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# **Federal Health Budget and Expenditure Analysis (2010 – 11 to 2012 – 13)**

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## **Acknowledgement**

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## ABBREVIATIONS & ACRONYMS

<b>A.E</b>	Actual Expenditure
<b>AKA</b>	Also Known As
<b>BCC</b>	Budget Call Circular
<b>B.E</b>	Budget Estimates
<b>BHU</b>	Basic Health Unit
<b>bn</b>	Rupees in Billion
<b>CCI</b>	Council of Common Interest
<b>EDO</b>	Executive District Officer
<b>FD</b>	Finance Department
<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product
<b>GoP</b>	Government of Pakistan
<b>GoS</b>	Government of Sindh
<b>HD</b>	Health Department
<b>LG</b>	Local Government
<b>LHW</b>	Lady Health Worker
<b>MDG</b>	Millennium Development Goals
<b>MNCH</b>	Maternal & Neonatal Child Health
<b>MTBF</b>	Medium Term Budgetary Framework
<b>NFC</b>	National Finance Commission
<b>O&amp;M</b>	Operation and Maintenance
<b>P&amp;DD</b>	Planning & Development Department
<b>PIFRA</b>	Project to improve Financial Reporting and Auditing
<b>PSDP</b>	Public Sector Development Program
<b>Rs.</b>	Pakistan Rupees
<b>R.E</b>	Revised Estimates
<b>RHC</b>	Rural Health Centre
<b>TRF</b>	Technical Resource Facility
<b>w.e.f.</b>	With effect from
<b>YoY</b>	Year on Year basis

## EXECUTIVE SUMMARY

1. Consolidated health expenditure of the Federal Government in FY 2011-12 is Rs. 20.7 bn against an allocation of Rs. 16.1 bn, indicating a growth rate of 20% since FY 2008-09 despite devolution of health function to provinces.
2. Health budget allocations (Rs. 25.1 bn in FY 2012-13) exhibit a growth of 3% since FY 2008-09. In real terms, these have declined by 4%.
3. Share of federal health allocations in federal total budget outlay is 0.8% in FY 2012-13, indicating a decline from 1.4% since FY 2008-09.
4. Development budget (Rs. 19 bn) has dominated the federal health allocations throughout 2008-13, though its share has decreased to 76% in FY 2012-13 after reaching a high of 94% in FY 2011-12. Since FY 2008-09, development budget has decreased by 4% and in real terms the decline is even higher (10%).
5. Similarly, post-18th amendment (FY 2011-12) development budget allocations have declined to Rs. 15.1bn when compared to average allocations (Rs. 20.2 bn) for pre-18th amendment period (FY's 2008-11), indicating a decline of 25%.
6. Preference for object / economic classification for vertical programmes clearly seem to have changed in post-18th amendment scenario as the entire allocations have been made for operating expenses in FY's 2011-12 and 2012-13.
7. Health vertical programmes, with an allocation of Rs. 17.7bn, claim a share of 93% in FY 2012-13. Since FY 2008-09, these allocations have grown by 11%. On the other hand, net development budget (i.e. health development budget excluding allocations for vertical programmes) has grown by 107% in FY 2012-13 after declining by more than 87% in FY 2011-12.
8. Within health vertical programmes, Family Planning & Primary Health Care programme has a leading share (62%) in budget allocations in FY 2012-13. EPI follows with a share of 16%, while MNCH is placed next with a share of 13%.

9. FY 2011-12 has witnessed a huge drop (84%) in current budget allocations. The reason cited for this is that some of the large spending units (particularly tertiary care hospitals and other health institutions within Islamabad Capital Territory) did not get any budget allocations as part of annual budget for FY 2011-12 in the aftermath of 18th Amendment. However, these spending units got allocations (of Rs. 3.3 bn) as part of revised budget. These include Poly Clinic (Rs. 930 mn), PIMS (1,330 mn), Children Hospital (Rs. 307 mn), Mother & Child Health Centre (Rs. 179 mn), Others (588 mn);
10. Current budget has witnessed a much faster growth rate (524%) than development budget (26%) particularly in FY 2012-13. In FY 2011-12, both recorded negative growth, with current budget leading again with a decline of 84% against a decline of 13% in development budget.
11. Budget execution rate for federal health budget keeps improving every year and in FY 2011-12, it has recorded a high of 129% after achieving the levels of 78% and 94% in FY's 2009-10 and 2010-11.
12. Current budget has recorded higher execution rate than development budget throughout FY's 2008-12. Also, current budget execution rate has been more than 100% during this period (e.g. 611% and 111% in FY's 2011-12 and 2010-11). Overall current expenditure (Rs. 5.9 bn) has grown by 27% since FY 2008-09.
13. Non-salary component of current budget has recorded budget execution rate of well over 100% throughout FY's 2008-12 and FY 2011-12 has witnessed the highest execution rates for most of the budget heads comprising the non-salary. For example, operating expenses (1843%), physical assets (2582%) and repair & maintenance (7666%).
14. Development expenditure (Rs. 14.8 bn) is at three years low in FY 2011-12, indicating a 2% decline over FY 2010-11. However, it has recorded an increase of 17% since FY 2008-09. Development expenditure also demonstrates a constantly rising execution rate since FY 2008-09, e.g. 98% in FY 2011-12, up from 87% in FY 2010-11.



15. A comparison of development budget execution rates for 'pre- and post-18th amendment' periods indicates that:

- Post-18th amendment period (FY 2011-12) has a higher execution rate (96%) than the average execution rate for pre-18th amendment period (74%)
- Level of expenditure has slightly decreased from Rs. 14.9 bn (pre-18th amendment) to Rs. 14.4bn (post-18th amendment)

16. Budget execution rate for vertical programmes is markedly different from the execution rate for 'net' development expenditure (i.e. health development expenditure minus expenditure against vertical programmes) particularly in FY's 2008-11. For example, the execution rate was 74%, 86% and 116% for vertical programmes whereas it was 27%, 28%, 15% for net development expenditure in FY's 2008-09, 2009-10 and 2010-11.

17. After 18th Amendment, some federally funded and controlled spending units (hospitals, specialized health institutions/facilities) were transferred to the Provincial Governments. These spending units (mostly belonging to the defunct Ministry of Health) had been getting their budget allocations from current budget side. Name of the spending units and the province to which these were transferred are:

Sr. No.	Spending Unit	Transferred to (Province)
1	Sheikh Zayed Hospital, Lahore	Punjab
2	Jinnah Post Graduate Medical Centre (JPMC), Karachi	Sindh
3	National Institute of Cardio-vascular Diseases (NICVD), Karachi	Sindh
4	National Institute of Child Health (NICH)	Sindh
5	Karachi; Institute of Basic Medical Sciences (IBMS), Karachi	Sindh
6	Sheikh Khalifa Bin Zayed Hospital	Balochistan

18. Change in functional classification is noticeable in post-18th amendment era. For example, around two-third of the health expenditure was classified as "Others" head during three years (FY's 2008-11), however, there is only about 14% of the expenditure in FY 2011-12. A new classification (Provinces - General Public Service) seems to have been introduced in FY2011-12, which has recorded a share of 59%. Despite this

change, there is lack of clarity on functional classification of expenditure / allocations. The Use of functional classification to classify health budget and expenditures needs to be made more informative and aligned to policy objectives. This would facilitate user (& policy makers) for example to identify expenditure between primary and secondary health services. The existing use of functional classification prohibits any basic analysis that may facilitate decision makers to assess purpose (& qualitative aspects) of expenditure and make informed policy choices.

19. Executive summary does not provide any commentary on the fiscal situation of the Federal Government. This will be done once civil accounts for FY 2011-12 have been finalised perhaps.

**TABLE 1: Consolidated Health Budget & Expenditure at Federal Government**

(Rs in Million)

	B.E 2008- 09	%	A.E 2008- 09	%	B.E 2009- 10	%	A.E 2009- 10	%	B.E 2010- 11	%	A.E 2010- 11	%	B.E 2011- 12	%	A.E 2011- 12	%	B.E 2012- 13	%
<b>Federal Government</b>																		
Current	4,596	19%	4,644	27%	5,496	19%	5,923	26%	6,217	26%	6,923	31%	965	6%	5,902	28%	6,024	24%
Development	19,733	81%	12,728	73%	23,746	81%	16,926	74%	17,344	74%	15,138	69%	15,091	94%	14,845	72%	19,019	76%
<b>Total</b>	<b>24,329</b>		<b>17,372</b>		<b>29,242</b>		<b>22,849</b>		<b>23,561</b>		<b>22,061</b>		<b>16,056</b>		<b>20,747</b>		<b>25,043</b>	
<b>Development Budget Breakup:</b>																		
Vertical Programmes	15,911	81%	11,703	92%	17,806	75%	15,272	90%	12,367	71%	14,381	95%	14,456	96%	14,237	96%	17,703	93%
Development budget excl vertical programmes	3,822	19%	1,024	8%	5,940	25%	1,654	10%	4,977	29%	758	5%	634	4%	608	4%	1,316	7%
<b>Total</b>	<b>19,733</b>		<b>12,728</b>		<b>23,746</b>		<b>16,926</b>		<b>17,344</b>		<b>15,138</b>		<b>15,091</b>		<b>14,845</b>		<b>19,019</b>	
<b>% Share in Budget &amp; Spending</b>																		
<b>Current</b>	<b>19%</b>		<b>27%</b>		<b>19%</b>		<b>26%</b>		<b>26%</b>		<b>31%</b>		<b>6%</b>		<b>28%</b>		<b>24%</b>	
<b>Development</b>	<b>81%</b>		<b>73%</b>		<b>81%</b>		<b>74%</b>		<b>74%</b>		<b>69%</b>		<b>94%</b>		<b>72%</b>		<b>76%</b>	
<b>Total</b>	<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>	
Current	19%		27%		19%		26%		26%		31%		6%		28%		24%	
Vertical Programmes	65%		67%		61%		67%		52%		65%		90%		69%		71%	
Development budget excl vertical programmes	16%		6%		20%		7%		21%		3%		4%		3%		5%	
<b>Execution Rate</b>																		
Current			101%				108%				111%				611%			
Development			65%				71%				87%				98%			
<b>Total</b>			<b>71%</b>				<b>78%</b>				<b>94%</b>				<b>129%</b>			
Current			101%				108%				111%				611%			
Vertical Programmes			74%				86%				116%				98%			
Development budget excl vertical programmes			27%				28%				15%				96%			

## INTRODUCTION

1. This Report on health budget and expenditure analysis of the Federal Government has been prepared by Consultant at the request of Technical Resource Facility (TRF). This Report will be further updated with macro-fiscal data once civil accounts / financial statements from Controller General of Accounts are finalised.
2. Analysis covers both budget allocations and related expenditure for FY's 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13. However, since FY 2012-13 is not complete yet, expenditure data for the full year is not available. Hence, expenditure analysis has been done for four years (i.e. all years excluding FY 2012-13). Cut-off date for acquiring expenditure data expenditure for FY 2012-13 is 15 December 2012. Since civil accounts / financial statements have not been finalized till date, no commentary has been made in this report on fiscal performance of the Federal Government. The Consultant will further update the Report as soon as the relevant data is finalized / available.
3. Source of provincial budget data is from the annual budget documents, whereas all other data i.e. health expenditures is taken from PIFRA System. Data obtained from PIFRA System was also verified on test cases by checking it with records at the respective ministry.
4. The 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

5. **Section I** attempts to analyse budgetary allocations and how budget has grown over the years in terms of aggregate and at detail levels. Contents of this Section appear in the following sequence.

- Brief intro of the Section
  - Overall analysis of federal health budget allocations (current & development)
  - Detailed analysis of federal health current budget allocations
  - Detailed analysis of federal health development budget allocations
6. **Section II** reviews the expenditure against budget allocations against various dimensions starting from aggregate to detail levels from economic and functional classification perspective. Contents in this Section area arranged in the following order:
- Brief intro of the Section
  - Overall analysis of Federal health expenditure (current & development)
  - Detailed analysis of Federal health current expenditure
  - Detailed analysis of Federal health development expenditure
7. The analysis was performed 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.
8. It is important to mention here that besides the defunct Ministry of Health, some other Federal Ministries / Divisions have been carrying out certain health related activities (e.g. running dispensaries / quarantine & other health facilities through their spending units, etc.). Accordingly, such Ministries / Divisions (or their subordinate offices) get allocations almost every year. These include:
- Cabinet Secretariat
  - Ministry of Defense
  - Ministry of Interior
  - Ministry of Religious Affairs

- Ministry of Narcotics Control
- Planning & Development Division
- Ministry of Social Welfare & Special Education
- Ministry of National Regulation & Services
- Ministry of Capital Administration & Development
- Ministry of Inter-Provincial Coordination

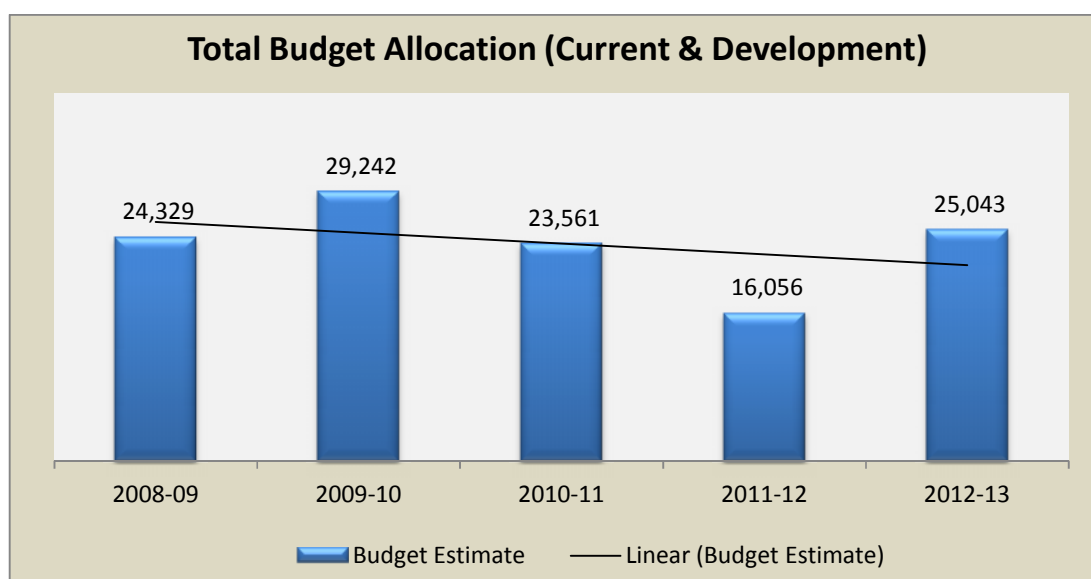
In view of this, budget & expenditure analysis is not restricted to allocations / expenditure relating to (defunct) Ministry of Health only, rather takes into account allocations (and related expenditure) to such other Ministries / Divisions and their attached departments also.

9. Within 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.
  
10. *Key assumptions* – the budget and expenditure analysis following sections does not provide commentary on:
  - 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 Budgets and Budgetary trends

1. This Section of the Report provides analysis on the budget allocation and its historical trends during FY's 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 for the Federal Health function. It starts by providing analysis on the total budget allocation 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 (including allocations for health vertical programmes).

FIGURE 1: BAR CHART (OVERALL HEALTH ALLOCATION)



2. A closer look at budget composition suggests changing focus of health budget allocations after 18th amendment. For example, salary costs which were in the range of 25%-33% during FY's 2008-11 (pre-18th amendment period) have come down to 11% of the total federal health budget in FY 2012-13. Operating expenses on the other hand have claimed a share of 91% in FY 2011-12 and 79% in FY 2012-13 (against an average share of around 44% in FY's 2008-11). Physical assets and civil works are 4% and 1% in FY 2012-13, both down from a share of 10% and 12% respectively in pre-18th amendment period. Repair & maintenance

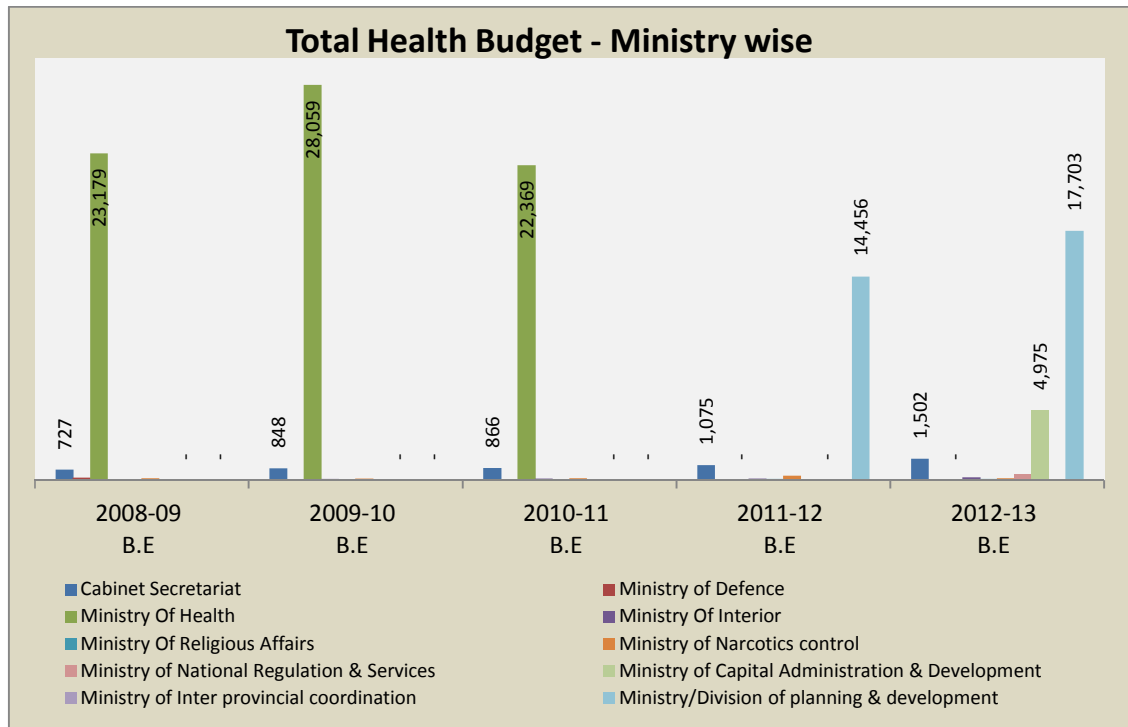
continues to have negligible allocations (more or less 1%) throughout FY's 2008-13 (Table 3, Appendix B).

3. Similarly, change in functional classifications is also noticeable in pre- and post-18th amendment periods. For example, functional classification "Others" has had around two-third of budget allocations in FY's 2008-11, however, in FY 2012-13, this classification had only 4% of the budget allocation. A new classification (Planning - General Public Service) seems to have been introduced in FY's 2011-12 and 2012-13, which has recorded a share of 90% and 71% respectively. General Hospital Services has an allocation of 22% in FY 2012-13.
4. Overall health budget allocations exhibit a rise of 3% since FY 2008-09. In real terms, however, the allocations have declined by 4%. On YoY basis, health allocations have grown by 56% in FY 2012-13, while in FY's 2010-11 and 2011-12, these have recorded a negative growth of 19% and 32% respectively (Table 2, Appendix B).
5. Budget heads reveal varying growth rates during FY's 2008-13. For example, employee costs have grown by 2428% in FY 2012-13 after declining by 99% in FY 2011-12 (YoY). Similarly, physical assets depict a growth rate of 1634% in FY 2012-13. These too declined by 97% and 54% in FY's 2011-12 and 2010-11. Operating expenses which grew by 79% in FY 2011-12 have recorded a growth rate of 36% in FY 2012-13. Civil works show negative growth of 23%, 93% and 18% during three consecutive years (FY's 2010-13). Repair and maintenance also demonstrates wide fluctuations during five years and has grown by 2733% after recording a negative rate of 98% and 8% in FY's 2011-12 and 2010-11. Level of allocations for repair & maintenance has gone down from Rs. 379 mn in FY 2008-09 to Rs. 175mn in FY 2012-13 (Table 2, Appendix B).
6. Federal health allocations are shared between current and development budgets in the ratio of 24:76 respectively in FY 2012-13. This ratio was more or less the same in FY 2010-11. However, in FY 2011-12, it was at its lowest (i.e. 6:94) (Table 1, Appendix B).



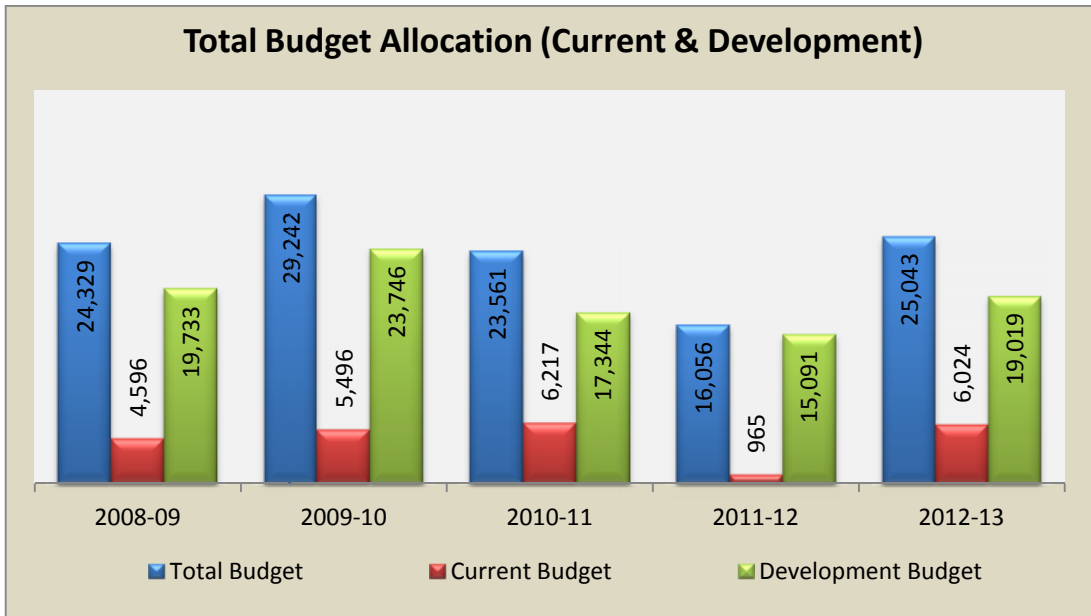
7. Within the development budget, health vertical programmes claim a share of 93% in FY 2012-13, down from 96% in FY 2011-12. The rest is shared by other development projects/schemes (Table 1, Appendix B).

FIGURE 2: BAR CHART (TOTAL HEALTH BUDGET – MINISTRY WISE)



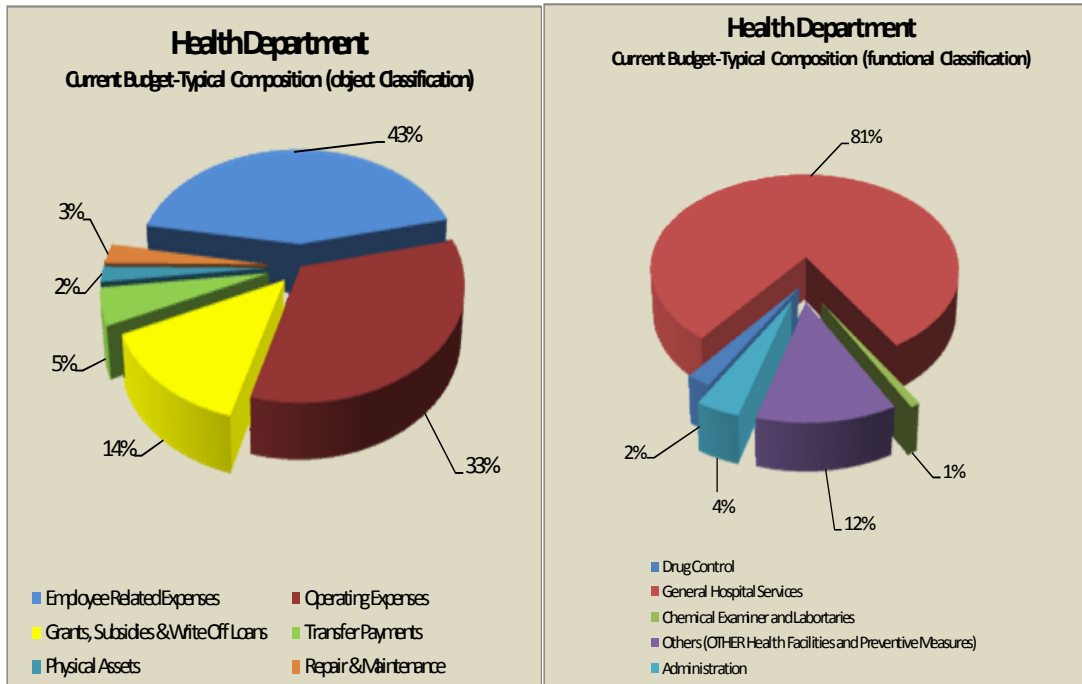
8. P&D Division tops with a share of 71% of budget allocations in FY 2012-13, while Ministry of Capital Administration & Development is placed next with 20% allocation. Before dissolution, defunct MoH had got 62% of total budget allocations in three years (FY's 2008-11) (Table 11, Appendix B).

FIGURE 3: BAR CHART (TOTAL HEALTH ALLOCATION – CURRENT & DEVELOPMENT)



9. Health current and development budgets have registered varying growth rates during FY's 2008-13. Current budget has witnessed a much faster growth rate (524%) than development budget (26%) in FY 2012-13. In FY 2011-12, both recorded negative growth, with current budget leading again with a decline of 84% while development budget declined by 13% (Table 3, Appendix C).
10. Federal health allocations have a share of 0.8% in federal total budget outlay in FY 2012-13, marginally up from 0.6% in FY 2011-12. This share has come down from a level of 1.4% recorded during initial two years of analysis (FY's 2008-10) (Table 2, Appendix C).

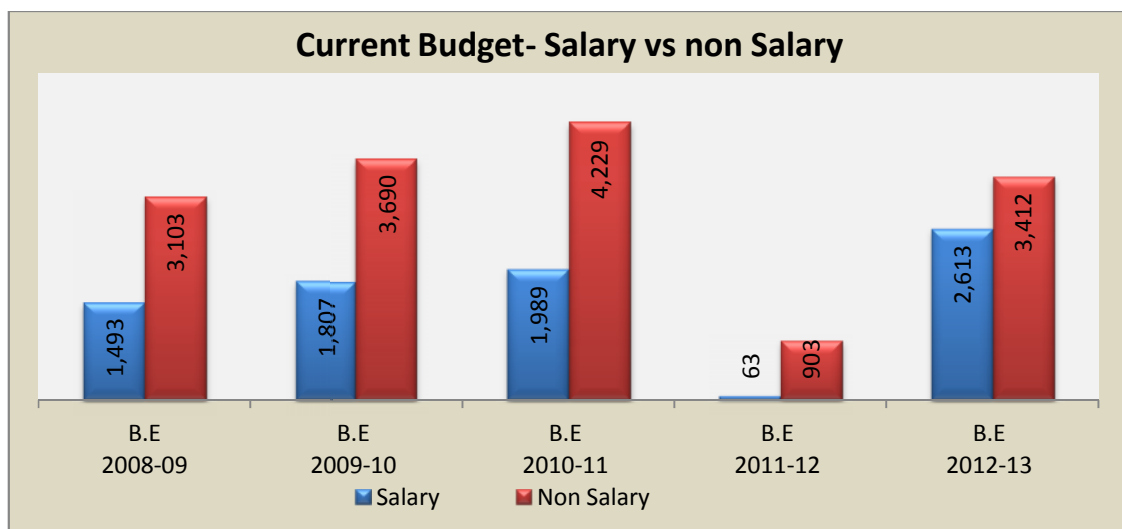
FIGURE 4: PIE CHART (CURRENT BUDGET)



11. Employee costs and operating expenses together account for more than three-fourth of federal health current budget in FY 2012-13. These two economic classifications have maintained their leading share (around 2/3rd of budget) during previous 3 out of 4 years (FY's 2008-11). In FY 2011-12, grants, subsidies & write-off loans topped with a share of 84%, while in FY 2012-13 this share declined to 14% of current budget allocations. Transfer payments have a share of 5% and repair & maintenance have an allocation of just 3% in FY 2012-13 (Table 6, Appendix C).
  
12. Current budget has increased by 524% in FY 2012-13, indicating highest growth rate during five years (FY's 20108-13). In FY 2011-12, however, it recorded a decline of 84% after growing by 13% in FY 2010-11. In real terms, the growth was slightly less (i.e. 8% and 9%) in FY's 2009-10 and 2010-11 (Table 4 & 5, Appendix C).

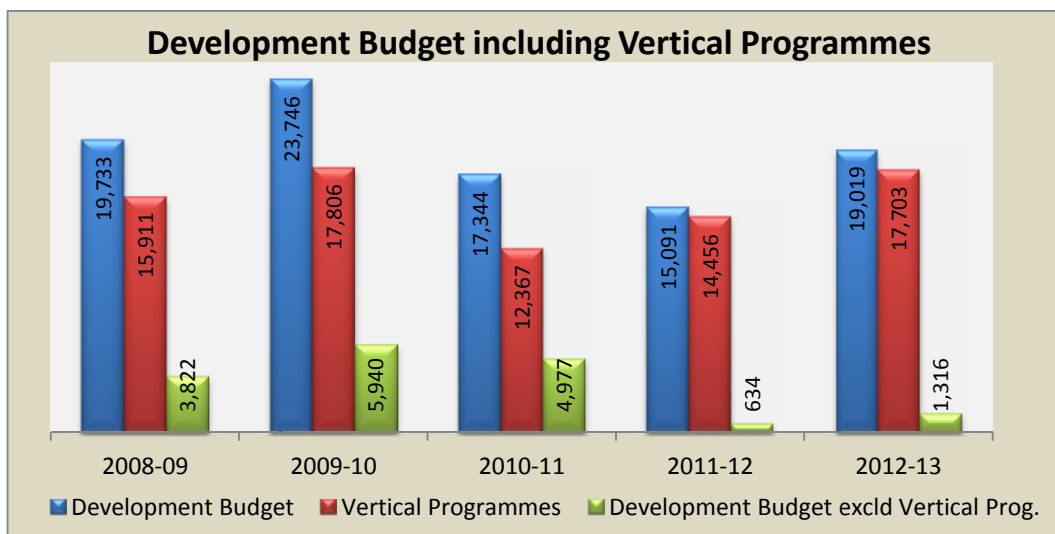
13. An analysis of current budget allocations into functional classification suggests that "General Hospital Services" has got the highest share throughout FY's 2008-13, though this share continued to decline consistently during this period. For example, in FY 2012-13, General Hospital Services has an allocation of 81%, down from 85% in FY 2011-12 and 86% in FY 2010-11. Rest of the allocations are classified as "Others" (12%), Administration (4%) and Drugs Control (2%) (Table 7, Appendix C).
14. FY 2011-12 has witnessed a huge drop (84%) in current budget allocations. This is because some of the large spending units (particularly tertiary care hospitals and other health institutions within Islamabad Capital Territory) were not allocated any amount as part of annual budget for FY 2011-12 in the aftermath of 18th Amendment. However, these spending units got allocations (of Rs. 3.3 bn) as part of revised budget. These include Poly Clinic (Rs. 930 mn), PIMS (1,330 mn), Children Hospital (Rs. 307 mn), Mother & Child Health Centre (Rs. 179 mn) and a few other smaller spending units (Rs. 588 mn).

FIGURE 5: BAR CHART (CURRENT BUDGET)



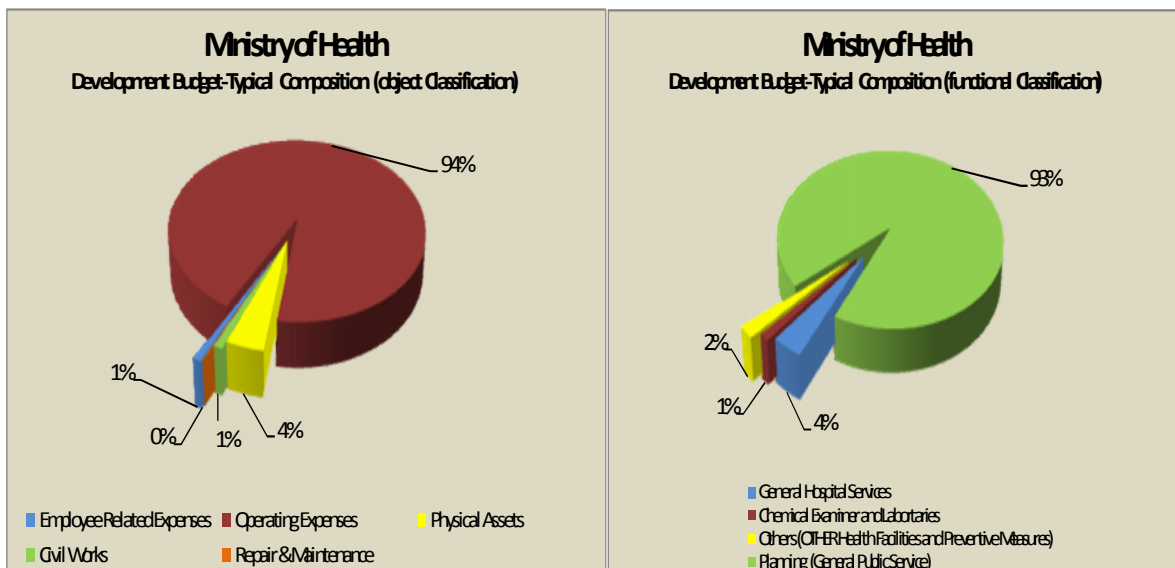
15. Ratio between salary and non-salary components remained stable during initial three years (FY's 2008-11) but started to fluctuate in FY's 2011-13. For example, the ratio was more or less 32:68 for salary and non-salary respectively throughout FY's 2008-11. However, it has become 43:57 in FY 2012-13 after reaching 6:94 in FY 2011-12 (Table 8, Appendix C).
  
16. Salary component in current budget allocations has grown by 75% since FY 2008-09. On YoY, it has witnessed wide fluctuations in growth rates during FY's 2008-13. For example, salary grew by 4078% in FY 2012-13 after declining by more than 97% in FY 2011-12. Similar trend is witnessed in non-salary component, i.e. a positive growth of 278% in FY 2012-13 and then a negative growth of 79% in FY 2011-12 (Table 9, Appendix C).
  
17. Within non-salary, operating expenses have grown by a whopping 2116% in FY 2012-13. It earlier recorded a decline of 96% of in FY 2011-12. Similarly, physical assets have increased by 5890% in FY 2012-13 after declining in two consecutive years (FY 2010-12) by 95% and 30%. Repair & maintenance has recorded a growth rate of 8775% in FY 2012-13 (Table 10, Appendix C).

FIGURE 6: BAR CHART (DEVELOPMENT BUDGET)



18. Health development allocations (Rs. 19bn) have grown by 26% in FY 2012-13, after recording a negative growth rate of 27% and 13% in FY's 2010-11 and 2011-12 (YoY). Since FY 2008-09, development budget has decreased by 4% and in real terms the decline is even higher (10%) (Table 11 & 12, Appendix C).
19. Post-18th amendment development budget allocations (i.e. for FY 2011-12) have declined when compared to average allocations for pre-18th amendment period (FY's 2008-11). As given in Table 12, Appendix D, the allocations have decreased by more than 25% in FY 2011-12 (i.e. from Rs. 20.2bn to 15.1 bn).
20. Development budget has also been analysed with respect to allocations for health vertical programmes. In FY 2012-13, vertical programmes have got an allocation of Rs. 17.7 bn, indicating a growth rate of 22% over FY 2011-12. Since FY 2008-09, the allocations have grown by 11% (Table 11, Appendix C).
21. Net development budget (i.e. health development budget excluding allocations for vertical programmes) has fluctuated widely during FY's 2008-13. It has grown by 107% in FY 2012-13 after declining by more than 87% in FY 2011-12 (Table 11, Appendix C).

FIGURE 7: PIE CHART (DEVELOPMENT BUDGET)



22. Development budget allocations are heavily skewed towards operating expenses in FY's 2011-12 and 2012-13 as more than 94% are allocated under this budget head. There are negligible allocations (1% or less) for salary costs, civil works and repair & maintenance and only 4% allocations for physical assets. The situation was quite different in FY's 2008-11. For example, operating expenses were 48% of the development budget in FY 2008-09 which declined to 35% in FY 2010-11. Similarly, salary costs were 23% in FY 2008-09 which continued to rise to record a share of 34% in FY 2010-11. Physical assets had a share of 12% in FY 2008-09 which declined to 9% in FY 2010-11 (Table 13, Appendix C).
23. As far as functional classification is concerned, almost entire (93% and 96%) development allocations have been classified under "Planning (General Public Service)" in FY's 2012-13 and 2011-12 respectively. In FY's 2008-11, however, there was no such classification as more than 3/4th was classified as "Others", while the rest was allocated under General Hospital Services (Table 14, Appendix C).
24. Within health vertical programmes, Family Planning & Primary Health Care programme has a leading share (62%) in FY 2012-13. EPI follows with a share of 16%, while MNCH is placed next with an allocation of 13% (Table 15, Appendix C).
25. Allocations for vertical programmes have also been analysed along object / economic classifications. It transpires from this analysis that in FY's 2008-11 (i.e. pre-18th Amendment period), more than 80% of the budget allocations were made in two budget heads, namely operating expenses and employee costs and the remaining allocations were made for physical assets, civil works and repair & maintenance. However, preference for budget classification in post-18th Amendment period (FY's 2011-12 and 2012-13) clearly seems to have changed as whole of the development budget has been classified under operating expenses only (Table 16, Appendix C).
26. Similarly, analysis of allocations for vertical programmes along functional classifications reveals that the entire budget is classified under "Planning (General Public Service)" in FY's 2010-11 and 2012-13 (Table 17, Appendix C).

27. Health development budget seems to focus on ongoing projects as there are no allocations for any new projects in FY 2012-13 (Table 18, Appendix C).

## **Medium Term Budgetary Framework (MTBF)**

### **Current Budget**

28. A comparison of budget forecasts under MTBF with actual allocations suggests that budget forecasts deviate from actual allocations from minus 8% to 33% in 44% for FY's 2011-12 and 2012-13 (Table 19, Appendix C).

### **Development Budget**

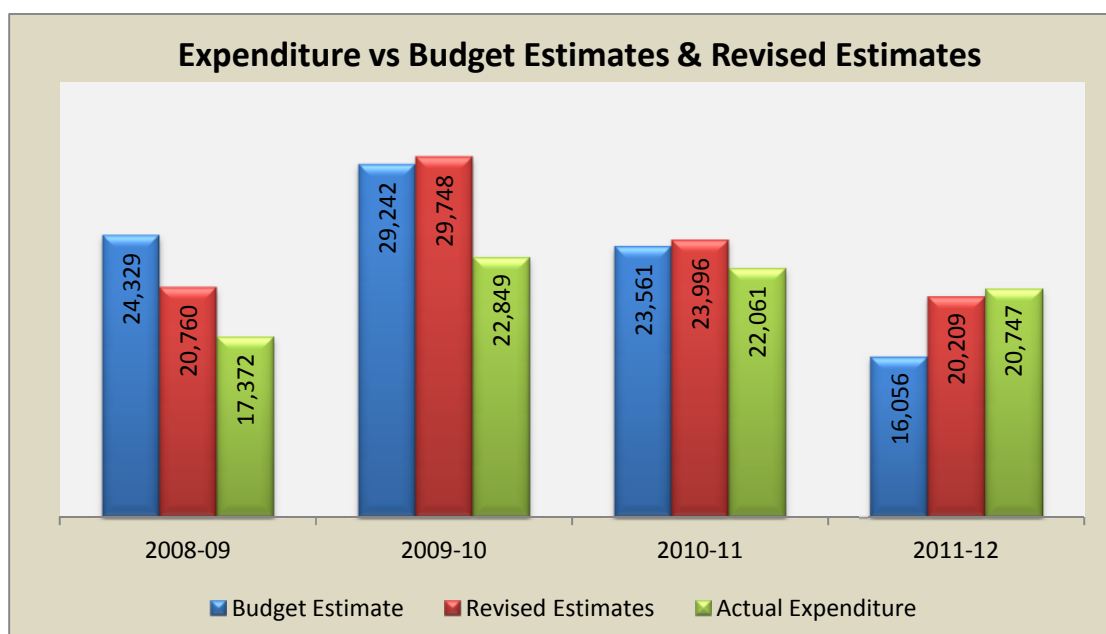
29. In case of development budget, the deviations of forecasts from actual allocations are 54%, 20% and minus 4% for FY's 2011-12, 2012-13 and 2013-14 respectively (Table 19, Appendix C).



## Section 2: Analysis of Budget Execution and Expenditure trends

1. This Section of Report provides analysis on expenditure trends since last five years i.e. FY's 2008-13 for Federal health allocations. 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.
2. Analysis of expenditure on health vertical programmes is also presented separately.

FIGURE 8: BAR CHART (FEDERAL HEALTH EXPENDITURE)

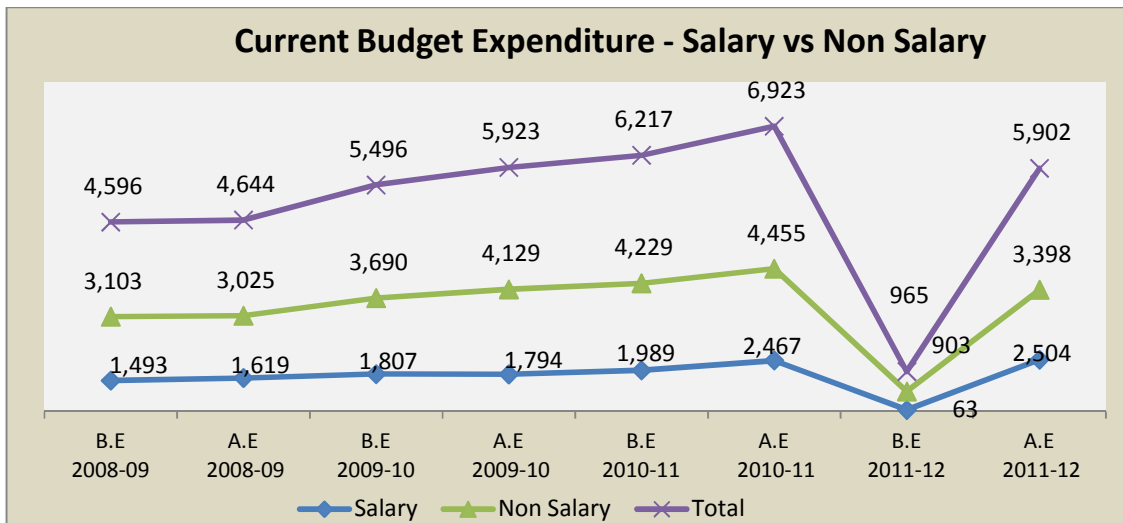


3. Federal health expenditure (Rs. 20.7 bn) has grown by 19% since FY 2008-09. On YoY basis, however, it indicates a decline of 6% over FY 2010-11 (Table 3, Appendix B; Table 1, Appendix D).
4. Overall execution rate for federal health budget keeps improving every year and in FY 2011-12, it has recorded a high of 129% after achieving the levels of 78% and

94% in FY's 2009-10 and 2010-11 respectively (Table 3, Appendix B; Table 2, Appendix D).

5. A further split of execution rate indicates that current budget has recorded higher execution rate than development budget throughout FY's 2008-12. Also, current budget execution rate has always been more than 100%. For example, execution rate was 611% for current budget and 98% for development budget in FY 2011-12. Similarly it was 111% and 108% for current budget and 87% and 71% for development budget in FY's 2010-11 and 2009-10 (Table 4 & 5, Appendix B; Table 2, Appendix D).

FIGURE 9: (CURRENT BUDGET - SALARY VS NON SALARY)

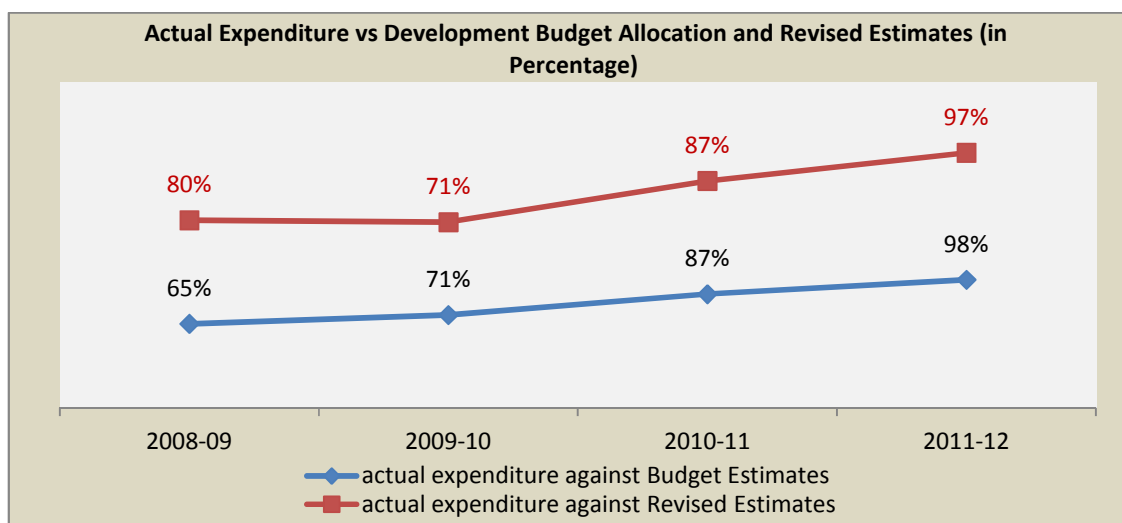


6. FY 2011-12 has witnessed lower actual expenditure (Rs. 5.9 bn) when compared to the level achieved in FY 2010-11 (Rs. 6.9 bn), indicating a decline of 15%. Overall growth in expenditure since FY 2008-09 is 27%. Throughout FY's 2008-12, current budget execution rate has always been more than 100% and in FY 2011-12 it has recorded an all times high of 611% (Table 5, Appendix D).
7. Throughout FY's 2008-13, current budget estimates have been subject to upward revisions. These revisions are in the range of 3% (FY 2008-09) and 415% (FY 2011-12). Since upward revisions result in lower budget execution rate, the revised execution rates based on revised budget estimates differ from those based on

original budget estimates. For example, these are 119% (for FY 2011-12), 105% (for FY 2010-11) and 99% (for FY 2009-10) (Table 6, Appendix D).

8. Salary has recorded a higher execution rate than non-salary in 3 out of 4 years (FY's 2011-12, 2010-11, 2008-09). For example, salary execution rates were 4004%, 124% and 108% compared to non-salary rates of 376%, 105% and 97% in these FY's (Table 7, Appendix D).
9. Except in FY 2011-12, ratio between salary and non-salary based on actual expenditure has fluctuated slightly in three years (FY's 2008-11). For example, the ratio has remained more or less close to the ratio based on budget allocations in FY's 2008-09 (35:65), 2009-10 (30:70) and 2010-11 (36:64). In FY 201-12, however, the salary: non-salary ratio exhibits wide variation, i.e. the ratio based on budget allocations is 6:94 while that based on expenditure is 42:58 (Table 8, Appendix D).
10. Almost all budget heads within non-salary component have recorded budget execution rates of well over 100% throughout FY's 2008-12 and FY 2011-12 has witnessed the highest execution rates for most of the budget heads. For example, operating expenses (1843%), physical assets (2582%) and repair & maintenance (7666%) (Table 9, Appendix D).

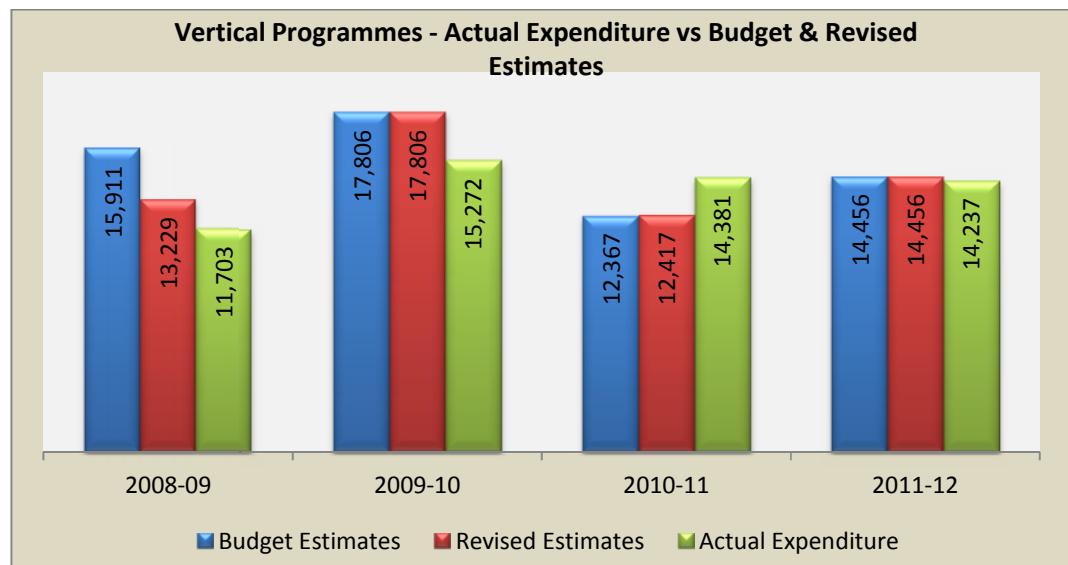
FIGURE 10: (DEVELOPMENT BUDGET)



11. In FY 2011-12, development expenditure (Rs. 14.8 bn) is at three years low, indicating a 2% decline over FY 2010-11. However, it has recorded an increase of 17% since FY 2008-09 (Table 10, Appendix D).
12. Development expenditure demonstrates a constantly rising execution rate since FY 2008-09. For example, it has recorded an execution rate of 98% in FY 2011-12, up from 87% (FY 2010-11) and 71% (FY 2009-10) (Table 10, Appendix D).
13. Table 12, Appendix D attempts to draw a comparison of development budget execution rates for 'pre- and post-18th amendment' periods. For pre-18th amendment period, an average execution rate based on three years (FY's 2008-11) allocations and expenditure has been calculated. The Table indicates that:
  - Post-18th amendment period (FY 2011-12) has a higher execution rate (96%) than the average execution rate for pre-18th amendment period (74%)
  - Level of expenditure has slightly decreased from Rs. 14.9 bn (pre-18th amendment) to Rs. 14.4 bn (post-18th amendment)
14. A further analysis of development budget execution rate reveals that execution rate for vertical programmes is markedly different from the execution rate for net development expenditure (i.e. health development expenditure minus expenditure against vertical programmes) particularly in FY's 2008-11. For example, the execution rate was 74%, 86% and 116% for vertical programmes whereas 27%, 28%, 15% for net development expenditure in FY's 2008-09, 2009-10 and 2010-11 (Table 10, Appendix D).
15. Except for FY 2008-09, there have been negligible revisions in development budget during FY's 2008-12. Budget execution rate based on revised estimates has thus remained almost unchanged in FY's 2009-12 (Table 11, Appendix D).

16. Various budget heads within development budget seem to have recorded much higher budget execution rates in post-18th amendment period. For example, employee related expenditure has recorded a budget execution rate of 358%, grants, subsidies & write-off loans 4484%, physical assets 354% and repair & maintenance 152%, whereas in pre-18th amendment period the average budget execution rates for the same budget heads were 108%, 41%, 22% and 54% respectively. The only exception was operating expenses which show a lower execution rate (14%) in post-18th amendment (compared to a rate of 89% in pre-18th amendment period) (Table 12, Appendix D).

FIGURE 11: (DEVELOPMENT BUDGET – VERTICAL PROGRAMS)



17. A comparison of expenditure levels and budget execution rates for vertical programmes in pre- and post-18th amendment periods is given in Table 13, Appendix D. It reveals the following:

- Overall expenditure (Rs. 14.5 bn) in FY 2011-12 is just 3% higher than the average expenditure recorded for pre-18th amendment period (i.e. FY's 2008-11);

- Budget execution rate (98%) in post-18th amendment is slightly higher than the average execution rate (90%) in pre-18th amendment period
- Some vertical Programmes have incurred less expenditure in post-18th amendment period (FY 2011-12). Examples include EPI (63% less), MNCH (45% less), Prevention of Hepatitis (19% less)
- Similarly some vertical programmes have achieved higher budget execution rates in post-18th amendment period. These include: Enhanced HIV/AIDS Control Programme (59%), National Programme for Family Planning & PHC (132%), National Programme for Prevention and Control Avian Pandemic Influenza (88%), National Programme for Prevention and Control of Blindness (87%), National TB Control Programme (88%), Roll-back malaria Control Programme (85%);

