



British High Commission Islamabad



UKaid from the British people

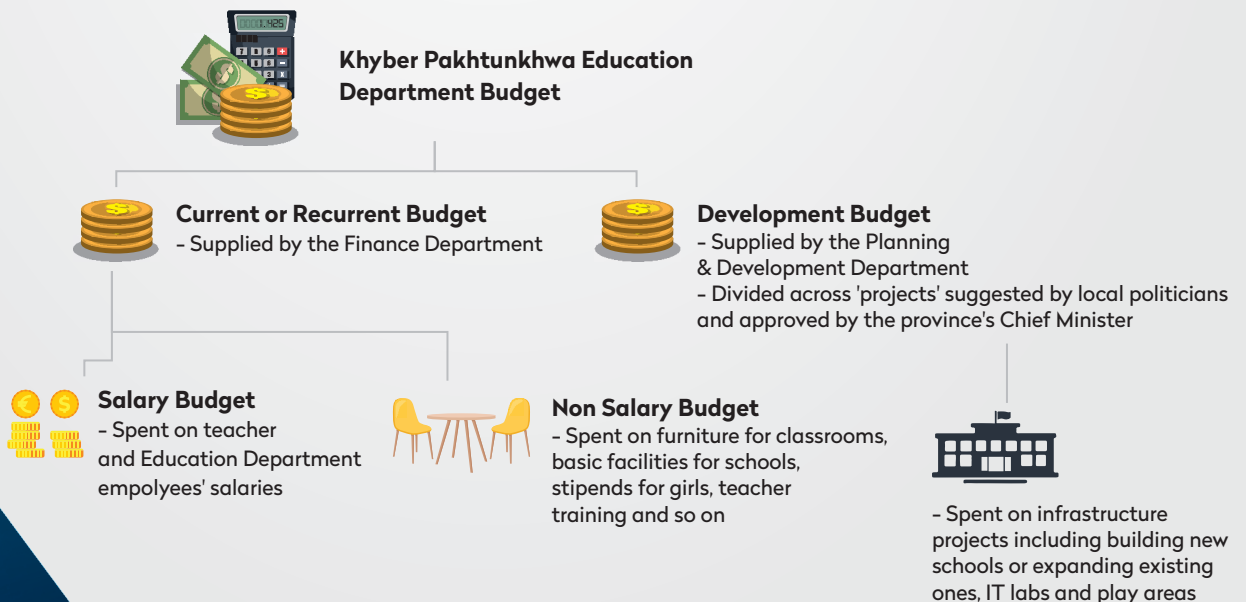
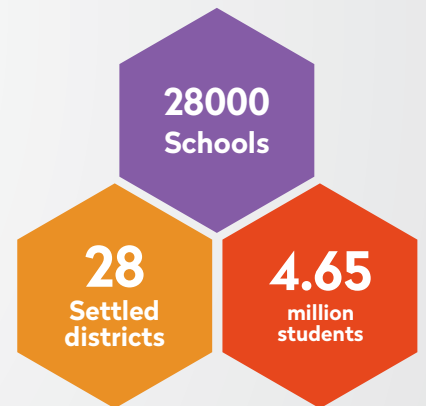


Driving improvements to Budget Execution & Public Financial Management in the education sector in Khyber Pakhtunkhwa

The Khyber Pakhtunkhwa Education Sector Programme (KESP) was introduced in 2012 with support from UKAid to bring about improvement in the Khyber Pakhtunkhwa (KP) education sector. Under KESP, the Elementary and Secondary Education Department (ESED) embarked upon several reforms to help more children come to school, stay longer, and learn more. Critical to the success of these reforms have been significant improvements to how the education budget is made, managed, and executed for the delivery of education services to millions of children in government schools across KP.

Public Financial Management (PFM) support from KESP focussed on improvements in three main areas: a) Budget execution, b) Budget preparation, and c) Internal financial controls. The sections below outline inefficiencies at the outset of KESP in each of these areas, and steps taken to transform PFM for education in KP. Prior to that it is key to understand the following:

1. KP's Education Budget consists of two main components- the Current or Recurrent Budget and the Development Budget. The Current Budget is further segmented into the Salary Budget and the Non-Salary Budget. The figure below outlines who supplies each of these components and what it is spent on.



2. Budget makers and holders are Education Department personnel referred to as Drawing and Disbursement Officers (DDOs). There are 2800 DDOs in total who are spread across the Department, its attached departments, and its district education offices. See table below for breakup of DDOs:

Level	Entity/ Officials	Number of Drawing & Disbursement Officers (DDOs)
Provincial	Secretariat- Elementary and Secondary Education (S-ESE)	1
	Directorate- Elementary and Secondary Education (D-ESE)	2
	Directorate of Curriculum and Teacher Education (DCTE)	1
	Directorate of Professional Development (DPD)	1
	Education Monitoring Authority (EMA)	2
	Elementary and Secondary Education Foundation (ESEF)	2
District and Sub- District	District Education Officers (DEOs)	70
	Deputy District Education Officers (D-DEOs)	56
	Sub-Division Education Officers (SDEOs)	136
	Assistant Sub-Division Education Officers (ASDEOs)	700
	Higher Secondary School Principals	780
	High School Principals	1049
TOTAL		2800

Improving Education Budget Execution in KP

Departmental spending of education budget has improved remarkably from 77% in 2016/17 to 98% in 2021/22. This has been achieved through the interventions below.

Provision of Access to Key Financial Data

At the outset of KESP, the department did not have an efficient mechanism to track its budget allocation and expenditure. It had no real-time access to budget execution information. This information was only made available on a monthly and quarterly basis by the provincial Finance Department in the form of lengthy paper-based reports. Lack of access to financial data limited ESED's ability to make timely and informed spending decisions. This left ESED with underspends each year **in its non-salary and development budgets**. These budgets were crucial to improving access to and quality of education and were earmarked for desks and chairs for classrooms, toilets and drinking water in schools, stipends for girls, and training for teachers. KESP supported the Education Department with the installation of Government Financial Management Information System (GFMS) terminals (a mix of specialised hardware and software) within its offices in

2017/18. Officers now had access to the education budget online. They could check at a click, how much budget had been allocated and how much had been used, in real-time. The Education Department could now effectively track its 56 district education offices and see which were on track to spend their budgets, and which were lagging.

Establishment of Financial Management & Accountability Routines

Monthly budget execution meetings were introduced in 2016 whereby a specially set up and trained District Delivery Unit (DDU) presented districts' progress on budget execution, extracted from the GFMS to Department Leadership. Districts lagging on spending were instructed to improve their expenditure and/ or supported to do so. The DDU serves as a critical intermediary between the geographically spread-out districts and the Education Department that is based in the provincial capital of Peshawar. 81 budget execution meetings have been conducted throughout KESP with the DDU now independently performing this function.

The DDU is an excellent addition. It has helped tremendously to bridge gaps between provincial and district stakeholders- Dr. Hafiz Muhammad Ibrahim, Director, Elementary and Secondary Education in KP

Budget execution was included, in parallel, as an indicator to be tracked in another KESP- supported reform- the District Performance Scorecard (DPS). Each month District Education Officers (DEOs) gather in the provincial capital to be ranked on their performance on several indicators including their progress on budget expenditure in the presence of top education bosses. High-performing district offices are given financial incentives while those lagging are pressured to improve their performance ahead of the next ranking.

Including budget execution as an indicator in the District Performance Scorecard made us prioritise budget utilization. This was not the case before – Muhammad Amin, DEO, Upper Kohistan

Capacity Building on Undertaking Procurements

The lack of capacity of the DDOs' was also a significant reason for the inability to spend available funds on procurements. Education personnel **lacked the technical know-how on how to procure**. Officials were wary of procuring goods and services. There was greater reluctance in the case of more expensive procurements, thus leading to the lapsing of available funds on items such as digital tablets required for teachers training, textbooks for students, and furniture for classrooms.

KESP developed an easy-to-use procurement manual and trained the 2800 DDOs and corresponding procurement committees, mandated to undertake procurements for education, on the use of this guide. Committee members were trained on provincial procurement regulations and the development and implementation of annual procurement plans. All 28 settled districts now develop annual procurement plans regularly. Large-scale procurements are being undertaken with ease- between 2019 and 2021, for example, the procurement of PKR 6Bn worth of furniture, for improved classroom environments across 28,000 schools in KP, is complete.

Development of simple procurement guidelines and training on these by KESP has given us the tools to undertake procurements effectively, transparently and in compliance with KP rules and regulations–
Ashfaq Ahmad, Additional Secretary, Reforms and Implementation, ESED

Increase in Approval Limits of Education Department for Expenditure of Development Budget

ESED was restricted in spending its Development Budget due to **an approval cap on expenditures that it could incur internally**. That is, only infrastructure projects up to PKR 60Mn could be approved by the Education Department. For projects above this value, the Education Department had to secure approvals from other Departments and Forums, an exceedingly lengthy process often taking up to nine months, leaving only the last three months of the financial year to implement projects, and, often, resulting in lapsing of available funds.

In 2019-20 the Education Department successfully lobbied for an increase in its approval limit from PKR 60Mn to PKR 300Mn for spending of funds under the Development Budget. With the Department now able to approve majority of expenditures directly instead of waiting for approval from the Planning and Development Department, it saved substantial time to spend and, therefore, avoid budget surrenders at the end of the financial year. This limit increase enabled the timely construction of additional classrooms in schools with high student-teacher ratios and the establishment of play areas for students in schools.

Cleanse of the Development Budget

The Development Budget comprised of funds spread across too many projects- this made it **difficult to monitor spending in each project**. Each year funds for new projects were added even when old projects had not been implemented yet (funds for the latter would keep rolling forward).

The unwieldy Development Budget was made more manageable- the number of projects for which the Development Budget was allocated was reduced and where possible merged to make tracking of spending easy. In addition, it was institutionalised, through agreement by the provincial cabinet, that 70% of the Development Budget each year would be allocated to ongoing projects and only 30% to new projects. This was to avoid token allocations to projects suggested by local politicians. Both measures have resulted in a decrease in projects from 83 in 2017/18 to 54 in 2021/22. This has made tracking of project spending simpler and helped accelerate budget execution in this head.

Improving Education Budgeting in KP

The Education Budget has increased from PKR 138Bn in 2017/18 to PKR 188Bn in 2021/22 accounting for about 25% of the overall provincial budget. KP's Education Budget today is based on the needs of schools across KP's districts. This has been achieved through the following interventions.

Development of a need-based budget

Prior to KESP, ESED **prepared its budget in an ad-hoc manner** – an increment of 10 to 15% on the previous year's budget was standardly proposed and applied instead of building the budget based on the needs of schools across the province. As a result, ESED often had to request the Finance Department for additional funds during the year to finance its policies and plans.

Output-based budgeting was introduced in 2017/18- for the first time, the Education Budget was linked to planned education outputs and outcomes. The Education Budget was informed by and linked to the requirements of the Education Sector Plan, developed by the Department, every five years for the next five years. All 2800 DDOs have been trained on budget preparation in this way. Each unit of the Education Department is given targets for the year that are subsequently costed and included in the budget. Examples of annual targets include things like the establishment of 1000 classrooms, the training of 80,000 teachers each month on subject knowledge and teaching practice, and the provision of basic facilities to 3000 schools.

Establishment of a Budget Management Committee for Better Intra and Inter-Department Coordination

ESED faced difficulties in coordinating its budget proposal each year with its DDOs within the Department. A permanent Budget Management Committee, staffed with key personnel from the Education Department and its units, was set up in 2019/20 to improve coordination within the Education Department with regards to effective budget planning and distribution, and between the Education Department and Finance, and Planning and Development Departments for effective negotiation of the annual education budget. Budget preparation now begins well before the start of the next financial year- The Finance Department communicates a single figure for the education budget to the Budget Management Committee who, keeping the Education Sector Plan in mind, divide the budget across 2800 DDOs asking them to complete detailed budget proposals within these limits. The Committee then sense-checks and consolidates the 2800 budget proposals and goes through several rounds of negotiations with the Finance Department to negotiate the consolidated budget- and to the extent possible lock these allocations in.

Regularisation of Budget for Key Access and Quality Reforms

Funds for key KESP-supported education programmes such as the Girls Stipend Programme (GSP) for female students in Grades 6 to 10, the Continuous Professional Development (CPD) programme for primary teachers, and school monitoring by the Education Monitoring Authority (EMA), are now included in the Current Budget instead of the Development Budget to ensure that the budget for these programmes recurs each year and that the programmes are, therefore, sustainable. In 2021-22 PKR 2.4Bn was allocated for girls' stipends, PKR462.36 Mn for teacher training, and PKR 1Bn for the EMA in the Current Budget. KESP has strategically supported the shifting of budget for programmes that seek to increase education access and quality to the current side.

Allocation of Budget for New Teaching Positions

KESP also supported the inclusion of a budget for new teachers, particularly primary teachers, to address the significant challenges posed by Multi-Grade Teaching in KP's schools. Ideally, there should be six teachers in each primary school but, most schools have between two and three teachers. 81,000 new teachers, over and above the existing teaching workforce, have been budgeted for in the annual education budgets between 2015/16 and 2021/22. 52,689 of these new teaching posts are at the primary level.

Improving Internal Financial Controls in the Education Sector in KP

A permanent and independent Internal Audit Cell (IAC) was set up in 2015 to monitor the correct use of the sizable Education Budget (that accounts for a quarter of KP's total budget). It has undertaken 51 audits since then. External audit observations have reduced, over the same period, from 29 in 2015/16 to 3 in 2019/20.

Establishment of an Internal Audit Cell in the Education Department

Prior to KESP, ESED did not have an active internal audit function. There were concerns that funds earmarked for education were susceptible to misuse. There were also far too many external audit observations by the relevant government authority.

KESP supported the setup of a permanent six-member IAC in ESED that includes specialised auditors from the Finance Department. The IAC prepares an internal audit plan each year and selects high-ticket and high-risk education expenditure items for audit.

The IAC has undertaken important audits over the years. An example is its audit of the printing of surplus textbooks for students by the relevant ESED unit in 2020/21. Its findings resulted in a change in the way textbook requirements are calculated. To work out the number of textbooks that need to be printed, actual student enrolment data generated at the school level is now used (instead of applying a 10%-increase on the number of books printed in the previous year).

The IAC has identified areas of concern, based on its audits, and delivered trainings accordingly to Education Department personnel at all tiers of government to strengthen internal financial controls. This has included trainings on government financial regulations, tax compliance, and asset tagging and maintenance of a fixed assets inventory.

Conclusion

Key transformations, under KESP, that underscore improved PFM in KP's education sector were in the areas of:

Data: The GFMS enabled access, for education officials in the provincial capital and the districts, to real-time data on budget expenditure.

Accountability: Availability of data made several financial management routines possible to hold relevant education officials accountable for better financial planning and spending at regular intervals. This included critical forums such as the monthly Budget Execution meetings and DPS rankings.

Institutional Reform: Institutions such as the DDU and IAC were set up to make financial data and accountability reforms sustainable. These bodies were staffed, trained, and budgeted on the current side to ensure their longevity and by extension, the longevity of PFM reforms in education in KP.

KESP's PFM interventions have helped revolutionise ESED's approach toward budgeting and spending against key education policies and programmes. Improved budgeting and spending have been key to the implementation of access and quality reforms on-ground in KP.

Some challenges to the sustainability of PFM reform, and, therefore, potential areas of support for development partners moving forward, include:

High turnover of Education Department personnel trained on various aspects of budget preparation, tracking of expenditure, and procurement. This makes it imperative to train incoming staff in a timely manner.

Insufficient human resource in key institutions such as the DDU and IAC as and when their scope expands. The Education Department must take stock and submit proposals to the Finance Department to increase human resource in these units as required.

Evolving legislation in the province with implications for PFM practices. One such example is the KP Local Government Act 2021 that has implications for financial planning and budgeting by stakeholders including the DDU.

Snapshot: KESP Support to improve Public Finance Management in education in Khyber Pakhtunkhwa



Need-based budgeting made a permanent feature of education budgeting in KP



All 2800 Drawing and Disbursement Officers in the Education Department trained on budget preparation and procurement



A permanent District Delivery Unit set up, resourced, and trained to coordinate budget requirements and spending between the districts and the Education Department



Budget Execution meetings being held each month to track, and accelerate spending particularly in the districts



District Education Offices being ranked each month on budget expenditures through the District Performance Scorecard



Key access and quality programmes, including girls' stipends, primary teacher trainings, and school monitoring activities, made sustainable through Current or Recurrent Budget allocations



Funds allocated for more than 81,000 new teaching positions in KP's government schools



A permanent Internal Audit Cell set up and staffed to undertake audits of education expenditure in KP at regular intervals for improved internal financial controls