Health Budget & Expenditure Analysis of Federal Government DRAFT 2

2008-09 to 2010-11

July 2012

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ABBREVIATIONS

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

EXECUTIVE SUMMARY

1. **Four important events occurred in the last three years;** 1) return to democratic government post elections of 2008, 2) success in finalisation of 7th NFC Award that transfers up to 57.5% of net divisible pool to the provincial governments as against around 46% provided through the previous Order of the President, 3) balance of payments crisis in 2008 that resulted in IMF programme, and 3) 18th constitutional amendment that omitted concurrent list and transferred 18 Federal Ministries to the provinces including federal Ministry of Health.

2. **The past three years witnessed economic turmoil that increased economic challenges in the country.** Floods of 2010, heavy rains of 2011, 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, rising prices and increased unemployment. These factors have had their impact on tax revenue[1], which decreased from 11% of GDP in 2006-07 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 18th Amendment.** Post 18th 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 7th NFC Award – i.e. 2014-15. While the management of vertical programmes has been devolved to the provinces, the programmes appeared in Planning Commission's budget in 2011-12. At the time of writing of this report, the provinces had agreed to continue using federal government's procurement services for these programmes.

4. **In the Federal Government health expenditure was predominately undertaken by Ministry of Health. However, a number of other Ministries also incur health**

[1] Tax revenue includes federal and provincial tax revenues, and levies and surcharges. Source; Ministry of Finance

expenditure. For example, the Cabinet Secretariat oversaw the affairs of Shaikh Zayed Hospital in Lahore. Out of the total health expenditure in Federal Government around 95% was incurred through the Ministry of Health. Since national vertical health programmes were part of the Federal Public Sector Development Programme (PSDP), on average over 70% of total health expenditure was spent through the development budget. However, these percentages vary between the three years.

5. **In Federal Government health expenditure is also incurred by a host of other organisations.** Expenditure on health is incurred by Military (e.g. through Army Medical Corps), Pakistan Bait-al-Maal (through medical grants to poor and needy), Zakat, Benazir Income Support Programme (through the Waseela-e-Sehat programme), Autonomous organisations (e.g. Autonomic Energy commission) that are given single-line grants, and medical allowance and facilities provided to federal government employees. This report however, does not include analysis of the above because of unavailability of data. In addition, expenditure is also carried out directly by some donor organisations (e.g. JICA had helped the government build children's hospital as part of Pakistan Institute of Medical Sciences). Donor expenditure that was directly spent by the donor itself and which was not reflected in the government accounts, is also beyond the scope of this study.

6. **In FY 2010-11, total expenditure on health by the Federal Government was around Rs.22 billion.** Out of this amount, around 53% was attributed to employee related costs, about 32% to operating expenses, 2% to repairs and maintenance, and around 10% was given to various institutions in shape of grants and transfers.

7. **Over the past three years on average 28% of total health budget was spent through recurrent expenditure.** While the remaining around 72% on average (average of three years, 2008-09, 2009-10 and 2010-11, of actual expenditure) was spent through development budget.

8. **In FY 2010-11, around 60% of total development expenditure was spent on employee related expenditure.** An increasing trend of expenditure on salaries and allowances was seen, resulting in a decrease of operating expenditure from

62% of total development expenditure in 2009-10 to 33% of total development expenditure.

9. **National Programme for Family Planning and Primary Health Care, which employs Lady Health Workers has seen rapid increase in salaries.** In the year 2008-09 and 2009-10, on average around 76% of total expenditure of this programme was spent on employee related expenditure. However, in 2010-11 the actual expenditure on employee related expenses was 95% of total expenditure on this programme. This resulted in decrease of operating expenditure from around 22% of expenditure in 2009-10 to 5% of expenditure in 2010-11. The result of this decrease shows that less amount of funds were spent on medical supplies.

10. **Total expenditure on health has remained almost at the same level in 2009-10 and 2010-11** (Rs.22.8 billion in 2009-10 and Rs.20.1 billion in 2010-11). Since 2008-09 actual expenditure on employee related expenses has more than doubled (from Rs.5.6 billion to Rs.11.6 billion) due to increase in salaries by the Federal Government. This has put pressures on other heads and therefore, there has been a decrease in actual expenditure of operating expenditure by 18%, physical assets by 34%, civil works by 39%. However, repairs and maintenance expenditure increased by 13% in 2010-11 as compared to 2008-09.

11. **Budget utilisation ratio (actual expenditure vs. original budget) in 2008-09 and 2009-10 was 71% and 78% respectively.** However, this ratio increased to 94% in 2010-11. During 2008-09 and 2009-10, the budget utilisation ratio of the current budget was above 100%. This is because the salary increase is announced at the time of the budget and hence original budget appropriated by the National Assembly does not contain budget for increase in pay. Also since there is no check on pay budget at the time of expenditure, the actual expenditure of employee related expenses is almost always more than the original budget. Budget utilisation on the development side, remained at 65%, 71% and 94% for 2008-09, 2009-10 and 2010-11 respectively.

12. **As per functional classification, around 30% of expenditure on health went to 'Hospital Services' while 69% went to 'Public Health Services'.** Data on the sub-level function classification that further breaks down the 'Hospital Services' into

speciality, tertiary, secondary and primary is not reliable because of incorrect mapping of classification system in the national budgeting and accounting system (PIFRA). Also data for 'Public Health Services' is not reliable and hence, analysis of national vertical programmes is undertaken separately.

13. **In 2009 the Federal Government rollout 'Output Based Budgeting' across the Federal Government as per the Medium-Term Budgetary Framework reform initiative.** In the Output Based Budget of Ministry of Health for 2009-10, expenditure in three services stand out; 1) speciality and tertiary health care services that expended on average[2] 26% of the total budget, 2) primary health care services that expended on average 40% of total budget, and 3) communicable disease control services that expended 30% of total budget of Ministry of Health. This shows that a large amount of funds were diverted towards primary health care (through national vertical health programmes) and tertiary health care (through expenditure on large hospitals such as Pakistan Institute of Medical Sciences).

14. **Article 84 of the Constitution allows Federal Government to spend monies more than the appropriated budget and obtain ex-post approval of the expended amounts.** This provision reduces the sanctity of the original budget where the Federal Government can change the limit and purpose of budget without ex-ante approval of the Legislature. The budget is therefore, seen as a less important exercise and vast differences are noted between original budget, revised budget and actual expenditure. Due to this provision the emphasis on policy priorities is lost.

15. **Data for this report has been obtained from 'Annual Appropriation Accounts' for the three years.** The annual appropriation accounts are presented to the President of Pakistan by the Auditor General of Pakistan as per Article 171 of the constitution that reads; 'The reports of the Auditor-General relating to the accounts of the Federation shall be submitted to the President, who shall cause them to be laid before the Parliament'. Data discrepancies have been noted in different data sources and hence only printed information is used in the analysis.

[2] Average of 3 years (2008-09, 2009-10, and 2010-11) of expenditure

FEDERAL GOVERNMENT BUDGET AND EXPENDITURE

Rs. Millions

Table 1: Budget and Expenditure by Ministry	2008-9			2009-10			2010-11		
Ministry	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**
Cabinet Secretariat	727	797	546	848	929	723	866	946	822
Ministry of Defence	182	182	108	74	74	48	20	20	20
Ministry of Health	23,179	19,542	16,530	28,069	28,483	21,866	22,380	22,724	20,990
Ministry of Interior	56	54	51	88	88	88	102	102	95
Ministry of Religious Affairs	59	59	56	63	63	58	65	65	55
Ministry of Narcotics Control	126	126	70	109	109	66	139	139	79
Ministry of Social Welfare and Special Education			11						
Total	**24,329**	**20,760**	**17,372**	**29,252**	**29,748**	**22,849**	**23,572**	**23,996**	**22,061**
As % of original budget		85%	71%		102%	78%		102%	94%
Recurrent and Development									
Recurrent	4,596	4,752	4,644	5,337	6,002	5,923	7,407	6,602	6,923
Development	19,733	16,007	12,728	23,915	23,746	16,926	16,166	17,394	15,138
Total	**24,329**	**20,760**	**17,372**	**29,252**	**29,748**	**22,849**	**23,572**	**23,996**	**22,061**
Recurrent as % of Total	19%	23%	27%	18%	20%	26%	31%	28%	31%
Development as % of Total	81%	77%	73%	82%	80%	74%	69%	72%	69%

Table 2: Budget and Actual Expenditure by Functional Classification	2008-9			2009-10			2010-11		
Functional Classification	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**
Hospital Services	7,249	6,475	5,018	9,982	10,473	6,528	8,294	8,635	6,710
Public Health Services	16,569	13,889	12,038	18,770	18,664	15,943	14,675	14,775	14,842
R & D Health	220	101	70	242	242	78	207	207	161
Health Administration	194	197	189	128	251	224	261	264	254
Others	97	97	57	130	118	75	135	116	94
Total	**24,329**	**20,760**	**17,372**	**29,252**	**29,748**	**22,849**	**23,572**	**23,996**	**22,061**

Table 3: Budget and Actual Expenditure of National Vertical Health Programmes

National Vertical Health Programmes	2008-9			2009-10			2010-11		
	Original Budget	Revised Budget	Actual Expenditure	Original Budget	Revised Budget	Actual Expenditure	Original Budget	Revised Budget	Actual Expenditure
Enhanced HIV/AIDS Control Programme	182	101	69	300	300	119	247	247	170
Extended Programme for Immunization	6,198	5,039	4,858	6,196	6,192	8,619	2,734	2,727	3,324
Improvement of Nutrition through Primary Health Care	50	8	1	50	50	4	11	11	5
Maternal, New-born and Child Health Care (MNCH) Programme	2,502	2,502	1,730	3,000	3,000	681	2,281	2,281	1,516
National Breast Cancer Screen Programme	100	-40	0	25	25	4	41	41	5
National Programme for Family Planning and Primary Health Care	5,550	5,123	4,885	7,037	7,100	5,234	5,803	5,803	8,728
National Programme for Prevention and Control Avian Pandemic Influenza	45	11	8	45	45	13	37	37	3
National Programme for Prevention and Control of Blindness	500	11	11	300	300	174	272	247	14
National TB Control Programme	210	103	68	240	240	83	213	213	166
National Tobacco Control Programme	0	0	0	0	0	0	25	25	0
Prime Minister's Programme for Prevention and Control of Hepatitis	468	320	57	452	452	270	601	651	413
Roll-back malaria Control Programme	100	50	15	100	100	71	123	123	30
National Blood Transfusion Project	0	0	0	0	0	0	10	10	6
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	1	0	1	1	0
Total	**15,911**	**13,229**	**11,703**	**17,747**	**17,806**	**15,272**	**12,398**	**12,417**	**14,381**

Table 4: Budget and Actual by Outputs	2008-09		2009-10		2010-11	
Output Based Budget	**Original Budget**	**Actual Expenditure**	**Original Budget**	**Actual Expenditure**	**Original Budget**	**Actual Expenditure**
Outcome 1: Improvement in public health through curative health care measures						
Speciality & tertiary health care services	5,390	4,207	8,424	5,673	6,328	5,752
Secondary health care services	740	258	446	353	1,785	413
Outcome 2: Improvement of public health through preventive health care measures						
Primary health care services	8,604	6,679	10,513	6,197	8,725	10,664
Communicable disease control services	6,802	5,020	6,977	8,929	3,384	3,697
Non-communicable disease control services	655	13	375	182	324	24
Public health laboratory services	132	51	304	54	245	34
Quarantine services	190	81	72	28	87	37
Outcome 3: Improvement in regulation of quality services in health and drug sector						
Health and Drug sector regulatory services	151	69	186	87	183	105
Outcome 4: Smooth working of all contributing units						
Admin support services	393	148	242	222	310	229
Outcome 5: Human resource development for health sector						
Teaching and research services to health sector	121	4	530	143	1,009	34
Total	**23,179**	**16,530**	**28,069**	**21,866**	**22,380**	**20,990**

INTRODUCTION

16. The purpose of this report is to analyse budget and expenditure of Federal Government for the years 2008-09, 2009-10 and 2010-11. Data for this report has been obtained from printed 'Annual Appropriation Accounts' for the three years. The printed appropriation accounts for 2010-11 have recently been presented in the National Assembly and hence made available to the public.

17. Different information sources present different data. For example, actual expenditure as reported by the Planning Commission on development expenditure does not match with PIFRA system. The PIFRA system data does not match with information available at the Ministry level. The annual appropriation accounts that are printed and presented in the National Assembly, do not match with PIFRA system. Discrepancies are also noted in data produced on annual basis by the Ministry of Finance as part of the Poverty Reduction Strategy Monitoring initiative and Pakistan Fiscal Operation reports. In some cases, differences were also noted between original budget as presented in the appropriation accounts and original budget appropriated by the Parliament.

18. Expenditure on health in the Federal Government is carried out by various organisations other than the Ministry of Health. Since the Federal Government has thousands of spending units, it is not possible to undertake mapping between each spending unit and its relationship with health. It is for that reason, the consultant has used data based on the mapping undertaken by the Ministry of Finance, Controller General of Accounts and Auditor General of Pakistan as part of an exercise to map spending units with IMF's 'Government Financial Statistics Manual 2001' (GFSM 2001). The government reviewed mapping in 2005 when new Chart of Accounts was operationalized in Federal Government. The GFSM 2001 presents three layers; major, minor and detailed function.

19. The Federal Government also funds the Federally Administered and Tribal Areas (FATA), Government of Azad Jammu and Kashmir (AJK) and Government of Gilgit Baltistan (GB) through its budgets. These three governments also incur expenditure on health services in their respective areas. The analysis undertaken in this study do not include health budget and expenditure analysis of these three

governments on the premise that separate studies are commissioned for these areas.

20. Since 2009, the Federal Government also operates under Medium-Term Budgetary Framework (MTBF). The Federal Government has introduced 'Output Based Budgeting'. Data for output-based budgets has been taken from various issues of printed 'Federal Medium-Term Budget Estimates for Service Delivery' that has been presented in the Parliament. Data analysis on output-based budget has only be performed for Ministry of Health (Ref. **Table 4**). Actual data on output-based budget has been obtained through mapping actual expenditure on spending units with outputs. The mapping exercise was performed by the Ministry of Health as part of the MTBF's output-based budget methodology.

21. This report is divided into five parts; 1) Macroeconomic and macro-fiscal situation in Pakistan – presenting economic challenges facing the country since 2008 when the democratic government took over, 2) budget and expenditure data analysis, 3) analysis of national vertical health programmes, 4) analysis of output-based budgets, and 5) Medium-term budget on health by Federal Government for 2011-15.

22. This report however, is not a 'Public Expenditure Review'. Hence, neither reason for deviation of actual expenditure from original budget is investigated, nor economic, efficiency and effectiveness analyses have been undertaken. In addition, no discussion on budget, execution and reporting and monitoring processes of the government has been made.

MACRO-ECONOMIC AND MACRO-FISCAL SITUATION IN PAKISTAN

23. Pakistan a country of more than 180 million population has on average spent between 0.6% and 0.7% of GDP on health. This level of investment is low in comparison with even low-income countries of the World. Since 2008-09 an average of 2.9% of annual GDP growth has been recorded which is far less than

the required 7% to 8%[3] to absorb addition to the labour force in the country. The tax collected by the Federal Board of Revenue on average has been around 9%, which is one of the lowest in the World. In the emerging economies, Pakistan's tax effort is only slightly better than that of Afghanistan[4]. Since 2005-06 the country has faced fiscal deficit of above 6% of GDP, which is high considering low tax base. As a result public debt has increased considerably in the past 6 years.

24. Four important events occurred in the last three years; 1) return to democratic government post elections of 2008, 2) success in finalisation of 7th NFC Award that transfers up to 57.5% of net divisible pool to the provincial governments as against around 46% provided through the previous Order of the President, 3) balance of payments crisis in 2008 that resulted in IMF programme, and 3) 18th constitutional amendment that omitted concurrent list and transferred 18 Federal Ministries to the provinces including federal Ministry of Health. These events also impacted health expenditure at the Federal level.

25. Post elections of 2008, the democratic government took over in the first quarter of the year 2008, a year when fiscal imprudence and sudden rise in international oil prices led to a full-blown economic crisis. By September 2008 the country was left with reserves to finance a month of imports. Inflation has rising to a peak of 25% and free fall of Pak Rupee started. In November 2008, Pakistan signed IMF stand by Agreement loan of $7.6 billion. With the IMF loan came tougher economic conditionalities, which most notably included a drive for fiscal austerity without compromising pro-poor expenditure. Pakistan's Poverty Reduction Strategy Paper II recommended income support and emphasis on pro-poor social expenditure. It was recommended that instead of a decrease, expenditure on 17 identified pro-poor sectors would be gradually increased. Health became one of the 17 identified sectors.

26. While some economic stability was noted in the year 2009, when inflation on average decreased to 11.7%, GDP increased by 3.1%, and reserves were somewhat stable, the fundamental issue of electricity crisis started forcing the government to give out huge general subsidies. While financial contagion crisis in

[3] New Framework for Growth 2010, Planning Commission
[4] IMF Fiscal Monitor Database, 2010

the World did not have a direct impact on the banking system of Pakistan due to its low banking exposure in toxic assets in Europe and America, a decrease in Foreign Direct Investment was noted. International community however, supported Pakistan in those times. Bilateral support increased particularly in the areas of health and education. International development community enhanced its support in the areas of health service delivery, governance, and capacity building.

27. In December 2009, the Federal Government and provinces reached a breakthrough accord in fiscal transfers in the shape of 7th National Finance Commission (NFC) Award that was put in effect from 1st of July 2010. The 7th NFC Award substantially increased fiscal transfers from around 46% of net divisible pool to a maximum of 57.5%. The increase in fiscal transfers was also seen as vital for enhancing service delivery of the provincial governments, particularly in health and education.

28. Crisis were enhanced in 2010 due to great floods in August 2010. The devastation caused by the floods is unprecedented in the history of the country. More than 2,000 people lost their lives in addition to loss of property, public assets and agriculture produce. Damages to assets and production are estimated to be around $9.7bn (assessment conducted by the World Bank and the Asian Development Bank) equivalent of 4.8 percent of GDP (as per GDP of 2011). A massive rescue and rehabilitation effort was started and a large amount of pledges were made by International community to help Pakistan cope up with this crisis. However, considerably less amount was received through the initiative called 'Friends of Democratic Pakistan'. Health problems increased with a large number of people without proper food, clean drinking water and access to medical facilities suffered considerably especially in the worst flood hit areas the four provinces. The government diverted budgets for the relief and rehabilitation of flood affectees. Development budgets of the federal and provincial governments were diverted to help the needy.

29. Though the overall resources available to provinces increased but its effect was largely absorbed by increase in salary cost announced by the federal government (9% in FY 2008-09, 12% in FY 2009-10 and 50% in FY 2010-11).

30. The total expenditure[5] of Federal Government increased by 22% in 2009-10 as compared to 2008-09 and by 9% in 2010-11 as compared to 2009-10. Current expenditure increased by 18% and 17% in the two years. While development budget decreased by 23% in 2010-11 as compared to expenditure in 2009-10. This shows that the government normally finds it easy to slash development budgets in the events of fiscal constraints or any other national emergency and usually treats Public Sector Development Programme as a residual item. Highest increase in recurrent costs in 2010-11 was seen in subsidies, and pay and allowances and pensions.

Table 5: Total Federal Government Actual Expenditure Year on Year Increase in %

	2008-09	2009-10	2010-11
Total	7%	22%	9%
Recurrent	6%	18%	17%
Development	-7%	49%	-23%

31. In 2010-11 the actual expenditure on Federal Public Sector Development Programme was 14% lower than the original budget. In this period a considerable increase was noted in case of expenditure on electricity and other commodity related subsidies that increased by 183% as compared to the original budget.

32. As per the 1973 Constitution, the health as a function remained part of the concurrent list on which both the provinces and federation were allowed to legislate. On 8th April 2010, the National Assembly passed 18th Amendment to the constitution that omitted the concurrent list. The impact on Health sector due to the 18th Amendment was; 1) health as a function was devolved to the provinces, 2) article 144 allowed Parliament to legislate if provinces agree even on the matters related to provinces, 3) changes were made in the Federal Legislative list. Based on this amendment, the provinces are now required to improve policymaking, governance and management. Post 18th Amendment, contrary to norms in Federations around the World, the Drug Regulatory Authority was also devolved to the provinces. Initially there was a rift between Punjab Government and Federal

[5] Pakistan Fiscal Operations, Ministry of Finance. 2008-09, 2009-10, and 2010-11

Government when the former did not agree to hand over Shaikh Zayed Hospital to the Punjab. However, in early 2012, the Federal Government agreed to hand over Shaikh Khalifa Zayed Bin Sultan Al Nahyan Medical and Dental College, Shaikh Zayed Hospital, Shaikh Zayed Postgraduate Medical Institute and Sheikha Fatima Institute of Nursing and Health Sciences to the Punjab Government. Also in early 2012, the President of Pakistan issued an ordinance to form a 'Drug Regulatory Agency'. It is currently unclear what would be the fate of Drug Regulatory Authority, which as per the 18th Amendment has been devolved.

33. As part of the 18th Amendment, the thinking was that the 7th NFC Award transferred extra resources to the provinces while the 18th Amendment transferred social sector functions. Seen both together it becomes clear that extra resources were provided to provinces to spend on newly devolved functions. However, pressure on fiscal resources occurred in provinces when in 2010 the Federal Government increased salaries of civil servants by 50% which also led provinces to increase salaries at the same rate. Since a large number of health professionals are employed at the provincial and local governments, a considerable increase in current expenditure was noted.

34. With the devolution of health function, the national vertical health programmes (**Table 3**) have also been devolved to the provinces. However, the Council of Common Interests in its meeting in April 2010 decided that the Federal Government would continue funding these programmes till end of the period of 7th NFC Award i.e. 2014-15. The Federal Government however, allocated the same amount to vertical programmes (with exception of Family Planning and Primary Health Care Programme) in PSDP 2011-12 as it did in 2010-11 (**Table 6**).

Table 6: Vertical Health Programmes (Rs. Millions)

	Budget 2010-11	**Budget 2011-12**
National Programme for Family Planning and Primary Health Care	5,762	8,000
Maternal, New-born and Child Health Care (MNCH) Programme	2,281	2,281
Extended Programme for Immunization	2,716	2,716
Enhanced HIV/AIDS Control Programme	247	247

Roll-back malaria Control Programme	123	124
National TB Control Programme	123	124
National Programme for Prevention and Control of Blindness	247	247
National Programme for Prevention and Control Avian Pandemic Influenza	37	37
Prime Minister's Programme for Prevention and Control of Hepatitis	600	600

35. As per the existing policy, the IMF estimates that Pakistan's growth rate will be between 3% and 4% annually[6] with inflationary pressures to increase and remain in double-digits, and fiscal deficit to remain around 6% of GDP. This suggests that fiscal pressures are likely to continue in the absence of any reforms. The allocations for vertical health programmes are therefore likely to increase by a marginal pace.

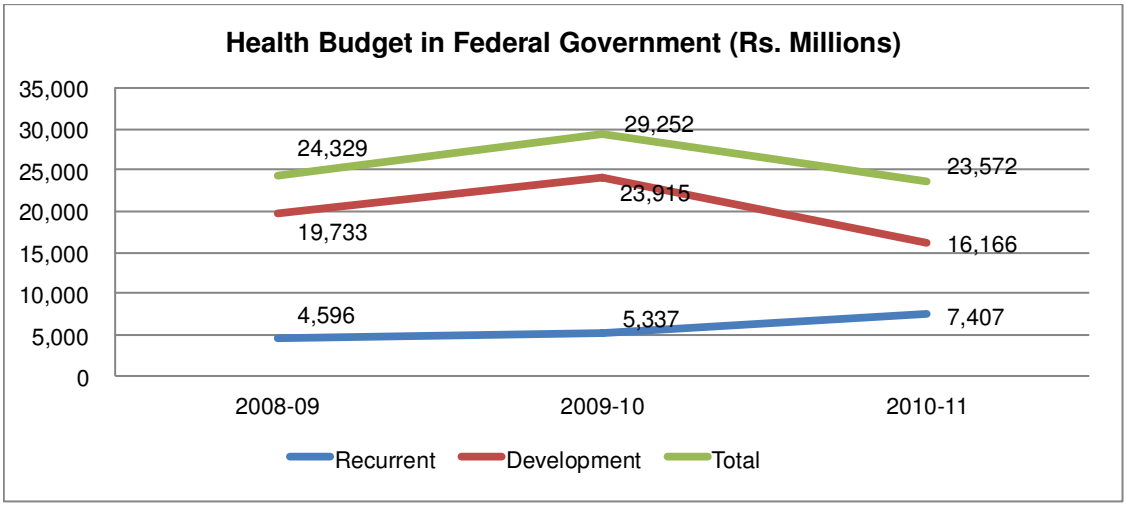
[6] World Economic Outlook Database, April 2012

ANALYSIS OF BUDGETS AND EXPENDITURE TRENDS

36. This section provides more detailed analysis of budgets and expenditure in the years 2008-09, 2009-10 and 2010-11 of health expenditure in Federal Government.

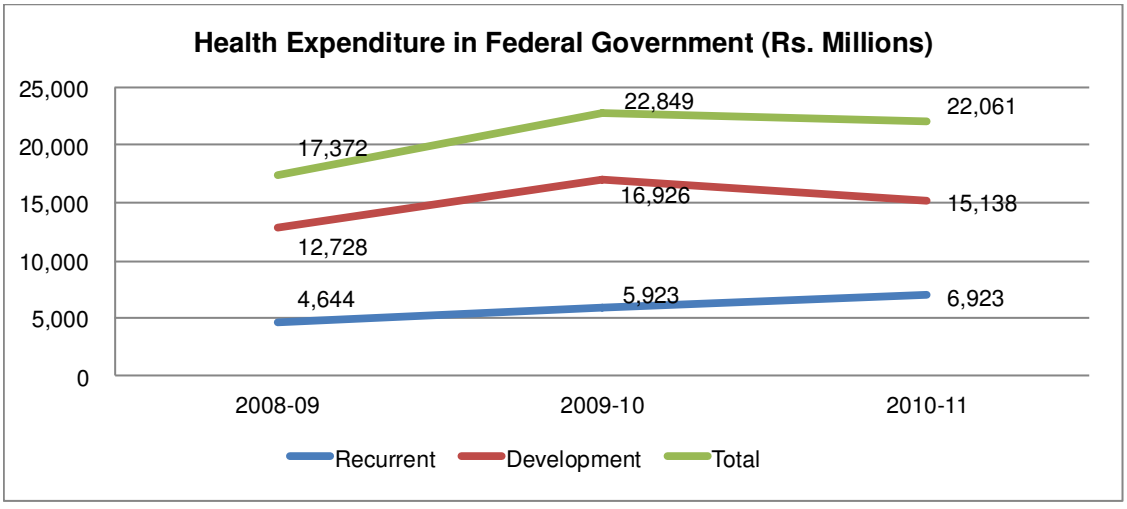
37. Health budget in the Federal Government increased by 20% in 2009-10 as compared to 2008-09 but decreased by 19% in 2010-11 as compared to 2009-10.

Graph 1: Health Budget in Federal Government



38. Health actual expenditure increased by 32% in 2009-10 as compared to 2008-09 but decreased by 3% in 2010-11 as compared to 2009-10.

Graph 2: Health Expenditure in Federal Government



39. Budget and Expenditure analysis by Object (Economic) Classification is as follows:

Table 7: Recurrent Budget and Expenditure Analysis by Chart of Accounts

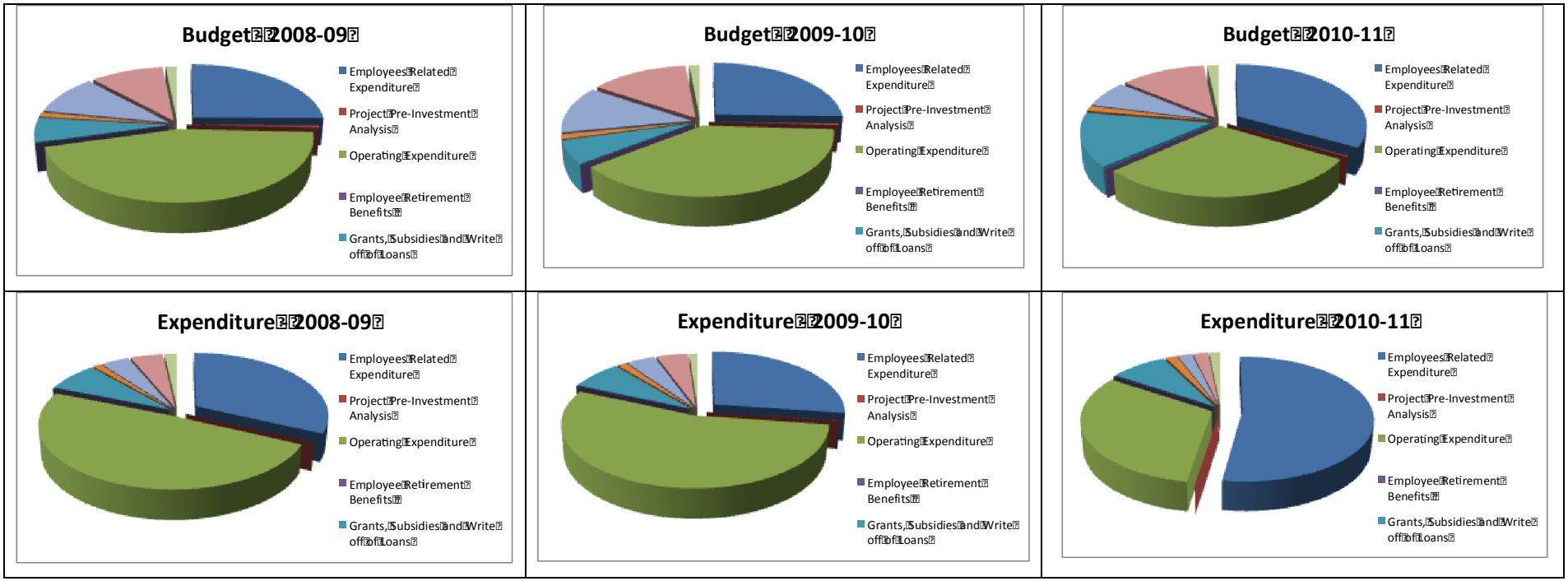
Rs. Millions

	2008-09			2009-10			2010-11		
Object Element	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**
Employees Related Expenditure	1,493	1,502	1,619	1,767	1,807	1,794	1,989	2,003	2,467
Project Pre-Investment Analysis	40	40	0	20	20	3	44	25	1
Operating Expenditure	1,533	1,563	1,519	1,628	1,961	1,932	1,709	2,045	2,072
Employee Retirement Benefits	5	5	2	6	5	6	12	12	5
Grants, Subsidies and Write off of Loans	1,128	1,285	1,159	1,438	1,561	1,500	3,144	1,796	1,728
Transfers	206	180	175	275	275	298	325	325	353
Physical Assets	49	42	37	65	195	211	45	179	153
Repairs and Maintenance	142	137	133	137	177	179	137	217	142
TOTAL	**4,596**	**4,752**	**4,644**	**5,337**	**6,002**	**5,923**	**7,407**	**6,602**	**6,923**

Table 8: Development Budget and Expenditure Analysis by Chart of Accounts

	2008-09			2009-10			2010-11		
Object Element	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**	**Original Budget**	**Revised Budget**	**Actual Expenditure**
Employees Related Expenditure	4,633	4,193	3,953	5,681	5,681	4,424	5,887	5,887	9,121
Project Pre-Investment Analysis	94	71	1	108	108	9	86	86	0
Operating Expenditure	9,377	7,891	7,011	9,701	9,701	10,479	6,126	6,176	4,938
Employee Retirement Benefits	6	5	2	9	9	8	17	17	10
Grants, Subsidies and Write off of Loans	402	352	126	365	365	185	197	197	83
Transfers	77	76	23	103	103	1	121	121	0
Physical Assets	2,417	1,526	666	3,553	3,553	731	1,635	1,635	308
Civil Works	2,492	1,683	795	3,924	3,924	1,010	3,006	3,006	484
Repairs and Maintenance	236	212	165	304	304	79	269	269	194
TOTAL	**19,733**	**16,007**	**12,742**	**23,746**	**23,746**	**16,926**	**17,344**	**17,394**	**15,138**

Graph 3: Budget and Expenditure - by Chart of Accounts for the three years



40. Based on the above data (**Table 7**, **Table 8**), the following table presents year-on-year increase/decrease of the selected object classification codes. Notable increase is witnessed in employee related expenditure in development budget where actual expenditure was increased by 106% in 2010-11 as compared to 2009-10.

Table 9: Year on year increase in original budget and actual expenditure by Object Classification – Recurrent and Development Budgets

Recurrent Budget	**Original Budget**		**Actual Expenditure**	
	2009-10 increase over 2008-09	2010-11 increase over 2009-10	2009-10 increase over 2008-09	2010-11 increase over 2009-10
EMPLOYEES RELATED EXPENSES	18%	13%	11%	38%
OPERATING EXPENSES	6%	5%	27%	7%
GRANTS SUBSIDIES AND WRITE OFF LOANS	27%	119%	29%	15%
TRANSFERS	33%	18%	70%	18%
PHYSICAL ASSETS	32%	-30%	470%	-28%
REPAIRS AND MAINTENANCE	-3%	0%	35%	-21%
Development Budget	**Original Budget**		**Actual Expenditure**	
	2009-10 increase over 2008-09	2010-11 increase over 2009-10	2009-10 increase over 2008-09	2010-11 increase over 2009-10
EMPLOYEES RELATED EXPENSES	23%	3%	12%	106%
OPERATING EXPENSES	3%	-45%	50%	-53%
GRANTS SUBSIDIES AND WRITE OFF LOANS	-9%	-46%	47%	-55%
TRANSFERS	34%	-97%	-97%	-75%
PHYSICAL ASSETS	47%	-55%	10%	-58%
CIVIL WORKS	66%	-30%	27%	-52%
REPAIRS AND MAINTENANCE	28%	-16%	-52%	144%

41. Employee related expenditure reduced to 27% in 2010-11 as percentage of total recurrent expenditure (**Table 10**). However, large increase was witnessed in development expenditure where the employee related expenditure increased to 36%. Because of this increase in development expenditure, the operating expenditure has decreased from 48% of total expenditure in 2008-09 to 33% in 2010-11.

42. Budget of employees related expenditure on the recurrent side is almost always either fully utilised or utilised more than the budget. There are two main reasons for over expenditure; 1) the government announced salary increases at the time of

budget speech – prior to budget speech, i.e. at the time of budget preparation, information related to salary increase is usually considered confidential and while a lump-provision is added in Ministry of Finance's budget, increase in salary does not become part of budgets of Ministries, 2) the government does not maintain expenditure control check on salaries and allowances.

Table 10: Recurrent and Development Expenditure as Proportion of Total Expenditure

	Recurrent Expenditure – as % of total Expenditure			Development Expenditure – as % of total Expenditure		
Object Element	**2008-09**	**2009-10**	**2010-11**	**2008-09**	**2009-10**	**2010-11**
Employees Related Expenditure	32%	33%	27%	23%	24%	36%
Operating Expenditure	33%	31%	23%	48%	40%	33%
Grants, Subsidies and Write off of Loans	25%	27%	42%	2%	2%	1%
Transfers	4%	5%	4%	0%	0%	0%
Physical Assets	0%	0%	0%	12%	15%	10%
Civil Works	1%	0%	1%	13%	17%	18%
Repairs and Maintenance	1%	1%	1%	1%	1%	2%

43. Operating expenditure decreased to 23% on the recurrent side in 2010-11 (**Table 10**) as compared to over 30% of total expenditure in '2008-09 and 2009-10.

44. On the recurrent side, the actual expenditure on operating expenditure' as compared to original budget remained 2% higher in 2008-09, 20% higher in 2009-10 and 1% higher in 2009-10. This shows that either new information was made available during the year, which was not foreseen at the time of the budget, or the budget was understated.

45. On the development side, the situation remains mixed. In year 2008-09 89% of operating budget could be utilised. In year 2009-10 8% of additional expenditure was incurred as compared to original budget. In 2010-11 only 80% of the budget funds could be expended.

46. Budget utilisation rates (**Table 11**) remained at 65%, 71% and 94% on the development side, and 101%, 111% and 93% on the recurrent side, for the years 2008-09, 2009-10 and 2010-11 respectively.

47. For the development budget, the higher budget utilisation remained in the area of public health services (**Table 11**). The utilisation has gradually increased from 72% in 2008-09 to 113% in 2010-11. As per the functional classification, over 92% of expenditure goes to public health services. This is based on the mapping of functions with spending units undertaken by the Controller General of Accounts, Auditor General of Pakistan and Ministry of Finance.

48. On the recurrent side, hospital services had always utilised more than the originally allocated budget. The actual expenditure was 2%, 15% and 21% higher than the original budget in 2008-09, 2009-10 and 2010-11. The main reason is that there are no budget availability checks on employee related expenditure, which has always been higher than the original budget.

Table 11: Budget utilisation as per Functional Classification

	2008-09	**2009-10**	**2010-11**
Development	**65%**	**71%**	**94%**
Outpatients Services	31%	1%	0%
Hospital Services	29%	25%	20%
Public Health Services	72%	85%	113%
R & D Health	31%	32%	78%
Health Administration	133%	55%	78%
Recurrent	**101%**	**111%**	**93%**
Medical Products, Appliances and Equipment	59%	68%	72%
Hospital Services	102%	115%	121%
Public Health Services	102%	77%	25%
R & D Health	95%	50%	100%
Health Administration	96%	185%	98%

ANALYSIS OF VERTICAL HEALTH PROGRAMMES

49. Overall, budget utilisation of national vertical health programmes jumped in 2010-11 as against the original budget. However, low utilisation ratios were noted for MNCH programme. In 2009-10, actual expenditure was 39% higher than the budget against EPI programme. The increase was predominately in operating expenditure – which was 51% higher than the original budget. This trend also continued in 2010-11. On the opposite, MNCH programme's budget utilisation ratio remained low. The main reason being less expenditure in the operating expenditure as compare to the budget. For the FPAP health care programme large increases in salaries and allowances (for the Lady Health Workers) increased the overall utilisation by 150% of the budget. While the amounts are relatively less, the utilisation ratio in case of prevention and control of avian pandemic influenza, prevention and control of blindness progress, and rollback malaria control programme remained low in 2010-11.

Table 12: Budget utilisation Rates of Vertical Health Programmes

	2008-09	2009-10	2010-11
Enhanced HIV/AIDS Control Programme	38%	40%	69%
Extended Programme for Immunization (EPI)	78%	139%	122%
Improvement of Nutrition through Primary Health Care	2%	8%	45%
Maternal, New-born and Child Health Care (MNCH) Programme	69%	23%	66%
National Breast Cancer Screen Programme	0%	16%	12%
National Programme for Family Planning and Primary Health Care (FPAP)	88%	74%	150%
National Programme for Prevention and Control Avian Pandemic Influenza	18%	29%	8%
National Programme for Prevention and Control of Blindness	2%	58%	6%
National TB Control Programme	32%	35%	78%
Prime Minister's Programme for Prevention and Control of Hepatitis	12%	60%	69%
Roll-back malaria Control Programme	15%	71%	24%
Total	**74%**	**86%**	**116%**

ANALYSIS OF OUTPUT BASED BUDGETS

50. In 2009 the Federal Cabinet approved rollout of Medium-Term Budgetary Framework (MTBF) in the entire Federal Government. Subsequently, in June 2009 the Federal Government presented 'Federal Medium-Term Budgetary Estimates for Service Delivery 2010-13' (also known as 'Green Book 2010-13') in the Parliament together with the annual budget 2010-11. The Green Book 2010-13 was compiled as per 'output-based budgeting' methodology. A detailed presentation of the Ministry of Health's budget was made in the Green Book. This included; major achievements in 2009-10, challenges faced, future policy priorities, medium-term budget by outcomes, outputs, and inputs, and key performance indicators and targets by outputs.

51. The Green Book is since been regularly presented in the Cabinet and Parliament together with the annual budget. With the announcement of devolution as part of the 18th Amendment, the Ministry of Finance agreed not to present Ministry of Health's budget for 2011-14 Green Book on the premise that medium-term budget requires medium-term resource allocation which the Federal Government could not commit at the time of finalisation of the budget in June 2011. Subsequently, in late June 2011, the Ministry of Health was devolved to the provinces. Certain functions were retained that related to federal subjects including federal health providing institutions. The Ministry of Capital Administration and Development Division currently manage most of these institutes.

52. As part of the Ministry of Health's output based budget, five important outcomes were defined; 1) Improvement in public health through curative health care measures, 2) Improvement of public health through preventive health care measures, 3) Improvement in regulation of quality services in health and drug sector, 4) Smooth working of all contributing units, 5) Human resource development for health sector. **Table 4** provides details of budget vs actual expenditure of the outcomes and outputs defined in the Green Book by Ministry of Health.

53. Budget utilisation as per outputs is presented in **Table 13** below:

Table 13: Budget utilisation as per Outputs

	2008-09	2009-10	2010-11
Speciality & tertiary health care services	78%	67%	91%
Secondary health care services	35%	79%	23%
Primary health care services	78%	59%	122%
Communicable disease control services	74%	128%	109%
Non-communicable disease control services	2%	48%	8%
Public health laboratory services	39%	18%	14%
Quarantine services	43%	39%	43%
Health and Drug sector regulatory services	46%	47%	57%
Admin support services	38%	92%	74%
Teaching and research services to health sector	3%	27%	3%

54. Considerably high utilisation rates have been noted in communicable disease control services followed by speciality and tertiary health care services. In the primary health care, the budget utilisation exceeded the budget in 2010-11 because of more than budgeted expenditure in National Programme for Family Planning and Primary Health Care, and Extended Programme for Immunization.

MEDIUM-TERM BUDGETS 2012-2015

55. As stated above, the Federal Government has retained a number of health functions after the devolution exercise. The budget 2012-15 was presented in the Parliament on Friday, 1 June 2012. The following was presented in the budget that related to the Health:

Table 14: Medium-Term Budgets 2012-2015

Rs. Millions

Ministry	Division / Organisation	Output	Budget 2012-13	Estimates 2013-14	Estimates 2014-15
Cabinet Secretariat	Cabinet Division	Health Services -Development work regarding Hospitals	2,402	2,300	2,709
	Prime Minister Sectt	Health services	12	12	12
	Pakistan Atomic Energy Commission	Public Health services and Development	1,793	2,091	1,965
	President Sectt	Health services for President Secretariat	15	15	16
	Earthquake Rehabilitation and Reconstruction Authority	Social Services; health, education, water and sanitation	5,400	5,800	6,000
Capital Administration and Development	Capital Administration and Development Division	Health Related Services in the Federal Capital	4,719	4,680	4,956
Ministry of Finance, Revenue and Planning	Planning Division	Transfer of resources to provinces for vertical health and population welfare programmes	22,465	24,417	23,422
Interior	Interior Division	Health care services	163	176	202
Kashmir Affairs and Gilgit Baltistan	Kashmir Affairs and Gilgit Baltistan	Provision of Healthcare Services	18	18	19
National Regulation and Services	National Regulation and Services Division	Health related regulatory services	424	446	466
States and Frontier Region	Federal Administered Tribal Areas	Health care services	3,531	3,621	3,922
TOTAL			**40,941**	**43,576**	**43,688**