Non Salary Budget for Schools
A guide for government functionaries

Non Salary Budget (NSB) for Schools
The School Education Department (SED) is determined to provide quality education in all its schools. International evidence suggests that one way to improve education quality and consequently learning outcomes is by giving schools adequate budgets to enable them to plan, manage and administer education delivery.

The SED has acknowledged that the current level of funding for non-salary expenditures is significantly lower than schools actually need and parents demand, to provide an acceptable level of education. In 2012 the allocation of NSB as a percentage of the total recurrent budget was significantly lower than the regional average or in countries at a similar level of development.

Through the Programme Monitoring Implementation Unit (PMIU) the SED has developed a school specific formula for non-salary budgets. The formula is a new way of allocating non-salary funding to all government schools based on specific school and student level characteristics. This is the start of the transition away from Normative Financing to Per Capita Financing.

What is a Non-Salary Budget?
NSB is being provided to cover the non-salary related recurrent costs of schools. It is to be used by schools to spend on every day expenditure for the general upkeep and functioning of the school and support student learning e.g. office supplies, sports equipment, electricity, cleaning, teaching and learning materials, furniture and practical subjects.

Why is NSB important?
This formula will allow the government to directly address the chronic underfunding of the non-salary expenditure needs of schools. In addition the NSB formula includes a financial incentive to encourage schools to reduce student dropout and increase student retention.

It is hoped that by giving schools adequate funding and making them responsible and accountable for planning, managing and administering these funds, it will empower and
incentivise schools to use these resources to improve the teaching and learning process and the overall school environment.

In short-term the government hopes that the cleanliness of buildings, classes, grounds and toilets will be improved along with improvements in teacher attendance, utilisation of rooms for teaching, and repair and purchase of furniture. In the longer-term the government expects at least a 20% increase in student retention from the level in the year 2013.

What does the formula consist of?
The formula is made up of five components:

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\text{School Entitlement} = (a) \text{ Fixed School Allocation} + (b) \text{ Student Retention Premium} + (c) \text{ Basic Student Entitlement} + (d) \text{ Furniture Needs} + (e) \text{ Building Operations}
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(a) **Fixed School Allocation** is an amount per school, differentiated by school type (Primary, Elementary, High and Higher Secondary) where the entitlement increases accordingly;

(b) **Student Retention Premium** is an additional amount for students in Grades 2-4, 5, 8, 10 and 12 where the incentive increases by the grade type;

(c) **Basic Student Entitlement** is an amount allocated according to the number of enrolled students differentiated and increasing according to primary, elementary, high and higher school phase;

(d) **Furniture Needs** allocates an amount for teacher and student furniture needs based on a furniture deficiency indicator;

(e) **Building Operations** are allocated based on the number of students enrolled in a school.

What can schools spend the entitlement on?
Given that each school’s circumstances are different, schools have the autonomy to spend on any non-salary item which they deem will improve the teaching and learning process, with
particular focus on the short-term and long-term deliverables. For incurring expenditures, the high and higher secondary schools shall follow all rules and regulations (PPRA, GFR etc.) and the primary and elementary schools shall receive a manual to follow which will be inline with PPRA and other financial rules and regulations. The manual shall contain a positive and a negative list of items that shall guide schools’ spending.

**How will the schools receive the entitlements?**

The entitlements of each school shall be calculated by the PMIU; they will inform the districts (EDO Education and Finance and planning) who in-turn shall notify each school of its entitlement. The schools shall prepare their school budget (higher and higher secondary schools) or develop their School Development Plan (primary and elementary schools). The government has capped the annual non-salary entitlement at 15% of the salary budget for education.

Once entitlements are received, primary and elementary schools will be required to record each transaction and submit quarterly expenditure statements to district- and provincial-level officials as per the guidance in the NSB manual. For high and higher secondary schools, they will follow the requirements as stipulated in the financial rules and regulations. All types of schools will be subject to government audit.

For primary and elementary schools, the entitlements are to be transferred direct from Province to the Special Drawings Account in each district. The SDA shall be operated by EDO (Finance & Planning) and EDO (Education). They will request the District Account Office to transfer the said school entitlement to each school’s School Council bank account in equal quarterly tranches in the first month of each quarter - the first quarter tranche will be released immediately at the start of the financial year.

Entitlements to high and higher secondary schools, which have Drawing and Disbursement Officer (DDO) powers, are to be released to Account IV of district governments as a conditional grant. This is over and above the PFC share of the respective district governments and shall not be spent for any other purpose.

**What are the roles and responsibilities of government institutions in NSB planning and implementation?**

The NSB initiative cannot be effectively and efficiently implemented and sustained without the help of key government institutions and functionaries at each stage of the budget cycle.
Given this is the first year of NSB implementation, the government has recruited M/S Ernst & Young which will give support in the training of the schools, provide on-going school mentoring and will undertake compliance audits.

**PMIU**
- Calculation of school-level entitlements and dissemination of the information regarding school level data to the EDO E and EDO F&P,
- Monthly monitoring of schools as already being conducted by the PMIU,
- Complaint cell to be established at the PMIU which shall also act as a helpline (the firm shall help PMIU in establishing the mechanism for this).

**EDO F&P**
- Notification of entitlements received from the PMIU to P/E/H/HS schools,
- Approval of budget by the competent authority (DCO/District Council) at the district level,
- Disbursement of school entitlements to P and E Schools,
- Allocation of funds against the demands of H and HS Schools,
- Disbursement of tranches within one month of the receipt of funds from the PMIU.

**EDO Education**
- The EDO E with the help of EDO F&P shall communicate the school entitlements to H & HS schools for preparation of yearly budget,
- Compilation of district education budget,
- Notification of entitlement to P & E schools,
- Disbursement of school entitlement to P & E schools with the help of EDO F & P,
- Administrative visits to the schools to ensure compliance of expenditures etc.

**DDEO/ AEO**
- Approval of school development plan for P & E schools according to the SC Policy 2007,
- Administrative visits to help the schools implement the NSB initiative.

**School**

**Higher and Higher Secondary**
- Preparation of school budgets head-wise, as per previous practice according to the school requirements and deliverables,
- Routine expenditure and procurement according to the relevant financial rules and regulations,
- Maintenance of relevant financial school records for audit.

**Primary and Elementary**
- Preparation of school development plan according to the guidelines given in the NSB manual,
• Routine expenditure and procurement under the guidance of SC Policy 2007, procurement and financial guidelines and the manual for the SCs,
• Bank operations/Cash management,
• Monitoring of school development plan and regular assessment of the projects,
• School Council Meetings Minutes to be kept in an easy-to-understand form,
• Maintenance of relevant financial school records for audit,
• Quarterly school expenditure report to PMIU and EDO E which shall include the expenditures and progress against deliverables.

District Account Office

• Disbursement of school entitlements to P & E schools,
• Timely approvals and disbursements of entitlements,
• Timely sanction of school bills.

Auditor General of Pakistan

• Audit of the schools according to the rules and regulations.

Ernst and Young

• Training of all school principals, head teachers and other relevant staff,
• On going capacity building of schools in planning, budgeting and record keeping,
• Quarterly expenditure reports/compliance audit of schools.