

Broken Promises

An independent analysis of
Khyber Pakhtunkhwa's
Budget 2016-17

Omar Asghar Khan Foundation regularly analyzes Khyber Pakhtunkhwa's budget since 2010. Details of its findings and recommendations are available at www.oakdf.org.pk including the following publications:

2011-12 Money Matters-An analysis of Khyber Pakhtunkhwa's Budget 2011-12

2014-15 An analysis of Khyber Pakhtunkhwa's Budget

2015-16 Fair Funds-An analysis of Khyber Pakhtunkhwa's Budget 2015-16

The use of the Foundation's budget analysis including material from this publication is encouraged. Acknowledgement is requested.

Omar Asghar Khan Foundation is a public advocacy organization helping build a state responsive to its citizens. It seeks to strengthen the resilience of citizens – particularly the most vulnerable – so that they can claim their rights from the state, counter violent extremism, and reduce the burden of poverty. The Foundation fundamentally understands how to engage citizens and civil society in demanding and promoting a functioning democracy, in which government is accountable, citizens are active participants, and civic space is effectively used to promote tolerance. The Foundation works across Pakistan, with its strongest fieldbase in Khyber Pakhtunkhwa. It has offices in Islamabad and Abbottabad.



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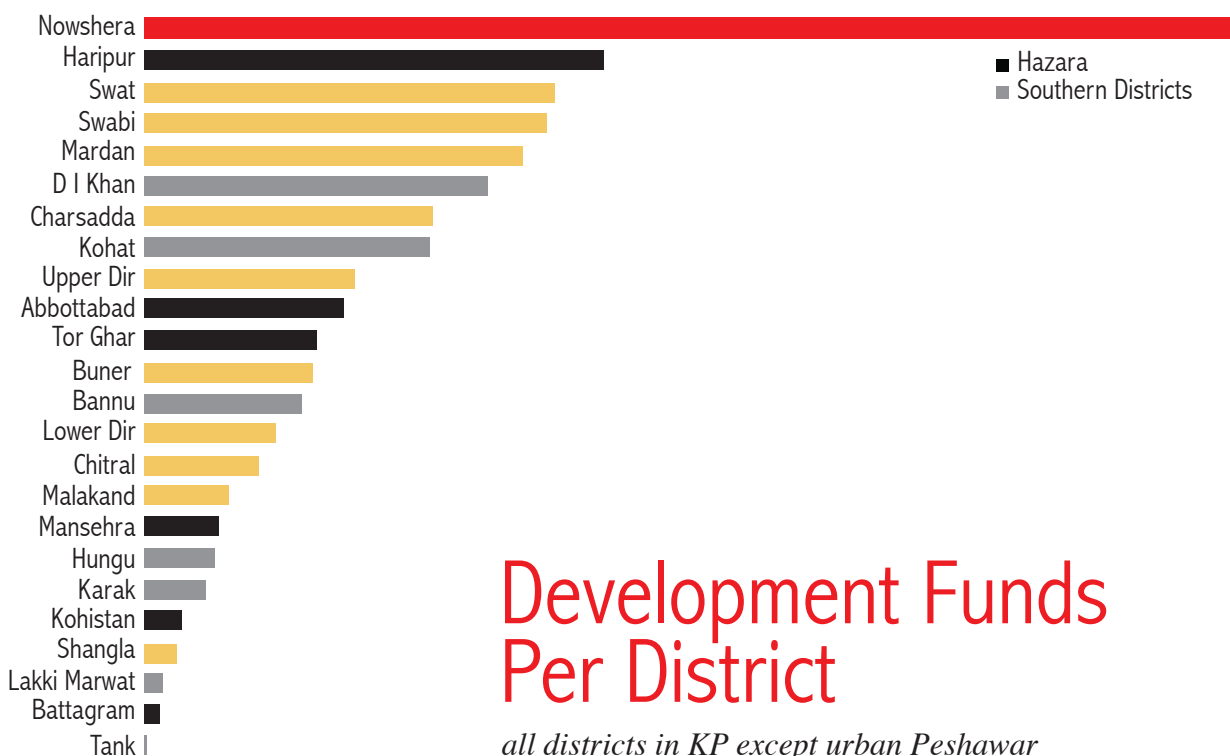
Budget 2016-17

Acronyms

ADP	Annual Development Programme
ANP	Awami National Party
DHQ	District Headquarter (hospital)
FY	Financial Year
LG	Local Government
KP	Khyber Pakhtunkhwa
NAP	National Action Plan
NFC	National Finance Commission
PFC	Provincial Finance Commission
PTI	Pakistan Tehreek-e-Insaf

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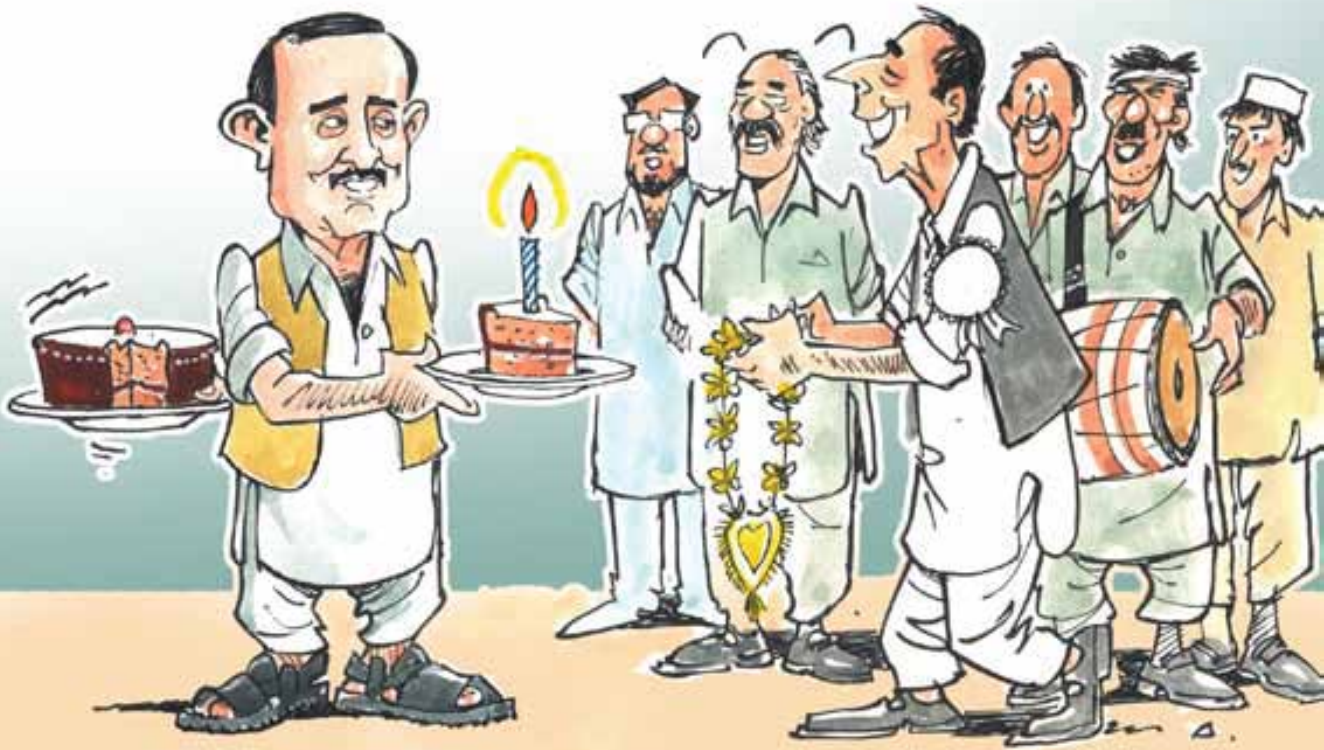
More equal than others

It is not uncommon for the home district of a province's chief executive to get special development benefits. But allocating Rs.5.1 billion of Khyber Pakhtunkhwa's total development outlay of Rs.161 billion for Chief Minister Pervez Khattak's hometown of Nowshera is beyond generous.

George Orwell's immortal lines *all are equal, but some more equal than others* seem particularly apt when comparing allocations for Nowshera with funds given to others, like the seven southern districts: Bannu, Dera Ismail Khan, Hangu, Karak, Kohat, Lakki Marwat and Tank. The cumulative allocation for the chronically poor southern districts is Rs.4.47 billion, i.e., less than Rs.5.1 billion given to the privileged district of Nowshera. Funds for Nowshera are also more than the total of Rs.4.5 billion given to six districts of the Hazara region, including the disaster-affected districts of Kohistan and Battagram.

Of Khyber Pakhtunkhwa's total development outlay of Rs.161 billion in FY2016-17, 3.22 per cent is the share for Nowshera, which is even greater than the 3.08 given in the preceding year. In sharp contrast, the seven poor southern districts and the six Hazara districts have endured budget cuts. The southern districts were allocated 3.2 per cent in the preceding year which is reduced to 2.78 per cent this year. Hazara was allocated 3.1 per cent, which this year is cut down to 2.82 per cent.

Fairness is also dodged in distributing resources within the southern and Hazara regions. Dera Ismail Khan in the southern belt with an estimated population of 850,000 has Rs.1.62 billion while Tank with about 240,000 has a paltry sum of Rs.10 million. In Hazara, District Haripur with an allocation of Rs.2.18 billion has the lion's share accounting for 1.35 per cent of the total development budget. Less than half of this amount, or Rs.0.95 billion is given to Abbottabad, accounting for 0.59 per cent of the total. Tor Ghar fares about the same with Rs.0.78 billion or 0.50 of the total. Worse-off are the districts of Kohistan and Battagram that have essentially received pittance. Kohistan is allocated just Rs.0.17 billion or 0.11 per cent of total development funds and Battagram even less, a paltry Rs.0.08 billion or 0.05 per cent.





*Local people in Kohistan make the dangerous journey to Uthoor Nala to bury the dead.
March 2016*

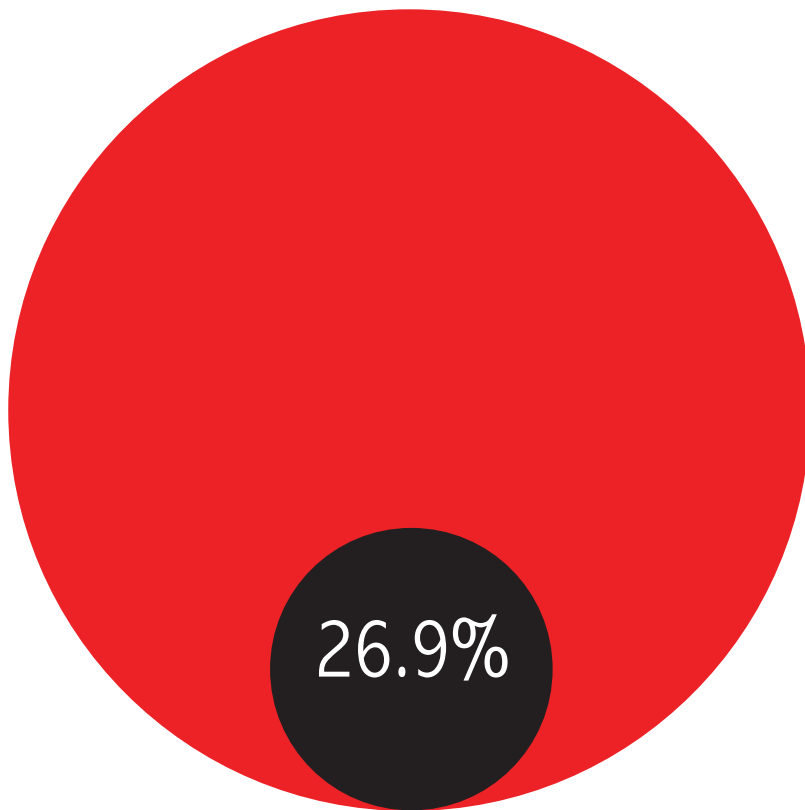
Khyber Pakhtunkhwa's Budget FY2016-17 shows that public resources are not just inadequately but also inappropriately allocated. Rs.2.21 billion allocated under the head of Relief & Rehabilitation includes funds for establishing Emergency Rescue Services in many districts like Nowshera, Mardan, Swabi, Upper & Lower Dir, Haripur, Mansehra, and Abbottabad. Disaster-vulnerable Districts Battagram and Kohistan have been callously ignored despite distressing evidence that even basic search and rescue services often fail to reach such poor areas. A recent example is the tragic case of about 25 people buried alive under the debris of their houses that collapsed due to torrential rains in the Uthoor Nala of Kohistan. The government was helpless, unable to even reach the affected area. Local people were forced to trek the dangerous terrain. They gave a decent burial to those who lost their lives.

PFC Award: a missed opportunity

District-wise development allocations mock stated commitments to equitable opportunities, fair distribution of resources, and, equal rights, emblazoned on Khyber Pakhtunkhwa's budget documents. Motivations behind such inequity-inducing public finance decisions are mystifying. They strongly justify calls for drawing up an equation, like the National Finance Commission Award, that spells out the criteria for allocating public monies from the province to districts. A fair equation, on the lines of the NFC, will help evidence-based sharing of public monies.

An opportunity to make an NFC-type equation was missed by the Provincial Finance Commission constituted under Khyber Pakhtunkhwa's Local Government Act 2013. The PFC was not able to fulfill its mandate of devising an equation for funds distribution. Its failure is costly. Adhoc rather than evidence-based allocations continued, adversely affecting many. For example, if the NFC criteria of population (82 per cent), poverty (10.3 per cent), revenue capacity (5 per cent) and area (2.7 per cent) is applied to Khyber Pakhtunkhwa's districts, the due share for the southern districts would be 21 per cent of the total development budget. In absolute terms this means that instead of Rs.4.47 billion this region would get Rs.33.81 billion. Simply put, this poor region would have about nine times more funds than it is presently allocated, bringing nine-fold more opportunities for improving the lives of its impoverished people.

But even if the PFC tries to fulfill its role, its restricted membership will likely deny broad-based acceptance of any equation it suggests. Addressing this problem is simple enough. The PFC's membership can easily be expanded by including elected Nazims from each of the province's 24 districts where local governments are in place. By drawing elected Nazims into public finance decisions, their buy-in will be guaranteed which may somewhat reduce their frustrations with restrictions placed on the authority they were promised.



Budget FY2016-17 fails to allocate at least 30% funds for LG

According to Khyber Pakhtunkhwa's LG Act 2013 "not less than 30%" of the total development budget must be allocated to local governments

Local government: false start & failed fiscal decentralization



An olive branch to elected local governments may be urgently needed as it becomes clear that Khyber Pakhtunkhwa's budget 2016-17 fails to meet the "not less than 30%" threshold for fiscal decentralization included in the province's local government law. The present budget includes Rs.33.9 billion and Rs.9.4 billion for local government. Combined these account for 26.9 per cent, falling short of the minimum 30 per cent of total development outlay of Rs.161 billion promised to elected local governments.

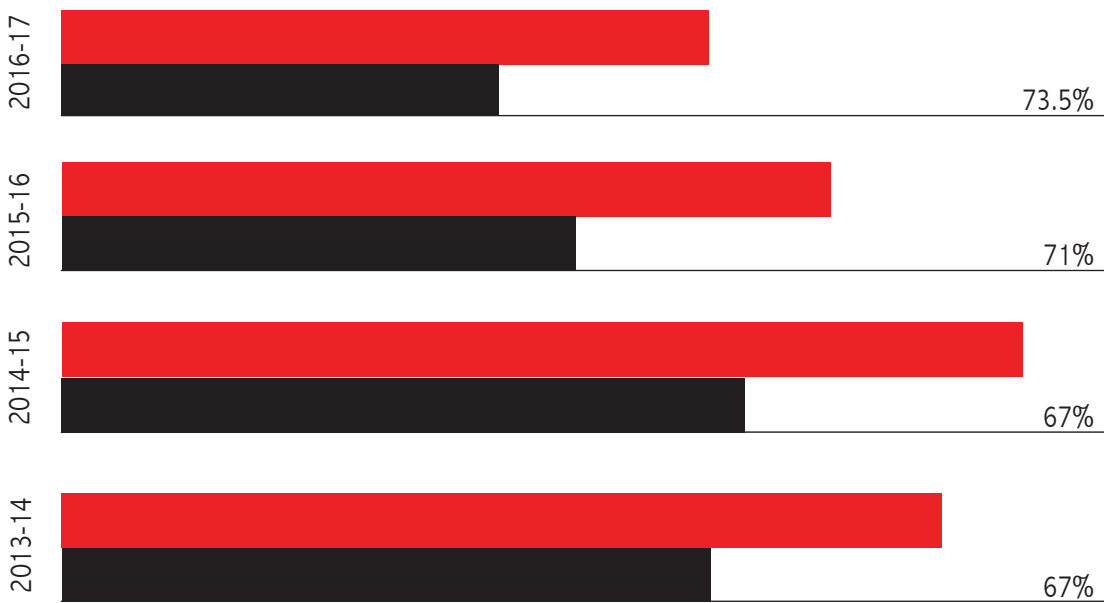
Perhaps even more disturbing is the evidence of non-utilization. The budget documents reveal that allocations in the preceding year for district governments, tehsil councils and village/neighbourhood councils under the District ADP remained unused.

Despite the passage of an impressive local government law and successfully establishing a three-tiered local government structure, the provincial government has failed to empower local government in ways that bring development benefits to the people of Khyber Pakhtunkhwa.

Transparency for thee, not for me

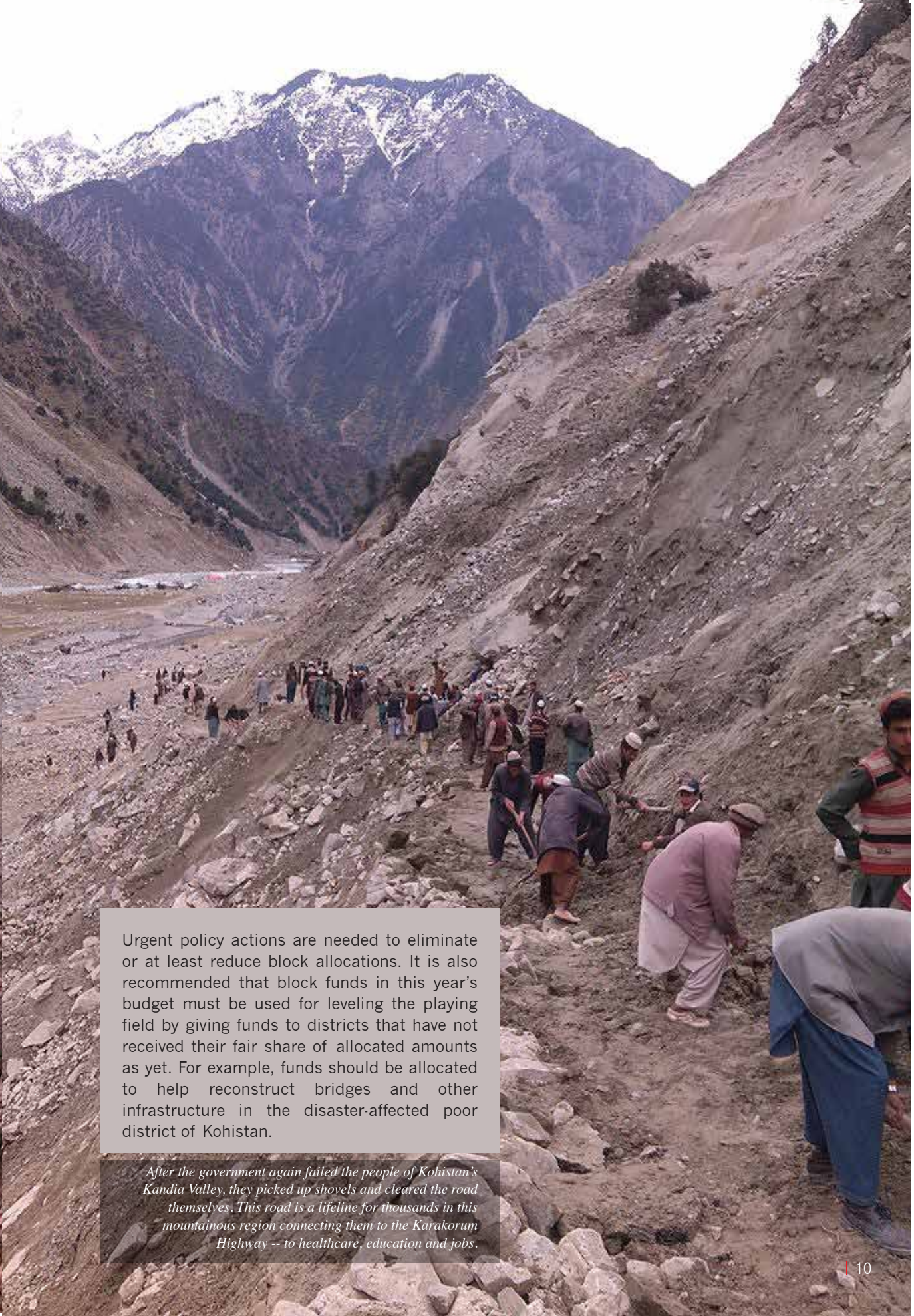
Khyber Pakhtunkhwa's budget evades transparency. A staggering 73.56 per cent of its total development budget is placed as "block" funds, compromising transparency and giving politicians and bureaucrats unlimited powers to shift amounts around within the purpose stated for the block.

The current 73.56 per cent is even greater than the preceding year's 71 per cent block funds. PTI's relentless demands for transparency in the backdrop of the Panama papers seems hollow. The general theme appears to be, transparency for thee, but not for me.



Upward trend in block funds

* Total development budget
* Block funds



Urgent policy actions are needed to eliminate or at least reduce block allocations. It is also recommended that block funds in this year's budget must be used for leveling the playing field by giving funds to districts that have not received their fair share of allocated amounts as yet. For example, funds should be allocated to help reconstruct bridges and other infrastructure in the disaster-affected poor district of Kohistan.

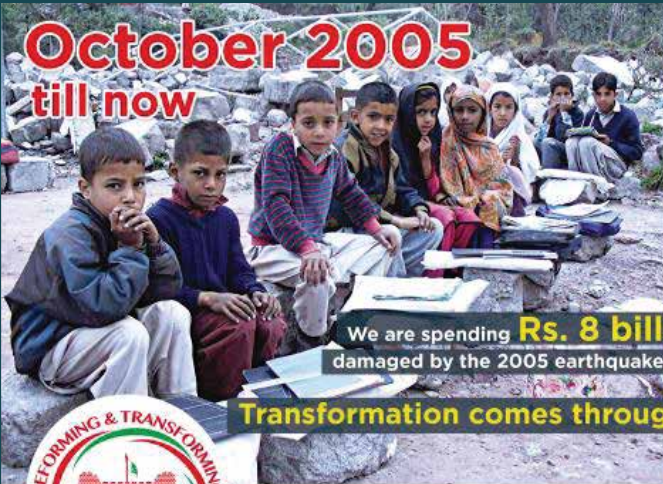
After the government again failed the people of Kohistan's Kandia Valley, they picked up shovels and cleared the road themselves. This road is a lifeline for thousands in this mountainous region connecting them to the Karakorum Highway -- to healthcare, education and jobs.

“No nation can progress without education.”

PTI Chairman Mr. Imran Khan along with education ministers Mr. Atif Khan and Mr. Mustaq Ghani speaking with journalists while inaugurating a reconstructed school in Abbottabad.
29th March 2016



October 2005
till now



We are spending **Rs. 8 billion** to rebuild **760 schools** damaged by the 2005 earthquake & ignored for more than a decade

Transformation comes through actions, not mere promises

March 2016



Department of Elementary & Secondary Education

Government of Khyber Pakhtunkhwa

f kpese.gov.pk @EducationKP www.kpese.gov.pk



Graveyard of good intentions

In March 2016 the Government of Khyber Pakhtunkhwa prominently advertised its decision to spend Rs.8 billion on reconstructing 760 schools destroyed by the 2005 earthquake. But it has failed to put money where its intentions are. The total cost of reconstructing the 760 schools remains unmoved at Rs.3.7 billion allocated in 2014-15. The additional Rs.4.3 billion publicly promised has not been included in the province's budget.

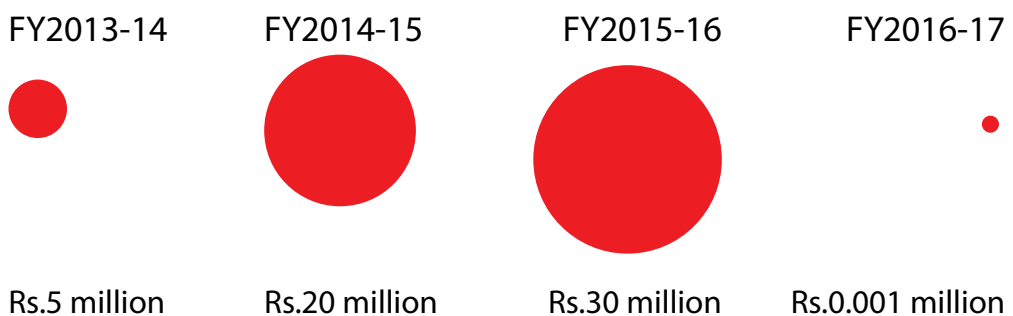
Moreover, public expressions of passionate urgency contrasts sharply with the glacial pace of reconstruction on-the-ground. In the past two years, the provincial government has only expended Rs.174.57 million or just 4.7 per cent of funds for the 760 schools, forcing thousands of school-going children -- survivors of the devastating 2005 earthquake -- to continue studying in makeshift schools.

Instead of augmenting resources and expediting the reconstruction of public schools destroyed by earthquakes, floods or militancy, the provincial government has inexplicably allocated Rs.300 million for "constructing and rehabilitating" the Darul Uloom Haqqania in Akora Khattak. The use of taxpayers' monies for a madrassah with known links with extremist groups defies logic and the National Action Plan (NAP) to counter terrorism.

Such public finance decisions are no doubt disappointing for schoolchildren like those attending the government primary school in Village Council Shamozai near Peshawar. The condition of their rented school building is so dilapidated it threatens their lives. And then there are also thousands more who study under open skies, while waiting for government funds to build their schools.



Also lie buried in the graveyard of good intentions are government promises to upgrade Abbottabad's DHQ, providing healthcare to people across Hazara. The outgoing ANP government in 2012 approved a PC-1 for its upgradation at a total cost of Rs.200 million to be completed by 2016. After the 2013 elections, the PTI government took office. Chief Minister Pervez Khattak and other senior ministers not only gave public assurances that the facility would be upgraded, but went an extra mile by pledging that the upgradation will be completed on a war-footing. Three years later, allocations of Rs.5 million, Rs.20 million and Rs.30 million have been made and even a fresh PC-1 approved. But there is no work on-the-ground. Each successive allocation has remained unused. In FY2016-17, an embarrassing Rs.1,000 is allocated for this project, a clear indication that the provincial government is likely to break yet another promise.





Recommendations

- 1 The membership of the PFC must be expanded to include elected District Nazims.
- 2 The PFC must devise a fair equation for transfer of funds from the province to districts.
- 3 The PFC equation must benefit from an extensive and inclusive process of stakeholder consultations.
- 4 Strict compliance must be ensured with the legal stipulation of allocating “not less than 30 per cent” funds for local government.
- 5 Local government allocations and expenditures must be clearly and separately listed to assist citizen monitoring and public accountability.
- 6 Block funds must be eliminated or at least substantially reduced.
- 7 Block funds approved in FY2016-17 must be used to level the playing field, i.e., allocated to districts which have not yet received adequate funds.
- 8 Public funds must not be used in contravention of the National Action Plan to counter terrorism.
- 9 Funds allocated for the Darul Uloom Haqqania must be withdrawn and reallocated to reconstructing public schools destroyed by earthquakes, floods and militancy.
- 10 Any disconnect between stated policies and allocated public funds must be investigated and corrective actions immediately taken, including:
 - ▶ Allocate Rs.8 billion for the reconstruction of 760 schools destroyed by the 2005 earthquake.
 - ▶ Complete the upgradation of DHQ Abbottabad on a war-footing.
 - ▶ Construct a safe building for the government primary school in Village Council Shamozaï, and until this is done shift the present school to a safer rented building.

Concern voiced over meagre budget allocations for Hazara

Rashida Dohad says CM's hometown Nowshera got Rs5.1b

Syed Kesar Naqvi
ABBOTTABAD: Executive Director of Omar Asghar Khan Foundation Rashida Dohad has voiced concern over the unequal distribution of development funds in the recent budget for Khyber Pakhtunkhwa. She claimed that Chief Minister Pervaz Khattak allocated Rs5.1 billion for his home district Nowshera and it was more than the total allocation of Rs4.5 billion made in the budget for the six districts of Hazara division. Talking to The News, she

pointed out that Nowshera's share in the budget 2016-17 was 3.22 per cent of the total development outlay of Rs161 billion. It is even higher than 3.08 given to Nowshera in the preceding year," she stressed. Telling the budget distribution unfair, she said that Haripur district with an allocation of Rs2.18 billion got the lion's share accounting for 1.35 per cent of the total development budget of the province. "Less than half of this amount, or Rs0.95 billion, has been given to Abbottabad, ac-

counting for 0.50 per cent of the total. Torghar fares about the same with Rs0.78 billion or 0.50 of the total. Worse-off are Kohistan and Battagram that have received pittance. Kohistan has allocated just Rs0.17 billion or 0.11 per cent of total development funds and Battagram has a paltry Rs0.08 billion or 0.05 per cent of the total development outlay," she added. Rashida Dohad said that Kohistan was chronically poor and its people had endured unspeakable devastation caused by earthquakes in 2005 and

2015 and floods in 2010. She said that this year pre-monsoon rains triggered massive landslides cut parts of Kohistan from the country for more days. Rashida Dohad said people in this disaster-stricken area of Kohistan were still cooped up to cover miles of distance as bridges connecting valleys had been washed away. She maintained that security was also at many water mills used to mill wheat were also swept away in 2005 and

district of a province's chief executive to get special ing Rs5.1 billion of the total development outlay of Pervaz Khattak's hometown of Nowshera is beyond



The Foundation's Executive Director Ms. Rashida Dohad addressing a press conference, June 2016.

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Budget analysis

Decentralisation yet to benefit governance

Rashida Dohad says districts have not obtained fair shares on basis of need

OUR CORRESPONDENT PESHAWAR

The analysis of the provincial budget for fiscal year 2016-17 shows promised decentralisation has yet to benefit governance on the grass-roots level even though the local government act has been passed and elections were held in 2015. The government has allocated Rs33.9 billion for the districts from the Annual

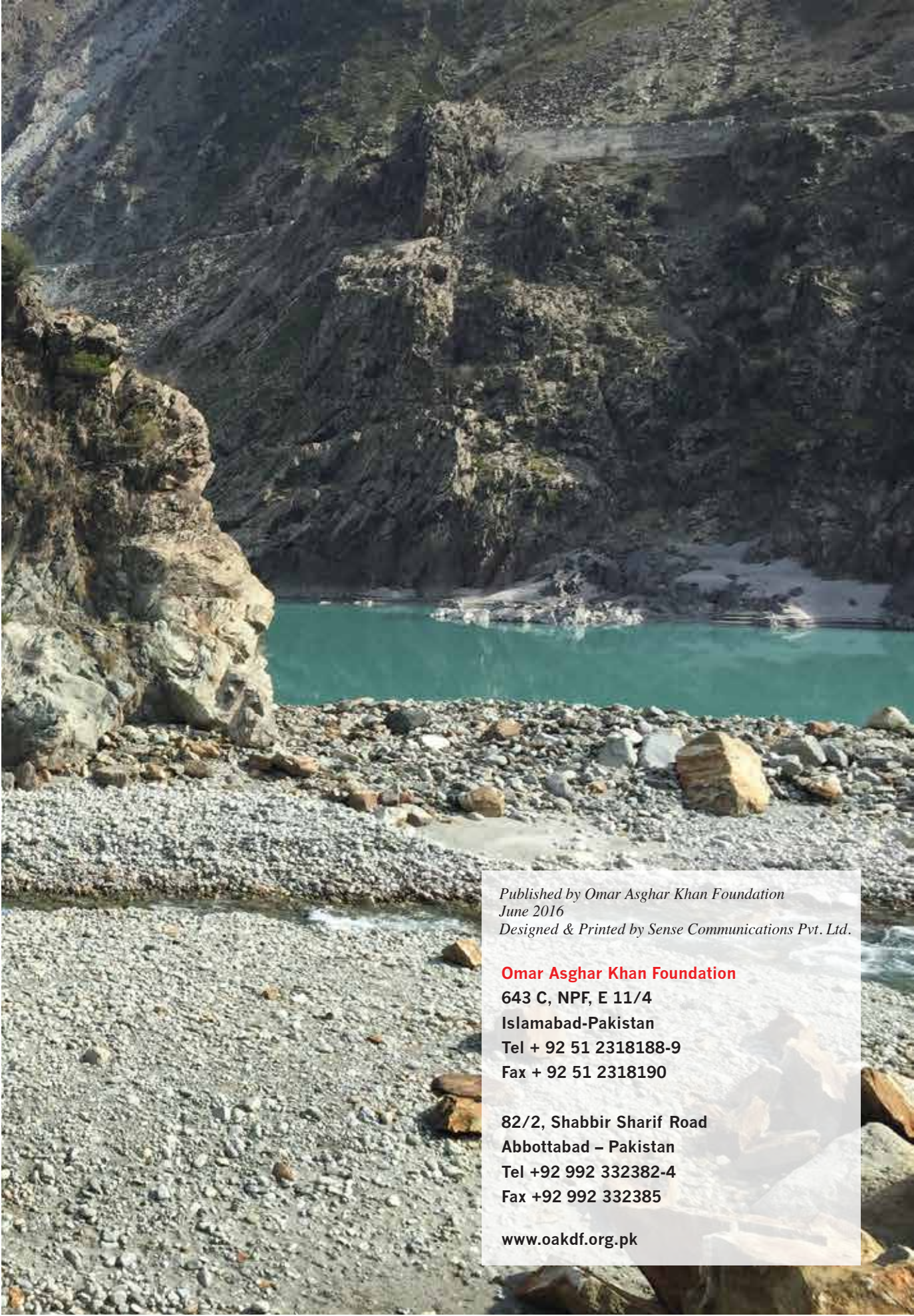
Development Programme funds - around 21% of the total development budget. This was said by Omar Asghar Khan Foundation Executive Director Rashida Dohad said during a news conference at Peshawar Press Club on Wednesday. She added the budget documents revealed funds earmarked in the preceding year - for district governments, tehsil and village, neighborhood councils under the ADP for districts - remained unused. She believed allocations for development mocked the commitment to equal opportunities and fair distribution

of resources since Rs5.1 billion or 3.22% of the total development funds was allocated for Nowshera, the home district of Chief Minister Pervaz Khattak. "The generous amount for a single district sharply contrasts with the allocation of Rs4.47 billion or only 2.78% of the total development budget to seven poor southern districts," she said. Dohad added the amount reflect inequality considering six districts of Hazara Division were allocated only Rs4.54 billion. She added inequality also

existed within regions as DI Khan, that has a population of around 850,000, got Rs1.62 billion while Tank with an estimated population of 240,000 has been allocated a paltry sum of Rs10 million. Similarly, Haripur has received Rs2.17 billion while Kohistan, the poorest district in the province, is allocated a mere Rs0.17 billion, Dohad maintained. She said the only way to ensure each district gets an equal share was to draw up a fair equation for allocating funds along the lines of the National Finance Commission,







*Published by Omar Asghar Khan Foundation
June 2016
Designed & Printed by Sense Communications Pvt. Ltd.*

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