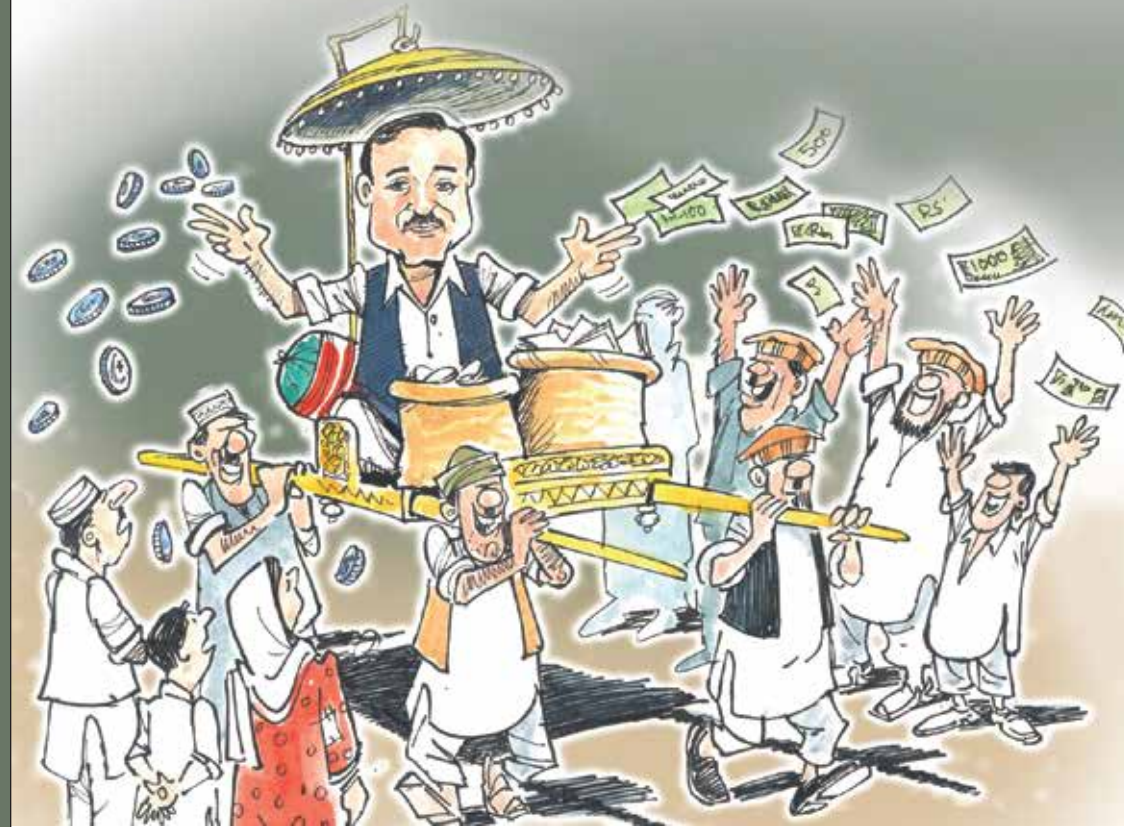


Analysis of Khyber Pakhtunkhwa's Budget 2014-15



Omar Asghar Khan Foundation

2-B, Parbat Road, F-7/3 Islamabad – Pakistan

Tel +92 51 2611092-4

Fax +92 51 2611090

82/2, Shabbir Sharif Road

Abbottabad – Pakistan

Tel +92 992 332382-4

Fax +92 992 332385

www.oakdf.org.pk

Omar Asghar Khan Foundation

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 field-base in Khyber Pakhtunkhwa. The Foundation has offices in Islamabad and Abbottabad.

Contents

1. Introduction
2. Process of analysis
3. Findings
 - 3.1 Funds for social services
 - 3.2 Human security
 - 3.3 Inequity in funds for development
 - 3.4 Putting Accountability Last
4. Recommendations

Cover: Cartoon showing inequity in distribution of public funds apparent by the analysis of Khyber Pakhtunkhwa's Budget 2014-15

1. Introduction

Public budgets reflect the policy intent of governments. Omar Asghar Khan Foundation has analyzed public budgets since 2006. Initially, its work focused on off-budget rehabilitation funds allocated after the 2005 earthquake. In 2009, it shifted its analysis to mainstream provincial and federal budgets.

In Khyber Pakhtunkhwa, the Foundation has analyzed the provincial budget since 2009. Specifically looking at development allocations that are essential for delivering social services to the people across the province.

This document gives details of its analysis of Khyber Pakhtunkhwa's Budget for FY2014-15. The Foundation's analysis focused on funds for social services. It also assessed allocations for development made for each district, with a view of understanding if all people of the province were receiving equitable opportunities to access public services and development opportunities. The analysis also reviewed the practice of retaining block allocations which gives unprecedented discriminatory powers to the executive, and runs contrary to the principles of openness and transparency.

The Foundation's budget analysis helps citizens, civil society organizations and their coalitions to use its findings to demand pro-poor public finance priorities and equitable distribution of development funds.

2. Process of analysis

The budget for 2014-15 was presented to the provincial assembly on 14 June 2014. The Foundation's contacts helped it access the budget documents the same evening. A dedicated team of 6-8 staff of the Foundation worked round-the-clock to disaggregate development allocations by district and sector. This is a key step in budget analysis as it represents the basic data which is used for assessment.

The disaggregated budget figures helped assess funds for social services and other development opportunities allocated for each district. These were compared with "due share" calculated by adapting the National Finance Commission to districts in Khyber Pakhtunkhwa. The disaggregated data also helped calculate the proportion of funds retained in block funds.

Additional Foundation staff helped analyze the tabulated data. They also compared the community monitoring of basic services in the four districts of Battagram, Nowshera, Peshawar and Mardan, with provincial budget data. This helped connect micro with the macro, and enabled the understanding of budget allocations with their on-the-ground utilization.

3. Findings

3.1 Funds for social services

According to budget documents of FY2014-15, the Government of Khyber Pakhtunkhwa has pledged improved delivery of health and education as its highest priority. It has allocated Rs.11.21 billion or 8 per cent of the total development outlay of Rs.139 billion to health in FY2014-15. Despite the claimed high priority, this year's allocation in percentage terms is lower than the preceding year's 8.5 per cent or Rs.10 billion allocated of the total development budget of Rs.118 billion in FY2013-14.

Funds for school rehabilitation in District Battagram

In FY2014-15, the provincial government has allocated Rs.300 million to reconstruct 760 schools destroyed by the 2005 earthquake. According to government data, 2,995 schools in Khyber Pakhtunkhwa were affected by the disaster that wreaked havoc across the Hazara region of the province and also Azad Jammu & Kashmir. Of these, only 11 per cent or 342 schools were completed as of June 2009 (January 2010, Annual Review 2008-09, Earthquake Reconstruction & Rehabilitation Authority, Government of Pakistan). No updated data is available on the balance 2,653 schools that were to be rebuilt. Details are needed to determine whether the government's commitment to rebuild 760 schools will ensure that all remaining schools are reconstructed.

It is also not clear how the Rs.300 million will be divided. If it is equally distributed, each school barely gets Rs.300,000 which is clearly insufficient to reconstruct an entire school.

The people of District Battagram's Village Kolay are particularly anxious. The education of this village's children has suffered for nearly nine years, as the local government primary school for boys was destroyed in 2005, and they have struggled to continue their learning in makeshift facilities. They have only one question: when will my school be rebuilt?



Mr. Abdul Faraz of Ittehad Welfare Organization (Battagram) presenting findings of monitoring schools (right) and Dr Kaiser Bengali, Syed Talat Hussain and Ms Rashida Dohad (left) discussing the importance of citizen engagement for social service delivery at roundtable in Islamabad.

An assessment of the preceding year's budget for FY2013-14 showed a block allocation of Rs.79 billion. Among subsequent allocations, Rs.51 million was given to the Chief Minister's home district of Nowshera for improving specified schools. This amount remained unused as of June 2014. Foreign aid of Rs.7.15 billion to provide urgently required furniture in schools also appears unused. The government's inability to utilize funds contrasts sharply with the urgency, it committed by declaring an education emergency. These findings raise the question: is the government's inability to use funds the reason it managed only 67 per cent universal primary education, falling far short of the 100 per cent target it had set? And is the lack of funds utilization the reason there is no furniture for schools monitored by the Foundation's partner in Nowshera, Mashal Welfare Organization?



Taat (mat) school monitored by the Foundation's partner in Nowshera

3.2 Human security

In FY2013-14, the Government of Khyber Pakhtunkhwa received Rs.22 billion as compensation for the war on Terror. Estimates for FY2014-15 include an even higher projected receipt of Rs.27.2 billion. However, details of expenditures are required to ascertain whether those affected by conflict benefit from these funds. In particular, sex-disaggregated data is needed to confirm that women, who are among the most vulnerable to crisis situations, are intended beneficiaries of related assistance such as the Rs.2.5 billion Conflict Victims Support Programme Funded by USAid.



Citizens demanding government actions for peace

Government inability to utilize public funds extended to other sectors as well. Despite untold sufferings faced by the people of the province due to militancy and extremism, Rs.1.5 billion allocated in FY2013-14 for the Safe City Project Peshawar remained entirely unspent. Also unutilized was foreign aid of Rs.4.8 billion provided by the British Government under the Peace Building Initiative for Khyber Pakhtunkhwa Project.

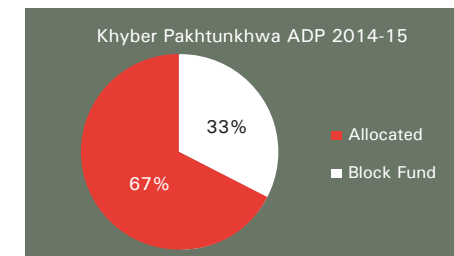
3.3 Inequity in funds for development

According to budget documents, the Government of Khyber Pakhtunkhwa pledges respect to "the right of every citizen to an equitable share of the province's resources." Yet district-wise allocations for development reveal this to be a false promise. The chronically poor southern districts of Bannu, Dera Ismail Khan, Hangu, Karak, Kohat, Lakki Marwat and Tank received a cumulative allocation of Rs.4.2 billion or just 3 per cent of the province's total development outlay of Rs.139 billion for FY2014-15. This is less than the 3.69 per cent or Rs.4.3 billion received in the preceding FY2013-14 when the total development budget was Rs.118 billion.

The motivation behind these government decisions is a mystery. They appear grossly unjust if the criteria used in the National Finance Commission are applied. Population (82 per cent), poverty (10.3 per cent), revenue capacity (5 per cent) and area (2.7 per cent) are criteria used to determine transfers from the center to provinces. Adapting these criteria provincially shows that the southern districts are due 21 per cent of the total ADP, or Rs.24.7 billion. In other words, this extremely poor region has been allocated five times less funds than its due share – which simply put is inequitable use of resources. Equity will only be possible if a fair equation for allocating funds is drawn up, on the lines of the NFC.

3.4 Putting Accountability Last

"Putting People First" is the title given to KP's budget 2014-15. Its analysis suggests "Putting Accountability Last" may be a more appropriate caption. The total development outlay for FY2014-15 is Rs.139 billion, of which Rs.100 billion is the provincial government's contribution and Rs.39 billion is foreign aid of the total, Rs.94 billion or 67.42 per cent is placed under "umbrella" or "block" funds. If transparency is enhanced by laws such as the Right to Information Act, it is severely compromised by such large block allocations that give unlimited discretionary powers to politicians and bureaucrats to move amounts around within the purpose stated for the block.



4. Recommendations

- Ensure that policy statements and commitments to give priority to social services is backed by adequate budget allocations and spending.
- Budget allocations for security must cater for the specific needs of women and girls in conflict areas.
- Eradicate block development funds by specifying locations.
- Establish criteria similar to the NFC for allocation of the total ADP funds.
- Abolish all discretionary powers and allocations held by chief ministers and public representatives