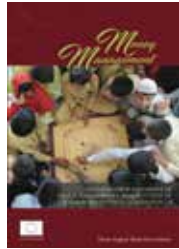
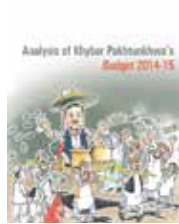
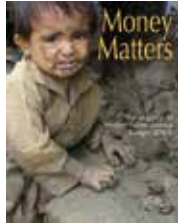


Trends & Takeaways



An Analysis of Development Priorities
Khyber Pakhtunkhwa's Budget 2019-20

Omar Asghar Khan Foundation regularly analyses Khyber Pakhtunkhwa's budgets since 2010. Publications documenting its findings & recommendations are available at www.oakdf.org.pk



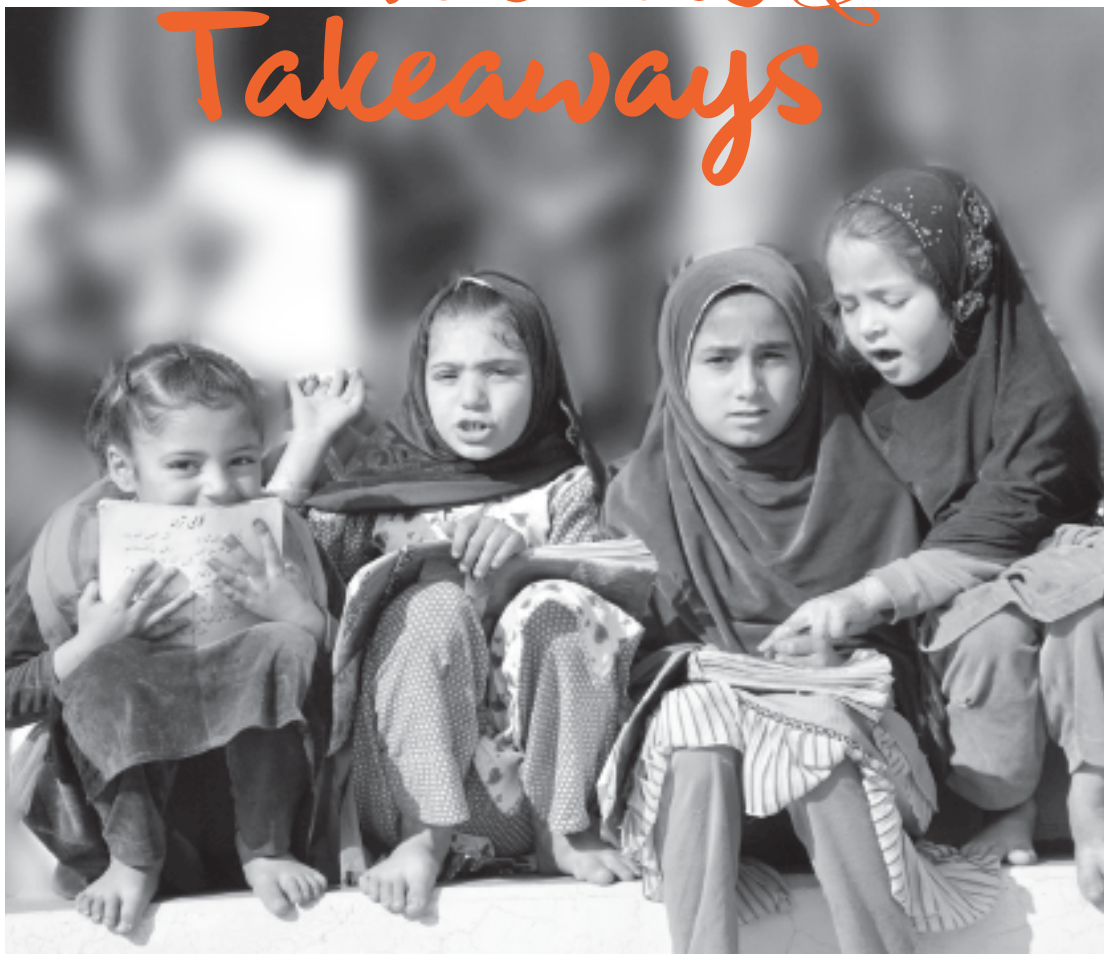
The use of the Foundation's budget analysis is encouraged. Acknowledgement is requested.

This document has been produced with the financial assistance of the European Union. Its contents are the sole responsibility of Omar Asghar Khan Foundation and can under no circumstances be regarded as reflecting the position of the European Union.

The Foundation would like to acknowledge the technical assistance provided by Dr. Kaiser Bengali, a distinguished economist and a Member of its Board of Governors. Dr. Bengali assisted in the analysis documented in this publication and in developing the proposed PFC Award.

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 claim their rights from the state, promote social cohesion 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 responsive, citizens are active participants, and civic space is effectively used to promote inclusion. The Foundation works across Pakistan, with its strongest fieldbase in Khyber Pakhtunkhwa. It has offices in Islamabad and Abbottabad.

Trends & Takeaways



An Analysis of Development Priorities
Khyber Pakhtunkhwa's Budget 2019-20

ACRONYMS

CSO	Civil Society Organisation
FATA	Federally Administered Tribal Areas
FY	Fiscal Year
KP	Khyber Pakhtunkhwa
NC	Neighbourhood Council
NFC	National Finance Commission
PC-1	Planning Commission - 1
PFC	Provincial Finance Commission
PFM	Public Finance Management
RHC	Rural Health Center
VC	Village Council

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Introduction

Rs.900 billion is Khyber Pakhtunkhwa's budget for FY2019-20. It marks an important milestone, as it is the first-ever after the former Federally Administered Tribal Areas (FATA), merged with Khyber Pakhtunkhwa following the passage of the 25th Constitutional Amendment in May 2018.

Out of the total budget, Rs.319 billion is allocated for development, including Rs.83 billion earmarked for the seven tribal districts and Rs.236 billion for the rest of the province. The analysis presented in this publication focuses on the development component of the province's budget, as it indicates the direction of government policy priorities. The current side of the budget mainly deals with recurrent costs.

The analysis examines the share of development funds for each district to better understand distribution of public resources needed for schools, healthcare, drinking water, roads and other essential public services. This examination can only include allocable funds from the total development portfolio. The Foundation also draws on its budget analysis since 2010 to analyse trends over the ten-year period, FY2010-11 to FY2019-20.

For fair, transparent distribution of funds, a Provincial Finance Commission (PFC) Award is proposed. It is applied to Swabi, Swat and Nowshera as well as the seven districts of the poor southern region and six of Hazara. Variations are compared in present allocations and the share due if the PFC is used.

Spending priorities are assessed, defined by sectoral allocations. Shifts are reviewed by comparing resources provided for FY2019-20 with those allocated in the previous year.

Funds specifically allocated for women are shown, with the caveat that without sex-disaggregated data it is hard to identify gender-responsive budgets.

Fiscal decentralization is reviewed over the four-year term of the local government elected in 2015. Gaps in disbursements against allocations are presented. Local government allocations for the newly merged areas are also shown. Block funds in FY2019-20 are assessed, and the trend in the practice of retaining funds under block allocations analysed since FY2013-14.



To better understand the impact of budgets on people's lives, a series of case studies is included, drawn from citizen actions for social accountability led by 200 civil society organizations trained by the Foundation in 12 districts of Khyber Pakhtunkhwa.

The information generated by the analysis and social accountability initiatives will assist citizens and other stakeholders to better understand key aspects of Khyber Pakhtunkhwa's development budget and the implications of public finance decisions it represents. It will impact public backing for improvements recommended in managing the province's public finances. It will support new channels of public engagement in governance that go further than electoral participation, and help governments be more accountable and responsive to public needs.





Fair Funds

Development Allocations for Districts

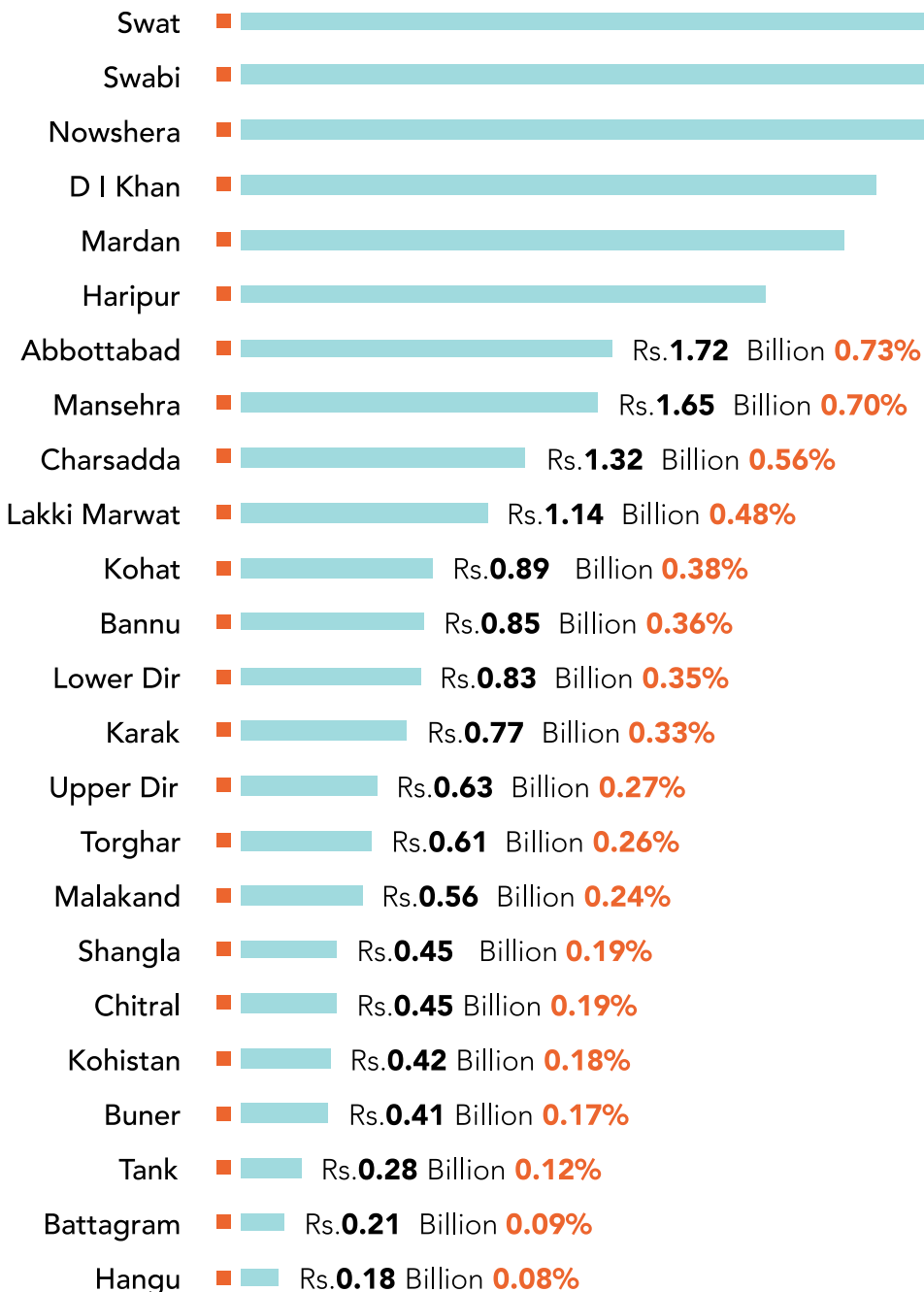
Rs.236 billion is Khyber Pakhtunkhwa's total development outlay for FY2019-20. Of the allocable amount, Swat received the lion's share of Rs. 6 billion or 2.54% of the total. Close on the heels of the Chief Minister's home district was Swabi. It received Rs.5.5 billion, or 2.33%. Nowshera came in third with Rs.3.6 billion, accounting for 1.55% of total development funds.

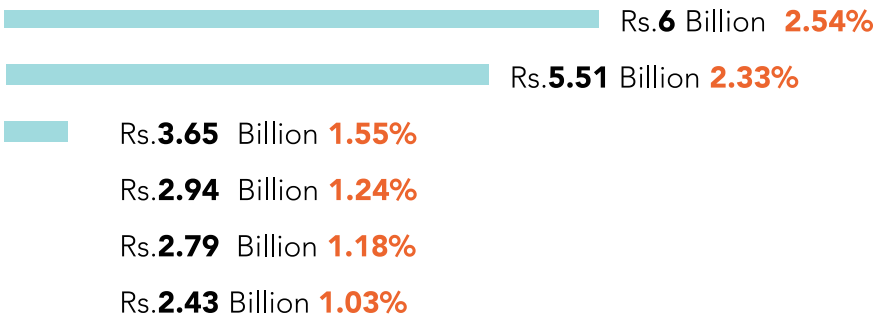
Contrasting sharply with Swat's Rs.6 billion is the cumulative Rs7.04 billion for seven districts that make up the province's poor southern region.

About the same, or Rs.7.02 billion, was provided for the six districts of Hazara including the intensely poor district of Kohistan.* This is about half of Rs.15.15 billion allocated to the three power districts of Swat, Swabi & Nowshera.

Public funds for development are resources required to meet public needs for schools, healthcare, clean drinking water and other services.

A review of the past ten-year period, FY2010-11 to FY2019-20, shows that a total of Rs.45.63 billion is the share of development funds allocated to the province's southern region. A total of Rs.55.24 billion was allocated for Hazara.

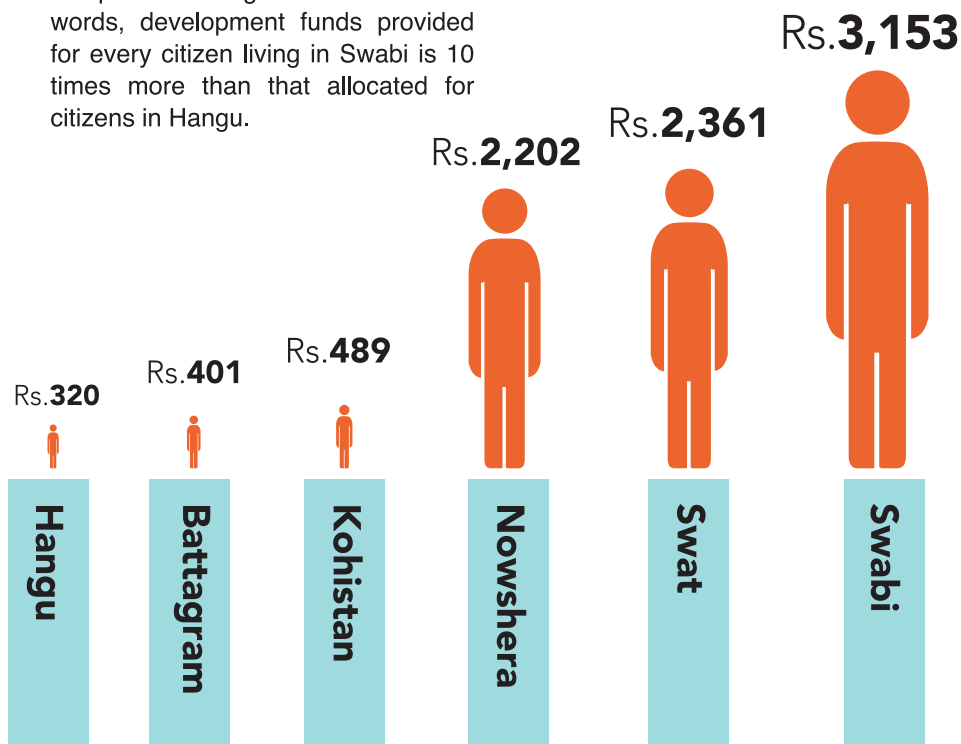




District-wise development allocations & percentage share of total development funds Khyber Pakhtunkhwa Budget FY2019-20

**all districts except metropolitan Peshawar*

Uneven development allocations also come into sharp focus in per capita terms. In FY2019-20 Swabi's per capita allocation is Rs.3,153 compared to Hangu's Rs.320. In other words, development funds provided for every citizen living in Swabi is 10 times more than that allocated for citizens in Hangu.



There are also marked discrepancies within regions. Among the southern region's seven districts, the per capita allocation in Dera Ismail Khan is Rs.1,629, which is about five times more than Hangu. In Hazara, Haripur's per capita allocation of Rs.2,285 is almost six times more than Battagram's Rs.401.

Despite high per capita allocations, many in Haripur lack healthcare & roads

Village Council Chajjian is part of (former) union council Rehana in Haripur, the hometown of General Ayub Khan and his family. It has no public health facility. Without proper roads, accessing healthcare or other essential services is more difficult for about 500 households of the VC's three villages. A health emergency rapidly becomes urgent as patients and pregnant women have to be carried on string-bids (charpais) for two hours to cover 5-6 km of mountainous terrain to reach the nearest point where public transport is available.

To promote pro-poor distribution of public resources, the Foundation assisted about 1,000 women and 1,000 men in 33 poorest areas of 23 poor (former) union councils of Tehsil Haripur to analyse their conditions and define pathways to improve them. The people of VC Chajjian included a public health facility and a road among the nearly 900 priorities identified through this participatory analysis. These priorities will shape a Tehsil Haripur plan of action that will guide people, public representatives, government officials and other stakeholders to use resources consistent with public preferences.



2012-13

Mardan

Rs. **5.06** Billion
5.2%

2013-14

Mardan

Rs. **3.12** Billion
2.6%

2014-15

Nowshera

Rs. **3.76** Billion
2.7%

2015-16

Nowshera

Rs. **5.37** Billion
3.1%

Trends analysed over the period FY2012-13 to FY2019-20 indicate that funds flow followed the trajectory of political power.

Amounts are total allocations for a district and the percentage is its share of the total development funds.

2019-20

Swat

Rs. **6** Billion

2.5%

2017-18

Nowshera

Rs. **5.47** Billion

2.6%

2016-17

Nowshera

Rs. **5.17** Billion

3.2%

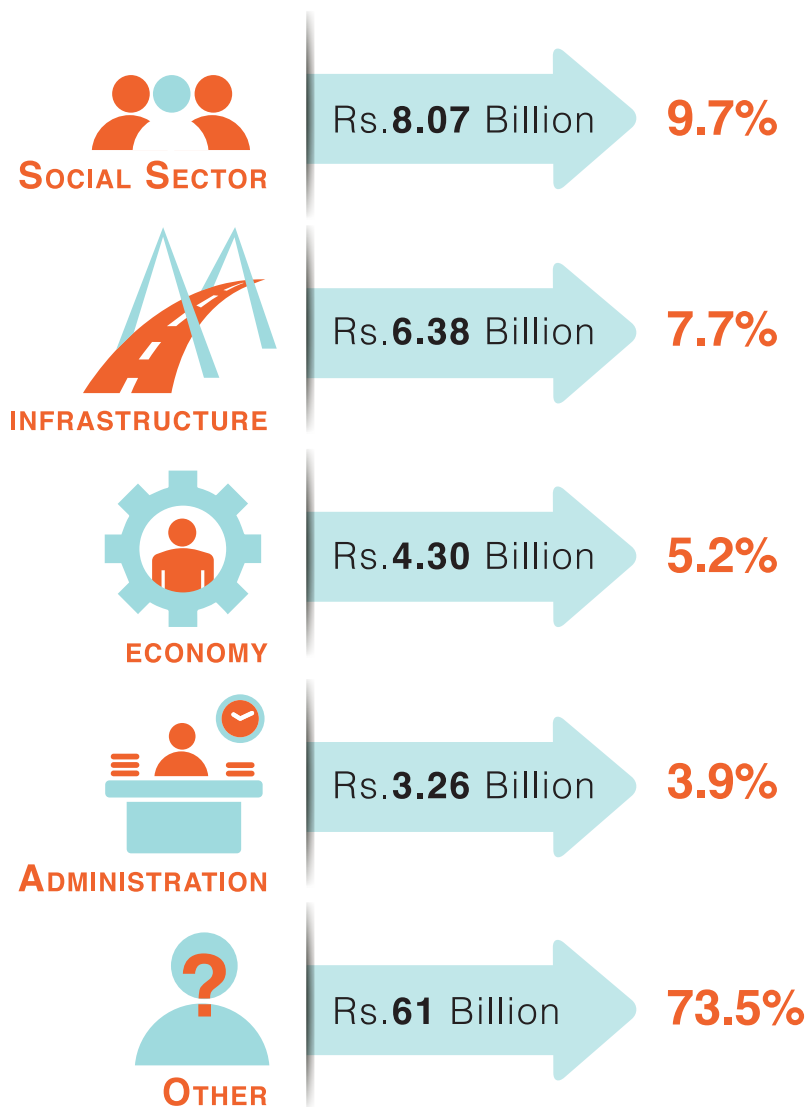
2018-19

Swat

Rs. **4.06** Billion

2.3%

What will the Rs.83 billion development budget for the merged areas be spent on?



Amounts are total sectoral allocations and the percentage is its share of the total development funds.

Single Khyber Pakhtunkhwa Funds for Former FATA

An assessment of development allocations in Khyber Pakhtunkhwa's budget for FY2019-20 is incomplete without details on funds for the former Federally Administered Tribal Areas (FATA).

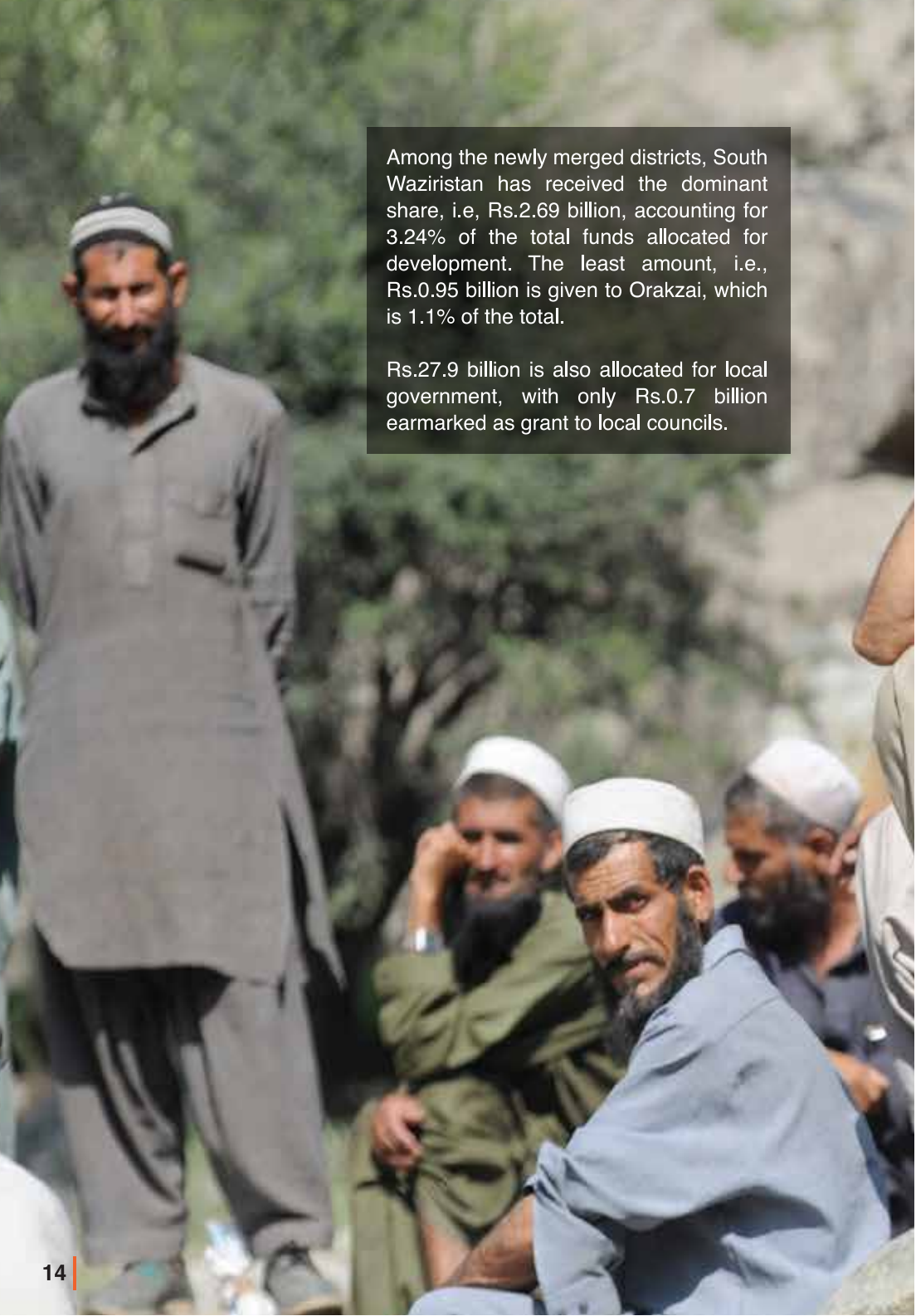
Former FATA was merged into Khyber Pakhtunkhwa through the 25th Constitutional Amendment passed in May 2018. Political, administrative and fiscal integration with Khyber Pakhtunkhwa ensued.

Fiscal integration steps are evident in Khyber Pakhtunkhwa's budget for FY2019-20, making it a landmark budget. It includes Rs.162 billion for the merged areas, distinctly presented within the overall provincial budget. Of this amount Khyber Pakhtunkhwa has contributed Rs.11 billion as per the decision that provinces will give 3% of their divisible pool share, pending finalization of the new National Finance Commission (NFC) Award.

Of the total allocation of Rs.162 billion, more than half, or Rs.83 billion, is provided for development.

According to Khyber Pakhtunkhwa's White Paper on the FY2019-20 budget, the government's spending focus will be on: health, education, jobs, wealth creation and rapid impact programmes. Improving infrastructure is also among its priority concerns.

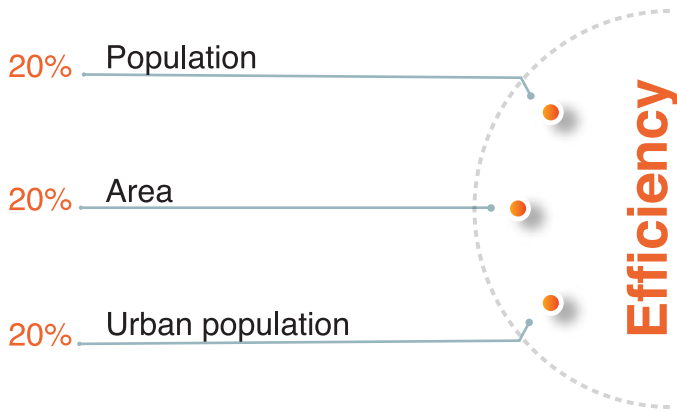
With 85% of the total development budget placed as block allocations, it is difficult to identify the priorities it represents. The block funds include Rs.59 billion for the Tribal Decade Strategy, accounting for 71% of development funds. Similar catchall allocations include Rs.1.2 billion for Multi-Sectoral Development and Rs.0.04 billion for Pro-Poor Special Initiatives.



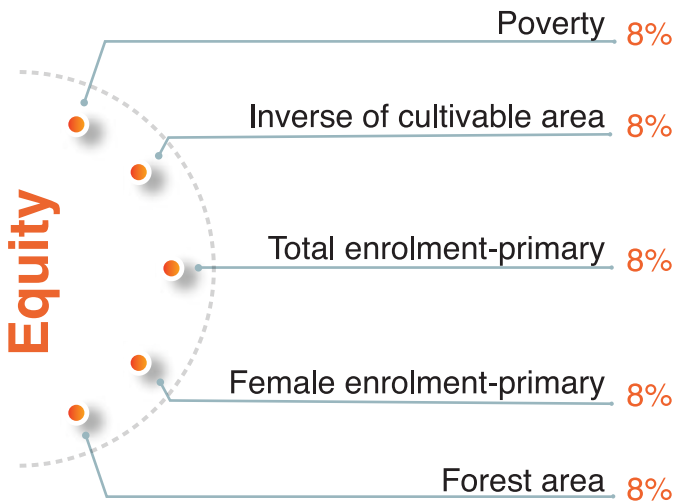
Among the newly merged districts, South Waziristan has received the dominant share, i.e, Rs.2.69 billion, accounting for 3.24% of the total funds allocated for development. The least amount, i.e., Rs.0.95 billion is given to Orakzai, which is 1.1% of the total.

Rs.27.9 billion is also allocated for local government, with only Rs.0.7 billion earmarked as grant to local councils.





A Proposed PFC Award for Khyber Pakhtunkhwa



Innovation

A proposed PFC Award for KP

Fair and transparent basis of distributing public funds will extend development benefits to all citizens, especially the more vulnerable. A creative Provincial Finance Commission (PFC) Award can provide that basis.

*To encourage outside the box thinking, the Foundation has developed a proposed PFC Award for Khyber Pakhtunkhwa.**

The proposed PFC Award is based on eight criteria that promote *Efficiency* and *Equity*.

Total population, area & urban population with an equal weightage of 20% each will efficiently extend development assistance to citizens living in a district. Urban population is included to support planned urbanization and promote growth. These criteria cumulatively account for 60% of the total weightage.

The remaining 40% is equally divided among five criteria relating to equity. Poverty emphasizes the need to reduce deprivation. Female enrolment in primary schools encourages gender-responsive budgets. Total enrolment in primary schools supports social sector investment. Inverse of cultivable land accounts for low economic resource base. Forest area will help build resilience against the impact of climate change.

Credible and current statistics are available for the proposed criteria in public and academic development datasets.

Swat Rs.15.35 Billion

Swabi Rs.7.67 Billion

Nowshera Rs.7.42 Billion

Southern Region

Bannu Rs.6.01 Billion

D I Khan Rs.14.22 Billion

Hangu Rs.6.06 Billion

Karak Rs.6.65 Billion

Kohat Rs.7.95 Billion

Lakki Marwat Rs.7.95 Billion

Tank Rs.7.03 Billion

Hazara

Abbottabad Rs.8.15 Billion

Battagram Rs.8.86 Billion

Haripur Rs.4.34 Billion

Kohistan Rs.17.69 Billion

Mansehra Rs.8.51 Billion

Torghar Rs.4.45 Billion

The comparison between present allocations against shares that may become due if the proposed PFC is applied shows significant variations. Many districts get substantially more funds. Some get less.

Rs.6 Billion




Rs.5.51 Billion



Rs.3.65 Billion




Rs.0.85 Billion




Rs.2.94 Billion




Rs.0.18 Billion



Rs.0.77 Billion



Rs.0.89 Billion



Rs.1.14 Billion




Rs.0.28 Billion



Rs.1.72 Billion




Rs.0.21 Billion



Rs.2.43 Billion




Rs.0.42 Billion



Rs.1.65 Billion



Rs.0.61 Billion



Kohistan in Hazara would get Rs.17.69 billion or 43 times more funds than the Rs.0.42 billion presently allocated. Hangu in the southern region would receive Rs.6.06 billion rather than Rs.0.18 billion, or 34 times more.

The difference in allocated and due shares after applying the proposed PFC Award magnifies the need for an open and transparent basis for distributing resources. A multi-criteria PFC Award, with broad-based backing provides that basis.

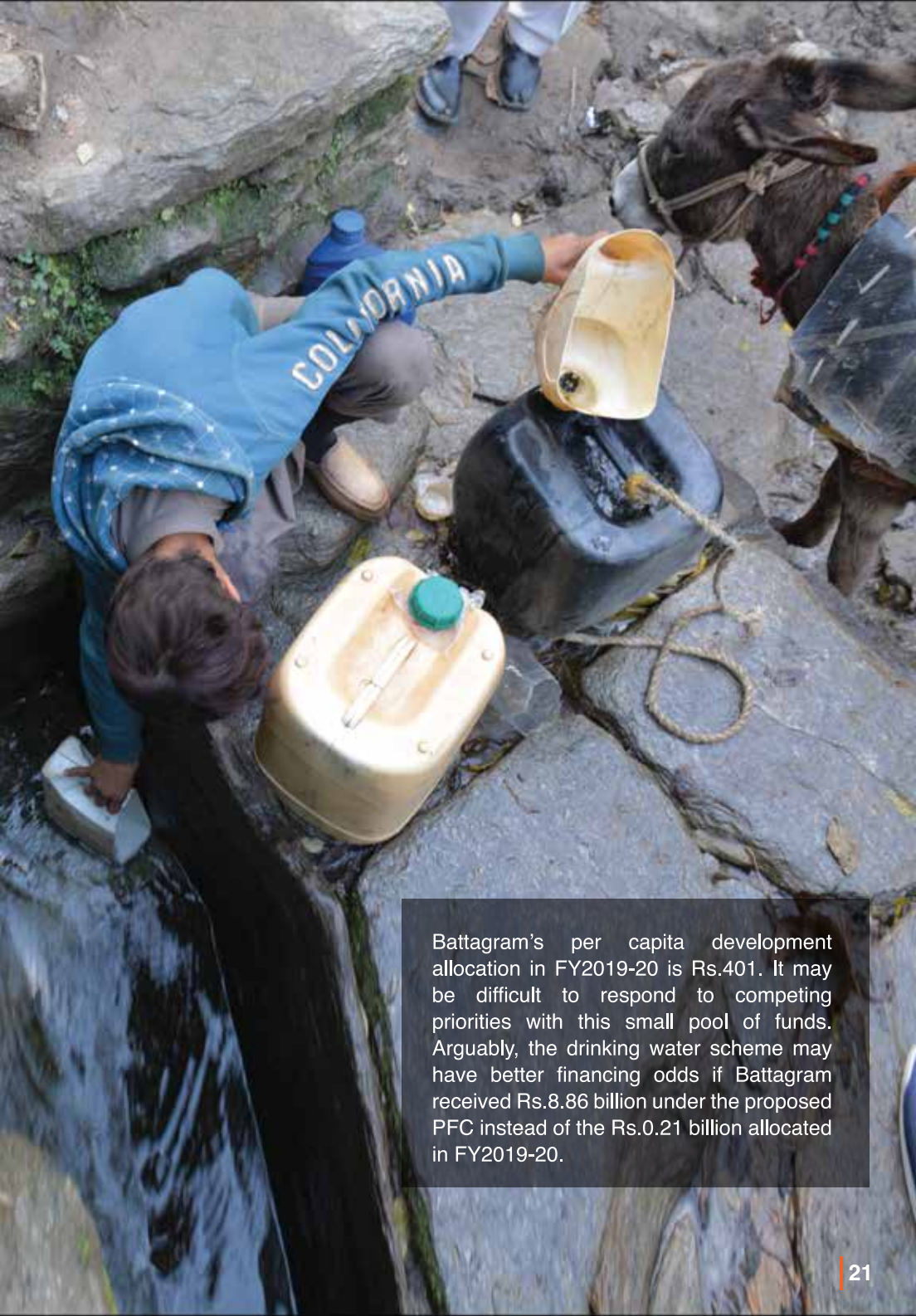
Funds for water

Battagram's better financing odds

Since mid-1990s, more than 700 households in five villages of Battagram have faced water shortage. Depleting water levels in the natural springs serving as their source of water dried up after the 2005 earthquake. Affected families spend about Rs.1,500 to transport water that typically lasts two days. Women of poor households walk for 4-5 hours every day to fetch water.

Local CSOs trained in social accountability by the Foundation are demanding water. They brought together people of the five affected villages, identified an alternate source of water supply, and estimated the cost of accessing it. In delegations they knocked on every door within their reach. They met district officials, councillors and even travelled to the capital Peshawar to place their demands before members of national and provincial assemblies. Some shunned them. Others rued that lack of funds ruled out the possibility of financing the scheme.

Despondent but not deterred, they led a sit-in in Battagram's town centre in 2018. It ended on day 8, after the government announced that a PC-1 to supply water to their villages was prepared, at a cost of Rs.35 million. No progress is since evident. The scheme does not appear in KP's budget for FY2019-20. Battagram's poor continue pursuing water.



Battagram's per capita development allocation in FY2019-20 is Rs.401. It may be difficult to respond to competing priorities with this small pool of funds. Arguably, the drinking water scheme may have better financing odds if Battagram received Rs.8.86 billion under the proposed PFC instead of the Rs.0.21 billion allocated in FY2019-20.

Closer to people, local governments are better placed to respond to public needs.

In early 2019 Nowshera's District Nazim authorized the installation of 600 streetlights in Pabbi. His action was in response to a public petition moved by a local CSO trained in social accountability by the Foundation in 2018.

Increased crime after dark prompted the petition. People, especially women, avoided going out after sunset.

With better access to local councillors, the CSO pursued the petition until the streetlights were authorized. The 600 streetlights cost Rs.300,000 benefitting more than 35,000 people in NC1 & NC2 of Pabbi.

Fiscal Decentralization

Funds for Local Governments

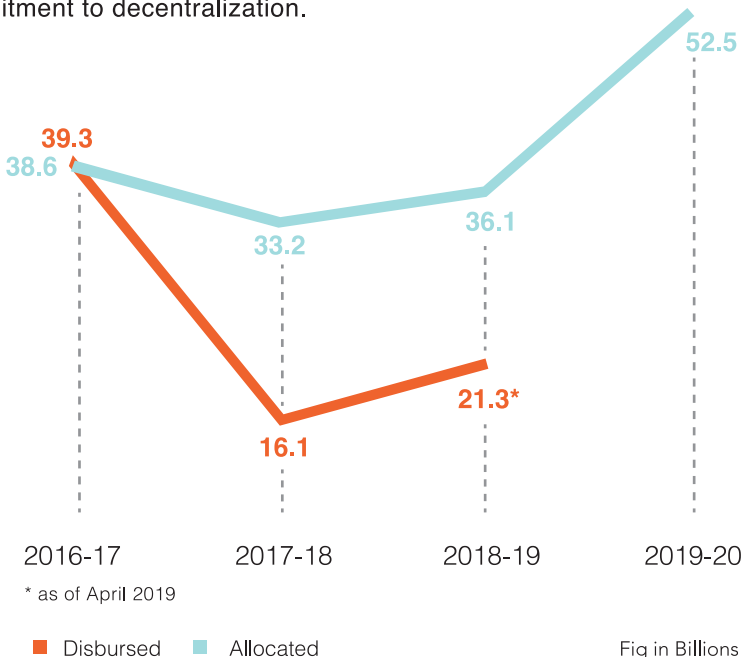
Local governments in Khyber Pakhtunkhwa completed their four-year tenure in August 2019. Their effectiveness depended on appropriate fiscal decentralization.

Khyber Pakhtunkhwa's White Paper on the FY2019-20 budget shows the gap between funds allocated and disbursed to local governments over its four-year tenure.

Slashed disbursements in three of the four-year term runs contrary to the government's stated commitment to decentralization.

Prompt local elections, due within 120 days after a term is completed, will ensure continuity of the system. Incoming local governments will also benefit from the record amount of Rs.52.50 billion provided for them in FY2019-20.

Local government allocations include Rs.27.9 billion for the former FATA region of which only Rs.0.7 billion is grant to local councils.



Sector	FY2018 -19 Rs. Billions	% of total	FY2019-20 Rs. Billions	% of total
Social Sector				
Elementary & Secondary Education	16.08	11.98	17.38	12
Health	11.86	8.8	11.85	7.87
Sports, Culture, Tourism & Archaeology	2.50	1.86	8.90	5.92
Higher Education	4.87	3.63	5.85	3.89
Drinking Water & Sanitation	3.42	2.55	4.80	3.19
Population Welfare	0.57	0.43	0.82	0.55
Social Welfare	0.29	0.22	0.38	0.26
Housing	0.34	0.26	0.31	0.21
Environment	0.44	0.33	0.04	0.03
Infrastructure				
Roads	14.62	10.89	23.69	15.74
Transport	39.24	29.23	14.29	9.49
Energy & Power	4.09	3.05	9.01	5.99
Building	0.93	0.70	0.81	0.54
Economy				
Water	8.52	6.35	13.26	8.81
Agriculture	3.48	2.59	9.50	6.32
Urban Development	4.05	3.02	7.41	4.93
Forestry	2.86	2.13	4.08	2.71
Relief & Rehabilitation	1.42	1.06	2.98	1.98
Industry	1.63	1.22	2.29	1.53
Science & IT	0.39	0.29	0.99	0.66
Food	0.47	0.35	0.40	0.27
Mines & Minerals	0.40	0.30	0.37	0.25
Administration				
Finance	6.19	4.61	5.22	3.47
Home	3.27	2.44	3.44	2.29
Law & Justice	0.88	0.66	1.04	0.69
Board of Revenue	0.45	0.34	0.48	0.32
Auqaf, Haj	0.40	0.30	0.42	0.28
Excise, Taxation & NC	0.20	0.15	0.18	0.12
Information	0.14	0.11	0.15	0.10
Labour	0.13	0.10	0.09	0.06

Spending Priorities

Allocations to Sectors

With an allocation of Rs.37.98 billion, Roads & Transport tops the list of spending priorities in FY2019-20. It accounts for 25.23% or one-fourth of funds allocated to sectors. Education (elementary & higher) follows with Rs.23.23 billion, or 15.43% of the total. On the bottom of the preference pile is Environment with an allocation of Rs.0.04 billion which is 0.03% of total sector-specific funds.

Cumulatively, the social sector dominates spending with a total allocation of Rs.50.35 billion or 33.44%. Infrastructure comes a close second with Rs.47.81 billion or 31.76% of total sector-specific funds. They have swapped places since the preceding year.

In FY2018-19 Infrastructure was on top with a total of Rs.58.90 billion. Social sector trailed behind with Rs.40.41 billion. Allocations for Transport likely tipped the scales. In FY2018-19. Its total was a whopping Rs.39.24 billion, diminishing to less than half, or Rs.14.29 billion, in FY2019-20.

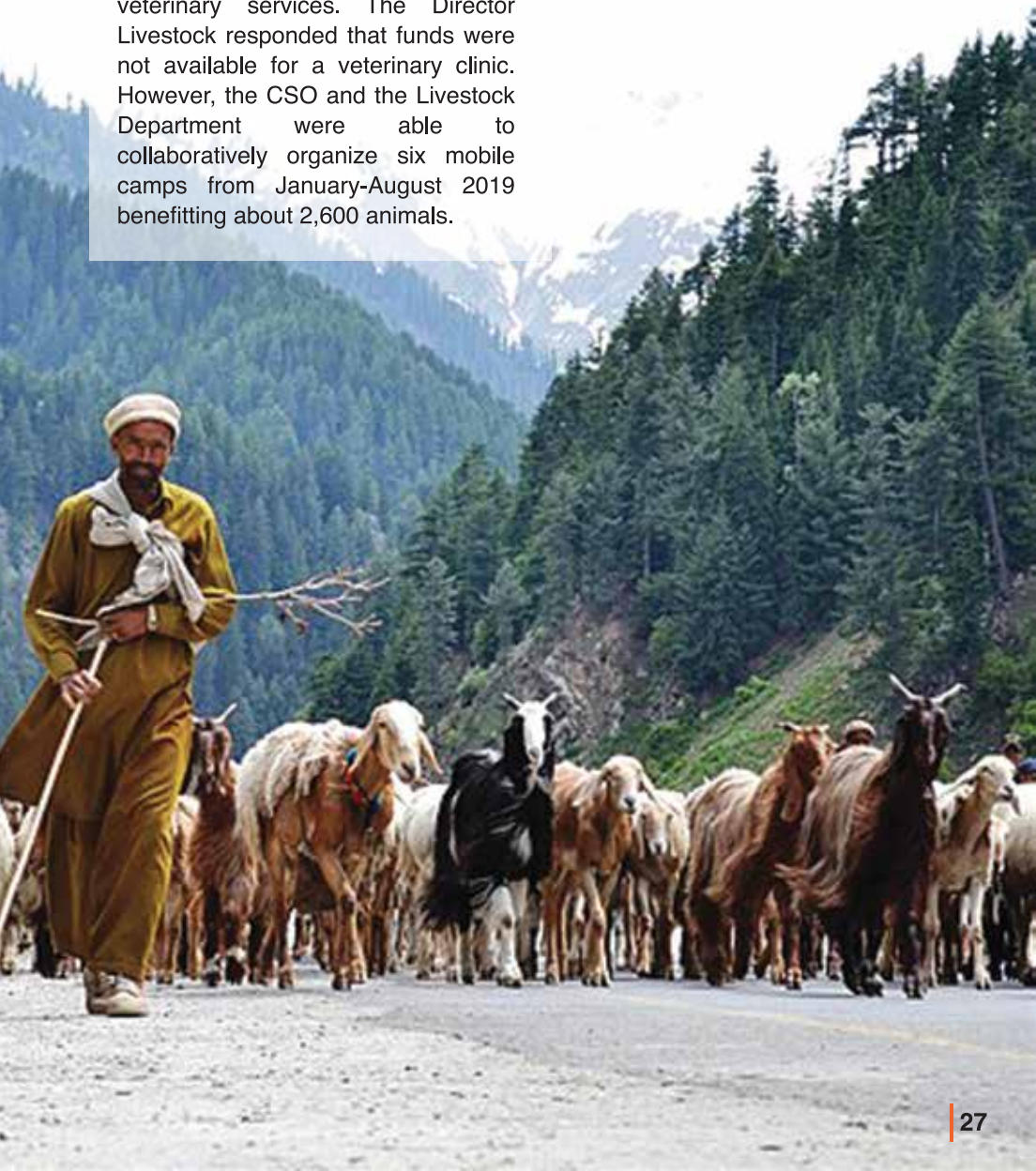
Effective public spending will reflect in quality services consistent with public needs. It requires a government structure committed to serving citizens, especially the poor.

A herd of goats, mostly white with some brown and black patches, is running across a wide, gravelly path. In the background, there are steep, forested mountains with patches of snow on their peaks. The scene is bright and sunny.

Putting money, where needs are

In 2017 when golgothu (a common disease in livestock) killed more than 150 animals in Village Purana Sanghar near Mansehra's Balakot town, the livestock department claimed it was unable to provide veterinary services due to lack of funds. Anxious of losing their livestock, a precious asset, local groups trained in social accountability by the Foundation persisted until the government approved a veterinary clinic in 2018. A one-room space was rented, a vet was appointed and medicines provided. About 60 animals benefit from the clinic on a daily basis. The fee is Rs.20 per animal – the medicines are free

Similarly, the local CSO in Kohat's VC Lachi-Rural used their social accountability skills to demand veterinary services. The Director Livestock responded that funds were not available for a veterinary clinic. However, the CSO and the Livestock Department were able to collaboratively organize six mobile camps from January-August 2019 benefitting about 2,600 animals.



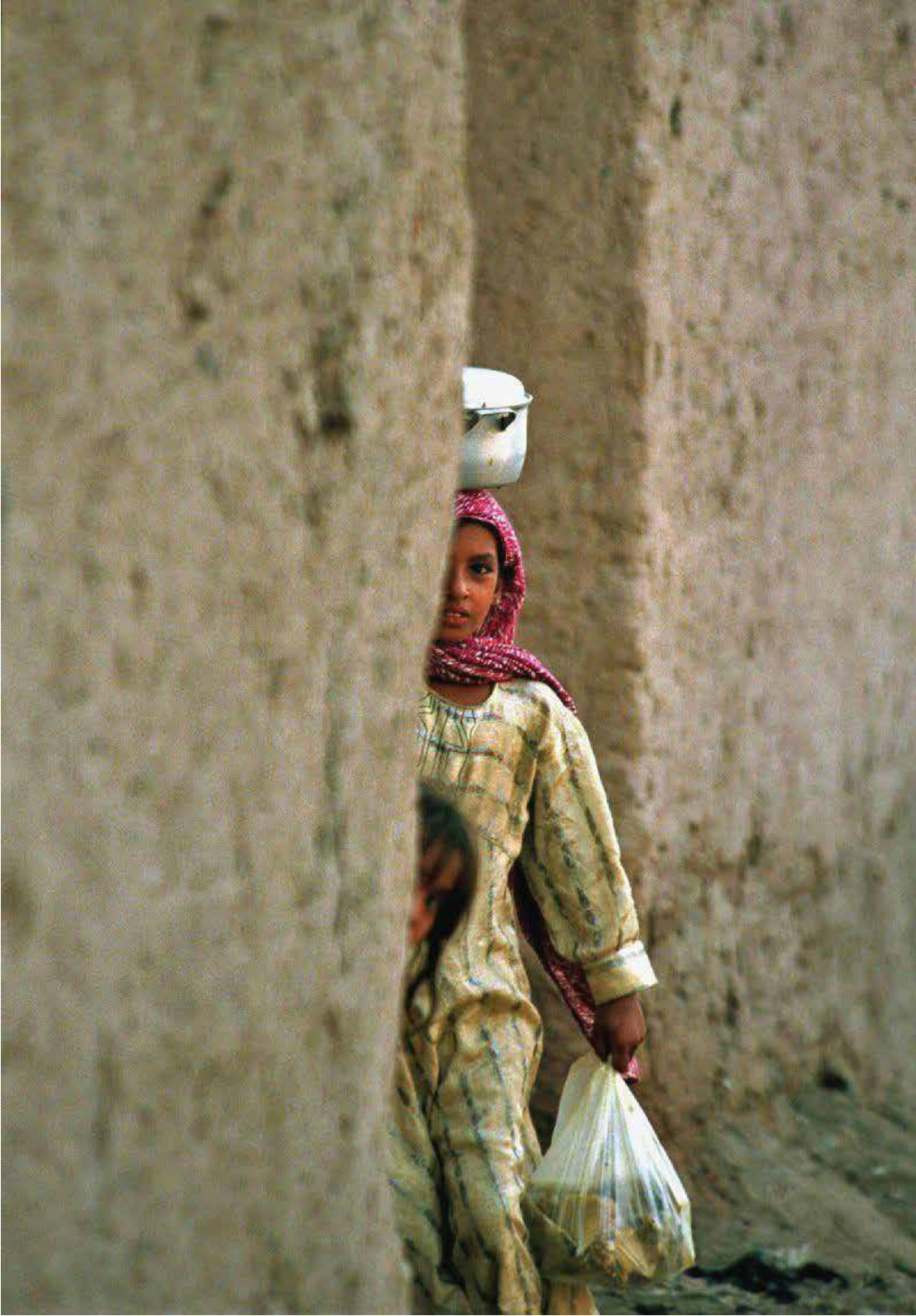
Power restored in a Shangla RHC after about 4-5 years

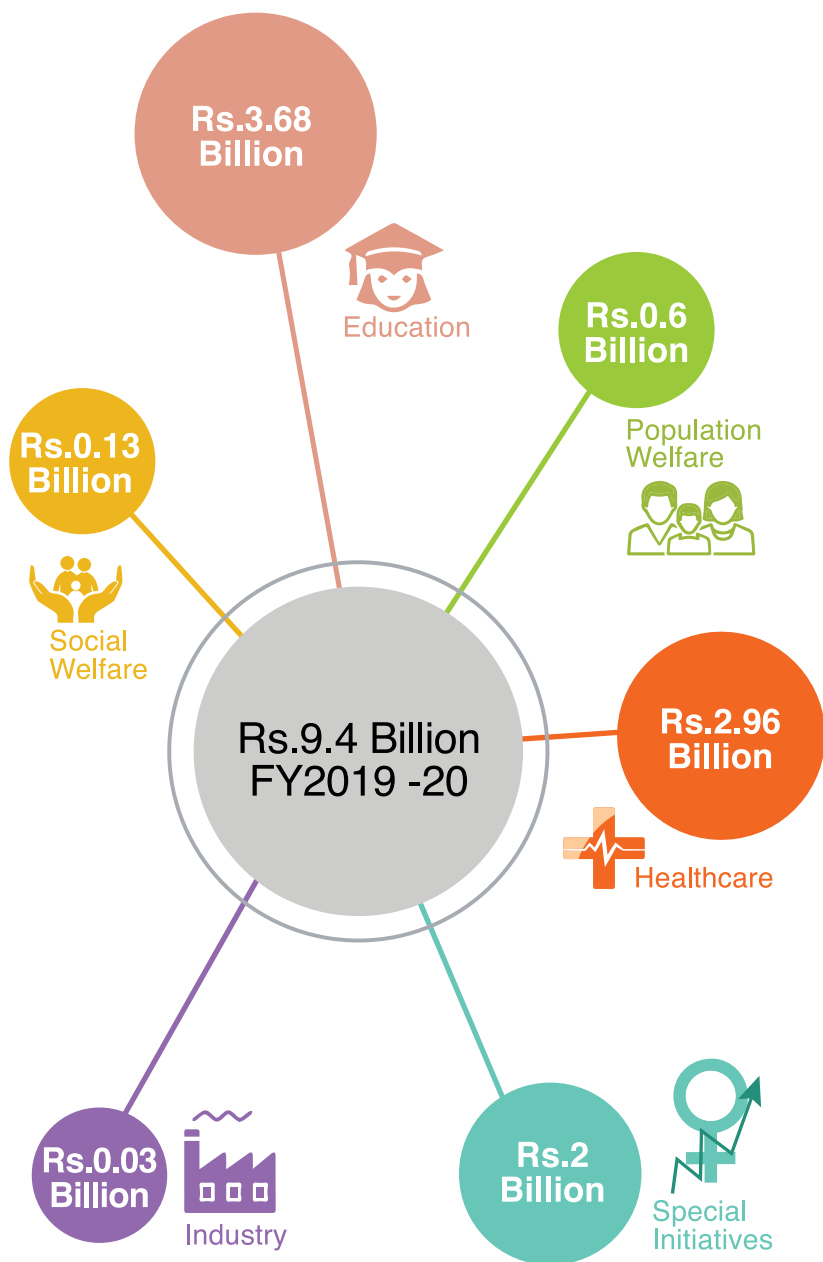
The Rural Health Centre-Karora in District Shangla lost power around 2013-14 when a surge in electricity burned out its transformer. The RHC's ultrasound, x-ray machines, dentistry equipment and even water supply became dysfunctional. The RHC staff's requisitions for replacing the transformer went unheeded.

In 2018 a local citizen organization trained in social accountability by the Foundation prepared a public petition for a new transformer and presented it at a khuli kutchery (town hall meeting). Senior government officials chairing the event authorized the replacement. Within weeks RHC-Karora got a new transformer. Power supply was reconnected and its diagnostic equipment became functional. Water supply was also restored.

"I ignored the doctor's recommendation to get an ultrasound as it meant time and money to travel to Swat," one female patient recounted the hardships faced when the RHC lacked power supply. It is hard to estimate how many patients may have similarly avoided diagnostic tests over the period the RHC operated without power.

An estimated Rs.300,000 was the cost of replacing the 50KV transformer, a minor expenditure with major health benefits.





These amounts must be viewed within the significant constraint that budget data is not sex-disaggregated. They only represent amounts and sectors where funds can be specifically defined for women.

Equity

Gender-Responsive Budgets

In FY2019-20 Rs.9.42 billion is the total amount specifically allocated for women. It is nearly double than the Rs.5.08 billion allocated in the preceding year. However, this data must be viewed within the significant constraint placed by non-availability of sex-disaggregated budget figures.

Sex-disaggregated data is critical to distinguish public budget contributions to advancing gender equality.

A nuanced understanding of gender will support Khyber Pakhtunkhwa in achieving its commitment to make its budgets more gender responsive. This entails mainstreaming women's interests across all sectors and allocations to counter biases that underpin gender inequities.

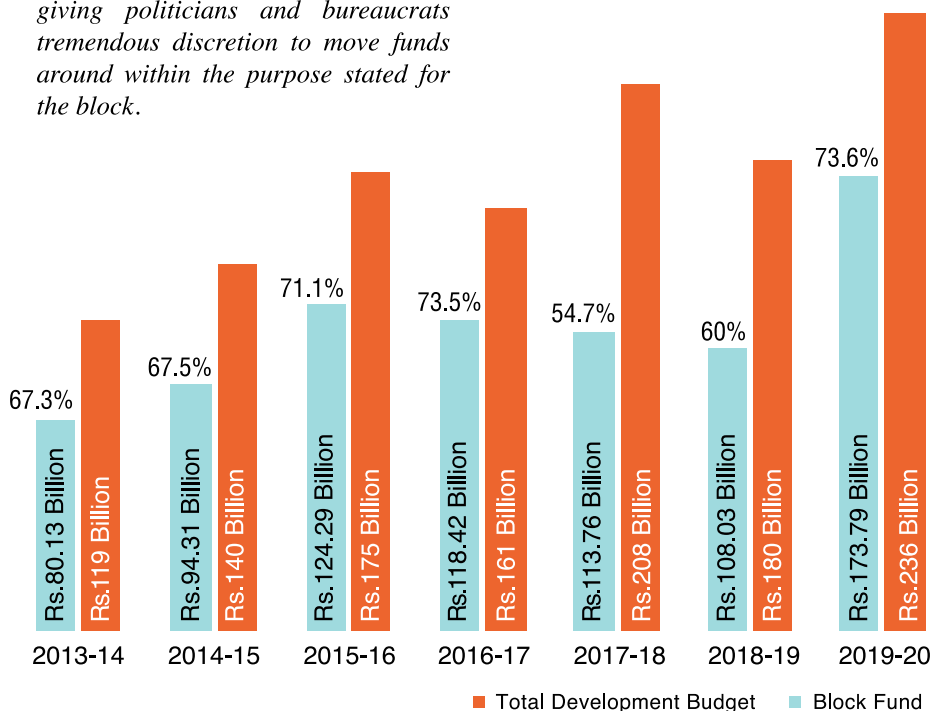
Transparency

Block Allocations

73.64% of the total development budget for FY2019-20 has been retained as block funds. Trends analysed since FY2013-14 show that more than half of the development budget has consistently remained shrouded under block allocations.

Block or umbrella funds are allocations made to sectors like education, health, etc., without specifying their intended location, giving politicians and bureaucrats tremendous discretion to move funds around within the purpose stated for the block.

Block funds compromise transparency and make it difficult to hold governments to account. Maintaining large amounts of block funds runs contrary to the government's stated resolve to make budgets transparent, expressed in its PFM strategy 2017-20.



- Improve fiscal discipline and better budget execution.
- Use creative criteria to devise a Provincial Finance Commission (PFC) Award for fair and transparent allocation of development funds to each district.
- Extend the scope of the PFC Award beyond local government funds to the entire development budget.
- Ensure allocation & disbursement of not-less-than 30% development funds to empower local governments.
- Promote transparency by reducing block funds until they are effectively minimized or eliminated.
- Provide sex-disaggregated budget data.
- Support gender-responsive budgeting, mainstream women's interests in every sector.
- Support engagement of citizens, especially the poor, in improving the use of public funds for delivering quality public services.
- Establish credible and effective mechanisms for capturing a range of public perspectives on public finance priorities.

