A young child with dark hair and a distressed expression is the central focus. Their face is smeared with grey mud, particularly around the eyes and mouth. They are wearing a simple, light-brown, button-down shirt. Their hands are also covered in mud and are resting on a large, irregular pile of grey mud. The background is dark and indistinct, suggesting an outdoor or semi-outdoor setting with mud-covered surfaces.

Money Matters

An analysis of
Khyber Pakhtunkhwa
Budget 2011-12

Omar Asghar Khan Foundation

Established in 1999, Omar Asghar Khan Foundation is creating opportunities for people, particularly the vulnerable, to collectively secure human and livelihood rights by strengthening their asset base and making institutions and policies pro-poor. The Foundation's field-based work is primarily in Khyber Pakhtunkhwa. Its advocacy has a national focus. The Foundation has offices in Islamabad and Abbottabad.

MONEY MATTERS

An Analysis of Khyber Pakhtunkhwa's Budget 2011-12

Omar Asghar Khan Foundation
August 2011



Bringing citizens together so that they may raise their voices and demand their rights
Omar Asghar Khan Foundation

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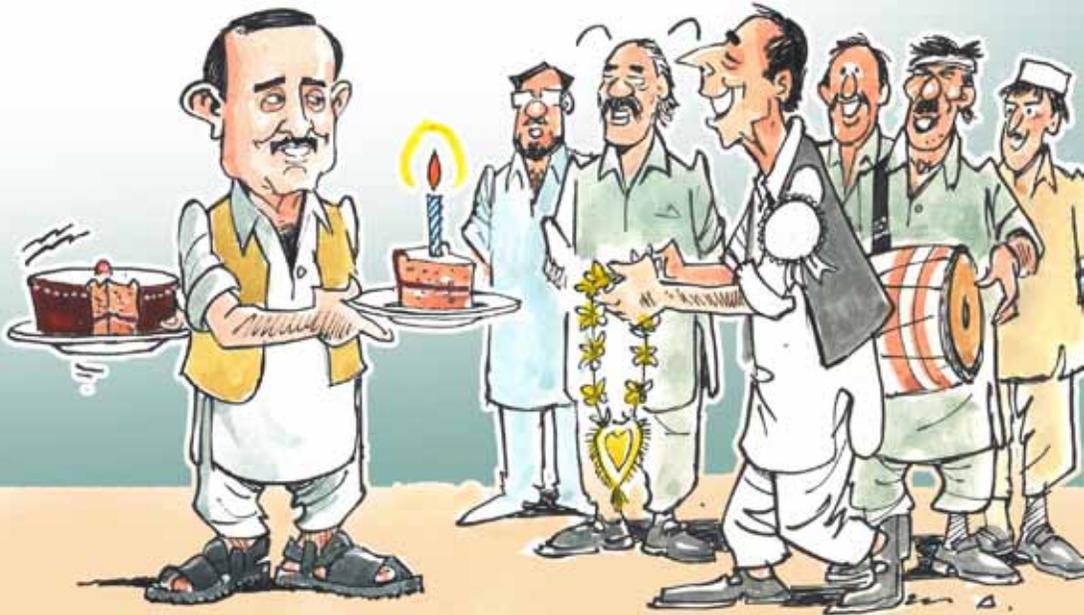
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Introduction

Drums roll, crowds cheer, and rose petals are showered as the local politician lays a foundation stone of an additional classroom in a village school. The gathering expresses deferential gratitude as the local politician makes sanctimonious claims of serving people's interests. The script of this typical scene would perhaps be very different if people were more familiar with budget processes, their rightful share in allocations and the role they must demand of their representatives.

Public budgets are presented, debated and passed by parliaments. Khyber Pakhtunkwa's Budget 2011-12 was presented on 11th June 2011 and passed after just six parliamentary sessions on 21st June 2011. The review of the approved budget indicates that much needed to be debated and even challenged so that public finances are efficiently used to benefit all citizens living within Khyber Pakhtunkhwa.



Public funds hidden from public scrutiny
More than two-third of KPK's Annual Development Programme 2011-12 does not specify locations

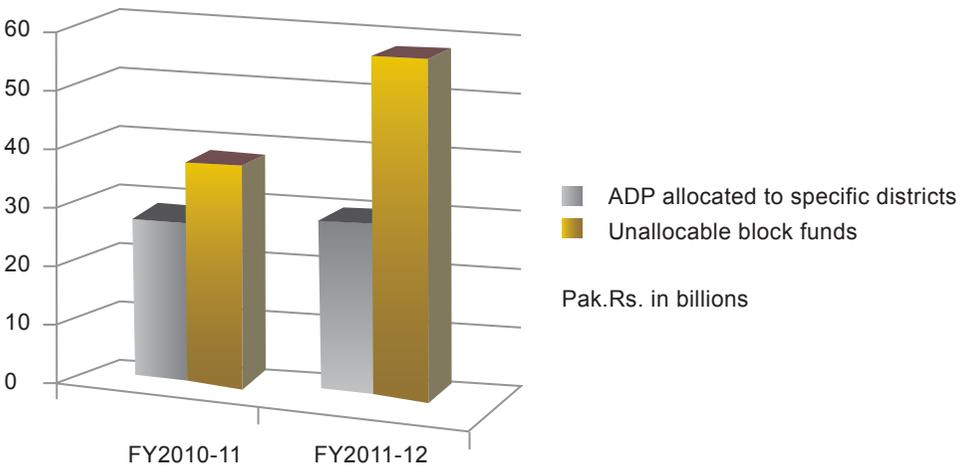
Unallocable or unaccountable?

Annual budgets indicate a government's intent and priorities. These are shrouded in mystery if amounts are allocated without giving details of where their use is intended. KPK's budget 2011-12 shows that out of a total development outlay of Rs.85.14 billion, Rs.57 billion is categorized as unallocable or block funds. In other words, it is not clear where 67% or more than two-third of its total development budget will be spent.

Block allocations allow tremendous discretion to politicians and bureaucrats to move funds around within the purpose stated for the block. Doubts about transparency of unallocable funds and their equitable use abound in the context of Pakistan where patronage politics prevails.

Such doubts are compounded when evidence of misuse regularly surface. A review of expenditure details of FY2010-11 show that a block allocation of Rs.300 million for educational scholarships intended for students from across the KPK province was entirely spent in one district. Not surprisingly, the privileged district was Mardan - the home district of the Chief Minister.

Similarly, a total of Rs.576.54 million was spent on education in District Mardan against an original allocation of Rs.4.54 million in the budget 2010-11. In sharp contrast, Hazara's five districts were allocated Rs.83.3 million but only about half of this amount was spent.





Equitable distribution of resources will help build a nation that cares

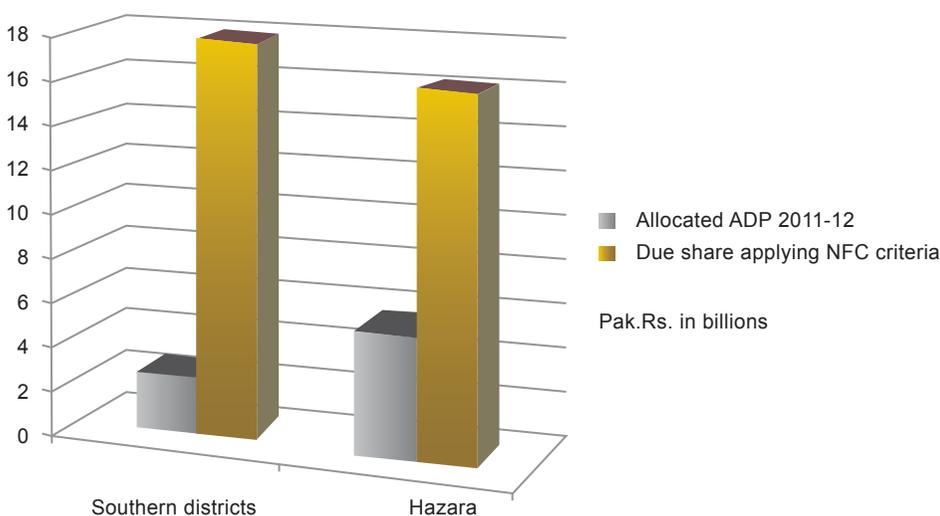
Inequitable and alienating

Development funds in KPK's budget that are allocated to specific districts raise fundamental questions about the right of every citizen to an equitable share of the province's resources and to equal opportunities.

The southern districts of the province have received 2.8% of the total development budget, and Hazara has received 6.1%. The criteria used for distributing resources are not clear. In 2009 the 7th National Finance Commission award was signed representing an agreement for the annual distribution of resources among provinces by the federal government.

The agreed weighting for determining allocation is 82% for size of population; 10.3% for level of poverty; 5% for revenue capacity (2.5% for revenue generation and 2.5% for revenue collection); and 2.7% for geographical area.

If the NFC criteria are adopted for distributing resources among districts by the provincial government, the share of the southern districts would be 21% or Rs.17.88 billion. Similarly, Hazara's share would be 19.4%, or an estimated Rs.11.3 billion more than its allocated share in FY2011-12 -- an amount that would roughly cover the cost of constructing 11,000 new classrooms.





Women would not have to walk miles to fetch water if Hazara received its due share of development funds

Over the two-year period 2010-12, Hazara has cumulatively received an estimated Rs.20.8 billion less than its due share. This amount could have provided clean drinking water to every hamlet in Hazara or constructed a network of 4,000 km of roads linking every hamlet of village to a metalled road and to education and health facilities. Half of the Rs.20.8 billion, if allocated, could have created education facilities in Hazara for 330,000 students or upgraded two BHUs to RHCs in each union council of the six districts of Hazara.

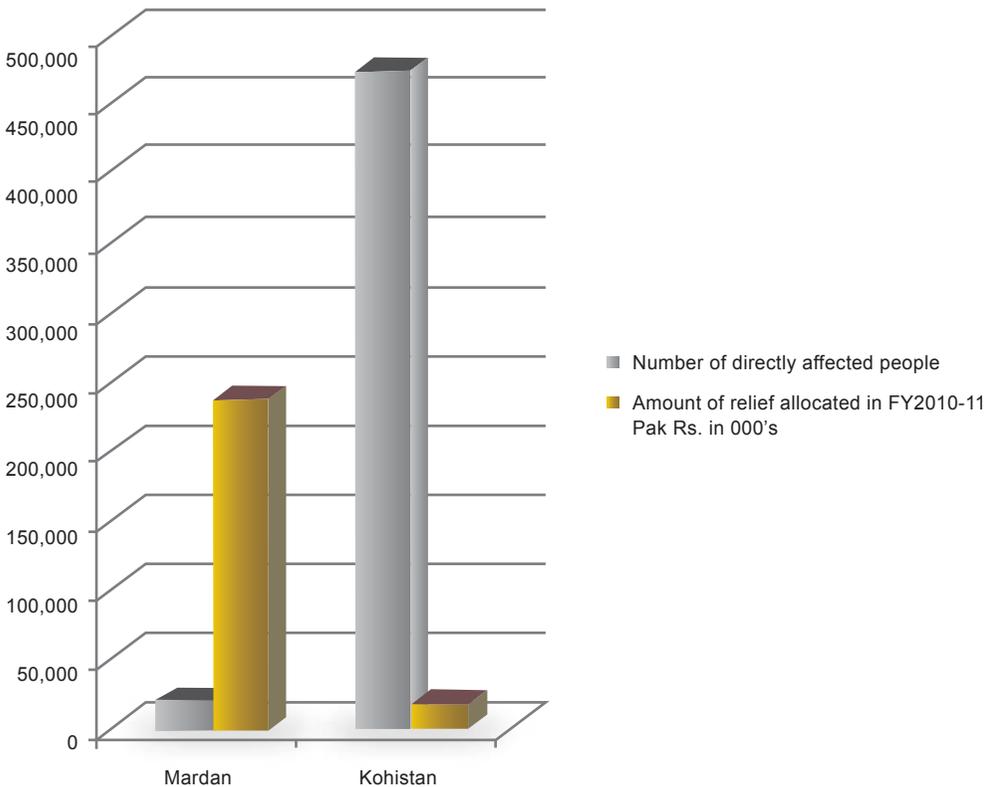
Compounding disasters

Inequity in development funds is also extended to disaster-related support. Monsoon rains in July 2010 triggered the worst-ever flood that swept through Pakistan. 1,068 lives were lost in KPK, an estimated 116,000 homes were totally destroyed and more than four million people were directly affected. The province's overall financial losses were estimated at Rs.176 billion.

Admittedly the scale of the disaster would overwhelm most governments. Nevertheless public expectation that the government would extend all possible support to affected populations is not misplaced. An analysis of KPK's flood-related expenditures sadly presents reprehensible evidence that the KPK government chose political expediency even in the face of agonizing human tragedy.



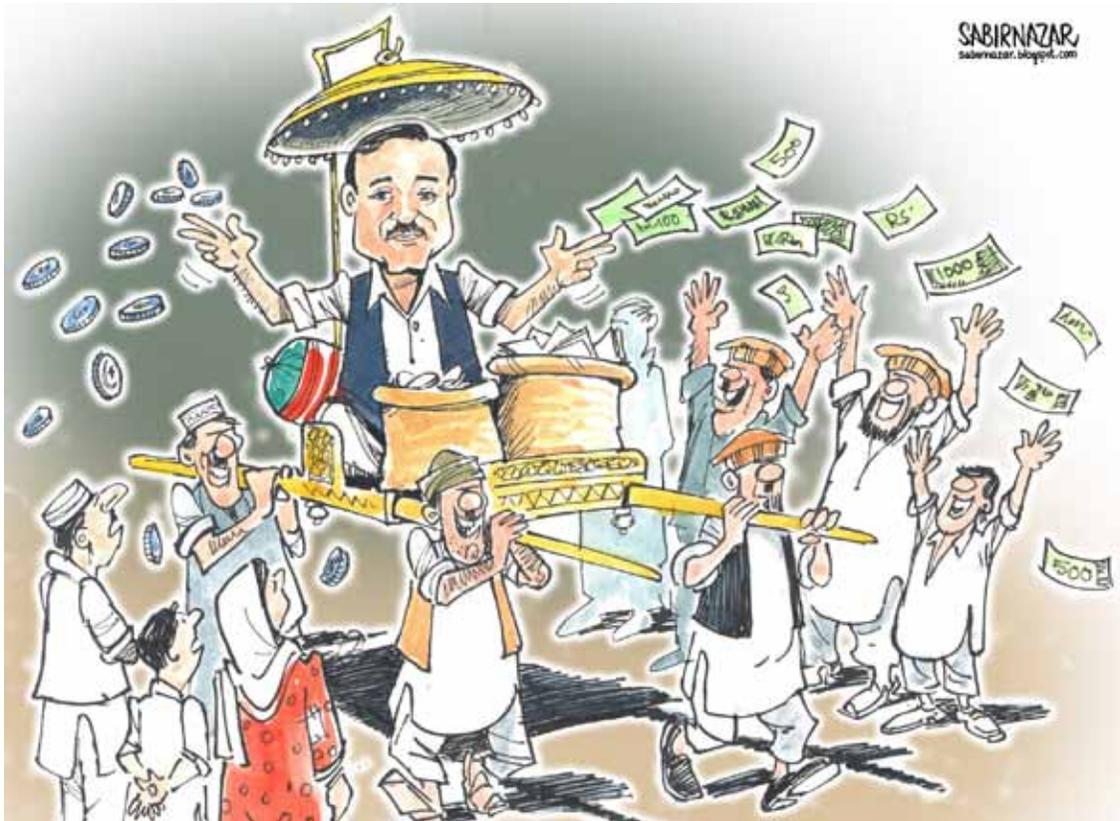
According to government data, Kohistan is among the severest flood-affected districts of KPK, with an affected population of 464,333. It is also among the poorest. And yet it was allocated a meager Rs.16.8 million out of the total allocation of Rs.7.8 billion for flood relief from the provincial budget of 2010-11. According to the number of affected, Kohistan's due share should have been Rs.948 million. District Mardan on the other hand, classified among the least affected with only 19,992 affected people, received Rs.237.4 million.





People of Kohistan's Kandian Valley trek for days to reach their homes as the roads washed away by the 2010 flood have not yet been rehabilitated

The injustice continued in the following year's budget. Rs.8.46 billion was set aside for flood rehabilitation in KPK's budget 2011-12. More than two third of the amount is retained as block funds. Of the allocated amount, Kohistan, which accounted for 12% of the total affected people in KPK, was only allocated Rs.25 million. Based on the numbers of affected, Kohistan's due share in flood rehabilitation funds should be more than one billion, an estimated forty times more than the amount actually allocated in FY2011-12.



Some get more than others -- increasing public alienation and social exclusion

Smaller provinces: for identity, control and equity

Many believe that compulsions of politics will continue placing pressures that result in inequitable distribution of resources. The size of provinces and limited capacity also make it increasingly difficult for provincial governments to respond to people's diverse needs or to realize the often abundant but untapped potential for growth.

Increasing public alienation and social exclusion are reinforcing demands for smaller provinces in Pakistan. The cases of Hazara, Seraiki and Bahawalpur provinces have significant public backing as viable means of achieving more representative and efficient governance.

Calls for smaller provinces are grounded in the belief that greater control over resources leads to more equitable development. Accountability and access to government will become easier. Citizens will be able to monitor the budget making and implementing processes. Resources will be better identified and developed effectively.

The arguments for smaller provinces are not merely premised on administrative efficiency. Social, geographic and historic bonds are the foundation of the popular demand for a Hazara province. It seeks recognition of a shared history, an affirmation of a collective identity, and reflects a multi-ethnic peoples acceptance of each other's right to shared resources.



People of Hazara demand a separate province

Public Recommendations

- Eradicate block development funds by specifying locations
- Establish criteria similar to the NFC for allocation of the total ADP funds
- Empower the provincial finance commission to monitor budget allocations for the complete ADP and not only for district development funds
- Abolish all discretionary powers and allocations held by chief ministers and public representatives
- Make constitutional amendments to simplify the process of creating more provinces

Citizen Voices: it is critical to question budget priorities

Why are imminently sensible options not taken or ignored when deciding the use of public funds? Is it the lack of transparency and access to relevant information that nurtures a political ethos steeped in patronage? Is a mediocre leadership stripped of any sense of service to blame? Or is it due to citizen voices too faint to effectively demand accountability? Perhaps it's a mix of all these factors.

The misuse of public funds can be a divisive force that creates distances between peoples, promotes a lack of trust in the state and its institutions and fuels the spread of hate.

Many of the challenges faced by Pakistan today may be traced to impropriety in use of public funds for the benefit of all its citizens.



Equitable and effective use of public monies and national resources is the greatest contributor to a people's sense of participation or belonging and is a force that can bind people together. Its judicious use can put a country on the path to progress and also spur its citizens to play a much more responsible role in its development.

Transparency and accountability are rights that can ensure the nation's progress. It is time that citizens play a role in changing destinies and holding representatives accountable.

Citizens are asking questions:

Where is my money?

How is it spent?

Use it to change my life....

.... and I demand you do it now!

It is my money after all!

**WHEN WILL MY
SCHOOL
BE BUILT?**

Omar Asghar Khan
Development Foundation



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*Front cover picture: Child playing with debris of a house destroyed by the 2010 floods
Charsadda, Khyber Pakhtunkhwa*

