

People, Priorities & Public Funds

An independent
analysis of
Khyber Pakhtunkhwa's
Budget 2017-18



Omar Asghar Khan Foundation

Omar Asghar Khan Foundation regularly analyzes Khyber Pakhtunkhwa's budget 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.



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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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Acronyms

ADP	Annual Development Programme
DDAC	District Development Advisory Committee
FY	Financial Year
KP	Khyber Pakhtunkhwa
MPA	Member of the Provincial Assembly
PFC	Provincial Finance Commission
PTI	Pakistan Tehreek e Insaf

Contents

Government Priorities & Its Trends	2
Pro-Women Budget Allocations	4
Districts & Development Funds	6
Effective Local Government	12
Block Funds	14
Recommendations	15



Peshawar Mass Transit Project



GOVERNMENT PRIORITIES & ITS TRENDS

A sectoral analysis of Khyber Pakhtunkhwa's budget FY2017-18 shows transport has a major share. It is allocated Rs.45.56 billion, i.e., 21.91 per cent of total development funds. The capital city of the province is likely to entirely benefit from this, as its Peshawar Mass Transit project is allocated Rs.44.60 billion, funded by foreign assistance. In other words, this single project is dominating the sector by receiving about 98 per cent of total funds for transport.

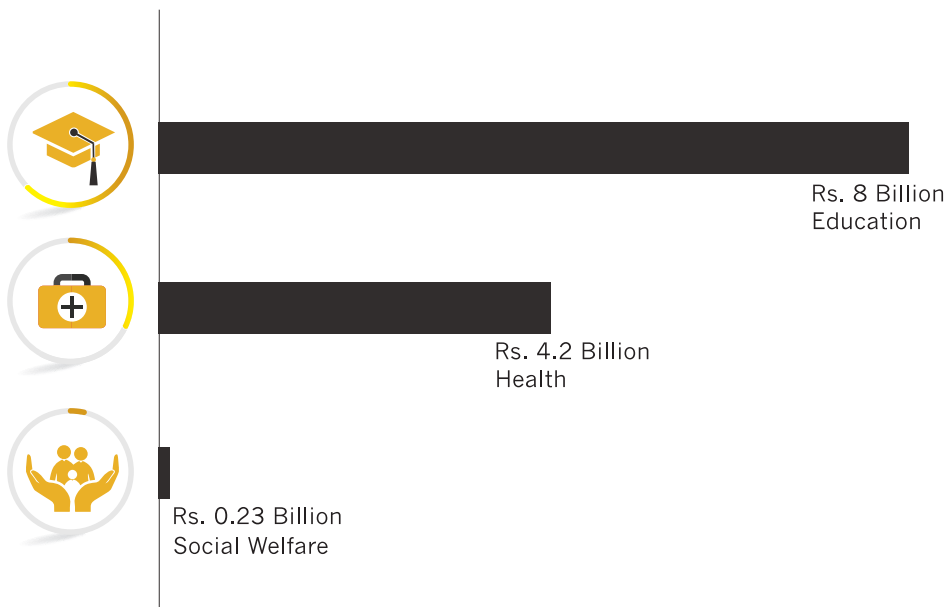
Voter-friendly public spending on visible infrastructure in FY2017-18 is evident as its combined (roads, building, housing, industries, transport and urban development) share in total development funds is Rs.77.37 billion or 37.2 per cent. This is nearly double than the Rs.30.28 billion or 18.81 per cent allocated to this sector in the preceding FY2016-17. This likely signals preparations for the 2018 elections.

Compared to infrastructure, allocation for health reduced from Rs.17.48 billion or 10.86 per cent in FY2016-17 to Rs.16.47 billion or 7.92 per cent this year. Aside from this dip, health has received an average allocation of 8.48 per cent over the past five fiscal years. Double than this is 16.57 per cent allocated for education over five years – confirming the priority given to social sector spending by the PTI-led government. However, related sectors like drinking water supply schemes lagged behind at 3.29 per cent. Investments in agriculture were meager, averaging 2.25 per cent, and, water 3.69 per cent over five years.



Pro Women Allocations: Rs. 12.70 Billion ■

Total Budget: Rs. 208 Billion ■



Enhanced participation and role of women and girls in socio-economic development of the province is a stated priority of the ruling coalition government in Khyber Pakhtunkhwa. It believes equal rights to education, healthcare, and economic opportunity for all citizens, including men, women and children, is essential for reducing poverty and promoting inclusive growth. It has also approved the Khyber Pakhtunkhwa Women's Empowerment Policy in April 2015.

Very limited sex-disaggregation of budget data makes it difficult to assess if allocations match stated commitments.

PRO-WOMEN BUDGET ALLOCATIONS

Of the total development outlay of Rs.208 billion in FY2017-18, only Rs.12.7 billion, or 6.11 per cent, can clearly be identified as pro-women. Nearly 63 per cent of this amount, i.e., Rs.8 billion is for education. About half of this, i.e., Rs.4.2 billion is allocated for health. Social welfare has Rs.0.23 billion. These allocations indicate that the government considers women's key interests are education, health, and social welfare. It is imperative that pro-women allocations are distinctively made and explicitly shown in all sectors, including, agriculture, roads, transport, etc., if the government is serious about enhancing the participation of women and girls in the province's socio-economic development.



Allocations in Rs.Billions

Districts	FY2013 -14		FY2014 -15		FY2015 -16		FY2016 -17		FY2017 -18	
	Allocation	%	Allocation	%	Allocation	%	Allocation	%	Allocation	%
Nowshera	1.53	1.29	3.77	2.695	5.38	3.07	5.18	3.21	5.47	2.63
Seven Southern Districts										
Bannu	0.56	0.47	0.71	0.51	1.25	0.72	0.75	0.47	1.21	0.58
Dera Ismail Khan	1.13	0.95	1.29	0.93	1.28	0.73	1.63	1.01	3.19	1.53
Hangu	0.89	0.75	0.85	0.61	0.47	0.27	0.34	0.21	0.40	0.19
Karak	0.390	0.33	0.29	0.21	0.59	0.34	0.29	0.18	0.65	0.31
Kohat	0.42	0.35	0.81	0.58	1.66	0.95	1.35	0.84	1.08	0.52
Lakki Marwat	0.24	0.20	0.24	0.17	0.20	0.11	0.09	0.06	0.25	0.12
Tank	0.71	0.60	0.04	0.03	0.09	0.05	0.01	0.006	0.06	0.03
Cumulative	4.35	3.66	4.25	3.04	5.55	3.17	4.47	2.78	6.85	3.30

Six Hazara Districts										
Abbottabad	1.15	0.97	2.24	1.60	1.20	0.69	0.95	0.59	1.28	0.62
Battagram	0.11	0.09	0.07	0.05	0.14	0.08	0.08	0.05	0.18	0.09
Haripur	0.76	0.64	2.04	1.46	1.57	0.90	2.18	1.35	2.55	1.23
Kohistan	0.71	0.60	0.57	0.41	0.29	0.16	0.17	0.10	0.51	0.25
Mansehra	0.43	0.36	0.30	0.22	0.72	0.41	0.35	0.22	0.69	0.33
Tor Ghar	2.05	1.72	2.34	1.67	1.52	0.87	0.81	0.50	0.68	0.33
Cumulative	5.40	4.53	7.62	5.45	5.45	3.115	4.54	2.82	5.90	2.84

An analysis of the past five fiscal years shows that Nowshera has consistently held sway over public funds, while the southern and Hazara districts have relatively received meagre amounts.

DISTRICTS & DEVELOPMENT FUNDS

A comparison of district-wise distribution of development funds in Khyber Pakhtunkhwa's Budget 2017-18 places Nowshera on the top of the pile, second only to the metropolitan Peshawar District. The home district of Chief Minister Pervez Khattak has been allocated Rs.5.47 billion or 2.63 per cent of the total development outlay of Rs.208 billion.

Comparative analysis show that funds for Nowshera are just a little less than the cumulative allocation of Rs.6.86 billion (3.30 per cent of total development) made for seven chronically poor southern districts of Bannu, Dera Ismail Khan, Hangu, Karak, Kohat, Lakki Marwat and Tank. According to the 1998 census, the population of the seven southern districts is 1,397,430 or about double than Nowshera's 874,000.

A government assessment of multidimensional poverty in Pakistan (2016) shows that 60-70 per cent of households in Nowshera were poor in 2004. This has reduced to 30-40 per cent in 2015. Comparatively, poverty in Tank has remained constant since 2004, with over 70 per cent of its households categorized as poor. The people of Tank have minimal opportunities to move out of poverty with just Rs.0.06 billion allocated for its development in 2017-18, compared to Rs.5.47 billion given to Nowshera.



The allocation for Hazara's six districts of Abbottabad, Battagram, Haripur, Kohistan, Mansehra and Tor Ghar also illustrates sharp differences. They have cumulatively received Rs.5.9 billion, i.e., marginally more than Rs.5.47 billion given to the single district of Nowshera.

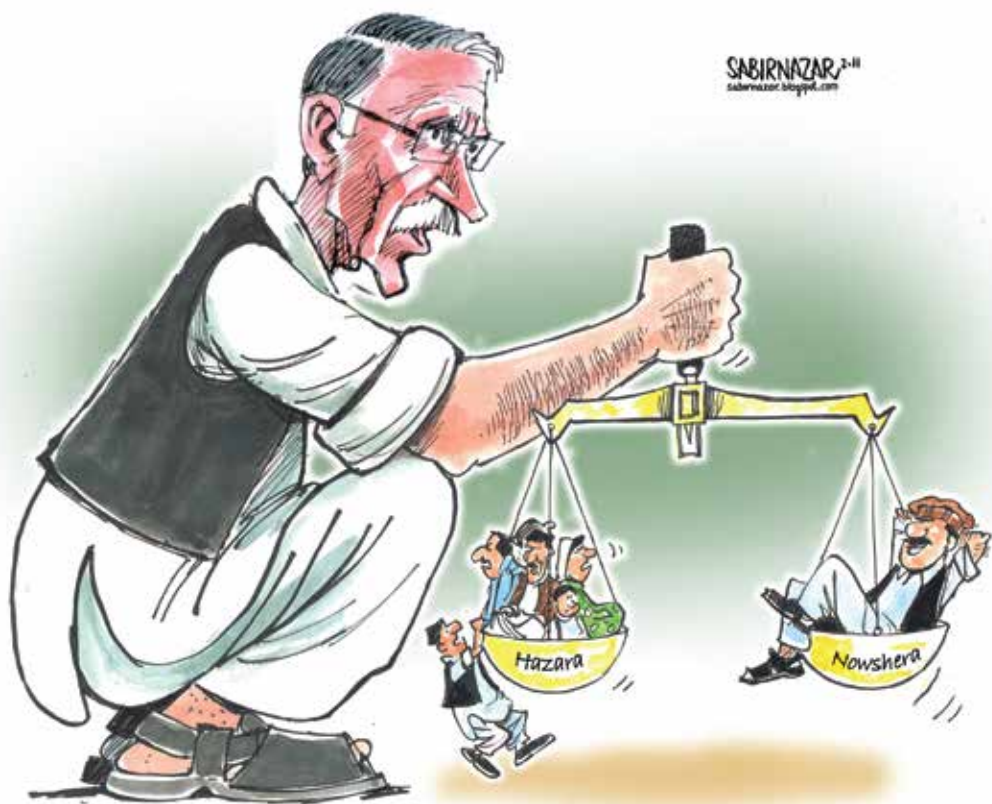
Hazara's population as per the 1998 census is 5,137,289, or, six times more than Nowshera. Yet its share in development is 2.84 per cent compared to Nowshera's 2.63 percent.

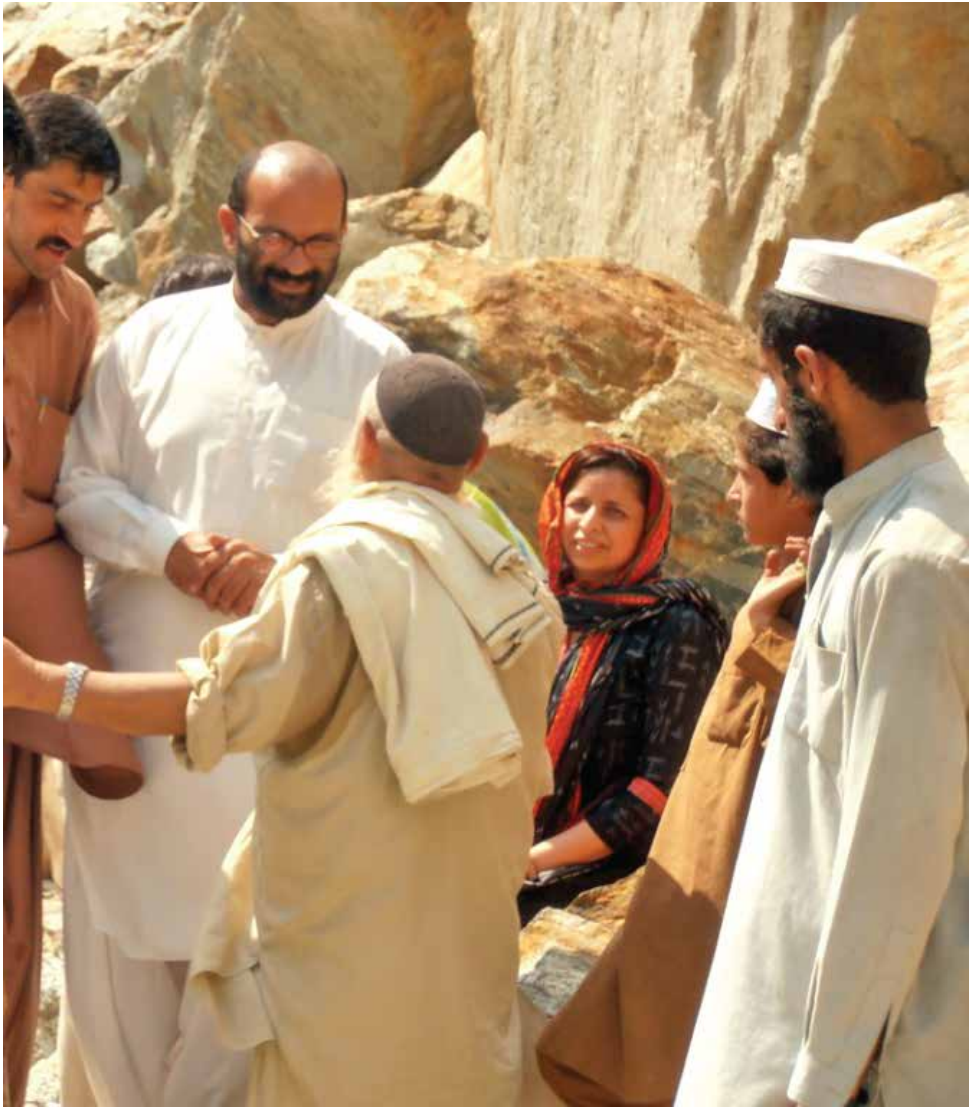
Admittedly, the 1998 census figures are out of date. But they effectively highlight the proportional difference of numbers of people in a single district benefiting versus those condemned to live in great poverty because of inadequate investment in developing their districts.

Inequities exist even within regions. Rs.3.19 billion is allocated to Dera Ismail Khan, while the remaining six southern districts have cumulatively received Rs.3.67 billion. Similarly, in Hazara, Haripur has received Rs.2.55 billion, about 14 times more than Rs.0.18 billion allocated to Battagram.

The basis for deciding development allocations for each district is unclear. Unequal use 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 discontent.

The imperative of fair distribution of development funds cannot be overstated, especially for chronically poor areas. Development funds bring opportunities for schools, healthcare, roads, irrigation, and also jobs. Access to such government services is important for all citizens, but more for women, the elderly and children, especially the more poor among them.





The Foundation & people in Kohistan: increasing citizen participation in governance and public budgets.

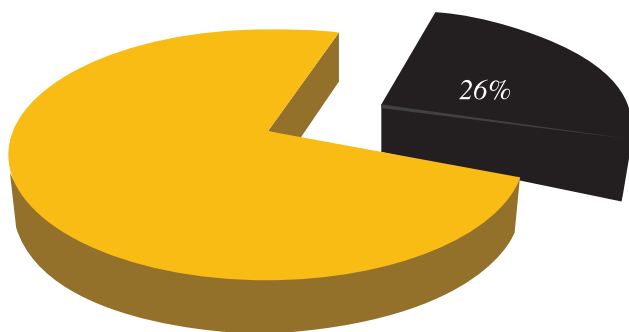
The mandate for devising an equitable equation to distribute development funds among districts is with the Provincial Finance Commission set up under Khyber Pakhtunkhwa's Local Government Act 2013. It has yet to come up with one, compelling the continued reliance on the previous PFC Award.

The PFC must show urgency in fulfilling its responsibility of devising an equation for resource distribution. It must also broaden its membership base by including elected Nazims from each of the 24 districts of the province in which local governments are functional (local elections were not held in Kohistan due to a pending court case against its division).

The difference an equitable equation can make is evident by adapting the National Finance Commission equation which uses the criteria of population (82 per cent), poverty (10.3 per cent), revenue capacity (5 per cent) and area (2.7 per cent) to determine transfers from the centre to provinces. If these criteria are applied provincially, the seven southern districts would get 21 per cent or Rs.43.68 billion and Hazara's due share would be 19.4 per cent or Rs.40.35 billion. Simply put, these regions would get about seven times more funds than they have been allocated, giving its people manifold more opportunities to improve their conditions and lives, and reduce public discontent.

Rs. in Billions			
Southern Districts	Actual Allocation	Due Share	Variance
Bannu	1.22	7.67	6.46
DIK	3.19	10.02	6.84
Hangu	0.40	4.20	3.80
Karak	0.65	5.44	4.79
Kohat	1.08	6.76	5.68
L-Marwat	0.25	6.26	6.01
Tank	0.06	3.31	3.24
Total	6.85	43.6	36.8

Prompt action by the PFC to devise an equation through an inclusive and consultative approach will not only benefit the poorer, less developed areas of the province, it will also be a formidable contributor to a people's sense of belonging, spurring them to play a much more responsible role in its development.



Funds for Local Government



EFFECTIVE LOCAL GOVERNMENT

Decentralized governance system is another important means for improving the delivery of quality services and achieving better development outcomes. Khyber Pakhtunkhwa's Local Government Act 2013 was bold and progressive. It gave elected councilors in districts, tehsils and even in villages/neighbourhoods greater control over development decisions and the delivery of essential social services. Fiscal decentralization was assured by legally stipulating the allocation of at least 30 per cent of development funds to local government.

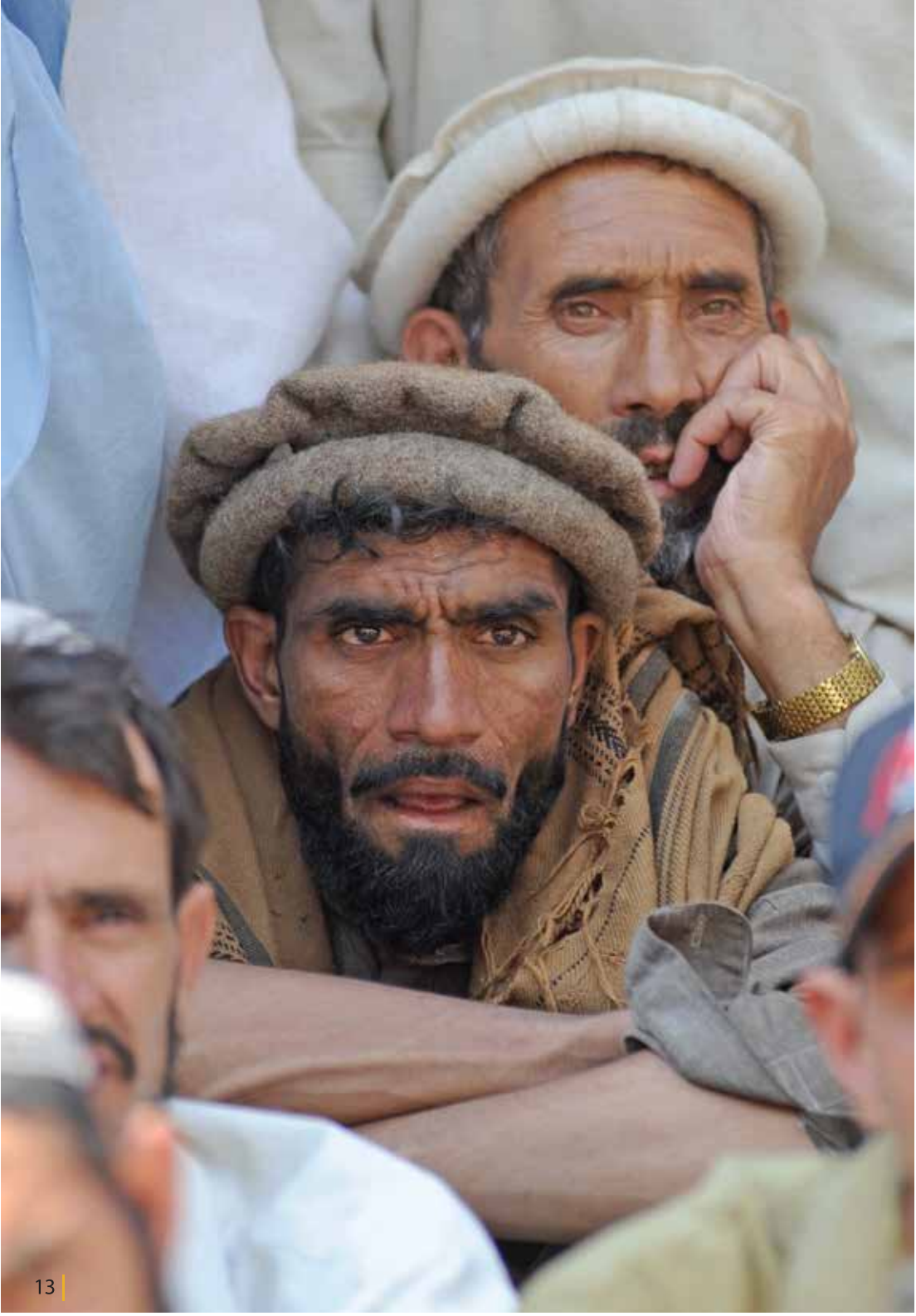
Following the somewhat contentious and violent elections in 2014-15, the new local government in Khyber Pakhtunkhwa has been functional since September 2015. It faces formidable challenges.

The failure to disband the District Development Advisory Committees (DDACs) consisting of MPAs has created overlapping jurisdiction over development decisions. Moreover, the continued practice of giving constituency development funds to MPAs places them in competition with elected councilors.

The budget of FY2017-18 has brought further concerns for the new devolved system.

The total allocation for local government is Rs.32.5 billion, i.e., 26 per cent of total development funds or less than the prescribed 30 per cent. If the vertical transfer under District ADP is considered, then the funds for local government are reduced to Rs.28.0 billion, i.e., 22.22 per cent of the total.

It is unclear why the provincial government failed to meet the threshold of fiscal decentralization it set itself. Even more surprising is the reported decision to divert some of these funds towards allocating Rs.0.56 billion as public interest funds for the use of the Chief Minister, and Rs.0.28 billion for the Finance Minister who belongs to Jamaat-e-Islami, Pakistan Tehreek-e-Insaf's coalition partner in Khyber Pakhtunkhwa. These factors will likely have an adverse impact on the effectiveness of local government.

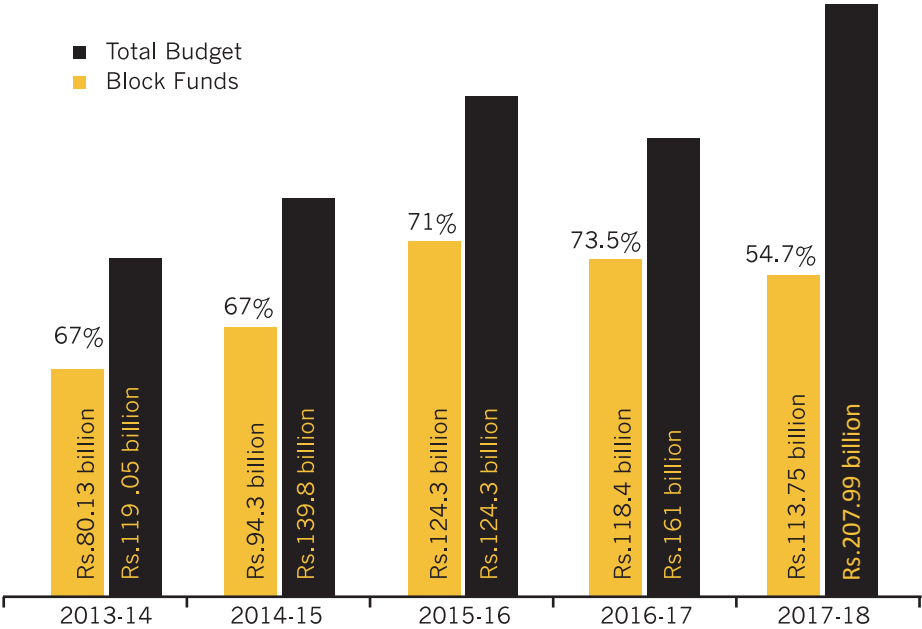


In FY2017-18, the Khyber Pakhtunhwa budget shows Rs.114 billion as “block” or “umbrella” funds. This is 54.69 per cent of the total development outlay. It represents a marked reduction from the preceding year’s staggering 73.56 per cent, when Rs.118.42 billion were block allocations out of a total of Rs.161 billion.

BLOCK FUNDS

The significant reduction must be applauded as block funds compromise transparency and give unlimited discretionary powers to politicians and bureaucrats to move amounts around within the purpose stated for the block. However, retaining more than half of total development funds is still too high.

Further policy attention is needed to continue reducing the block funds until they are completely abolished.



RECOMMENDATIONS

- Ensure government priorities are in sync with people's interests.
- Provide sex-disaggregated data.
- Clearly include and indicate pro-women allocations in each sector.
- Formulate a Provincial Finance Commission (PFC) Award for fair and transparent allocation of development funds to each district.
- Make the PFC more inclusive by expanding its membership to include Nazims of each of the 24 districts in which local governments are functional.
- Establish credible and effective mechanisms for capturing a range of public perspectives on budget matters, including the PFC Award.
- Ensure strict compliance with the stipulation on fiscal decentralization by allocating at least 30 per cent of total development funds to local government.
- Promote transparency by reducing block funds until they are effectively minimized or eliminated.

