

Pursestrings & People's Priorities

An Analysis of Development Funds Khyber Pakhtunkhwa's Budget FY2020-21

**Please repair our
tube well**

پینے کا صاف پانی

**We want a
dispensary**

**Our fields need
irrigation**

**My school
needs teachers**

پسماندہ علاقوں کی ترقی

خواتین اور بچوں

**My school
needs teachers**

پسماندہ علاقوں کی ترقی

ہسپتال کیلئے طبی سہولیات

jobs

We need

کیلئے طبی سہولیات

**chairs & desks in
schools**

**My school
needs teachers**

**We need
jobs**

BHU

**We need drinking
water**

روزگار

خواتین اور بچوں

ہسپتال کیلئے بہتر نظام

**Please remove
garbage**

**Build toilets
in our schools**

**We need drinking
water**

irrigation

پسماندہ علاقوں کی ترقی

**My school
needs teachers**

کیلئے طبی سہولیات

**Build toilets
in our schools**

**Heaps of
garbage
need to be removed**



کھانے پینے کا سامان مہنگا

BHU

میں بہتر سہولیات

**ed more
rooms**

صفائی کیلئے

**re repair our
well**

لنک روڈ اور راستہ

**want a
dispensary**

فوری اور

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.

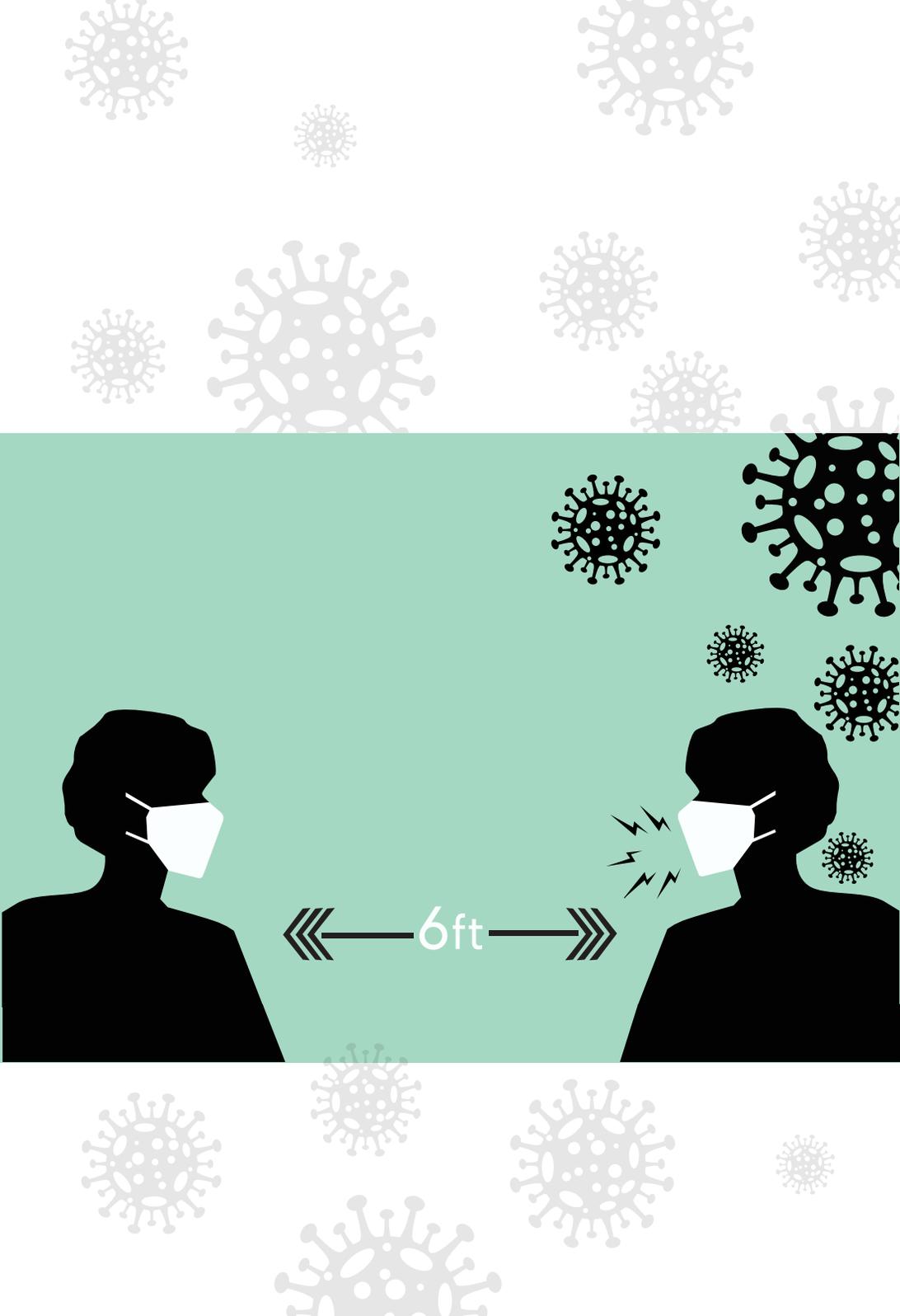
Omar Asghar Khan Foundation is a public advocacy organization helping build a state responsive to its citizens. It seeks to strengthen the resilience of citizens, particularly the most vulnerable, so that they claim their rights from the state, promote social cohesion and reduce the burden of poverty. 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.

Acronyms

ADP	Annual Development Programme
AIP	Accelerated Implementation Plan
CM	Chief Minister
CSO	Civil Society Organization
DHQ	District Headquarter (hospital)
FATA	Federally Administered Tribal Areas
FY	Fiscal Year
KP	Khyber Pakhtunkhwa
PFC	Provincial Finance Commission
SAP	Social Accountability Action Plan
THQ	Tehsil Headquater (hospital)
UC	Union Council (former)
VC	Village Council

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Introduction

Democratic, responsive and accountable governments try to better match public budgets with people's priorities. This is more challenging in FY2020-21 as global economies reel under the massive fiscal shock and unprecedented uncertainty triggered by the COVID-19 pandemic. Pressures on government pursestrings are greater in countries with fragile health systems, a sluggish economy and limited social protection.

In the shadow of the multi-tentacled coronavirus crisis, Rs.923 billion is the total amount allocated for Khyber Pakhtunkhwa's budget FY2020-21, slightly more than the preceding year's Rs.900 billion. It includes Rs.730 billion for settled and Rs.184 billion for the merged (former FATA) districts.

Of the total outlay, Rs.318 billion is allocated for development -- Rs.149 billion for settled districts and Rs.83 billion for merged districts. Rs.86 billion in Foreign Project Assistance is also part of Khyber Pakhtunkhwa's development budget.

Omar Asghar Khan Foundation's analysis presented in this publication focuses on the development component of the province's budget, the Annual Development Programme (ADP), as it indicates the direction of government policy priorities.

The current side of the budget mainly deals with recurrent costs. The two budget components must be connected when assessing total investments in sectors like education, health, etc. For example, funds for education includes teachers' salaries, which are part of the current budget.



The Foundation's budget analysis examines sectoral funds, especially with a COVID-19 lens to assess the government's response to the pandemic and its trail of formidable challenges. Shifts in spending priorities are reviewed by comparing resources provided for FY2020-21 with those allocated in the previous year.

The pattern of distributing development funds to districts is mapped and trends over the period FY2020-11 to FY2020-21 analysed. This can only include allocable funds since locations of spending block allocations are not known.

For more transparent distribution of funds, the Foundation again presents the Provincial Finance Commission (PFC) Award it had proposed last year. It suggests creative criteria to help meet complex, contemporary challenges like gender inequity and climate change.

The proposed PFC Award is applied to Swat, Mardan, Swabi, Nowshera, the seven districts of the southern region and six districts of Hazara. Variations are compared between allocated amounts and the share due if the proposed PFC is used.





*The Foundation & its CSO partners working together (above)
& with the government (below) for better services*



The Foundation's analysis combines public testimonies to better understand the impact of budgets on people's lives. These are drawn from social accountability actions of civil society organizations (CSOs) supported by the Foundation in some of the poorest communities of Khyber Pakhtunkhwa.

Since 2017, the Foundation working intensely with 217 CSOs in 12 Khyber Pakhtunkhwa districts, has helped enhance public scrutiny of government resources and increased engagement with public representatives and government officials to suggest ways in which services and spending may be improved.

Creative interactions between responsible and active citizens and responsive and accountable government institutions have improved schools, healthcare, drinking and irrigation water, veterinary care, roads and other essential services, benefitting over 300,000 families of which 200,000 are poor.

Budget analysis and social accountability are democratic innovations that open new channels of citizen engagement in governance that go further than electoral participation. They help citizens better understand public budgets and reach out to governments for improvements in the delivery of services. They give different-levels of decision-makers the benefit of organized public opinion that makes legitimate claims for more fair, effective public finance decisions and better development outcomes.



Sectoral allocations

Spending priorities

Rs.24.38 billion allocated for health represents a whopping increase of 79.20% from the preceding year's Rs.13.61 billion. The KP Government's White Paper-Budget FY2020-21 titled: *Resilient* states that this is the "biggest investment in healthcare in the history of this province." It has been made to better respond to the COVID-19 health emergency. Benefits of this increased attention are already evident.

In District Karak a public petition presented in September 2019 at a khuli kutchery (town-hall meeting) demanded a doctor for Latambar's Type-D Hospital. In March 2019 the appointment was made, giving local people access to better health services and savings of health-related household expenditures incurred to reach alternate health facilities.

KP's budget for FY2020-21 includes an allocation of Rs.10 million for Abbottabad's DHQ following Chief Minister Mahmood Khan's directives to upgrade it to Category-A hospital. In 2012, the government of Awami National Party had approved a PC-1 (government document prepared for each project) to upgrade the DHQ which serves as an important source of secondary-level health facility for the people of this district and beyond. Rs.242.56 million was the project's estimated cost, and it was due for completion in 2016.

The Foundation's analysis of KP's budgets show that funds allocated for this project in FY2013-14 and FY2014-15 remained unused. In 2015 a revised PC-1 was approved with a decreased total cost of Rs.231.58 million. Rs.30 million was allocated in FY2015-16 but also remained unutilized. No significant allocation was made until now. The renewed attention and resources for the DHQ is encouraging. Timely implementation will fulfil overdue commitments and also expand the DHQ's services, improving its response to emergencies like COVID-19.

Despite the quantum leap of allocated budget, Health lags behind Roads, which tops the list of spending priorities with an allocation of Rs.42.34 billion. On the bottom of the preference pile is Environment with an allocation of Rs.0.04 billion.

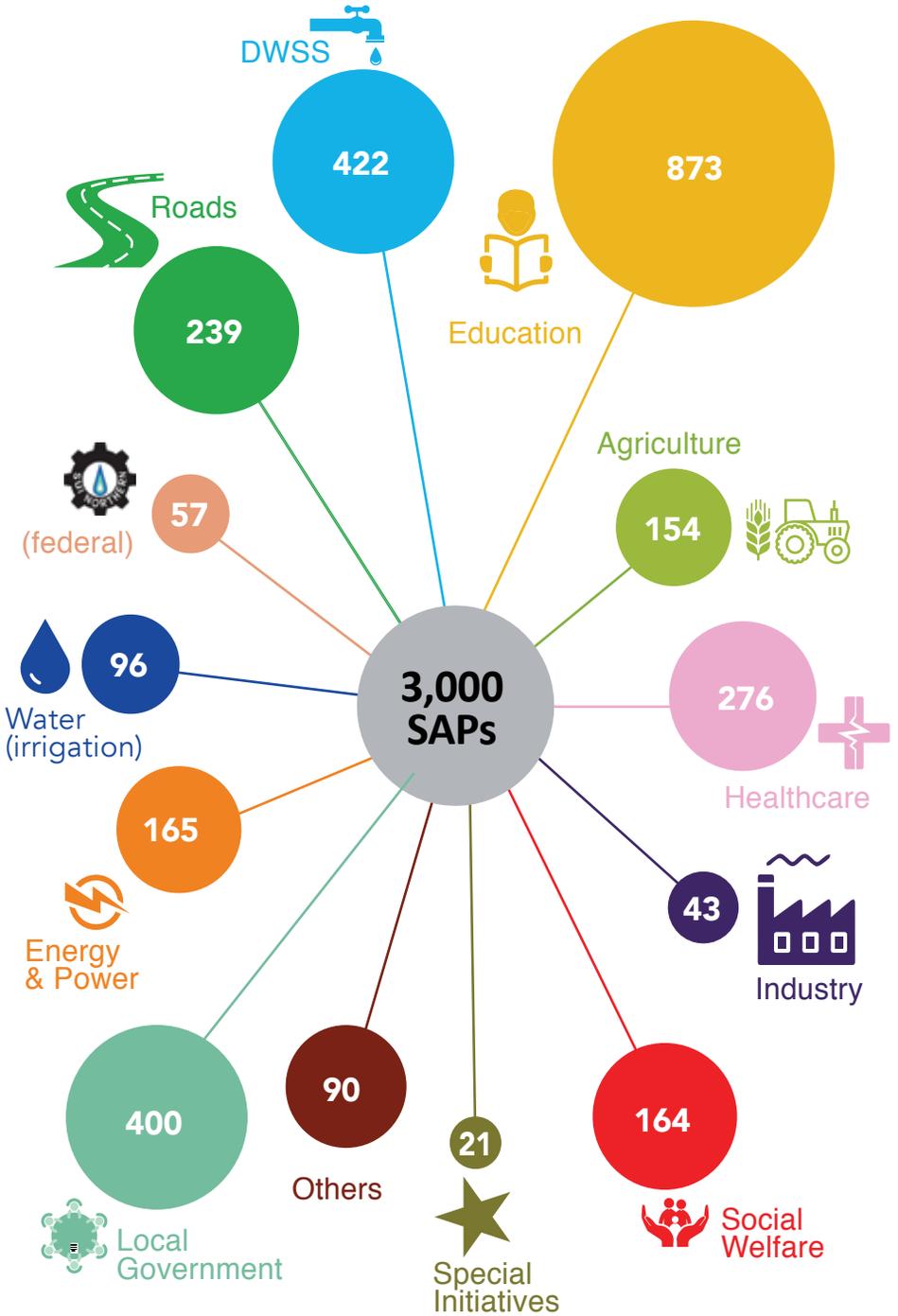
Cumulatively, the social sector with a total allocation of Rs.81.35 billion tops the government's priority list. Second is infrastructure with Rs.65.70 billion.

Sector	FY2019 -20 Rs. Billions	% of total	FY2020-21 Rs. Billions	% of total
Social Sector				
Elementry & Secondary Education	21.07	12.42	30.20	13.76
Health	13.61	8.02	24.38	11.11
Sports,Culture,Tourism & Archology	9.65	5.69	8.59	3.92
Higher Education	6.40	3.77	8.97	4.09
Drinking Water & Sanitation	5.83	3.44	6.89	3.14
Population Welfare	0.83	0.49	0.83	0.38
Social Welfare	0.65	0.38	1.23	0.56
Housing	0.31	0.18	0.20	0.09
Environment	0.08	0.05	0.04	0.02
Total	58.42	34.45	81.35	37.07
Infrastructure				
Roads	27.58	16.26	42.34	19.29
Transport	14.47	8.53	11.92	5.43
Energy & Power	9.55	5.63	11.44	5.21
Building	2.59	1.53	-	-
Total	54.19	31.95	65.70	29.94
Economy				
Water	14.56	8.59	18.66	8.50
Agriculture	10.83	6.39	14.32	6.52
Urban Development	8.14	4.80	10.02	4.57
Forestry	4.92	2.90	3.23	1.47
Relief & Rehabilitation	3.07	1.81	5.04	2.30
Industries	2.36	1.39	4.55	2.07
Science Technology & IT	1.01	0.60	0.71	0.32
Food	0.42	0.25	2.71	1.23
Mines & Minerals	0.40	0.23	0.42	0.19
Total	45.71	26.95	59.64	27.18
Administration				
Finance	5.24	3.09	3.45	1.57
Home	3.55	2.09	4.56	2.08
Law & Justice	1.08	0.64	1.35	0.62
Board of Revenue	0.50	0.29	1.67	0.76
Auqaf Hajj	0.44	0.26	0.70	0.32
Excise, Taxation and NC	0.19	0.11	0.22	0.10
Information	0.17	0.10	0.28	0.13
Labour	0.10	0.06	0.24	0.11
Establishment & Administration	-	-	0.30	0.14
Total	11.27	6.65	12.75	5.81

Public assessments (2017-19) led by 217 CSOs, with the Foundation's support, have identified improvements needed in essential government services. These public testimonies are documented in more than 3,000 Social Accountability Action Plans (SAPs). The SAP dataset is not a result of a statistically-valid survey. But it helps people make legitimate claims for public resources to improve public services.

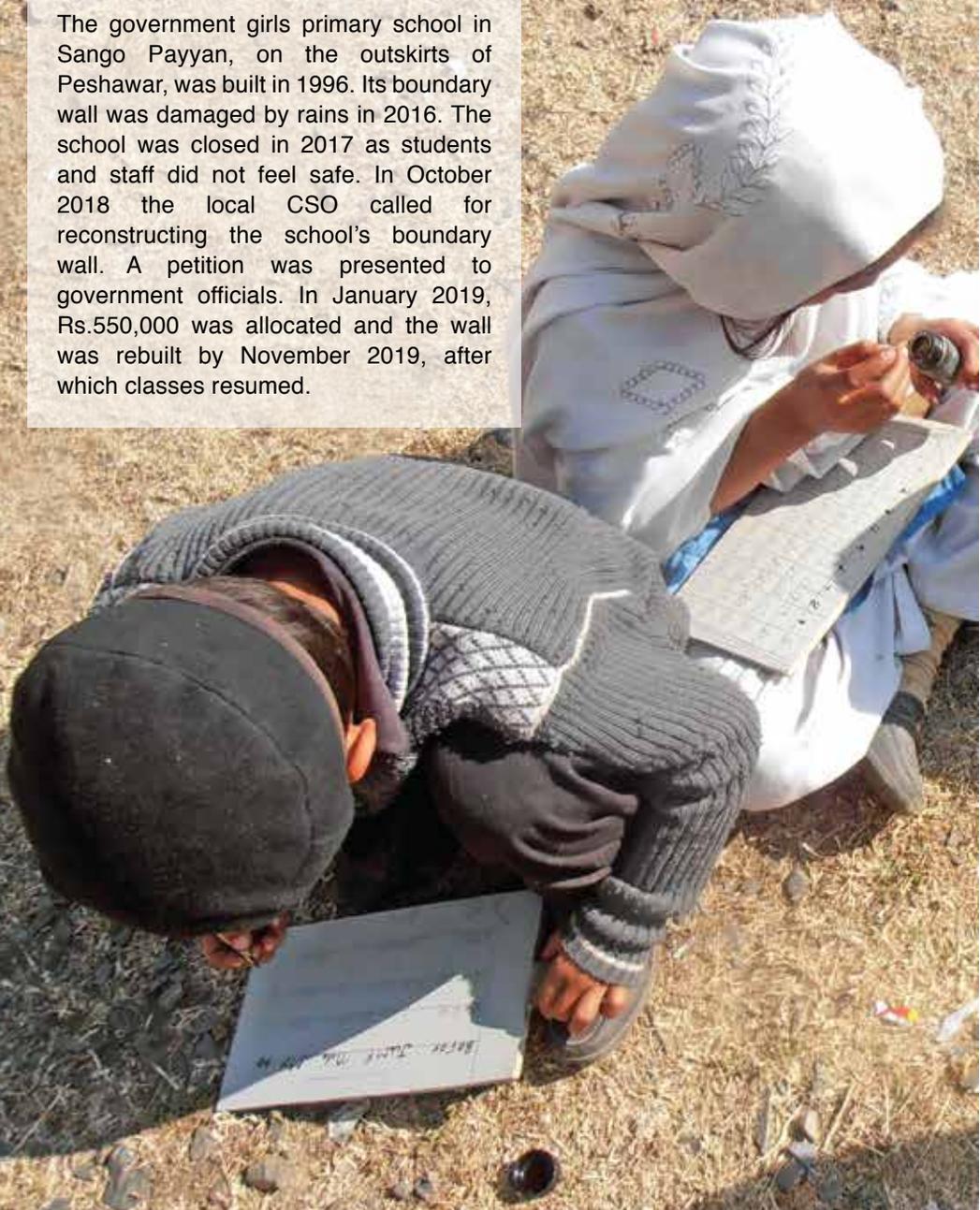
Untiring efforts by local CSOs and the Foundation prompted government actions to resolve problems, giving more than 300,000 households in 12 KP districts access to better services.

Of the 3,000 SAPs, 873 call for new schools and improvements in existing facilities.



People pursue better public schools

The government girls primary school in Sango Payyan, on the outskirts of Peshawar, was built in 1996. Its boundary wall was damaged by rains in 2016. The school was closed in 2017 as students and staff did not feel safe. In October 2018 the local CSO called for reconstructing the school's boundary wall. A petition was presented to government officials. In January 2019, Rs.550,000 was allocated and the wall was rebuilt by November 2019, after which classes resumed.





The government middle school in Village Ali Katch of District Kohat was established in 1987. It lacked an electricity connection. The local CSO and the Parent-Teacher Committee presented a petition for its electrification in early 2019 and again in 2020 at a khuli kutchery held by the district administration. The government promised to install a solar system under an external project.



Councilors, local government funds & public services

The Foundation's social accountability training also gave councilors skills to better respond to public needs for essential services like drinking water which accounted for 422 out of 3,000 SAPs.

Two villages in District Abbottabad's mountainous terrain faced water shortage. The distribution pipelines of their gravity-flow water scheme were damaged during the construction of an upstream road in 2015-16. Women spent many hours fetching water, increasing their daily workload.

The local Village Councilor, Mr. Riaz Abbasi, became more familiar with the development planning when he attended the Foundation's social accountability training. This contrasted with the normal practice of equally dividing local government funds among VC members who searched ways to spend their share.

Mr. Abbasi convinced the VC to pool its resources to allocate Rs.300,000 for repairing the pipelines. Funds were disbursed in April 2018. But the work could not begin until early 2019 as low-quality PVC pipes had been procured. On Mr. Abbasi's complaint the specified pipes were procured and repairs were completed in June 2019.

In Karak, the local CSO was able to convince the District Council to allocate Rs.1.3 million for the construction of 1km access road to the local BHU in UC Mianki, which serves an estimated 4,500 households. Funds were authorized in June 2019 and the road was constructed by August 2019.

Another common complain is accumulated garbage. It is a health hazard and also affects social relations as people avoid inviting guests due to inconvenient passage and unpleasant odour. For the people of Village Dera Dehat 2, close to D.I. Khan city, the lack of regular garbage collection is also a security concern. "In 2010 a bomb that killed about 15 persons in a Muharram rally was hidden in a garbage dump," they recalled. A Tehsil Councillor issued instructions in response to a public petition. Now garbage is regularly collected.

Roads – the difference between life and death

Even a 2-3 km link road can make a big difference to poor rural communities living in tough mountainous terrain. For example, about 600 households of Village Bhurj in District Mansehra have to hire a jeep to cover travel on the unpaved 3km dirt road built around 1990 to reach the main town of Garhi Habibullah.

The local CSO, trained in social accountability by the Foundation, demanded pavement of their link road through a petition presented in December 2017 to the local MPA and MNA. Cumulatively they allocated Rs.4 million for the pavement in January 2018. Work commenced in February 2018 and the 3km road was paved by December 2018.



Block funds

Limiting Transparency & Accountability

Of the total development outlay of Rs.318 billion, Rs.219.69 billion or 69.1% is maintained as block allocations. While lower than the preceding year's share of 73.6%, in absolute terms, block allocations increased from last year's Rs.173.79 billion to Rs.219.69 billion this year.

Trends analysed since FY2013-14 shows that more than half of the ADP has consistently been retained 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.

Limits to executive power are specified in Khyber Pakhtunkhwa's Annual Development Programme Policy (2019-23). But information that can help track their implementation is not easily accessible.

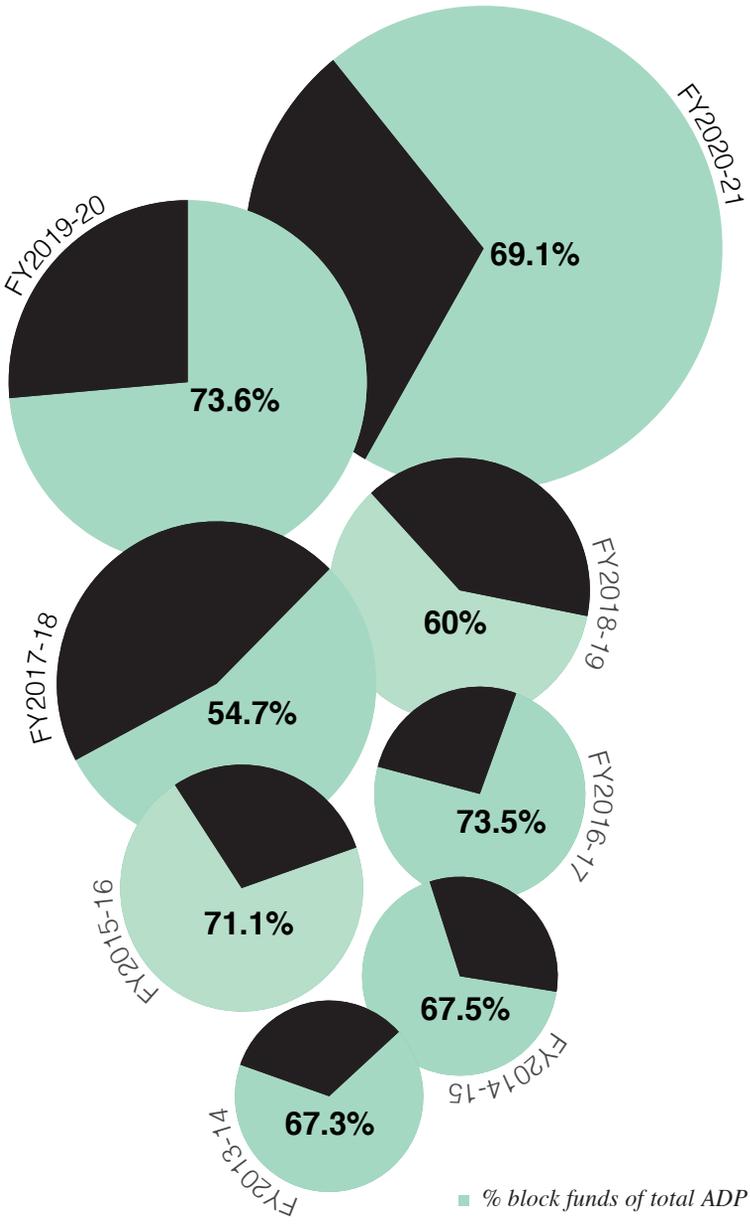
“ In line with multiple decisions of the superior judiciary, the practice of issuing CM Directives, at his sole discretion, for allocation and distribution of funds for umbrella/block development schemes shall be immediately discontinued.

KP ADP Policy (2019-23)
1st Amendment, June 2020

For greater transparency and citizen engagement in public finances block allocations must be significantly reduced and eventually eliminated.

FY	Total ADP	Block Amount	% of Total
2013-14	Rs.119 Billion	Rs.80.13 Billion	67.3
2014-15	Rs.140 Billion	Rs.94.31 Billion	67.5
2015-16	Rs.175 Billion	Rs.124.29 Billion	71.1
2016-17	Rs.161 Billion	Rs.118.42 Billion	73.5
2017-18	Rs.208 Billion	Rs.113.76 Billion	54.7
2018-19	Rs.180 Billion	Rs.108.03 Billion	60.0
2019-20	Rs.236 Billion	Rs.173.79 Billion	73.6
2020-21	Rs.318 Billion	Rs.219.69 Billion	69.1

Percentage of block allocations
Trends from FY2013-14 to FY2020-21



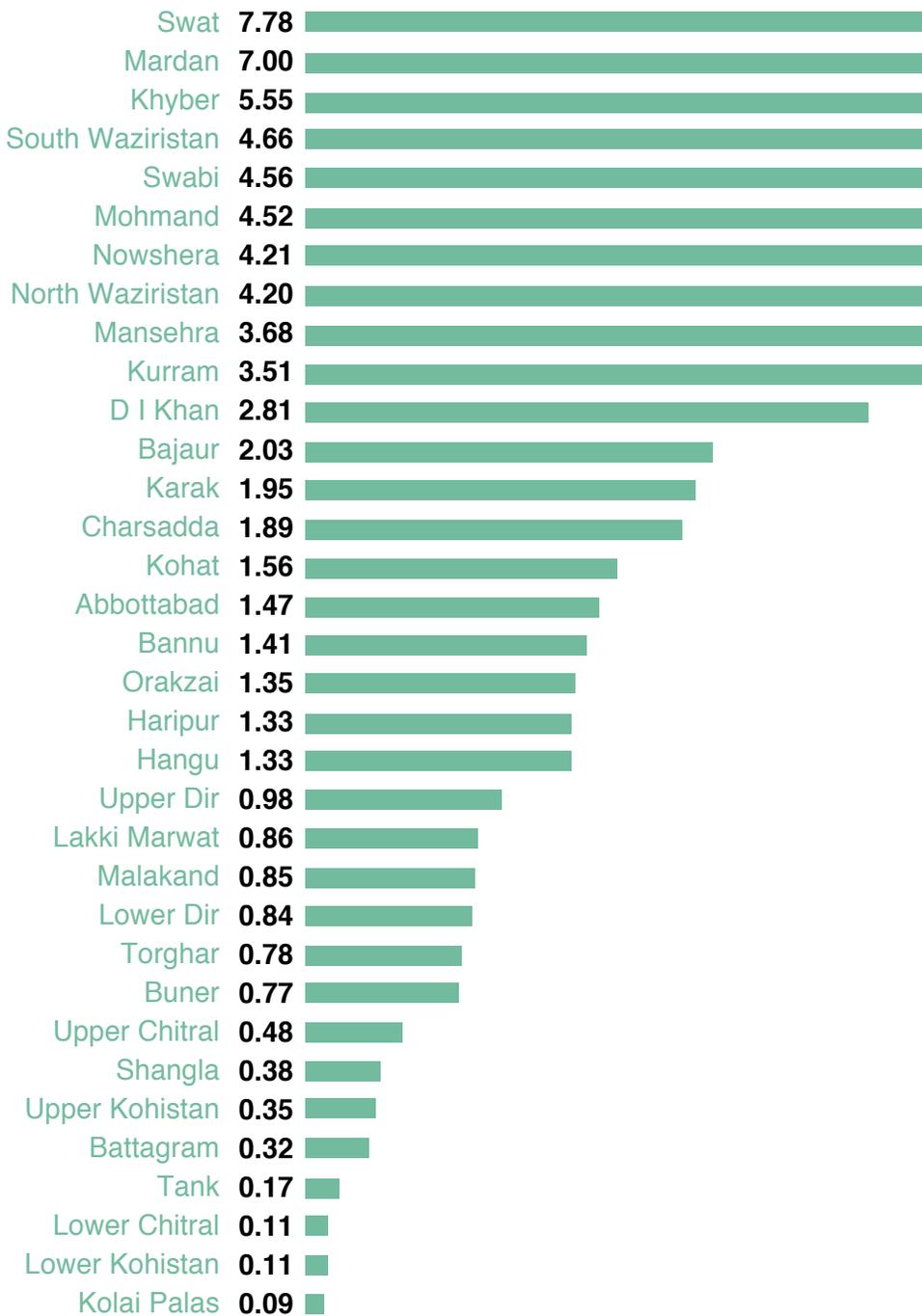
Allocations for Development Funds for schools, healthcare, roads & other essentials

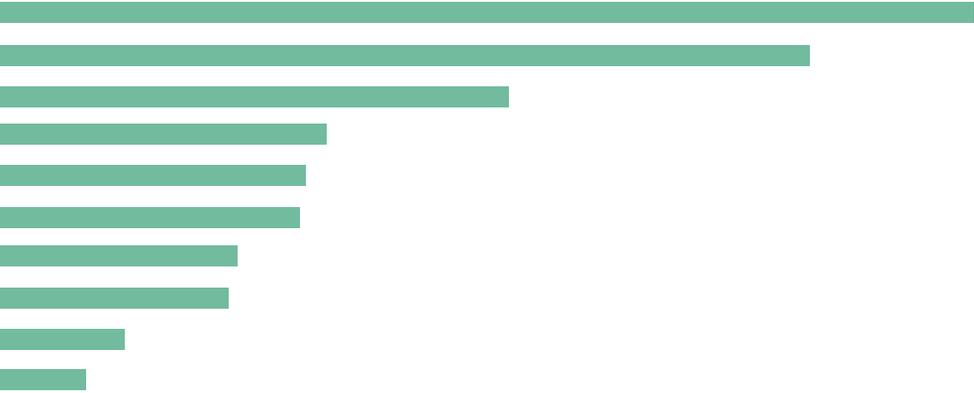
A ranking of districts based on funds allocated for development places Swat on top, with Rs.7.78 billion. The district will also receive funds from the District ADP as per the Provincial Finance Commission (PFC) Award, and from other block allocations. These will further increase Swat's share of development funds.

Close on the heels of Swat is Mardan with an allocation of Rs.7 billion. Swabi is third with Rs.4.56 billion.

Nowshera ranked #1 from FY2014-15 to FY2017-18, but slipped to #7 this year with Rs.4.21 billion, despite an increase from the preceding year's allocation of Rs.3.65 billion. The inclusion of merged and new districts also affected Nowshera's ranking. If settled districts are separately ranked, Nowshera would be at #4.

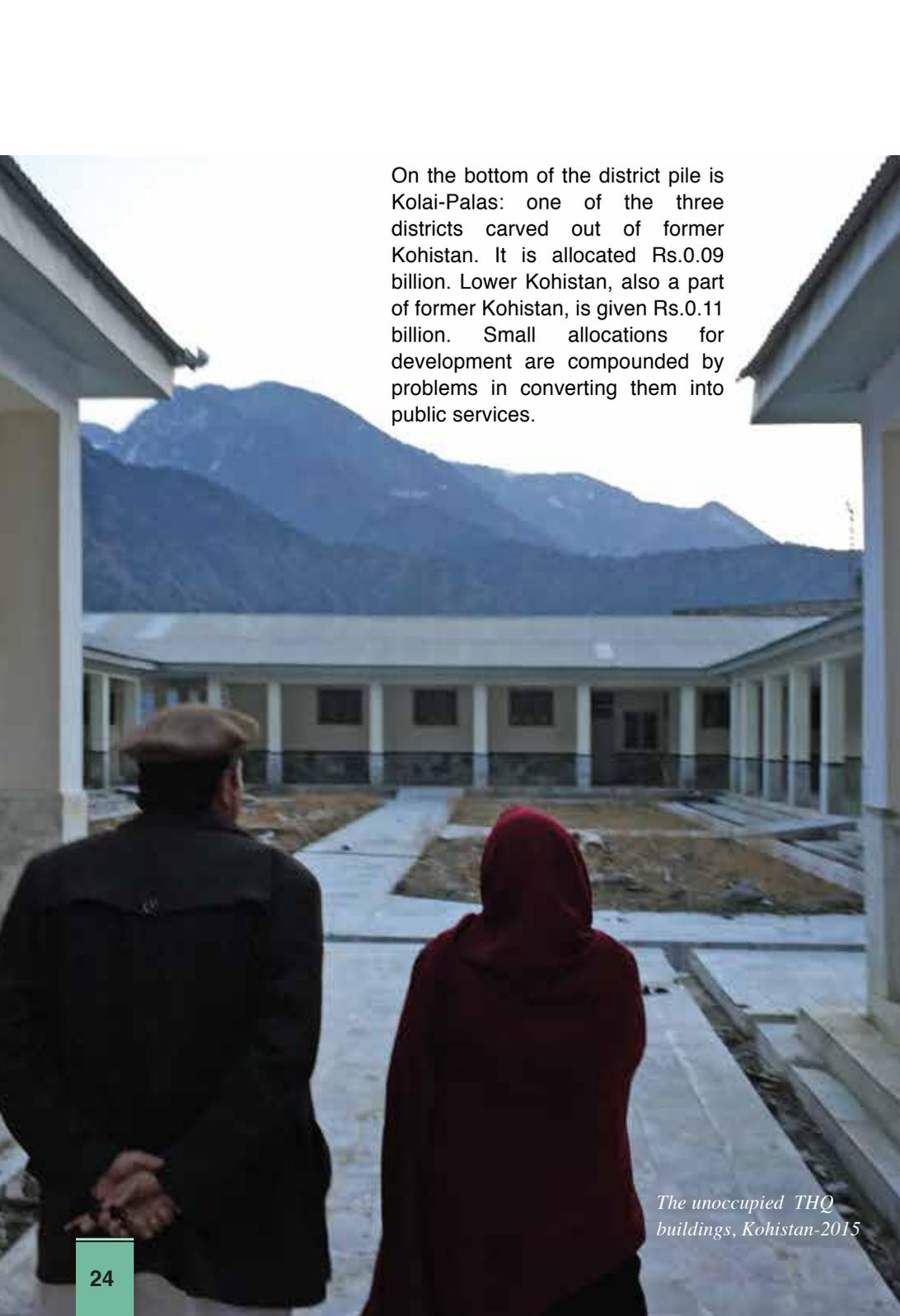






District-wise development
allocations in Pak Rs. Billions
Khyber Pakhtunkhwa
Budget FY2020-21

**all districts except metropolitan Peshawar*



On the bottom of the district pile is Kolai-Palas: one of the three districts carved out of former Kohistan. It is allocated Rs.0.09 billion. Lower Kohistan, also a part of former Kohistan, is given Rs.0.11 billion. Small allocations for development are compounded by problems in converting them into public services.

*The unoccupied THQ
buildings, Kohistan-2015*

Structures, staff, services

On 1 February 2007 an imposing Tehsil Headquarter (THQ) complex was inaugurated in Pattan, Kohistan. The constructed structures included a 100-bed hospital, operating theater, emergency care, doctors' residence and other facilities. It remained dysfunctional for nearly a decade, without staff, equipment, medicines, furniture or essential utility connections. The Foundation came across this oversized white elephant while it was providing relief assistance to Kohistan's people affected by devastating floods in 2010. Since then, the Foundation and its local community partners consistently raised the need to make the THQ functional and also tracked funds allocated for it in KP's budgets from FY2011-12. In April 2016, the Foundation assisted the celebrated anchor Syed Talat Hussain to present the THQ's story on his primetime TV show.

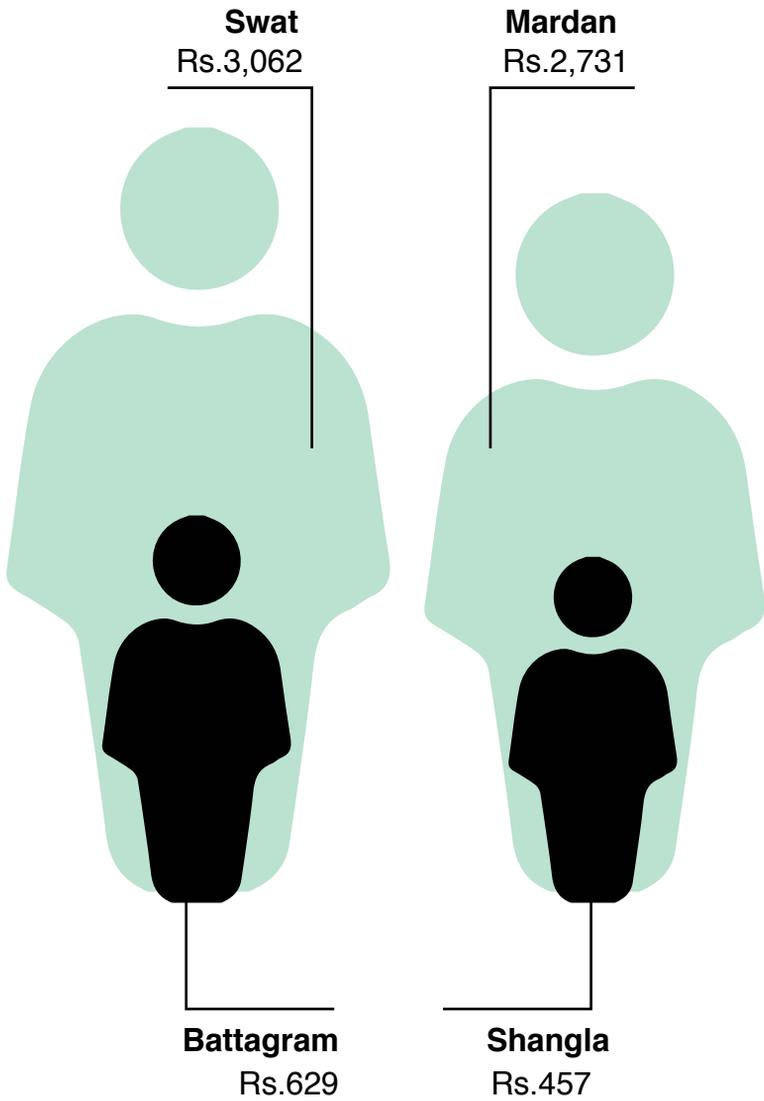
The government was moved to action. The healthcare facility was re-inaugurated on 8 October 2016 -- on the anniversary of the devastating 2005 earthquake.

After nearly ten years since its structure was constructed, the facility is now finally functional. More than 10 doctors and other medical staff have been appointed and equipment is installed. More importantly, the facility has been upgraded to a DHQ after Lower Kohistan became a new district.

The importance of such healthcare facilities in one of the poorest areas of Pakistan¹ can hardly be overstated. They provide essential services -- even more critically needed during health emergencies like COVID-19 or disasters like seasonal floods.

¹ *Clustered Deprivation: District Profile of Poverty in Pakistan, SDPI, 2012*

In per capita terms, a comparison of development allocations in FY2020-21 shows that Swat is allocated Rs.3,062 and Mardan Rs.2,731. In sharp contrast, Battagram is allocated a per capita share of Rs.629 and Shangla Rs.457.



Around 1990-95 the government constructed the structures of a primary school (*below*) and a civil dispensary (*opposite page*) in Village Council Wahabkhel, about 11 km from Shangla's main town, Alpuri. Two local people donated land for these facilities. Their dilapidated conditions are evidence of neglect of over 25 years. The constructed school and dispensary were never operationalized.



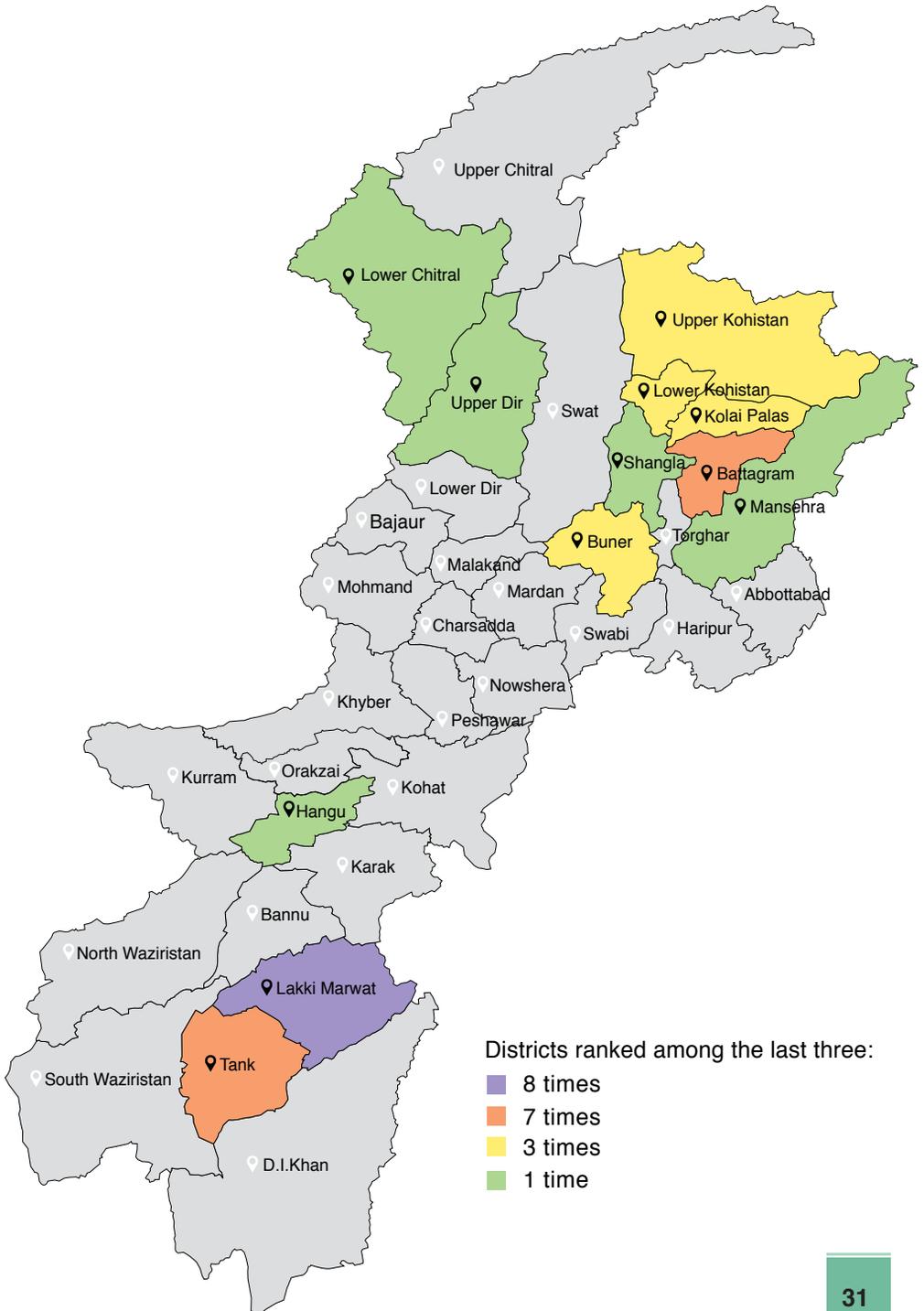
The Foundation and its CSO partners are reaching out to relevant government officials in an effort to ascertain if these public resources may be salvaged so that essentially needed education and health facilities may be made available to the poor communities in Shangla.



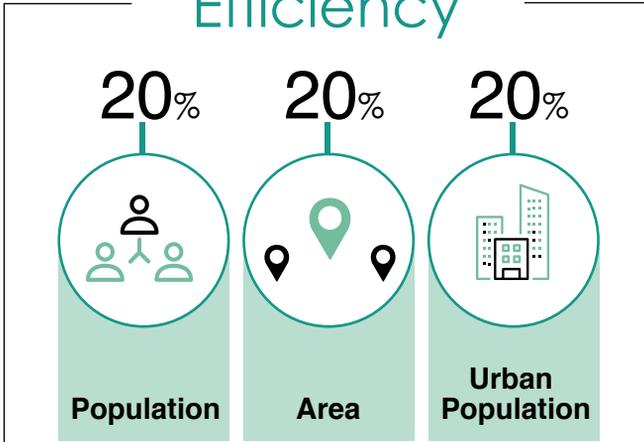
Trends analysed from FY2010-11 to FY2020-21 show Lakki Marwat, Tank, Battagram, Buner and Kohistan have repeatedly been in the last three spots of Khyber Pakhtunkhwa's districts ranked in order of funds allocated for development. These trends call to mind the title of Robert Chambers' pioneering 1983 book: *Putting the Last First*, which deeply influenced engagement with the poor to achieve better development outcomes.

FY	Last	%	Last +1	%	Last +2	%
2010-11	Upper Dir	0.18	Lakki Marwat	0.19	Buner	0.20
2011-12	Lakki Marwat	0.21	Battagram	0.25	Buner	0.27
2012-13	Tank	0.11	Lakki Marwat	0.17	Buner	0.25
2013-14	Battagram	0.07	Lakki Marwat	0.20	Mansehra	0.30
2014-15	Tank	0.03	Battagram	0.05	Lakki Marwat	0.17
2015-16	Tank	0.05	Battagram	0.08	Lakki Marwat	0.11
2016-17	Tank	0.01	Battagram	0.05	Lakki Marwat	0.06
2017-18	Tank	0.03	Battagram	0.09	Lakki Marwat	0.12
2018-19	Tank	0.04	Kohistan	0.11	Shangla	0.15
2019-20	Hangu	0.08	Battagram	0.09	Tank	0.12
2020-21	Kolai Palas	0.03	Lower Kohistan	0.03	Lower Chitral	0.04

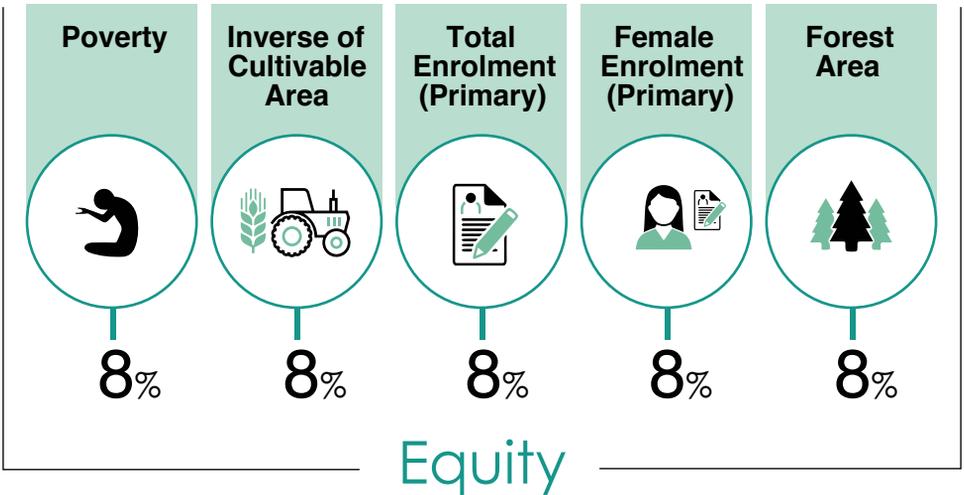
The table lists districts that ranked last, second-last and third-last in each year over the 11-year period analysed. Percentage share of total development budget is also included. The map shows districts that have ranked among the last three for one or more times.



Efficiency



A Proposed PFC Award for KP



Proposed PFC Award for KP Responding to complex, contemporary challenges

While analysing the KP budget for FY2019-20, the Foundation with technical assistance of Dr. Kaiser Bengali proposed an innovative PFC Award. It included eight criteria, promoting Efficiency and Equity.

Total population, area & urban population with an equal weightage of 20% each are suggested 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.

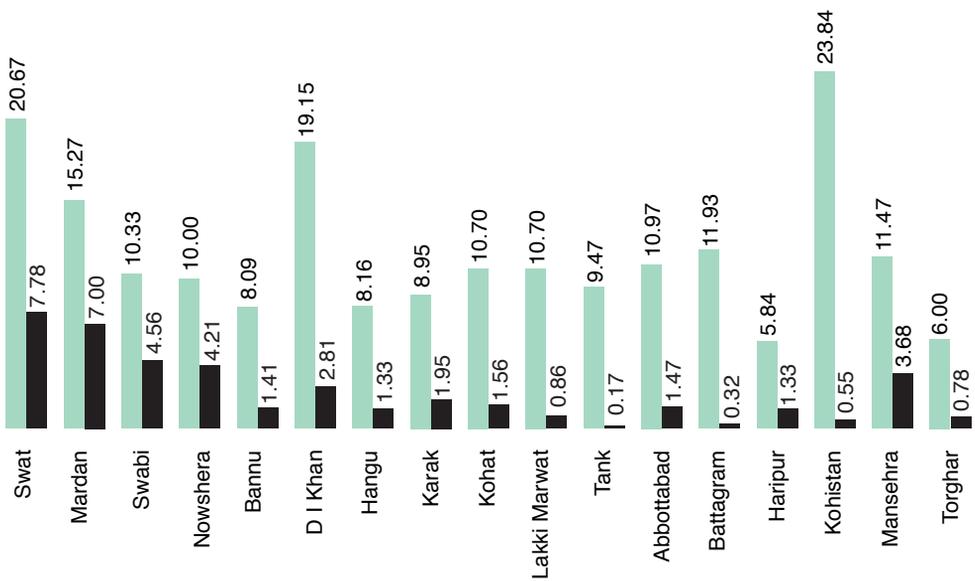
The remaining 40% is equally divided among five criteria relating to equity. Poverty emphasizes the need to reduce deprivation. Female enrolment in primary schools encourages gender-responsive budgets. Total enrolment in primary schools supports social sector investment. Inverse of cultivable land accounts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

Public and academic datasets are credible and current statistics for the proposed criteria for most of the province's districts. However, data is needed for the merged and the newly created districts from former Kohistan and Chitral.

Creative criteria like forest cover will help districts take action to reduce people's vulnerability to climate impacts like floods, glacial melting, heat waves, etc. And, increasing the scope of the PFC beyond the District ADP will direct the use of more public resources to better respond to challenges such as inequity and social exclusion.

Comparison of allocated share against due share after applying the PFC

Amounts in Rs. Billions



- Share of development funds due if the proposed PFC is applied
- Allocated share of development funds (does not include block allocations)

The comparison between present allocations (excluding block funds) against shares that become due if the proposed PFC is applied to the development portfolio shows significant variations.

Swat would get nearly three times more funds, i.e., Rs.20.67 billion instead of the present allocation of Rs.7.78 billion.

Abbottabad and Dera Ismail Khan will get around seven times more funds. Abbottabad would get Rs.10.97 billion instead of its present Rs.1.47 billion. Dera Ismail Khan would get Rs.19.15 billion instead of Rs.2.81 billion.

For Battagram and Tank, the variations are staggering. Battagram would get Rs.11.93 billion instead of Rs.0.32 billion, or 37 times more than its present allocation. Tank will get 57 times more: Rs.9.47 billion instead of Rs.0.17 billion.

Recommendations

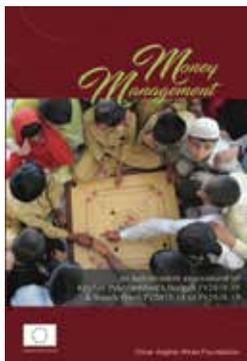
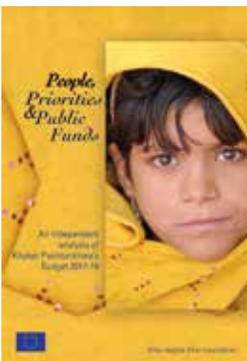
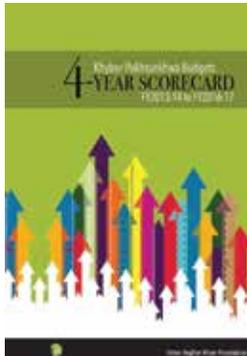
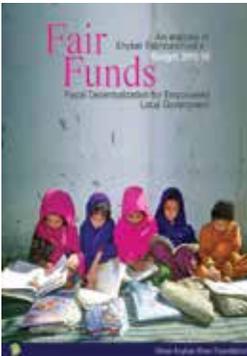
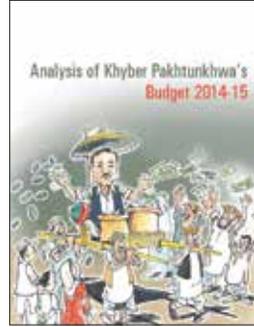
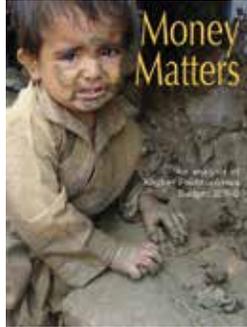
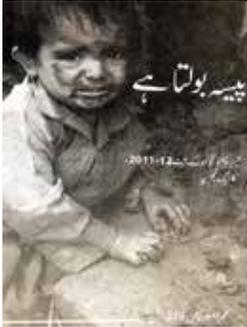
- Establish credible and effective mechanisms for capturing a range of public perspectives on public finance priorities.
-
- Support engagement of citizens, especially the poor, in improving the use of public funds for delivering quality public services.
-
- Use creative criteria to devise a Provincial Finance Commission (PFC) Award for fair & transparent allocation of development funds to districts.
-
- Extend the scope of the PFC Award beyond District ADP.
-
- Establish local government and allocate, disburse not-less-than 30% development funds to empower it.
-
- 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.
-
- Improve fiscal discipline and better budget execution.



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