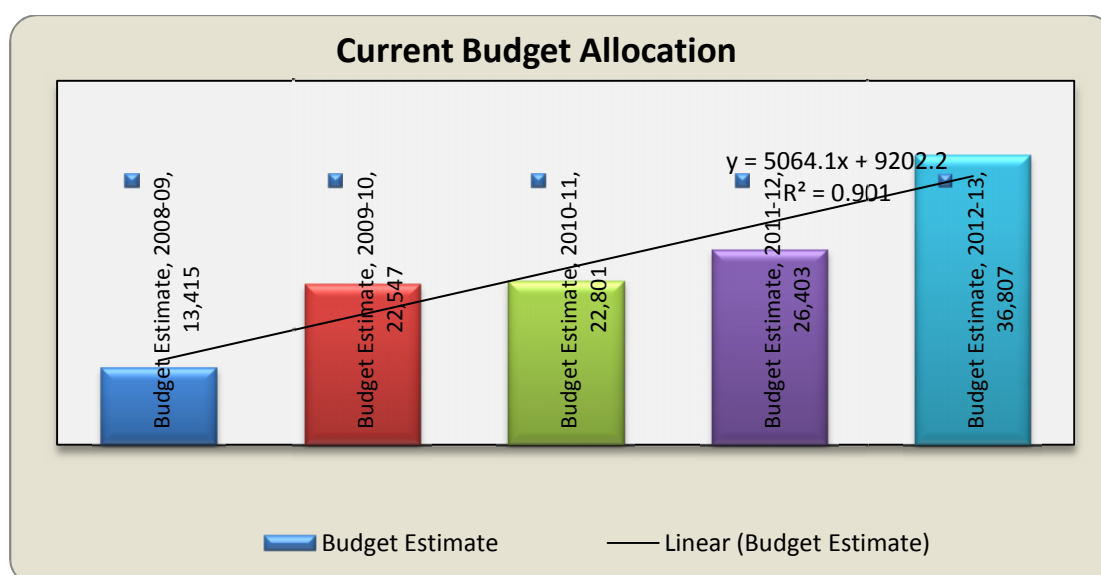
FIGURE 1: BAR CHART (TOTAL BUDGET ALLOCATION - CURRENT & DEVELOPMENT)



3. Total health budget allocation (current and development) shows a consistent rise over the period of last 5 years. Since FY 2008-09 budgets have grown by 178% and stands at Rs 63.8bn in FY 2012-13. Large part of this increase has been in FY's 2009-10 (51% on YoY basis) and 2010-11 (38% on YoY basis) (Table 1, Appendix C).
4. Health budget allocation (current and development) in relation to over-all provincial budget outlay after showing slight growth (YoY basis) in FY's 2009-10 & 2010-11 has remained pretty much steady round i.e 8% of over-all provincial outlay (Table 2, Appendix C).
5. Over-all trends in current and development during the period of analysis represent unusual 'growth spurts' in different years. On YoY basis, current budget rose by 68% and 39% in FY's 2009-10 and 2012-13 respectively. Where as development budget, on YoY basis grew by 106% in 2010-11 and since then has remained pretty much stable. Over-all, the development budget has grown at a rate slightly faster than current budget (Table 3, Appendix C).
6. Except for FY 2010-11, ratio between current and development budget shows a pretty much consistent trend i.e more allocation towards current budget. During FY's 2011-12 and 2012-13, ratio between current and development budget has been 52:48 and 58:42 (Table 3, Appendix C).

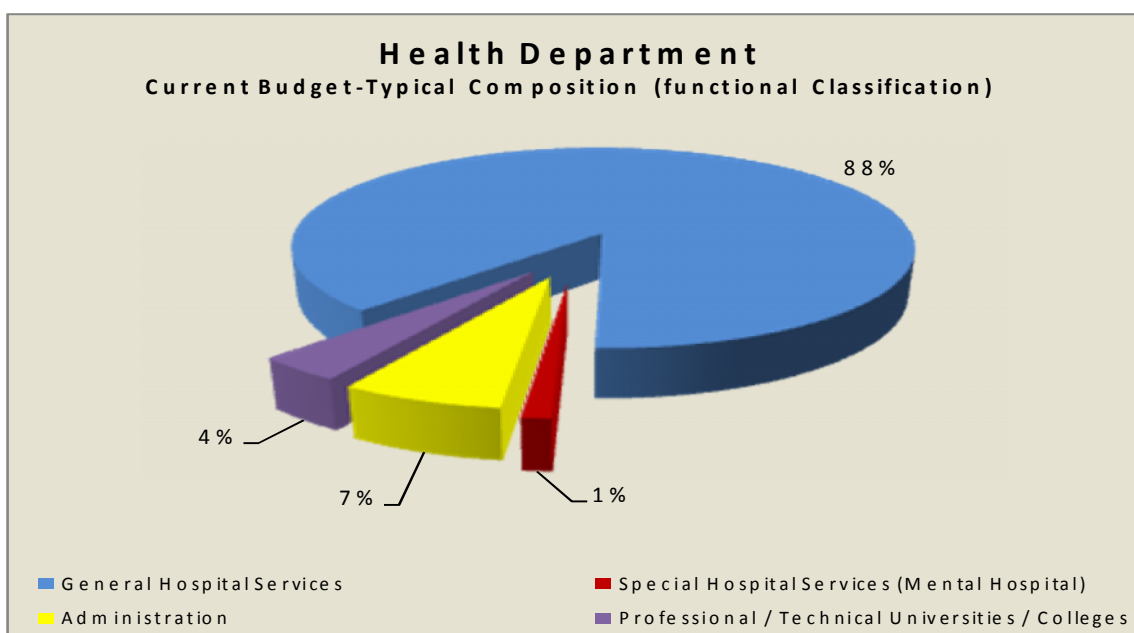
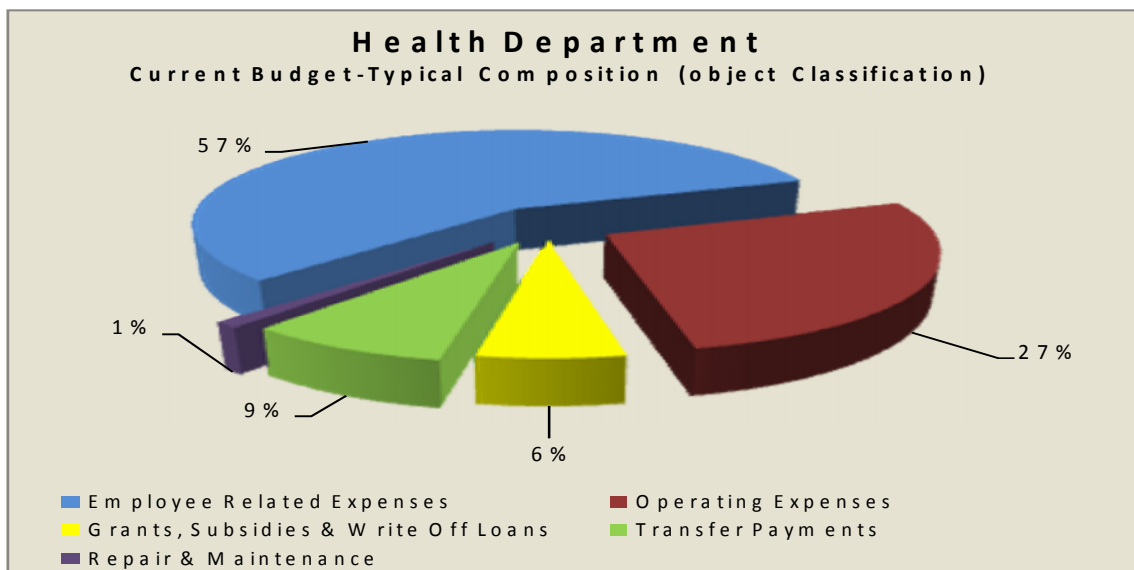
Current Budget

FIGURE 2: CURRENT BUDGET ALLOCATION



7. Before going any further, here it would be useful to appreciate typical composition of current budget i.e what does it actually contain? Well, by and large, employee related expenses (above 50%) and operating expenses (around 30%) account for more than 80% of current budget allocations. Repairs and maintenance comprises around 2% of the current budget. In terms of 'functions', around 88% of current budget allocations are going towards 'General Hospital Services' (Table 6 & 7, Appendix C).

FIGURE 3: PIE CHART (HEALTH DEPARTMENT)

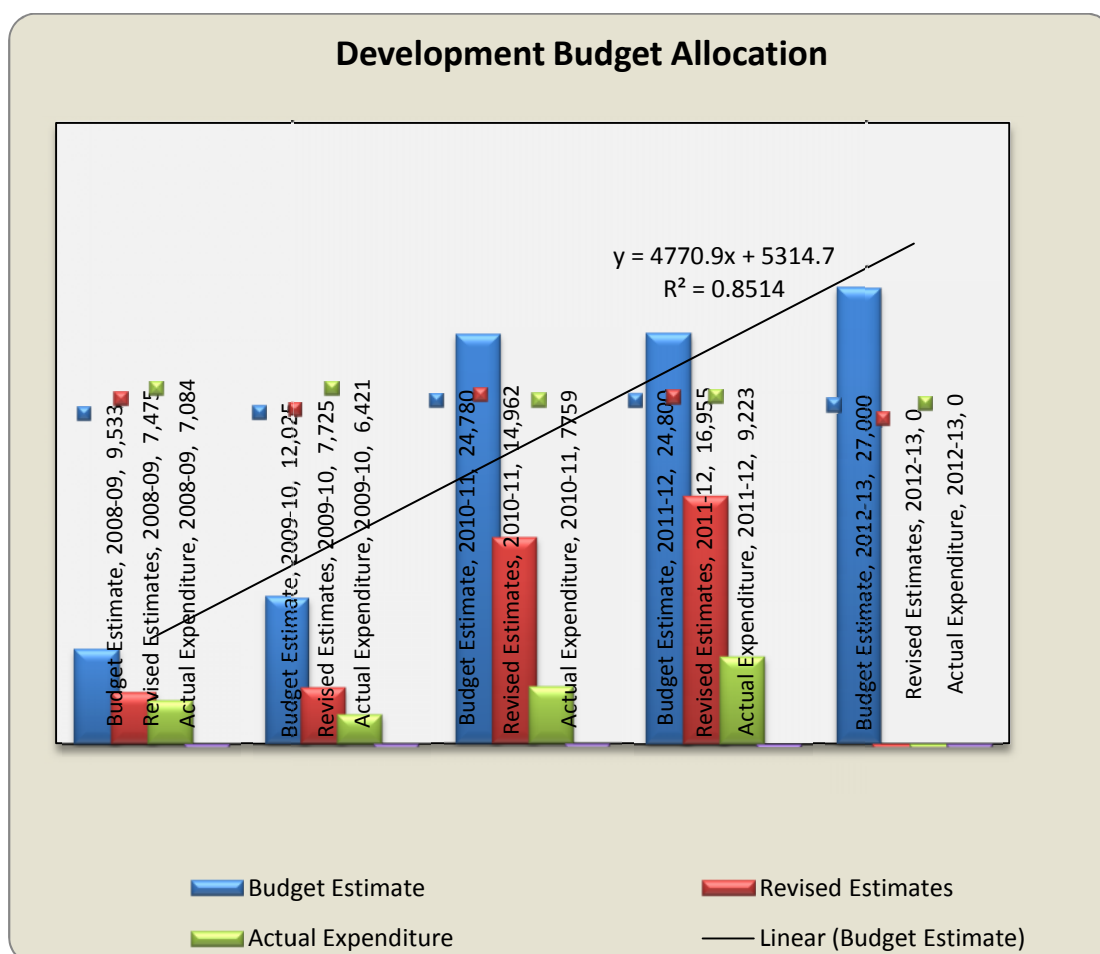


8. General Hospitals Services continue to dominate the current health spending. For some inexplicable reason, the choice and use of functional classification seems to be more elaborate at the level of Districts (Table 7, Appendix C).
9. Current budget allocation for FY 2012-13 is Rs 36.8bn showing a rise of more than 174% during last 5 years. However, the growth has been erratic on YoY basis. In, FY's 2009-10 and 2012-13 current budget grew by more 68% and 39% on YoY basis, whereas, growth remained marginal in relative terms during FY's 2010-12 (Table 4 & 5, Appendix C).
10. Ratio between salary and non-salary budget is clearly showing more bias towards salary budget since last two years. In FY's 2011-12 and 2012-13 more than 53% of budget is being allocated towards salary related costs. This trend was exactly the opposite in FY's 2009-10 and 2010-11 (Table 8, Appendix C).
11. Quite clearly, salary budget is growing at a rate faster than development budget. Since FY 2008-09, salary and non-salary budget has grown by 180% and 168% respectively (Table 9, Appendix C).
12. Salary budget for FY 2012-13 is Rs 21.03 bn showing an unprecedented growth rate of 50% on YoY basis. While the official public sector increase was around 20% across the board but in health the over and above amount can be attributed to increase in allowances for doctors, nurses, house officers and post graduate trainees. During the period of analysis salary budget grew around 30% on average annual basis (Table 9, Appendix C).
13. Non-salary budget is showing shows inconsistent growth trends more so in relation to salary budget. After experiencing an increase of 118% (YoY basis) in FY 2009-10, it showed negative to modest growth in FY 2010-11 and 2011-12. However, in FY 2012-13, it has picked up and shows growth rate of 27% (YoY basis) (Table 9, Appendix C).
14. Within non-salary budget, 'operating expenses' continues to dominate the non-salary budget allocation growing by more than 170% since last 5 years. After experiencing large growth in FY 2009-10 (64% on YoY basis) it is growing at a rate of 15% (YoY basis) in FY's 2011-13 (Table 10, Appendix C).

15. 'Utilities', 'purchase of drugs and medicines' and 'POL charges' comprises more than 80% of 'operating expenses'. 'Utilities' and 'purchase of drugs and medicines' have grown by more than 200% and 'POL charges' by more than 300% during last 5 years (Table 10A & 10B, Appendix C).
16. Government of the Punjab has been providing free medicines in public sector health outlets since FY 2008-09. Budget allocation for 'purchase of drugs and medicines' for FY 2012-13 is Rs 5.78 bn. It shows a modest increase of over 10% in FY's 2011-12 and 2012-13 after experiencing relatively large growth rate in previous financial years (Table 11, Appendix C). Since last two years there is a consistent rise in allocation for 'utilities' and 'POL charges' most likely due to installation of generators in large hospitals and over-all trend of rising fuel costs.
17. Budget for Physical assets and Repairs appear to remain consistently ignored over the years. Allocations for repairs shows consistent negative growth in nominal and real terms during the period of analysis (Table 10, Appendix C).
18. Grants, subsidies & write off loans and transfer payments are showing roller coaster trends. After growing by more than 472% in FY 2009-10 it showed negative growth rates in two subsequent years. However, in FY 2012-13, it has increased by 35% - largely due to budget allocations for completion of certain development projects (new posts) and implication of paramedic service structure (Table 10, Appendix C).
19. Budget allocation for 'transfer payments' grew by more than twelve times in last 5 years. In FY 2012-13, it showed growth rate of over 95% (YoY basis) due to increase in number of scholarships (Table 10, Appendix C).

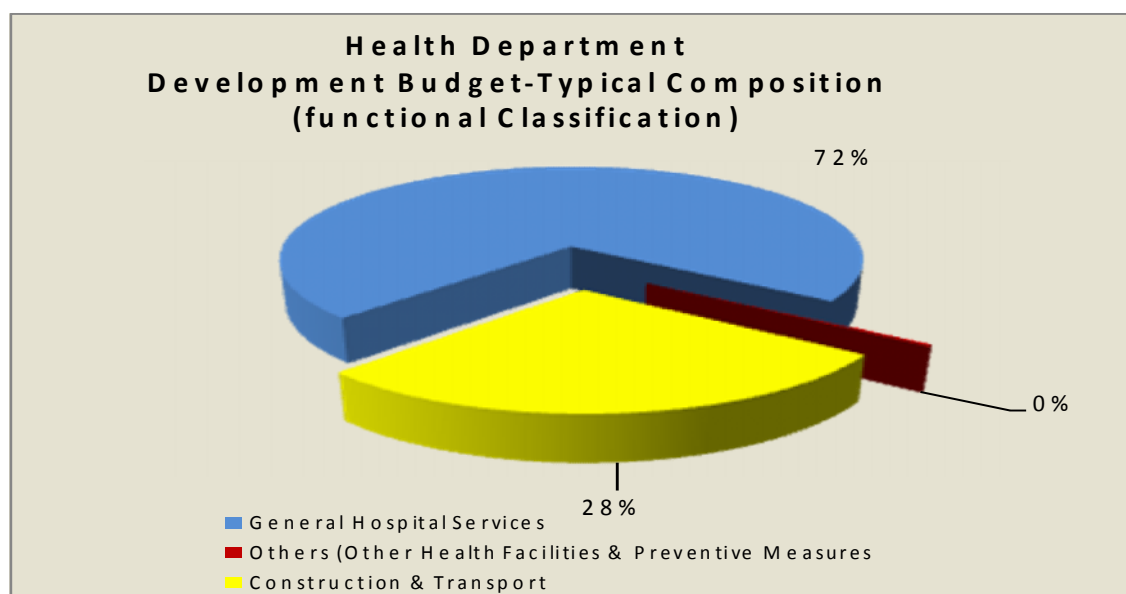
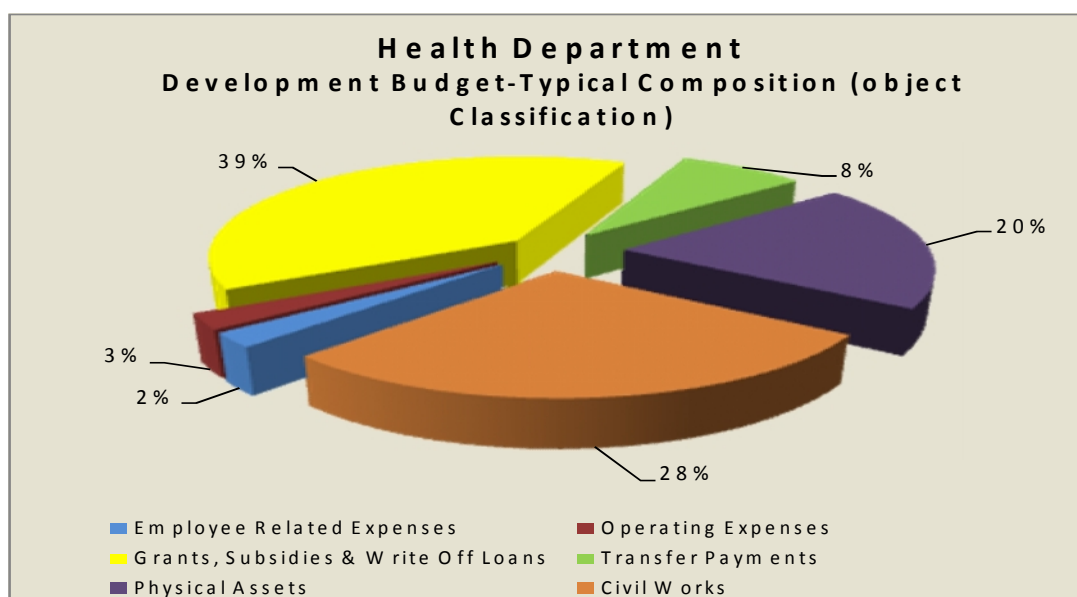
Development Budget

FIGURE 4: BAR CHART – DEVELOPMENT BUDGET ALLOCATION



20. Each year the over-all composition of development budget seems to vary. During For example, in FY 2010-11, civil works and physical assets comprise more than 63% of budget composition of development budget. But this trend has changed during last two years with an interesting focus towards allocations under 'grants, subsidies & write off loans'. During FY's 2012-13, more than 47% of budget allocation is towards civil works and physical assets where as more than 36% of budget allocation is for 'grants, subsidies & write off loans' (Table 14, Appendix C).

FIGURE 5: PIE CHART - HEALTH DEPARTMENT



21. And in terms of functional classification, General Hospital & Services and Construction & Transport contains almost all budgetary allocations (Table 15, Appendix C).
22. Budget allocation for health development budget is Rs 27bn for FY 2012-13 recording an increase of more than 183% since last 5 years. FY 2010-11 witnessed the largest increase (100% on YoY basis) – this is the same year where size of development budget crossed the size of current budget (Table 12 & 13, Appendix C).

23. Apparently, most of the development budget allocation is not necessarily for a classic 'asset creation' activity. During FY's 2011-12 and 2012-13, less than 50% of budget allocation is going to 'civil works' and 'physical assets'(Table 14, Appendix C).
24. During last 5 years choice of focus between on-going and new schemes shows a peculiar interesting trend. Priority between new and on-going schemes appears to be alternating. For example, FY 2012-13 shows focus towards on-going scheme (in comparison to new scheme) where as the trend was vice versa in FY 2011-12 and then so on (Table 16, Appendix C).
25. Each year ADP continues to show a good number (& size) of un-approved schemes and worse a rising trend during last 5 financial years. In FY 2011-12 and FY 2012-13, un-approved schemes were of Rs 6.7 bn and Rs 5.4 bn (respectively) i.e around 45% and 33% of respective ADP's (Table 21 & 22, Appendix C).
26. There also seems to be a growing trend towards setting aside (parking!) budget allocation in ADP 'block allocation' (except for FY 2009-10). More worrying is that most of these of these block allocations are un-approved (Table 22, Appendix C):
- FY 2010-11 – Rs. 710m (100% un-approved)
 - FY 2011-12 - Rs. 5.7bn (100% un-approved)
 - FY 2012-13 – Rs. 4.41bn (100% un-approved)
27. While analysing ADP schemes being carried out at the level of Provincial Government one gets an impression as if the development work being carried out by Provincial Govt belongs to District Governments. For example construction of BHU, construction of boundary walls, construction of civil dispensary, establishment of THQ, etc. Except for FY 2009-10, such schemes are in thousands. In FY 2012-13, ADP schemes (33 in total) that apparently relates to District Governments were around Rs. 1.36 bn (Table 23, Appendix C).

Medium Term Budgetary Framework (MTBF)

28. Since FY 2009-10, Health Department has adopted MTBF. MTBF is a multi-year approach to budgeting which links the spending plans of government to its policy objectives in the medium term (usually three years). The multiyear budget horizon provides Line Departments the space and flexibility they need to formulate, plan and implement policies that focus on service delivery or 'outputs'.
29. Each year a separate Budget Call Circular (MTBF Budget Call Circular) is issued by Finance Department to Health Department (and other Departments following this regime of budgeting). Three year budgetary ceilings are provided by Finance Departments for current and development budget. These serve as an indicative resource figure based on which these Health Department is required to develop budget estimates.
30. Budget Call Circular also requires Health Department to establish Budget and Priorities Committee. Using indicative ceilings this Committee is responsible for determining budget priorities over the medium term. From financial management and promoting fiscal discipline perspective this can be considered as a sound practice since it encourages a culture 'needs' rather than 'wants' because resources are not infinite.
31. Health Department also develops an elaborate set of outputs and aligning budgetary allocation with policy objectives. After an ambitious start (FY 2009-10) in determining numerous outputs this practice has been curtailed to determining certain selective outputs. Having said that there is room for improvements in articulating policy objectives and defining outputs.
32. MTBF statements are developed each year which is an informative document and provides very useful information about Department and its budgetary and policy objectives. It lays down three year budget estimates for current and development budgets.
33. Planning and budgeting in Districts is not on MTBF basis.

Current Budget

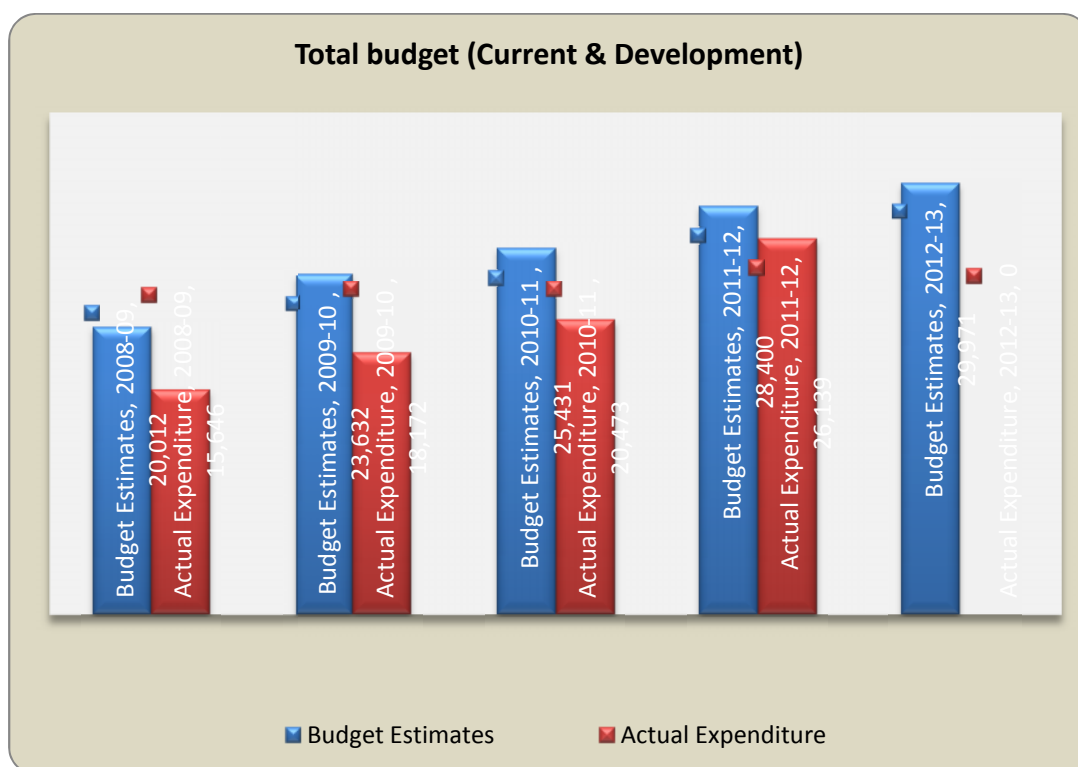
34. FY 2012-13 is the fourth year of MTBF implementation at HD. An analysis was performed showing how the outer years (budget forecast) have performed against actual budget allocation in subsequent years. It was observed that the projections for current budgets were varying more or less around +/- 6% to 8% until FY 2011-2 (Table 24, Appendix C) but show a relatively large variation (+32%) in FY 2012-13. This is mainly due to increase in salaries of doctors and other paramedic staff.

35. The MTBF figures being developed for current budget can be taken as some form of a baseline and represents reasonably sound budget estimates.

Development Budget

36. Variances between outer years and actual budget allocation have improved over the years and show variances of -4% to 20% in FY 2012-13.

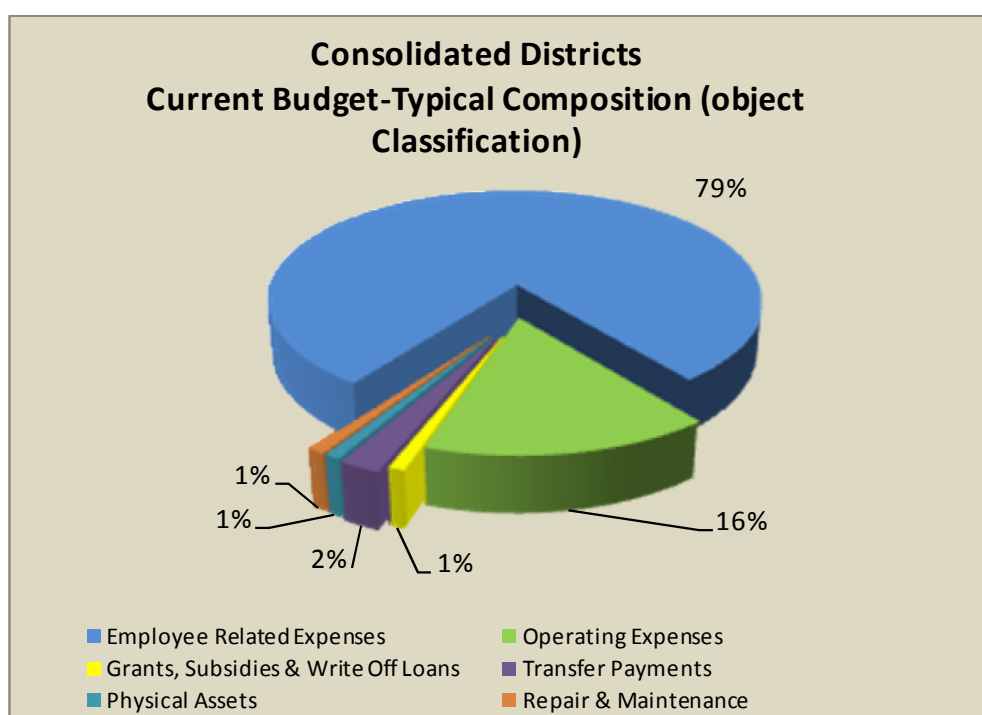
FIGURE 6: TOTAL BUDGET (CURRENT & DEVELOPMENT)

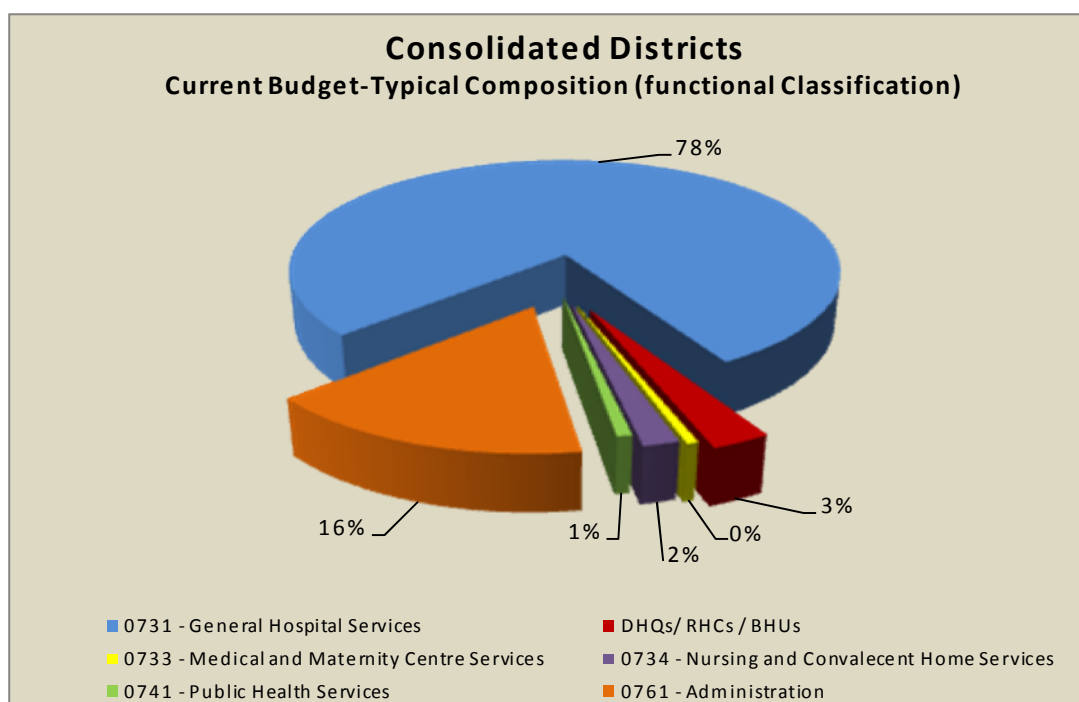


37. Total health budget allocation for Districts is Rs 29.97bn for FY 2012-13 registering a growth of around 50% (nominal terms) during the period of this analysis. Annual average growth for last 5 years has been around 11%. During FY 2012-13, budget allocation grew by only 6 % on YoY basis (Table 1, Appendix D).
38. Though, the total budget is showing some increase but the effective increase is due to slight increase in current budget allocation. Whereas the development budget is taking a consistent nosedive – there has been no development budget allocation to Districts for last two financial year i.e FY 2011-12 and 2012-13 (Table 2, Appendix D).
39. Some Districts stand out in terms of showing extra-ordinary budget increase and decrease. Total budget allocations for Layyah, Khushab and Khaniwal stand out in terms of phenomenal budget increase over last three years. On the other hand total budgets allocations for Lodhran, Sheikhpura and Rajanpur shows have shrunk to almost nothing in FY 2012-13 (Table 3 & 4, Appendix D).

Current Budget

FIGURE 7: CONSOLIDATED DISTRICTS



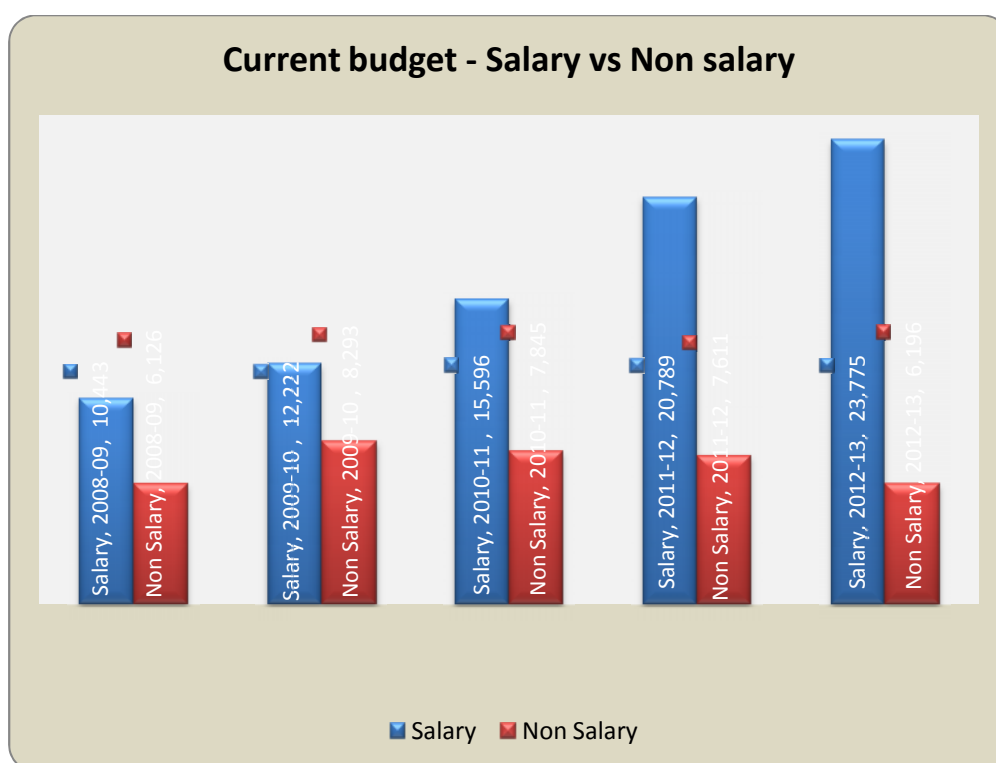


40. Employee related expenses (79%) and Operating Expenses (16%) put together comprises of more than 90% of typical composition (economic/object classification) of current budget. And in terms of functional classification more than 70% is being allocated towards General Hospital and Services and 16% towards Administration (Table 6 & 7, Appendix D).

41. Total current budget is growing but faces a declining trend in terms of YoY growth. Current budget allocation for FY 2012-13 is Rs 29.97 bn showing a growth rate of only 6% on YoY basis (Table 5, Appendix D).

42. With in current budget, allocation for salary seems to be growing due to salary increments but allocations for non-salary show declining trend in 2010-11 after a healthy rise in 2009-10. Contrary to Health Department (Provincial Government) salary budget is growing at a faster rate than non-salary budget (Table 9, Appendix D).

FIGURE 8: CURRENT BUDGET – SALARY VS NON SALARY



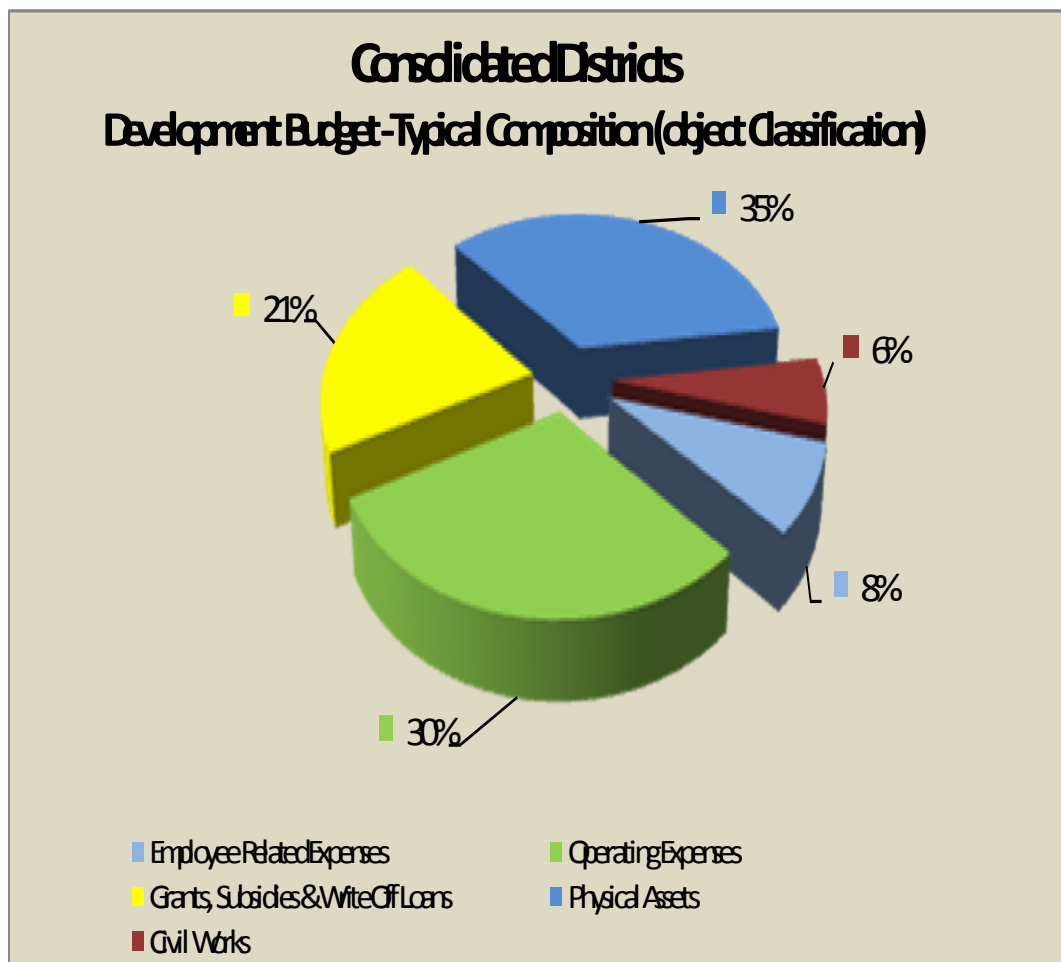
43. Ratio of composition between salary and non-salary budgets is widening with more emphasis on salary budget. Ratio between salary and non-salary budget is highest ever since last 5 years and stands at 79:21 for FY 2012-13 (Table 8, Appendix D).
44. Over last 5 years salary budget is showing growth rate of 126% where as non-salary budget is continuously shrinking. On YoY basis it is showing negative growth since last three years. Since FY 2008-09, non-salary budget has grown by a mere 3% in nominal terms (Table 9, Appendix D).
45. With in non-salary budget, 'operating expenses' and 'repairs and maintenance' is showing negative growth rate since last two years. For FY 2012-13, except for transfer payments, all other budget heads are showing negative growth (Table 10, Appendix D).
46. Budget allocations for 'drugs and medicines' is also showing consistent negative growth rate since last three years. For FY 2012-13, budget allocation for 'drugs and medicines' stands at almost the same level as it was 5 years ago (Table 11, Appendix D). Faisalabad, Gujrat, Jhelum, Kasur, Pak Pattan, Sahiwal and Sialkot had NO budget allocation for 'drugs and medicines' in FY's 2011-12 and 2012-13. Hafizabad had NO budget allocation since FY 2008-09.

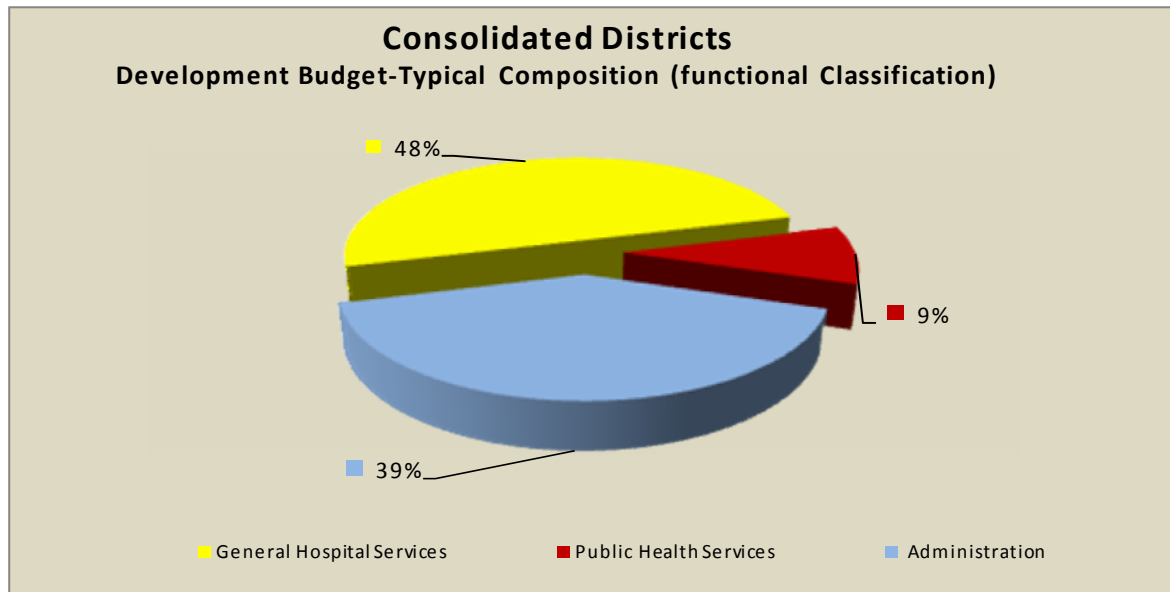
47. While analysing current budget certain Districts appear conspicuous in terms of

- Highest budgetary growth: (Table 12, Appendix D)
- Least budget growth; (Table 13, Appendix D)
- Extra-ordinary increase in salary budgets (Table 14, Appendix D); and
- Extra-ordinary increase in non-salary budgets (Table 15, Appendix D)

Development Budget

FIGURE 9: CONSOLIDATED DISTRICTS

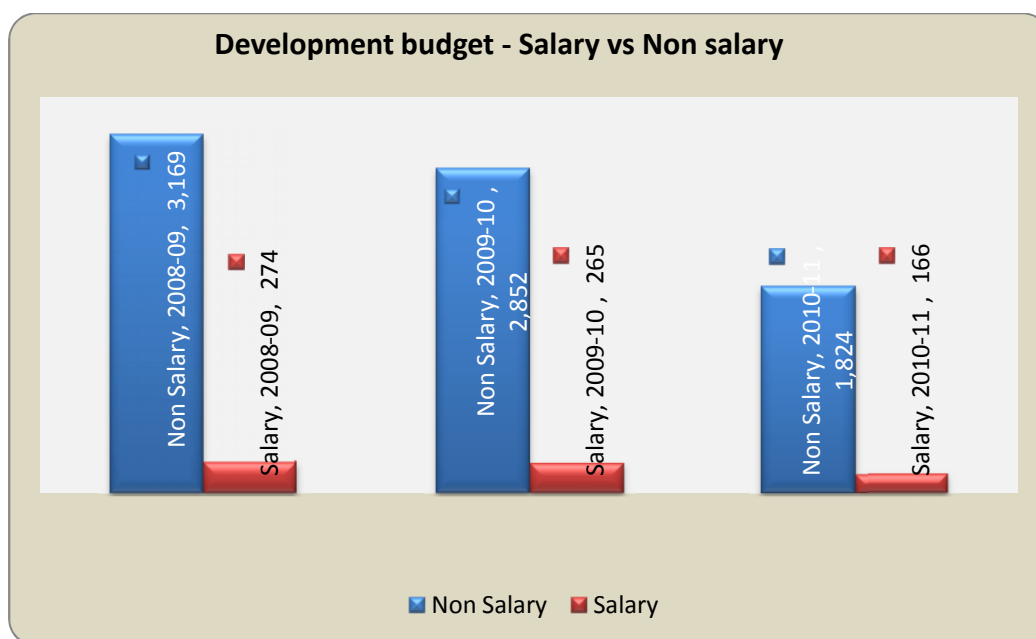




48. There have been NO budget allocations for development budget at the level of Districts in FY's 2011-12 and 2012-13. The analysis below is made on budget allocations for FY's 2008-09 to FY 2010-11. Clearly, this shows, also evident from Provincial ADP, that Provincial Govt is undertaking district development spending.

49. Before analysing budgetary trends under development budget it would be useful to look at what is the composition of District Health budget when viewed from object and functional perspective. This composition seems to have changed drastically since last two years. From FY 2008-10 more than 60% of allocation was towards physical assets but there is a visible shift in FY 2010-11 where this has gone down to 30%. There is also more trend towards allocating budget under Grants and Subsidies. And in terms of functional classification General Hospital and Services and Administration accounts for more than 90% of development budget composition (Table 16, Appendix D).

FIGURE 10: DEVELOPMENT BUDGET – SALARY VS NON SALARY

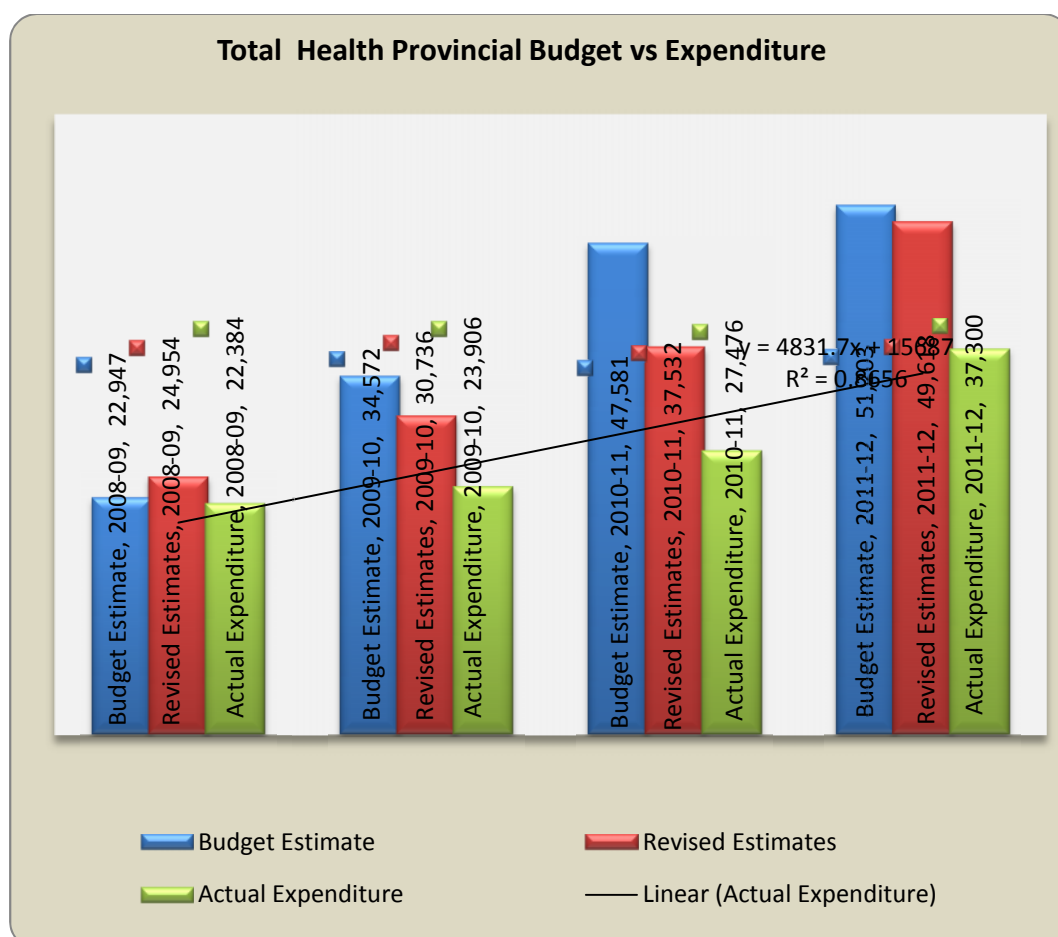


50. Surprisingly, allocation for grants, subsidies and write offs is increasingly exponentially on YoY basis i.e 762% in FY 2010-11 (Table 19, Appendix D).
51. Development budgets for Bahawalpur, Lahore, Mianwali, DG Khan, Sialkot, Muzaffargarh, Bahawalnagar and Sargodha have been reduce to nothing in FY 2010-11(Table 21, Appendix D).
52. On the other hand development budget for Attock, Hafizabad and Chiniot District stand-out in terms of receiving phenomenal increase in development budget (Table 20, Appendix D).

Section 2: Analysis of Budget Execution and Expenditure Trends

1. This Section of Report provides analysis on expenditure trends since last four years for (a) Health Department in Government of the Punjab, and (b) Districts Governments. It starts by providing analysis on total expenditures (current and development) against budget allocation i.e providing the macro perspective and then finally drills down into assessing how expenditures have performed against current and development budget allocation for each Government.
2. Discussion on District budget in proceeding paragraphs starts by discussing consolidated budget allocation but also provides a light commentary on particular Districts showing unusual movements in budget expenditure trends.

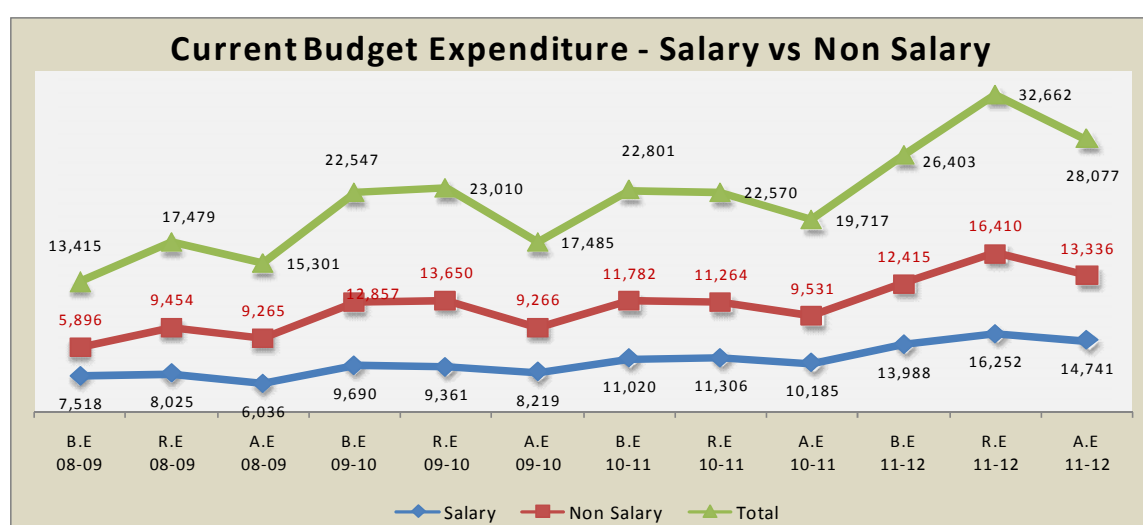
FIGURE 11: TOTAL HEALTH PROVINCIAL BUDGET VS EXPENDITURE



3. Over last 4 years, though the total health budget allocation has grown by more than 123% but the actual expenditure has increased only by 67%. The actual expenditure for FY 2011-12 was Rs. 37.3 bn. Budget execution rate for FY 2011-12 was 73% as against 58% in FY 2010-11. Off all 4 years budget execution rate was almost 100% in FY 2008-09 (Table 1, Appendix E).
4. Except for FY 2008-09, original budget allocations (i.e BE: Budget Estimates) have been revised downwards (i.e RE: Revised Estimates). For FY 2010-11 it was revised downward by 21% and for FY 2011-12 by 3%. But even after such massive downward revisions the actual spending is nowhere near to either the budget or revised budget allocation except for year 2008-09 (Table 3, Appendix E). As discussed above, growth in actual spending is lagging far behind growth in budget allocations.
5. Budget execution rate might look promising if it is compared against revised budget estimates as often done by Government agencies. But in view of Consultant such comparison undermines and defeats the purpose of planning and budgeting exercise and is somewhat delusional.
6. Health Department has consistently been able to demonstrate good budget execution rates (Table 4, Appendix E) for its current budget but the situation is quite opposite in case of development budget.

Current Budget

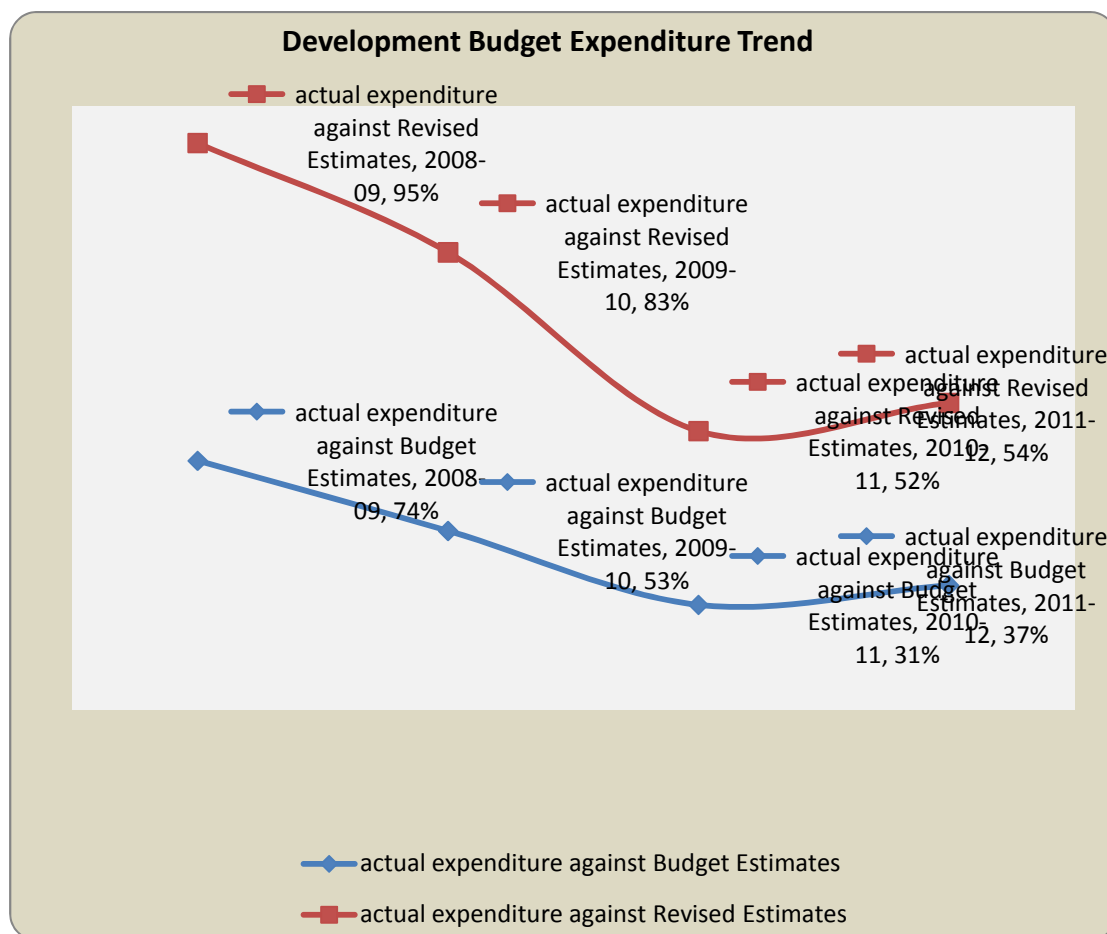
FIGURE 12: CURRENT BUDGET EXPENDITURE – SALARY VS NON SALARY



7. Current budget shows consistent impressive budget execution rate (actual spending as % of budget allocation). Budget execution rates for FY's 2008-09, 2009-10, 2010-11 and 2011-12 has been 114%, 78%, 86% and 106% respectively (Table 4, Appendix E).
8. Ratio of salary with in current budget spending has gone up in FY's 2010-11 and 2011-12 comprises of more than 52% of total current expenditure. Salary and Operating Expenses put together comprise of more than 68 % of actual spending each year (Table 6B, Appendix E).
9. Actual spending for salary budget and non-salary budget has grown by more 100% during last four years i.e maintaining above 100 % of budget execution rate in FY 2011-12. With in non-salary budget, it is the operating expenses (largely comprising budget for medicines) which continues to show impressive spending growth. Spending for essential O&M expenses like repairs and maintenance is showing negative growth rate in FY 2011-12 both in nominal and real terms and low budget execution rate (Table 6A & 8, Appendix E).
10. Physical assets exhibit overspending which also shows flaws in budgeting.

DEVELOPMENT BUDGET

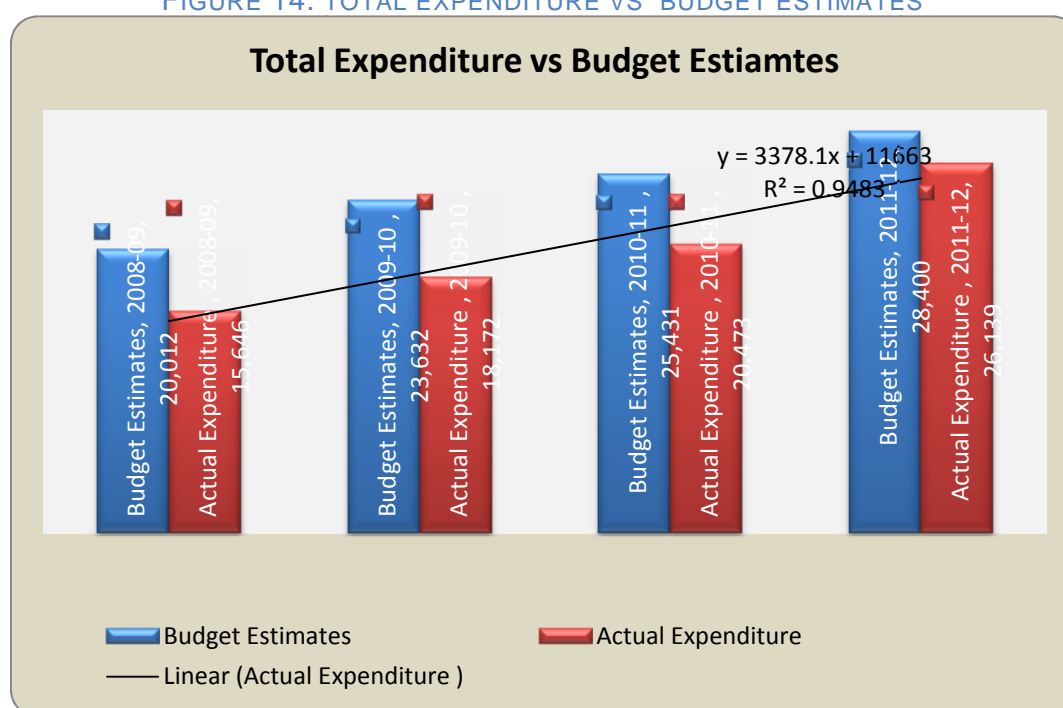
FIGURE 13: DEVELOPMENT BUDGET EXPENDITURE TREND



11. Actual expenditure for development budget for FY 2011-12 was Rs 9.2 bn registering an increase of mere 30% and 16% over last 5 years in nominal terms and real terms (Table 9, Appendix E).
12. Budget execution rate is going down each year except for FY 2011-12 where it is beginning to stabilize marginally. For FY's 2010-11 and 2011-12, budget execution rate was only 31% and 37% respectively which has also impacted the over-all health budget (current and development budget) execution. For FY 2010-11, the development budget execution is marginal growth in nominal terms. This is despite the fact that development budget allocation has increased by more than 150% over last four years (Table 9, Appendix E).

13. The budget allocations for development budget have consistently been revised downwards each year. Such revision appear extreme when budget figures for FY 2009-10, 2010-11 and 2011-12 were revised downwards by 36%, 40% and 32% respectively (Table 11, Appendix E).
14. Interestingly, despite these revisions for non-salary development budget, the actual expenditure has failed to match even the revised budget figures. Such revisions are usually occurring in 'Grants' and Civil Works (Table 13, Appendix E). GoPb usually makes block allocations under 'Grants' which is like a 'lump-sum' allocations usually made for un-approved schemes. It appears these schemes could not be materialised. This also raises serious doubts about planning and budgeting capability for development budget or possible issues in funds release or even politically driven interventions.

FIGURE 14: TOTAL EXPENDITURE VS BUDGET ESTIMATES



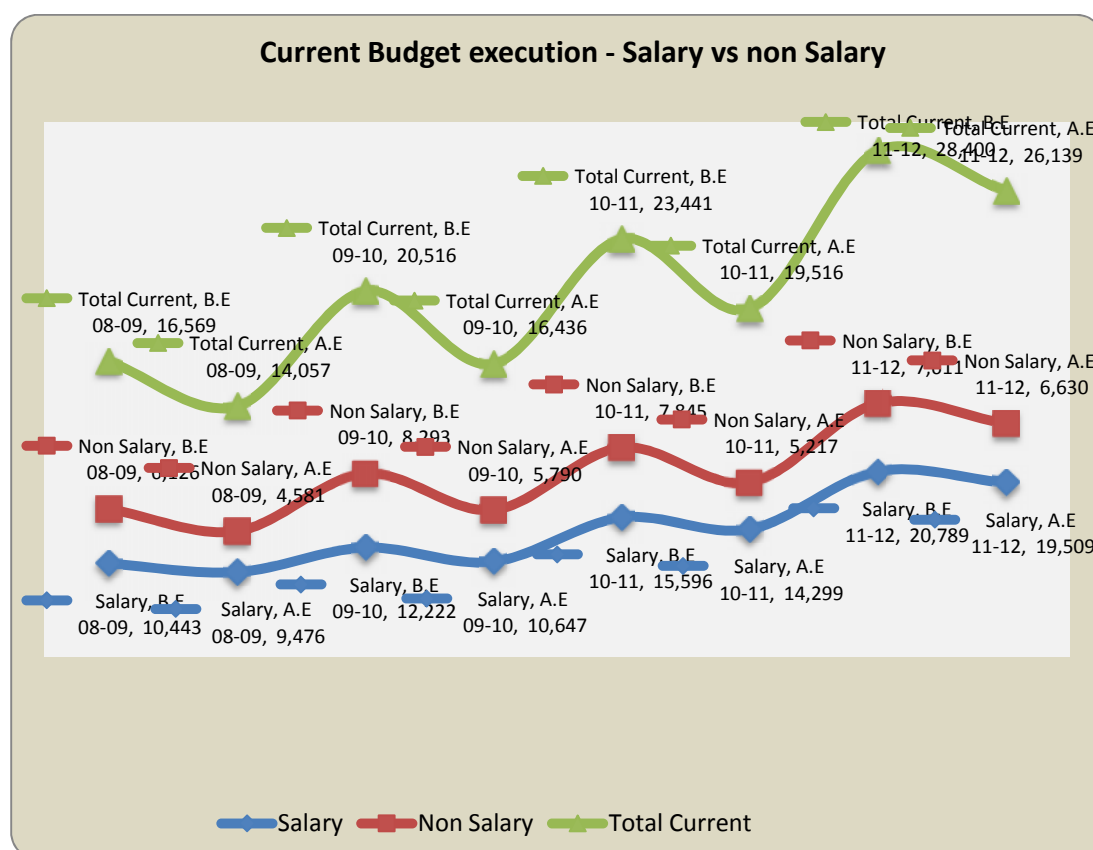
15. The over-all budget execution rate has remained pretty impressive over last three years i.e 77%, 81% and 92% in FY 2009-10, FY 2010-11 and FY 2011-12 respectively. The actual health expenditure at the level of Districts for FY 2011-12 is Rs 26.14 bn showing a growth of 67% over the last 5 years (Table 1, Appendix F).

16. Once again, the above total budget (current and development) execution rate can be misleading because budget execution for current budget is better relative to development budget and more so because of the fact that there has been no development budget allocations in Districts during FY 2011-12 (Table 3, Appendix F).

17. Budget execution rate for development budget has been pretty low. Development expenditure for FY 2010-11 was Rs 957m which is almost half the size of development spending in FY 2008-09 (Table 3, Appendix F).

Current Expenditure

FIGURE 15: CURRENT BUDGET EXECUTION SALARY VS NON SALARY



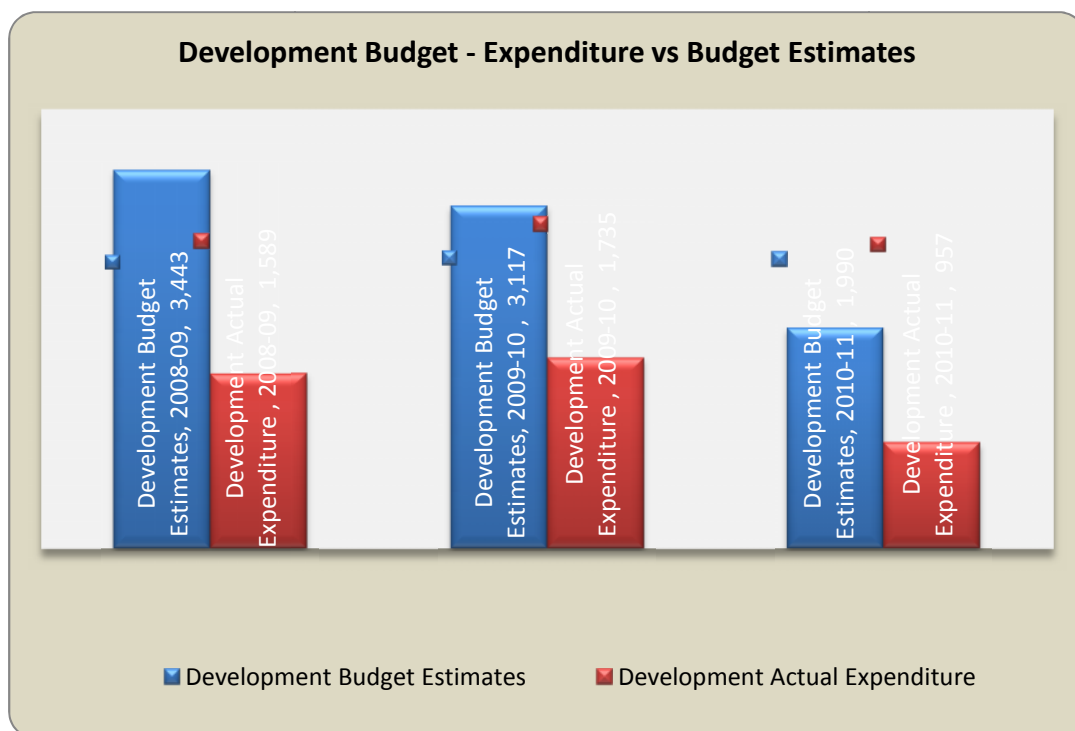
18. Health current budget execution rate has been well over 80% during past 4 financial years reaching its peak at 92% during FY 2011-12. Growth in actual expenditure has outpaced the growth in budget during the period of analysis (Table 4, Appendix F).
19. Good budget execution rates is not only limited to salary budget but also includes non-salary budget (Table 5, Appendix F).
20. Amongst non-salary budget, the budget execution rate of 'grants, subsidies and write offs' and 'repairs & maintenance' is showing downwards trend.

	2008-09 B.E	2008-09 A.E	2009-10 B.E	2009-10 A.E	2010-11 B.E	2010-11 A.E	2011-12 B.E	2011-12 A.E
Operating Expenses	4,000	3,320	5,357	4,299	5,493	4,045	5,078	4,821
Execution Rate		83%		80%		74%		95%
Grants, Subsidies & Write Off Loans	125	90	372	209	548	189	591	193
Execution Rate		72%		56%		35%		33%
Transfer Payments	445	429	452	402	541	506	598	700
Execution Rate		96%		89%		93%		117%
Physical Assets	1,001	412	1,598	580	832	197	936	607
Execution Rate		41%		36%		24%		65%
Civil Works	-	-	28	22	-	-	63	44
Execution Rate				80%				70%
Repair & Maintenance	381	249	341	203	315	211	345	264
Execution Rate		65%		60%		67%		77%

21. Emphasis on asset creation and asset maintenance seems limited. Actual expenditure on fixed assets for FY 2012-13 is even below the budget allocation levels of last 4 years and actual expenditure on 'repairs and maintenance' is showing negative growth in nominal and real terms (Table 5A, Appendix F).
22. Actual expenditure for 'drugs and medicines' for FY 2012-13 is Rs 1.83 bn and isn't showing much growth over last 4 years. This can also be gauged from the fact that the actual (Table 6, Appendix F).
23. Please refer to Table 7 in Appendix F for Districts showing impressive budget execution rates.

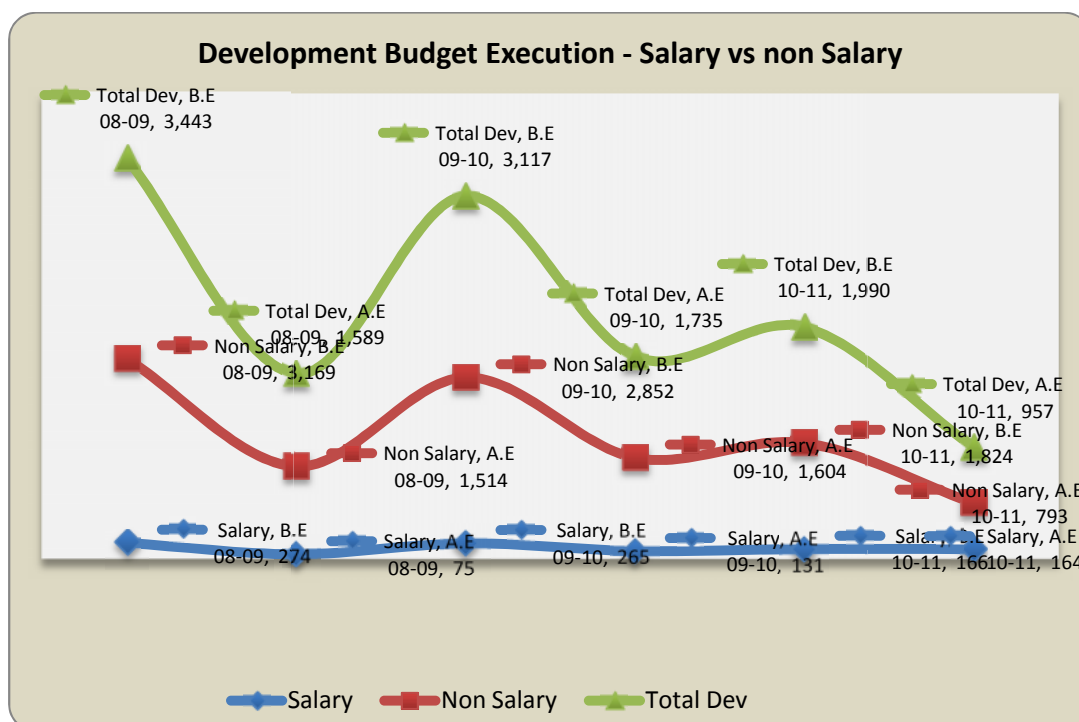
Development Expenditure

FIGURE 16: DEVELOPMENT BUDGET – EXPENDITURE VS BUDGET ESTIMATES



24. There have been no budget allocations for development budget at the level of Districts in FY's 2011-12. Consequently, the analysis below is made on budget allocations for FY's 2008-09 to FY 2010-11.
25. Budget execution for development budget has gone down drastically but the budget allocations have also decreased. Budget execution rate has fallen to 48% in FY 2010-11 from 56% in FY 2009-10 (Table 9, Appendix F).

FIGURE 17: DEVELOPMENT BUDGET EXECUTION – SALARY VS NON SALARY



26. In real terms the development budget spending is showing negative growth rates. In FY 2010-11, development budget spending is Rs 822 mn which is half the size of development spending in FY 2008-09 (Table 9, Appendix F).
27. The above low budget execution rates are not only applicable to salary budget but also holds true for non-salary budget (Table 10, Appendix F)
28. Please refer to Table 12 in Appendix F for Districts showing impressive budget execution rates.

29. Please refer to Table 13 in Appendix F for Districts showing dismal budget execution rates.
30. Attock, Hafizabad, Narowal and Chiniot are four notable Districts who have received large development budget allocations which have not resulted in good budget execution rates (FY 2010-11) (Table 13, Appendix F).
31. A further drill down of expenditure analysis was performed to identify specific service delivery areas where financial resources were being spent in these three Districts namely Bahawalpur, Khanewal and Sialkot. For this purpose detail listing by spending units (fund centres) was obtained (Table 14 to 16, Appendix F). Based on this analysis it was observed that majority of spending is taking place at basically four service delivery levels i.e District Health Offices, Basic Health Units, Rural Health Centres and Tehsil Headquarters. But more specifically:
- Over FY's 2008-12, around 80-90% of actual spending (current and development) is taking place at these four levels in Bahawalpur and Khanewal (Table 17 , Appendix F);
 - Over FY's 2008-12, around 58-67% of actual spending (current and development) is taking place at these four levels in Sialkot (Table 17, Appendix F).

