

Decentralization of Education: The Affective Role of Fiscal Decentralization in Pakistani Education System(s)

Nasrullah

University of Wah

Rooh Ul Amin

University of Sialkot

Kamal Ahmed Soomro

Institute of Business Management (IoBM), Karachi

Fiscal decentralization is the devolution of financial decisions to the lowest level of administration. Financial decisions include revenue generation and expenditures on public services. This study qualitatively explored fiscal decentralization as a factor affecting decentralization of education in Pakistan. Data were collected from educational leaders (six DEOs and six high school principals) and six political leaders through interviews. The KP Local Government Act 2013 and the 18th Amendment to the Constitution of Pakistan were also used as the data sources. The participants reported inefficiency of the centralized fiscal system. All the participants associated hopes for positive and effective reforms through the aforementioned federal and provincial level legislation because they changed the way resources were distributed among social services departments district-wise. However, they showed great concerns over only ten percent revenue generation powers given to the provinces because that might lead to low fiscal powers of district governments. The study revealed that the process of fiscal decentralization in the province is very slow and hence very slow progress in the decentralization of education was observed. The low fiscal powers affect educational expenditures as the local governments either have low or no capacity to handle budgetary matters of the public school locally. The prevailing process of decentralization in education is mainly political and administrative as the provincial governments still approve the budgets for education. The study concludes with the recommendations that fiscal decentralization need to be focused and schools be given the opportunity to get funds from the local governments and the community. The local leaders might be trained and empowered to make fiscal decisions in the best interest of the institution(s).

Keywords: fiscal decentralization; education expenditures; education budgets; local governments' empowerment

Correspondence concerning this article should be Dr. Nasrullah, Assistant Professor, Department of Education, University of Wah via nasr.dowling@gmail.com

¹ Dr. Nasrullah contributed to the conceptualization, data collection, data analysis, and initial write up of the article.

¹ Dr. Rooh Ul Amin contributed to theoretical and conceptual framework, research design, and proofreading of the article.

³ Dr. Kamal Ahmed Soomro contributed to theoretical and conceptual framework, validating data analysis and proof reading.

To move from fiscal centralization to decentralization, national governments transfer powers of taxes and revenue decisions to sub national governments. In fiscally centralized governments, the governments make both revenue collection and spending decisions centrally. The central governments are responsible for the allocation of funds to all the schools as a whole in the main budgetary process, while in fiscally decentralized system, sub national governments are responsible either for some or all decisions related to revenue and expenditure (Hannaway & Carnoy, 1993). While defining fiscal decentralization, Kee (2004) states, "Fiscal decentralization is the devolution by the central government to local governments (states, regions, and municipalities) of specific functions with the administrative authority and fiscal revenue to perform those functions" (p. 3).

In Pakistan, partial fiscal decentralization was accomplished to the second tier of sub national governments. Some of the expenditure responsibilities were transferred to the provinces through the 18th Amendment to the 1973 Constitution of the Islamic Republic of Pakistan. Through the 7th NFC Award, more funds were transferred to the provinces (Iqbal & Nawaz, 2010). Different obstacles resisted fiscal decentralization to local government and schools. Among them, the political mindset of the government and levels of government played an important role in fiscal decentralization as the ones in the central government did not want to lose spending and taxing powers. Likewise, the rulers allocated resources for political purposes and gaining votes. The other consideration was the number of tiers of governments in the country. If more than two tiers of political governments existed, the local politicians could have created pressure for fiscal decentralization (Garman *et al.*, 2001). Owing to the importance of the effect of fiscal decentralization on education, this study addresses the following questions:

1. What is the level of decentralization of the present system of public education in Khyber Pakhtunkhwa, Pakistan?
2. What is current level of fiscal decentralization and expected level after implementation of the 18th amendment in Khyber Pakhtunkhwa, Pakistan?

Literature Review

Nations are moving from the centralism to fiscal decentralism. Kee (2004) gave three reasons for fiscal decentralization. First, it was not possible for the central governments to compete all needs of a local community; therefore, federal governments needed to build local government capacities through downward delegation of powers. Second, local government supported central administration on policies for fiscal improvement. Third, regional political leaders pressured central governments for regional fiscal autonomy. Similarly, Ahmad, Devarajan, Khemani, and Shah, (2005) states:

"In Eastern Europe and the former Soviet Union, it was part of the political and economic transformation; in Latin America, it was to reinforce the transition to democracy; in South Africa, Sri Lanka and Indonesia, it was a response to ethnic or regional conflict; and in Chile, Uganda and Cote d'Ivoire, it was to improve the delivery of basic services... Even when it is not explicit, improving service delivery is an implicit motivation behind most of these decentralization efforts." (p. 1)

It is an established fact that resources play an important role in performance improvement of an organization. Schools need different types of resources such as financial, human, technology, and learning resources. In a centralized system of education, central administration makes financial and all other decisions. Local school administrators are accountable to central administration, usually to

the Ministry of Education for the use of resources. The central administration and local school administration are poles apart from each other. Therefore, monitoring costs tend to be higher, which requires extra resources. As identified by the World Bank (1986), inability of central government to meet increasing demand for local services and low efficiency of the centralized system place budgetary constraints on resources and affect the development of education. On the other hand, decentralized systems provide opportunities of efficient use of resources for education through managing education locally. According to Jimenez and Tan (1987), the decentralized system of administration in education improves resource usage. Fiscal decentralization enables groups and individuals of a community to add supplementary funds for education. Decentralization boosts efficiency of schools, as the administrators are directly accountable to parents and community.

Public spending on education is an indicator of improvement in education. According to Gupta, Verhoeven and Tiongson (2002), "A five percentage point increase in share of outlays for primary and secondary education increases gross secondary enrolment by over 1 percentage point" (p. 16). Miningou (2019) found that positive and significant relationship between public expenditure and no of schooling years, controlling other factors like inefficiencies. While studying the effects of fiscal decentralization on public spending in Organization for Economic Co-operation and Development (OECD) countries from 1980 to 2001, Busemeyer (2008) found that fiscally decentralized countries expended more on education than centralized countries. In decentralized countries, local leadership offered eye-catching packages of public services and goods to enhance their vote bank. Similarly, in their study on Bolivia and Colombia, Faguet and Sanchez (2008) observed, "Decentralization was an attempt to deepen structural reform in order to make the state more efficient and responsive to the population, and so regain its legitimacy in the voters' eyes" (p. 6).

While measuring the economics and provision of basic education in Africa, Gershberg and Winkler (2003) found that grass root enrollment and public spending on education are positively correlated. Positive correlation was also observed between the index of decentralization and public expenditures on education. Both correlations revealed that fiscal decentralization increased school enrollment. Gershberg and Winkler, (2003) revealed that South Africa spent more on education than the other African countries and had the highest enrolment among all. Zimbabwe and Ethiopia spent the least and had a lesser enrollment. They further showed that the more decentralized a country was, the more it spent on education. In fiscally decentralized systems, school administrations are accountable to the local community representatives in terms of school input and output. Schools are funded according to the number of students' enrollments. According to Faguet and Sanchez (2008), "Decentralization of education has led to improved educational outcomes in Colombia, in the sense of more students attending school" (p. 36).

Studies conducted on fiscal decentralization and its benefits developed a rationale for decentralization (e.g., Freinkman & Plekhanov, 2009; Salinas, 2014). While empirically analyzing the quality of public services and fiscal decentralization in the Russian regions, Freinkman and Plekhanov (2009) identified four reasons for positive effects of the decentralization on public services. First, local administration understood better the indigenous needs and likings. Second, the incentives structure and accountability of lower tiers of government and the administrators lost incentive if the revenue generated was promoted by the higher level of government. Third, the policy makers were accountable to the local community. Fourth, governments and voters of different regions compared their achievements and struggled for better positions. In the same line, Salinas (2014) analyzed cross-

national empirical data from OECD countries to examine the effects of various dimensions of decentralization on education outcomes. She uncovered that complications emerged when central government collected taxes and local government provided public education. When local government received financial resources from the central government for education expenditures, their accountability was not effective, because the cost was not visible to the local taxpayers. On the contrary, when the local governments were empowered to make the tax decisions, their local expenditure were visible to the local taxpayers. She also found that fiscal decentralization of education expenses had a positive effect on learning in three subject areas: math, science, and reading.

In the case of Pakistan, various governments strived for fiscal decentralization. For instance, the National Finance Commission (NFC) award, Devolution Plan 2001 and the 18th Amendment to the Constitution of Pakistan were the prominent steps taken by the federal governments. Shah (2009) conducted an in-depth qualitative study on decentralization under Devolution Plan 2001 in three provinces of Pakistan. He found that fiscal decentralization was partial as funds were transferred to districts by their provincial governments. The federal government transferred some funds through provincial governments whereas for additional funds, districts were empowered to generate funds locally. For the public services like education decision making related to expenditures was devolved to the district administration District Education Officers (DEOs) were required to approve budgets from the district government for all schools of a district. School Management Committees, Parents Teachers Associations, Parents Teachers Councils (SMCs/PTAs/PTCs) were given insufficient amounts for repair and procurement of supplies. This necessitated to further the exploration of decentralization and highlight the affective role of fiscal decentralization in Pakistani education system(s).

Method

In this phenomenological research, educational, political, and community leaders were interviewed. The purpose of the interviews was to identify the current practices in the educational administration after the 18th Amendment and enacting of Local Government Act, 2014. The educational, political, and community leaders were the main stakeholders of the public schools. Comparing their views helped in understanding the opportunities and current practices regarding decentralization. Government reports, documents, and the legal framework were studied to triangulate interview data with government reports and findings from the literature reviewed. The level of decentralization of the current system of management and administration of the public schools was determined.

Data Analysis

To answer the first research question one the participants responses were analyzed and table 1 was generated. The first column of the table is a list of the activities and decisions carried out for the public schools in KP province. The top row shows the levels at which the decisions were being made. The symbol X in a cell represents the activity or decision and the level at which the decision was made. Presence of Xs in more than one cell for a particular decision shows that it was shared by different levels.

Table 1

Level of Decentralization in the Present (2015) System of Education in KP, Pakistan

Level at Which Decisions/Activities Take Place	Government/Administration			Community/PTC	School/Principal
	Federal	Provincial	District		
Hiring/firing of teachers		X	X	*X	X
Setting pay scale of teachers		X			
Hiring and firing of school head.		X			
Teachers evaluation		X	X		X
Teachers training		X			
Recruitment of non-teaching staff			X		
Assigning duties to school personnel		X	X		
Setting of instruction time		X			X
Selection of curriculum		X			
Curriculum Design		X			
Selection of teaching methods					X
Monitoring of teaching learning process					X
Accountability of teachers		X	X		
Accountability of school heads		X			
Accountability of other school staff			X		X
Create/close school		X			
Setting exams for grade 6 to 8					X
Selection of school programs					X
school development plan				X	X
Personnel budget		X			
Non-personnel budget		X			
New schools construction/ establishments		X	X		
School maintenance				X	X

*Shows activities which were decentralized to the lowest level.

The above table shows that decentralization of education was very low at the province level. Local administration’s fiscal powers of expenditures were limited to maintenance only. Most of the fiscal powers were shared by the district and provincial governments. The federal government was having no role in public education. In fact, after implementation of the 18th amendment the role of federal government was shifted to the provincial government. The table generated on the basis of educational, political, and community leaders shows the actual level of decentralization.

For answering research question two, the level of fiscal decentralization was determined through analysis of official documents and interviews of the political and educational leaders. Participants were asked questions related to budgets for the schools. Their responses were represented in the form of a diagram. Figure 1 shows the flow of money from taxpayers to the school through federal and provincial governments, and the hierarchy of decisions making for the approval

of resources for public schools. Most of the taxes went to the federal government directly, which was distributed among the four provinces of the country through National Finance Commission (NFC) awards. Some of the taxes were paid directly to the provincial government. In regard to the flow of money, a political leader (L2) highlighted:

The route of the money will be essentially the same. The federal government does more than 90 percent revenue collection. The federal government then transfers shares of each province to respective provincial governments. The provincial government follows the similar procedure to provide funds to different departments.

Figure 1 show the hierarchy involved in the process of budget approval and provision of resources to the public schools. According to the participants DEOs and MoE officers, budgets were made at schools by their principals and were consolidated by the DEOs, which were then sent to the Ministry of Education. From the Ministry of Education, the budgets were sent to the ministry of finance for final approval. DEO (D1) described the process as “Each principal of a school prepare budget for his/her school. I consolidate all the budgets to make a budget for the whole district which is sent to directorate for approval from provincial government.” DEO (D4) mentioned the same procedure for the budget approval. He said, “School budgets are made by their principals with the help of clerical staff. Its final approval is done by the finance department.” The ministry of finance of the provincial government managed resources distribution among the public schools of the province. The officer of the Ministry of Education (D3) stated, “Provincial government and finance department manage finances of public schools of the province according to predefined rules and procedures.”

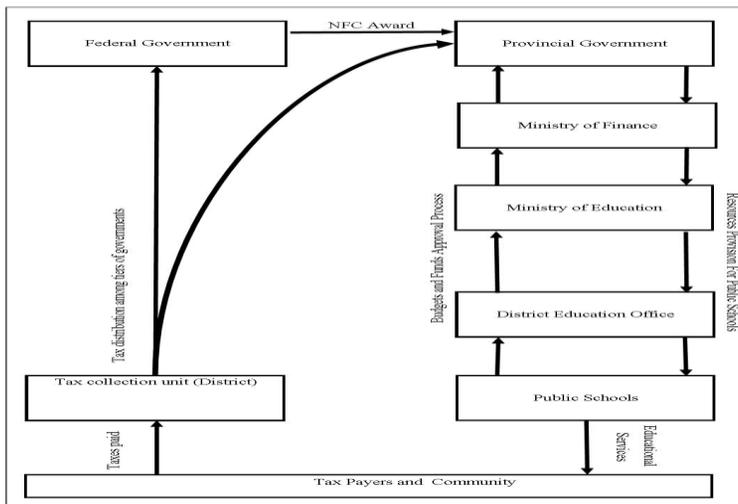


Figure 1. The system of fiscal flow and distribution to public schools

There are two main parameters of fiscal decentralization, revenue decentralization and expenditure decentralization. The figure 1 showed very low revenue decentralization. The expenditures powers were with the provincial government. The diagram also showed that for most of the decisions about a school will be in the hands of provincial administration. For example, if a school management committee feels a need of teachers’ training, they would not be able to conduct the training, as the finances involved would be approved by the provincial administration.

To answer research question two participants were asked to questions about the school financial matters. Participants criticized the centralized system of fiscal flow for its inefficiency in fulfilling the needs of the school. While criticizing the political leader (L3) highlighted, “education budget is never approved as it is sent. The tragedy was that the bureaucracy was not able to use the funds efficiently and funds lapsed.” Principal participants also mentioned the issue of the school budget. According to principal (P1), “The finance department approves the budget but it is understood that they will not approve the funds as demanded and will curtail the budget’s amounts.” Principal (P2) described the budget approval and mentioned that most of the amounts were already fixed; the principals provided the details. He commented:

We made budget every year and send it to DEO. The DEO send all consolidated budgets of the district to secretary education, which is then send to finance secretary for approval. The budget consists of salaries of the recruited teachers and other employees, and very little amount for repair and utility bills. We also receive PTC fund which is 7,500 PKR (USD 70, approximately) per room per year.

Similar evaluative comments were added by the principal P4. He stated that “We make budget for the school according to a predefined structure and is approved by DEO. We cannot propose a budget according to the needs of our school.” The principal (P3) described the system’s inefficiency and added, “A principal knows his school and its needs more than higher-level officers. Sometimes the money we demand for a certain activity is curtailed, while we get more for the one, we need less. It is wastage of resources. We prepare budget and it goes to finance department for approval, where it is not approved as it is.”

The policymakers realized the inefficiency of the fiscal system. Political leader-participants described the future expected changes in the system of fiscal flow. Some of the participants predicted fiscal decentralization after the establishment of the new local governments. Political leader (L2) added:

District education authority will be established. Recruitment from one to 16 grade, transfer, posting, school management, school operations, and funds will be transferred to the authority. Account 4 will be used for funds transaction... Thirty percent of the Annual Development Fund (ADP) funds will go the district governments. All the funds of the devolved departments will be transferred to account four (dedicated to district government). The district government will be able to generate their revenue from exhibitions, inter district import and export, and property taxes.

This change in the system predicted a shift of some of the financial decisions from provincial government to the district level. District governments would obtain resources from the provincial governments. They would have the power to impose new taxes to some extent. This change in the system was also anticipated by (L5), the political leader participant. He indicated that, “Like NFC, the provincial government will distribute funds through Provincial Finance Commission (PFC) to the districts. So, every district will receive their due share without any discrimination...there will be some authority of tax decisions. It depends on the district governments that whether they put new taxes on the people or not.”

The Local Governments Act 2013 confirmed the political leaders' description of the new decentralized fiscal system. The provincial assembly passed the Khyber Pakhtunkhwa Local Governments Act, 2013 states:

- A local government subject to the provisions of any other law may, and if directed by Government shall, levy all or any of the taxes and levies specified in the Third Schedule (p. 35).
- Government shall constitute a Provincial Finance Commission hereinafter referred to as "Finance Commission" (p. 38).
- The Finance Commission shall make recommendations to the Government on... formula for distribution of the grant among local governments in the province (p.39).

Figure 2 shows the newly decentralized system of fiscal flow. It shows the fiscal independence of the districts and its effect on the processes of budget approval and provision of resources for the public schools.

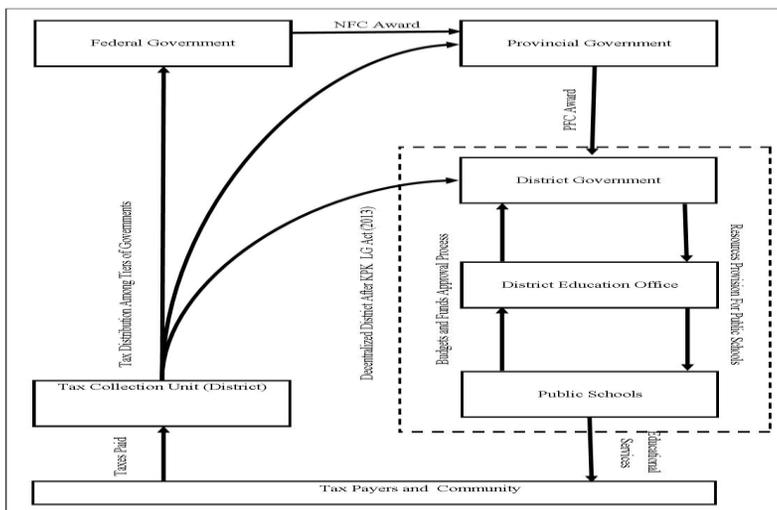


Figure 2. The expected system of fiscal flow for public schools after establishment of new local governments

Findings and Discussion

The first question was focused on the identification of the current level of decentralization of education in KP province. Participants were asked questions about various activities and decisions taken at different levels of the public school administration. Participants shared their experiences as principals, DEOs, Ministry of Education officers, PTC chairs and members, and political leaders. The participants' responses were summarized in Table 1.

Winkler and Hatfield (2002) studied decentralization of education in Pakistan, under the Devolution Plan 2001. They studied roles of the stakeholders at federal, provincial, district, school, and community level. According to them, the role of the school management committee (SMC) was limited to school maintenance only. However, the findings in this study showed that along with the school maintenance, the PTC had the power of recruiting temporary teachers. This study showed

that at least one of the chairs of PTC exercised this power. Empowering PTC for recruiting teachers showed an increase in the level of decentralization in the province. However, due to some other factors like deficient skills and education of the local managing personnel, they were unable to use it effectively as found by Nasrullah et al., (2020). Further comparisons showed that the role of the federal government in the curriculum design and staff management had been decentralized to provinces through the 18th Amendment. One of the participants of this research stated, "The 18th Amendment has devolved powers of many departments like police, health, and education to the provinces. This is a big step towards decentralization."

The Khyber Pakhtunkhwa Local Government Act 2013 followed the 18th Amendment. Both the federal and provincial level legislation changed the way resources were distributed among social services departments district-wise. Decision making related to distribution of resources among different departments, and limited powers of tax decisions were decentralized to the districts. However, the extent of decision-making power of the districts was unclear as the local governments were still in transition stage (see figures 3 and 4).

Fiscal decentralization was related to the resources of public schools. In a fiscally centralized system, the central government provided resources. Such systems affected the school resources because of the inefficiency of the centralized system. In a fiscally decentralized system of government, the local governments took decision about resources distribution. Schools had an easier access to the local governments than the central; therefore, they knew the needs of the schools more accurately. Monitoring of resources utilization was effective in the case of the local governments, which increased the efficiency of public schools. Freinkman and Plekhanov (2009) recognized four ways of decentralization effects on public services. First, local administration had better understanding of the indigenous needs and likings. Second, the incentive structure and accountability of lower tier of government as the administrators lost incentive if the revenue generated was promoted by the higher level of government. Third, the policy makers were accountable to the local community. Fourth, governments and voters of different regions compared their achievements and strived for better positions. King and Ozler (1998) argued that those who were nearest to the school made informed and on-time decisions about schools, curriculum, staffing, and other activities to improve learning. Parents' involvement in decision making enabled them to improve the learning environment at both school and home. Rehman, Khan, and Ashfaq (2015) while studying role of civilian government in implementation of local governments system in Khyber Pakhtoonkhwa concluded as "It is evident that there were certain reservations of the provinces in devolving administrative, financial and political authority to the local governments" (p. 388). Findings of this study were aligned with that Freinkman and Plekhanov (2009), King and Ozler (1998), and Rehman, Khan, and Ashfaq (2015).

Conclusion

Public services departments were devolved to the provincial governments as result of the 18th Amendment to the Constitution of Pakistan, but only a fraction of fiscal powers was decentralized to the provinces and districts. Due to low fiscal powers the school management committees were not empowered sufficiently to make independent decisions. When sub national governments (local governments) have both the revenue and expenditure powers, the schools will have more direct access to the resources and local decisions according to the needs of the community and school. The 18th Amendment and the Khyber Pakhtunkhwa Local Government Act 2013 are the prominent steps towards decentralization of public services. However, fiscal decentralization was not done completely

as the revenue powers were still with the federal government. For effective decentralization of education and other public services fiscal autonomy of local governments is necessary in both revenue generation and expenditure.

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