

Working Paper # **168**

**Towards Pro-Poor Budgeting: Analysis of
Peshawar and Haripur Districts Budget
Allocations and Spending**

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Acronyms

ASER	Annual Status of Education Report
BHUs	Basic Health Units
CGPA	Center for Governance and Public Accountability
CPDI	Centre for Peace and Development Initiatives
DERA	Drought Emergency Relief Assistance
EPI	Expanded Program of Immunization
MPI	Multidimensional Poverty Index
NEMIS	National Education Management Information System
NER	Net Enrollment Rate
PRSP	Poverty Reduction Strategy Paper
PSLM	Pakistan Social and Living Standards Measurement
PWDs	Persons With Disabilities
R&D	Research and Development
RHCs	Rural Health Centers
WASH	Water, Sanitation & Hygiene

ABSTRACT

Pro-poor budgeting refers to the budgetary allocations and spending by the government for the sectors that directly benefit the poor. The study aims to explore the pattern of allocation and spending on pro-poor sectors such as education, health, water, sanitation & hygiene (WASH), and social protection in select districts of Khyber Pakhtunkhwa. Data of budgetary allocations and actual spending from Accountant General's office, Government of Khyber Pakhtunkhwa (KP) demonstrates insufficient budgetary allocation for pro-poor sectors as well as the inability of these departments to spend the allocated funds (under-utilization of funds). Discussion on the budget making process highlighted that the lacunas in budget making are also hampering the process of making sufficient budgetary allocations for pro-poor sectors. Since district government is responsible for the budgeting at district level according to the Local Government Act KP 2013, the findings of the study would be helpful for the district government in terms of budgeting and spending.

Keywords: Pro-poor, Budgeting, Spending, Overspending, Under-spending, Education, Health, WASH, Social Protection

1. Introduction

In the aftermath of Local Government Election 2015 in Khyber Pakhtunkhwa (KP), district governments were set up across the province. In addition to their political and administrative roles, these governments were also responsible for budget making and funds' utilization within their prescribed limits. Local government system mainly aims to empower local people and their elected representatives besides making service delivery more effective at grass roots level. The practice of transparency and accountability through civic participation is the very hallmark of the system that needs to be strengthened to achieve the objectives of the local tier of democracy. The lessons learnt from the past budgeting would help identify the gaps and challenges in the existing practice of budget making in various sectors, including education, health, Water, Sanitation & Hygiene (WASH), and social protection that are considered as pro-poor sectors (Ministry of Finance 2015). The recommendations based on the past experience would be beneficial to improve and fix those issues in budgeting under the new Local Government Act 2013. To ensure civic participation and to build the capacity of newly-elected representatives, the project was designed to fulfil these requirements in order to help the city district government to ensure the process of accountability and effective service delivery by building technical and administrative capacities of the newly-elected local government representatives and civil society organizations.

KP is the province to start practicing the local government system at first and the reason for selecting Peshawar and Haripur districts is the low influence of militancy and relatively good ranking in education in both the districts (Memon & Naz 2015). It indicates the acceptance of project interventions and an easy implementation of project activities by the literate population.

This study aims are to analyze the data of district budgets (received from the office of Accountant General, Government of Khyber Pakhtunkhwa) in order to explore:

- The pattern of allocation on the selected pro-poor sectors (mentioned above) in order to determine sufficiency of budgetary allocations for the actual need and requirement in that sector
- The pattern of spending of the allocated funds on each sector and to evaluate it in terms of service delivery

The aforementioned analysis would be helpful in formulating some policy suggestions based on the lessons learnt from the previous budgeting (funds allocation by the government) and spending of the allocated funds so that these recommendations might be incorporated in the upcoming budget cycle in both districts. Initially, four sectors namely education, health, WASH and social welfare had been selected for this study. A deep insight of the composition of public expenditures would help evaluate the spending in terms of effectiveness of service delivery particularly in the select sectors.

2. Literature Review

A budget with sufficient allocations for the pro-poor sectors, including education, health, WASH and social protection can be termed as pro-poor budget. However, there is no single definition of pro-poor spending and budgeting in literature. To examine the government budgeting and spending that either it is pro-poor or not, a consensus on a refined methodology needs to be developed. The Poverty Reduction Strategy Paper (PRSP) Pakistan defines the pro-poor spending as the government expenditures on human development (education, health and population planning), rural development, market access and community services, safety nets (subsidies and particular programmes targeting the poor) and governance aspects of justice and law and order (Ministry of Finance, 2015).

Simson (2012) examined different approaches to evaluate the evidence on pro-poor budgeting. According to his results, at the starting time of evaluation of pro-poor budgeting, it wasn't associated

with the long run estimation of public spending and its impact on growth and redistribution. And the evaluation was mainly focusing the prioritization of expenditures by the government. Further, he concluded that there exist different approaches to measure pro-poor spending due to the various definitions of poverty reduction.

Another group focuses on growth-poverty reduction nexus while examining the poverty reduction agenda. They link it with the structural reforms in the economy that can endure poverty reduction in the long run.

Simson (2012) talked about another approach that is about strengthening of the process that promotes transparency and accountability and hence the improvement in public expenditure management system. In Pakistan, the effective fiscal management and accountability is required to overcome fiscal deficit and create more fiscal space for the pro-poor sectors such as health, education, etc. (Haq 2014). Abbas and Ahmed (2014) suggested strengthening the social accountability through local bodies system that is designed to enhance the accountability. Analyzing the poverty and social impact of stipend program (for secondary school girls) in KP, Ahmed and Zeeshan (2013) suggested making Monitoring and Evaluation a part of the PC-I in order to clearly define procedural accountability.

Franché (2014) also suggested making the budget documents reader-friendly so that civic participation in budget making process can be enhanced. Another suggestion made by him is to make the budget sessions longer to make the budgeting process more participatory.

3. Methodology

The budget analysis for the fiscal year 2014-15 (the latest available data on final allocations and spending) was used to explore the lacunas in the budgeting of selected districts of KP, i.e. Haripur and Peshawar.

Data of district budgets was analyzed in terms of pattern of allocations and spending, e.g. allocation for the selected pro-poor sectors such as: education, health, WASH and social welfare, as percentage of total budget. Furthermore, the pattern of allocation within each sector was analyzed in order to determine sufficiency of budgetary allocations for the actual need and requirement in that sector with the help of various indicators. Budgetary allocations were also contextualized with the existing situation (requirements) of the sectors in order to assess the adequacy of allocated budget in each sector. In the same way, actual spending of the budgetary funds had also been studied in order to capture the pattern of spending in each sector and to evaluate it in terms of service delivery.

Data of district budgets 2014-15 was obtained from the office of Accountant General, Government of Khyber Pakhtunkhwa. This is the detailed data of government allocations and actual spending of both districts. This data is being managed by PIFRA (Project to Improve Financial Reporting and Auditing) SAP system.

The statistics to present the sectoral situation was calculated from the data published by different government organizations such as Pakistan Bureau of Statistics; Bureau of Statistics, KP; Academy for Educational Planning and Management; and Annual Status of Education Report.

4. Intra-Sectoral Budget Prioritization and Funds' Utilization

4.1. Education Budget

Since education is one of the pro-poor sectors, its allocation, spending and composition have a significant redistributive impact on the society. KP is among the provinces with highest share of budget on education. During 2014-15, 25% of the total budget was allocated for education by the

provincial government. At district level, Peshawar and Haripur were allocated 15% and 48% of the total budget respectively.

The public spending and allocation on education may be defined efficient if it is able to provide *maximum access to the quality education*. It helps the population, specifically marginalized segment of the society, learn and make progress.

According to Pakistan Social and Living Standards Measurement (PSLM) survey 2014-15, public sector occupies less than half (46%) of the students of all education levels in Peshawar. Regarding *access to education*, the analysis of PSLM (2014-15) data presents the lower enrolment rates in both districts. PSLM reported Primary Net Enrolment Rate (NER) 60 % for the age group of 5-9 years in Peshawar. This enrolment percentage decreases with the increase in level of education, since NER for Middle level (for 11-13 years old children) in Peshawar was 48 % and this enrolment rate decreases further at Matric level, i.e. 27%.

The same situation was seen in Haripur, where NER decreased by 22 per cent points from Primary to Matric (decreased from 60% to 38%). These facts indicate the lower transition rate and higher dropout rate with the increase in education level that points out another policy concern that is retention of students in education system to ensure the provision of basic education.

A more detailed analysis of PSLM data shows that the time to cover the distance of school increases with the increase in education level that means the distance from schools (either by transport or on foot) increases with the higher level of education. That might be one of the reasons behind higher dropout at higher level of education. This issue matters especially in girls' case where lack of safe mode of travelling exists. Paying special attention towards the girls' access to schools would be a poor spending. It may be allocation for the construction of new girls' schools at the closer geographical regions or allocating money for the transport facilities in girls' schools that would be helpful in making their access to educational institutes easier.

Focusing the gender aspect, gender parity (female to male ratio) in Haripur and Peshawar at primary level is 0.88. Like aforementioned fact of decrease in overall enrolment level at higher level of education, gender disparity also increases. The figure calculated from PSLM 2014-15 is 0.7 for Middle level and 0.6 for Matric level in Peshawar. Haripur also faces the same issue: gender disparity starts from Middle level (0.8) and this female to male ratio further declines at Matric level (0.5), which means higher gender disparity. This highlights another serious policy concern for policymakers, budget makers and those who make decisions of funds' allocation.

The *quality of education* is another important aspect. Regarding language learning achievements of Grade 5 students enrolled in government schools, Annual Status of Education Report (ASER) 2015 gives a gloomy picture regarding quality of education. Around 80 per cent students in Peshawar can't read a story in Urdu/Pashto and a sentence in English. The same kind of situation has been reported in Mathematics' learning where just 13% students of Grade 5 were able to solve only two-digit division problem. In Haripur, only 46% students solved the division problem and around 40% students in public schools of the same grade couldn't perform well in language test conducted by ASER.

There are many factors involved behind the poor quality of education in an educational institute; what public spending can do to fix this issue is to raise the allocation and spending for the capacity building of teachers, including trainings (both on-job and pre-job trainings). More allocations to construct new classrooms (to reduce the classroom-student ratio), hire new teaching staff (to reduce student-teacher ratio), and set up science labs, libraries, computer labs (that can enhance the understanding level of students) are essential to improve the quality of education. That will raise the portion of development budget along with some pressure on recurrent expenses.

Past trend of provincial education budget exposes the fact that a major portion of KP budget, i.e. around 80 per cent is going to current budget¹ that leaves a meager portion of funds for the development expenses. Prioritization of funds also affects the educational outcomes as described above, this distribution of education budget into current and development budget shows the less prioritization of development schemes.

The analysis of Peshawar district budget (2014-15) endorsed the fact of lower allocation for development expenses, as around 75 per cent allocation for recurrent expenses in education at the start of the fiscal year, has been identified. This percentage is 77 for Haripur. Furthermore, data obtained from Accountant General's office added one more fact that the spending on recurrent expenses gets the half portion of the total spending on education in Peshawar. That has two possible implications: It is good to report the increased weightage of development portion that creates more space for the developmental activities. The other one is the reduction in current expenses on education like reduction in salaries or no new appointment of teachers.

Furthermore, the analysis of provincial education budget shows that more than 90 per cent of the current budget goes to the salaries of teachers and staff of education departments that leaves the only option to run the educational institutes without proper basic facilities, i.e. drinking water, electricity, boundary walls, etc.

At district level, salary budget is 62% of the total current education budget in Peshawar and 99% in Haripur which means the whole current budget goes to salaries and expenses on non-salary heads like operational expenses while repair and maintenance expenses are getting nothing. This raises a question on the credibility of expense entry and need to be further explored to identify the lacunas in it.

Lower portion of non-salary and development budget as reported above means lower space for new educational infrastructure like new classrooms, new schools, labs, spending on capacity building and for the provision of basic facilities like drinking water, electricity, toilets, etc. National Education Management Information System (NEMIS) calculated the figures of basic facilities in schools for the year 2014-15. According to the NEMIS 2014-15, around 40% of primary schools don't have electricity and less than 20% of secondary (grade 6-12) schools are running without electricity in both districts. The situation of drinking water and toilets in Peshawar seems better than Haripur where around 90% schools have drinking water and toilet facility and 95% have boundary wall whereas in Haripur it is around 65%, and 78% respectively.

Currently, there is a need to raise the allocation and spending on development and non-salary expenses for the sake of new infrastructure, provision of basic facilities in existing educational institutes, for capacity building of teachers, and to enrol out-of-school children in both districts.

The function-wise distribution of Peshawar and Haripur education budgets reveal that majority of the allocation and expenses was for employee-related expenses (salaries and retirement benefits), followed by the expenses on repairs and maintenance in Haripur and transfers² in Peshawar.

¹ Current budget constitutes the salary budget (employee related expenses) and non-salary budget like expenses on repairs & maintenance (furniture & fixtures, buildings & structures), acquiring physical assets & operating expenses (utilities, rents, travelling allowance, communication, etc.).

² Transfers are usually categorized as funds for scholarships, technical assistance, entertainments & gifts, other transfer payments but it is difficult to determine the actual spending on any of these classifications due to the lack of access to data on further distribution of these classifications

Table 1: Object-wise Distribution of Education Funds

PKR in Million

Object-wise distribution of funds ³	Haripur		Peshawar	
	Final Budget	Expenditure	Final Budget	Expenditure
Salary & Retirement Benefits	3659.1	3437.7	9496.2	6297.2
Operating Expenses	61.7	55.0	1839.9	257.6
Grants Subsidies and Loans Write-Off	7.1	6.3	767.3	685.5
Transfers	0.5	0.3	4453.3	2321.7
Loans and Advances	0.0	0.0	120.0	120.0
Physical Assets	27.0	25.6	336.8	205.9
Repairs and Maintenance	200.4	181.2	318.6	267.8

Source: Accountant General, Government of Khyber Pakhtunkhwa 2014-15 and survey team calculations

In districts reports (Peshawar, Mardan and Swabi), Center for Governance and Public Accountability (CGPA) 2013 also recommended raise in the non-salary education budget in Peshawar to improve the school infrastructure there. During the fiscal years 2011, 2012 & 2013, around 97 per cent of the budgetary allocation went to salaries in education sector and an insufficient allocation of about 03 per cent was left for the operational and maintenance purposes.

Another recommendation by CGPA was to reduce the gender bias in education budgets, from FY11 to FY13. Around 60 per cent of the education budget was being consumed by boys' schools and 40 per cent by girls' schools. To close the gender gap in education sector, more allocation for the girls' education sector was suggested.

The World Bank (2012) derived that the result of lower education development funds allocation that was not enough to meet the development needs in KP. Non-productive allocation of resources was another important concern reported by the World Bank. It was identified by the accelerated increase in non-teaching staff than in teaching staff, this increase couldn't be justified considering the teaching staff shortage there.

4.1.1. Level-wise distribution of funds

Level-wise distribution of funds helps interpret the level-wise funds prioritization. Data reported the highest share of secondary level in total funds allocated for education. This higher share can be described as the lower salaries of primary teachers compared to the other levels and other expenses like science labs at higher levels, etc.

A meager amount is being spent on special education, i.e. 1% in Peshawar and less than 1% in Haripur that needs to be demand-driven according to the requirement.

³ The description of each budgetary object is given in Annexure, table A1.1.

Table 2: Level-wise Share in Education Budget

Level-wise Share in Education Budget	Peshawar		Haripur	
	Final Budget	Expenditure	Final Budget	Expenditure
Pre & primary education affair & service	4,525.9	2,883.4	1,808.8	1,656.6
%age Share in Total Education Budget	16%	14%	35%	36%
Secondary education affairs and services	13,335.5	10,162.8	2,285.6	1,920.3
%age Share in Total Education Budget	46%	51%	45%	42%
Tertiary education affairs and services (General universities/colleges/institutes & Profs/technical universities /colleges)	8,225.4	3,358.6	980.8	946.5
%age Share in Total Education Budget	28%	17%	19%	21%
Education services non-definable by level (School for Handicapped / Retarded Person)	166.3	156.4	14.6	12.0
%age Share in Total Education Budget	1%	1%	0.3%	0.3%
Subsidiary services to education (Archives Library and Museums & Others)	346.3	320.8	33.0	22.1
%age Share in Total Education Budget	1%	2%	1%	0.5%
Administration (Secretariat/Policy/Curriculum)	1,513.6	1,270.9		
%age Share in Total Education Budget	5%	6%		

Source: Accountant General, Government of Khyber Pakhtunkhwa 2014-15 and survey team calculations

4.1.2. Funds' Utilization

Lower allocation is not the only concern; its underutilization is another major issue that needs to be addressed. Budget data exposes 11% under-spending in overall education budget of Haripur and 31% in Peshawar. This issue is more serious in development budget of Haripur since 24% of development budget couldn't be utilized whereas 6% of the current budget was unspent in Haripur. In Peshawar, 41% of the current budget and 15% development budget was unspent. The object-wise funds utilization is given below:

Table 3: Object-wise Under-spending/ (Overspending) in Haripur and Peshawar Education Budget-2014-15

Under-spending/(Overspending)	Major Objects	Haripur	Peshawar
Non-Development	Employees Related Expenses, Including Retirement Benefits	6%	34%
	Operating Expenses	11%	86%

	Grants Subsidies and Loans Write-Off	11%	11%
	Transfers	40%	48%
	Physical Assets	5%	39%
	Repairs & Maintenance	10%	16%
Development	Education Development Expenses	24%	15%

Source: Accountant General, Government of Khyber Pakhtunkhwa 2014-15 and survey team calculations

Funds' under-spending is the area that needs to be explored in detail. Without fixing this issue, it would be difficult to get the maximum return of investment in education.

4.2. Health Budget

While analyzing the pro-poor public spending, health sector can't be neglected. It is one of the primary sectors that reflects human development and well-being of a society.

The overall spending on health in both districts is not satisfactory since health sector gets only 9% of the Peshawar district budget whereas in Haripur this percentage is 7%.

Health budget can be broadly classified as Medical Products, Appliances and Equipment, Outpatients Services, Hospital Services, Public Health Services, Research and Development (R&D) Health and Health Administration. The table below depicts the highest allocation and spending on Hospital Services in both districts.

Table 4: District Health Budget 2014-15

Function-wise Classification of Health Budget*	Haripur		Peshawar	
	Final Budget	Expenditure	Final Budget	Expenditure
Medical Products, Appliances and Equipment	0.9	0.8	9.7	8.2
Hospital Services	615.4	527.6	12,747.2	8,960.0
Public Health Services	67.4	66.4	3,579.0	2,607.1
Health Administration	33.2	32.6	1,963.7	1,718.8

Source: Accountant General, Government of Khyber Pakhtunkhwa 2014-15 and survey team calculations

*Further classification of these functions is given in Annexure, table A1.2

Highest portion of Hospital Services can be described as the higher spending on general and special hospital services, medical and maternity services, nursing and convalescent home services.

According to Development Statistics of Khyber Pakhtunkhwa 2016, the existing situation is moving towards the hospital beds crisis, especially in Haripur, as the population per hospital-bed is 1631. However, according to these statistics, this issue is relatively less severe in Peshawar. The shortage of beds in hospitals is increasing every year and the high population growth relative to increase in healthcare facilities will enhance this issue in future.

A detail of the type of government health facilities along with their bed strength is given below:

Table 5: District-wise Number of Govt. Health Institutions in KP in 2015 & the number of beds over there

District	Hospitals		Dispensaries		RHCs		TB Clinics		MCH Centre	BHUs
	Nos.	Beds	Nos.	Beds	Nos.	Beds	Nos.	Beds		
Haripur	10	611	11	0	5	54	1	0	2	40
Peshawar	18	5157	52	13	4	86	4	52	4	48

Source: Bureau of Statistics, Khyber Pakhtunkhwa 2016

Owing to the shortage of beds and other facilities in health centers, people have expressed their dissatisfaction and have stopped relying on public hospitals. According to PSLM 2014-15, 32% of population in Peshawar and 25.4% in Haripur used government health facilities. Around 20% of the respondents of these districts replied that they have to wait for long in government hospitals, 11% reported unsuccessful treatment, At least 9% reported lack of medicines at Basic Health Units (BHUs)/Rural Health Centers (RHCs), and 7% reported that the doctor wasn't available at BHU/RHC.

Public spending can improve this situation by increasing the share of funds for new hospitals or extension of existing hospitals/health centers and raising the bed strength of hospitals along with other facilities like provision of staff, doctors, medicines, and equipment.

More than 70% of the population in Peshawar never used the facility of BHUs. In Haripur, more than 50% population replied 'often' to this question, while around 23% of them complained of insufficient facilities there.

Majority of this population reported that they observed no change in BHU facility during the last 12 months.

Function-wise detailed table as given below describes the allocation and spending in each category of health budget.

Table 6: Detailed Function-wise Distribution of Health Budget in Peshawar and Utilization of Funds

PKR in Million						
Non-Development	Functions	Detail of Functions	Sub-detail of Functions	Final Budget	Expen diture	Saving/(Excess)
		Medical Products, Appliances and Equipment	Medical Products, Appliances and Equipment	Drug Control	9.7	8.2
	Hospital Services	General Hospital Services	General Hospital Services	8,785.9	6,112.1	30%
		Special Hospital Services	Special Hospital Service (mental hospital)	87.5	84.3	4%
		Medical and Maternity Centre	Mother and Child Health	15.0	13.9	7%

		Services				
	Public Health Services	Public Health Services	Anti-malaria	16.0	15.4	4%
			Chemical Examiner and laboratories	21.8	20.5	6%
			EPI (Expanded Program of Immunization)	49.2	45.8	7%
			Others (other health facilities & preventive measures)	24.6	24.2	2%
Health Administration	Administration	Administration	1,963.7	1,718.8	12%	
Development	Hospital Services	General Hospital Services	General Hospital Services	3,858.8	2,749.6	29%
	Public Health Services	Public Health Services	Anti-malaria	525.0	326.2	38%
			EPI (Expanded Program of Immunization)	24.9	13.4	46%
			Population Welfare Measures	246.6	164.5	33%
			Others (other health facilities & preventive measures)	2,670.9	1,997.0	25%

Source: Accountant General, Government of Khyber Pakhtunkhwa 2014-15 and survey team calculations

The under-spending issue can be clearly observed in the table above that speaks about the inefficiency of the government and system to absorb the allocated amount. Some of the major under-spending areas in this budget are:

95% in repairs and maintenance of the General Hospital Services, 65% in repairs and maintenance of Drug Control, 100% in grants, subsidies and loans write-off of Special Hospital Service (mental hospital) and 90% in grants, subsidies and loans' write-off of General Hospital Services.

The data of Haripur exposes 100% under-spending in grants, subsidies and loans write-off of EPI (Expanded Program of Immunization), 56% in development funds for civil works of general hospital and 55% in development funds for the population welfare measures. The detail is given below:

Table 7: Detailed Function-wise Distribution of Health Budget in Haripur and Utilization of Funds

PKR in Million

	Functions	Sub-detail of Functions	Final Budget	Expenditure	Saving/(Excess)
Non-Development	Medical Products, Appliances and Equipment	Drug Control	0.9	0.8	2%
	Hospital Services	General Hospital Services	396.3	387.7	2%
		Medical and Maternity Centre Services (Mother and Child Health)	2.3	2.1	6%
	Public Health Services	Anti-malaria	24.6	24.1	2%
		EPI (Expanded Program of Immunization)	0.5	0.4	18%
		Others (other health facilities & preventive measures)	39.7	38.7	3%
	Health Administration	Administration	33.2	32.6	2%
Development	Hospital Services	General Hospital Services	216.8	129.0	41%
	Public Health Services	Others (other health facilities and prevent & Population Welfare Measures)	2.7	1.6	39%

Source: Accountant General, Government of Khyber Pakhtunkhwa 2014-15 and survey team calculations

4.3. Budget for Water, Sanitation and Hygiene (WASH)

As described above, the spending on the provision of safe drinking water and adequate sanitation also defines pro-poor spending. Lack of access to these facilities is itself a threat to human life and invites a lot of diseases that may affect the human well-being.

The lower budgetary allocation for WASH reflects the negligence on the part of the government. During 2014-15, public spending on WASH was just 1% of the total budget in Peshawar and 4% in Haripur.

Regarding access to drinking water, PSLM data says that more than 90% of the population in both districts has to cover around 0-14 minutes distance. More than 70% of the population reported no improvement in the facility of drinking water during last 12 months.

This survey reported 30% population in Haripur and 17% in Peshawar was dissatisfied about the availability of drinking water.

The percentage distribution of population with access to drinking water is as follows:

Table 8: Percentage Distribution of Population with Access to Drinking Water

Districts	Tap Water	Hand Pump	Motor Pump	Well	Others
Haripur	42	1	39	7	11
Peshawar	49	14	27	9	1

Source: Pakistan Bureau of Statistics 2014-15

Around 10% population in both districts still requires access to proper toilet facilities. Here is the percentage distribution of population with access to flush facility in household:

Table 9: Percentage Distribution of Population with Access to Flush Facility

Districts	Flush	Non-Flush	No Toilet
Haripur	90	1	10
Peshawar	88	4	8

Source: Pakistan Bureau of Statistics 2014-15

The provision of these basic necessities tilted towards the urban areas of both districts means this percentage of population is reduced in case of rural areas, 100% population of urban Haripur and 99% of urban Peshawar has access to flush facility compared to 87% and 74% population in rural areas of both districts respectively. It stresses the need for special attention towards the rural and slum areas.

The budget by Public Health Engineering department on WASH includes expenses on water supply and waste water management.

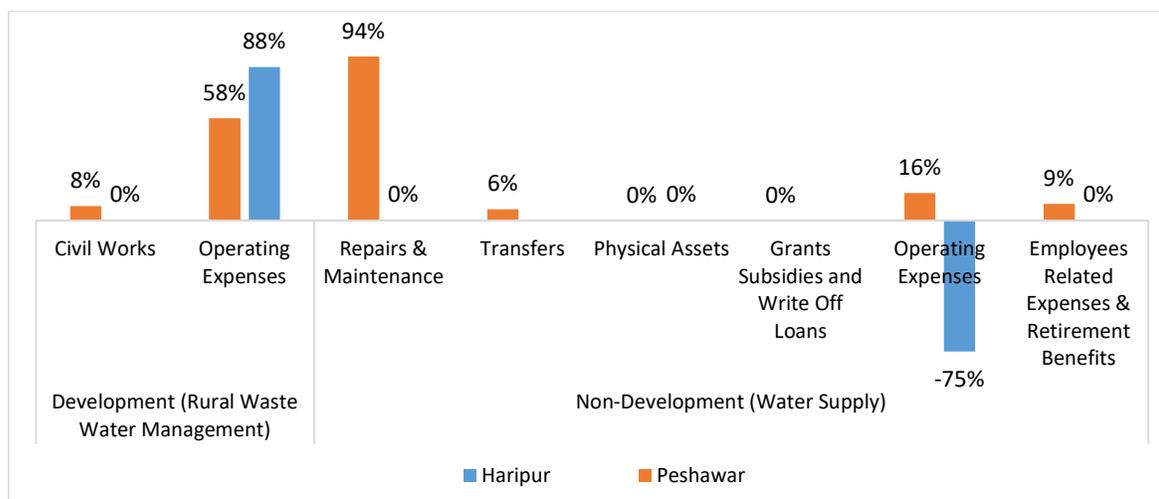
A detailed look at budgetary distribution of these funds in Haripur shows that 70% of the total WASH expenditure was spent on recurrent expenses like salary expenses, operational expenses, repair and maintenance and purchase of physical assets for the existing water supply system of the district. More than 60% of the current budget was gone to the operational expenses of water supply. 40% of the total WASH budget that is development budget was spent on waste water management in rural Haripur. That was basically on two categories: operational expenses and civil works for waste water management.

In Peshawar, around 30% of the WASH budget goes to the development side and the civil works of the rural waste water management got the major chunk of this WASH development budget.

Shedding light on the ability of the department to spend the allocated money exposed 18% under-spending in WASH funds of Peshawar district. This under-spending issue is more serious in non-salary budget especially 93% of the repairs and maintenance allocated funds were unspent in Peshawar.

The reverse situation was observed in Haripur where more than 20% of the total allocated amount was spent on WASH, and 41% overspending was reported in recurrent expenses. This percentage of overspending increases in non-salary budget, i.e. more than 60%. Despite, the department has failed to spend the allocated development funds for the district as around 3% under-spending is being observed in development budget. More than 80% under-spending in operational expenses of rural waste water management development works speaks volumes about the inefficiencies in public spending.

Figure 1: Object-wise Under-spending/(Overspending) in Haripur and Peshawar WASH Budget-2014-15



Source: Accountant General, Government of Khyber Pakhtunkhwa and survey team calculations

The issue of under-spending needs to be fixed in order to improve the service delivery and the budgetary allocation for WASH must be raised.

4.4. Budget for Social Protection (Social Welfare)

The population welfare department of KP especially works on programmes that directly benefit the marginalized segments of the society like poor women and children, Persons With Disabilities (PWDs), elderly persons, etc. These programmes may be related to their education, universal healthcare or other subsidized services and must be undertaken mainly by the Department of Social Welfare.

Tracking the funds under *Function-10 of budget*, i.e. social protection, would be helpful to evaluate the spending on deprived and vulnerable people. But, the data given by the government department doesn't include the names of the projects that make it difficult to understand the level and type of social welfare spending in both districts. The projects planned for 2014-15⁴ by social welfare department, KP can be summarized as allocation for new schools of disabled girls, staff trainings of institutes for special education, establishment of special education department in major universities, financial assistance to PWDs and some other projects.

During the 1st quarter of fiscal year 2014-15, welfare department managed to provide Rs 118 million to different districts for the up-and-coming needs and Rs 2.9 million for Center for Speech & Hearing. Moreover, the department approved the establishment of District Committees on women status; office of the Welfare Foundation for deserving widows and special persons; rehabilitation center for drug addicts, establishment of Darul Aman⁵ along with making improvements in existing Darul Amans; and some other projects in different districts of the province. Unfortunately, some of them need financial assistance to get themselves completed as reported by the social welfare department on their website. *This indicates the lower allocation of funds on social welfare and urges policy makers to raise its portion in total budget.*

⁴ According to the list of social welfare projects planned for 2014-15 by the social welfare department

⁵ Dar-ul-Aman is the women shelter home established by Social Welfare Department to protect marginalized women from violence

Turning towards the district budget, Rs 60 million was the spending on social protection in Haripur that is 1% of the total budgetary outlay, with the distribution of 73% on recurrent expenses and 27% on development expenses during 2014-15. The salaries/employees related expenses got highest share (77%) in current budget, followed by operational expenses (20%).

This situation of lower allocation is same for Peshawar. It is 3% of the total budget. The distribution of budget and spending on social welfare in to current and development is 80% and 20% respectively. Total 53% budget for social protection was unspent in Peshawar during this year whereas Haripur failed to spend 34% of the allocated amount.

This funding on social protection can be categorized into population welfare measures, social welfare measures and relief measures.

5. Budget Making Process and Pro-Poor Budgeting

Under Local Government Act 2013, the district government is responsible for preparing their own budgets and its execution. Local Government Department, KP⁶ defines the district budget as the statement of revenues and expenditures for a financial year that portrays the priorities, policies and financial strategy of the district government.

Now, the enhanced participation of stakeholders in this system is a step forward for the pro-poor budgeting because their engagement and involvement during the budget making process is a good strategy to include their requirements in the budget. These stakeholders are the members of district council, district offices, public, non-government organizations, private sector and marginalized segments of the society like women.

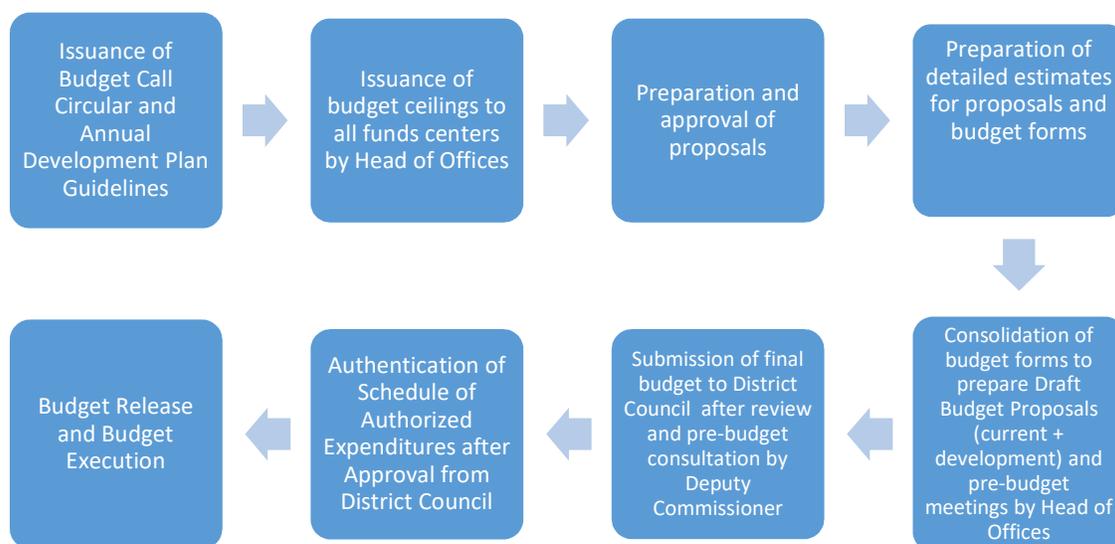
The stakeholders' participation in preparation of budget documents, including Annual Development Plan, aims to ensure the presence of their requirements and priorities in these documents. Since this system presents a model for decision-making by the local bodies and enhanced stakeholder participation, now there is a greater possibility to achieve the objective of community demands' representation in budget.

Moreover, to follow the budget rules by the departments is as much important as having a structure and rules for effective budgeting. The process and stages of district level budgeting can be described as the circulation of Budget Call Circulars⁷, preparation, finalization and approval of budget documents (*see table 2 in appendix 2 for the detailed budget calendar along with the responsible authorities*). In this process, the timely completion of each step is the prerequisite to get the required outputs.

⁶ <http://lgkp.gov.pk/wp-content/uploads/2016/01/The-KP-District-or-City-District-Governments-Budget-Rules-2016.pdf>

⁷ Budget Call Circular can be explained as the instructions and budget documents to be filled by the respective authorities.

Figure 2: Major Steps of District Level Budget Making Process



Source: District/City Government Budget Rules 2016, Local Government, Elections & Rural Development Department

From the previous experience of budget making, Centre for Governance and Development Initiatives (CPDI) 2015 and 2016 highlighted some key issues in budget making process that are obstructing the effective budgeting in KP. This study exposed the lack of capacity of budget staff in the preparation of budget documents. The non-existence of pre-budget public consultations in this process was also reported by CPDI. On public side, the issue of unpreparedness with proper research and pre-consultation work has been identified. It causes extra time and efforts of the respective government departments and authorities to correct them. That means they also need training in this regard.

Furthermore, the late circulation of budget call letters, lack of response by the departments on the statement of excess and surrender, revised estimates and supplementary grants, statement of new expenditures and development projects are some major challenges in the effective budget making.

No response to the statement of new expenditures by a department means no demand/requirement for the new expenses of the department. These new expenditures could be new teachers, new doctors, new medical equipment, etc.

Ignoring the development project plans depicts no need of any development project in that area. In the presence of these gaps, the budget can't reflect the public requirements. Hence, redressal of all the gaps and challenges in budgeting is the need of hour.

6. Conclusion & Recommendations

In both districts, more funding is required for a pro-poor development specifically to improve the areas like education, health, water & sanitation, and social welfare.

The study highlights the following key issues in pro-poor budgeting.

- i. There are inadequate allocations for education, health, WASH and Social Protection that are defined as pro-poor sectors. The evidence of lower educational and health outcomes and more requirements of WASH and Social Protection needs more allocations along with measures to improve all structural and governance issues prevailing in each sector.
- ii. Lack of stakeholders' engagement in budgeting raises the possibilities of misallocation of resources among different sectors and within sector as well.

- iii. Lacunas in budget making process also impact the allocation and distribution of resources negatively. Major issues include lack of skilled budget staff, unprepared/incomplete budget documents that defines their future fund requirements and many more.
- iv. Underutilization of funds especially non-salary and development funds is one of the serious policy concerns that has been identified in both districts. Delayed release of development budget, complicated procedures to access the development funds, and lack of transparency are some major reasons behind this issue.
- v. Special attention needs to be drawn towards the gender aspect of public provision of education, health and water & sanitation.

Lower enrolment and transition rates, high dropout rates, and poor quality of education in public schools seek more investment on education. Lack of proper medical facilities in public health centers and hospitals along with the level of dissatisfaction of public regarding public health facilities depicts the inappropriate allocation of budget for health. In the same way, budgetary allocations for WASH especially in rural areas in order to improve provision of WASH facilities need to be improved in both districts. A number of pending development projects of social welfare also adds to this fact of lower allocations.

Another serious and important issue highlighted in this analysis is under-spending of the allocated funds, especially the development funds. Various reasons like late disbursement of funds, procurement issues and high throw-forward rate of development projects doesn't allow departments to accomplish the task of making expenses on time. These weaknesses of the system need to be addressed to make the allocations more effective and efficient. Particularly lack of transparency of budget making and spending is a hindrance in making the resource allocation and spending pro-poor. In this regard, a transparent and accountable system would enhance the effectiveness of government funds. Adopting participatory approach in budgeting and oversight of the expenditures (specifically development funds) is a critical aspect to make the system transparent and accountable. Special efforts for the implementation of civic participation in budgeting under new local government system are required to get the potential outcome of this new system and betterment of the public especially marginalized segment of the society.

Regarding delayed disbursement of development funds, an expansion in fiscal space by the government is need of the hour. Currently, high debt-GDP ratio along with revenue related gaps such as low tax-GDP ratio, poor tax administration, etc.), and high share of budget on defense expenses squeezes the fiscal space for development funds in other sectors.

It is important to include improvement in budget making process at policy narrative level so as to pay attention towards this concern. In this regard, one of the major recommendations is the capacity building of the budget staff so that it can hold and keep the budget records properly and learn the use of technology in budgeting and expenditure tracking. The training of other stakeholders, including general public, civil society organizations and private sector is also required so that they could prepare themselves for the pre-budget consultations.

In addition, overspending of recurrent expenses (as given above in WASH budget) depicts the inability of the government departments to forecast the expenses in upcoming year that results in re-appropriation of funds disturbing the other planned priorities in the budget. Therefore, forecasting tools need to be utilized by the government departments while planning their budgets. In this regard, capacity building of the staff concerned is required to use the budget forecasting tools. Consequently, it would also be possible to accurately forecast the pro-poor requirements in upcoming budget as civic participation would ensure timely input highlighting the priorities of the poor.

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ANNEXURES

Annexure 1

Chart of Accounts

Table A1.1: Object-wise Classification

Element	Major object	Minor Object	
Expenditure	Employee Related Expenses	Pay	
		Allowances	
	Project Pre-investment Analysis	Feasibility Studies	
		Research and Surveys &	
	Operating Expenses	Utilities	
		Occupancy costs	
		Operating Leases	
		Motor vehicles	
		Consultancy & Contractual work	
		Travel & Transportation	
		General	
		Employees' Retirement Benefits	Pension
		Grants, subsidies & Write off Loans	Subsidies
			Grants-domestic
	Write off Loans		
	Transfers	Scholarship	
		Technical assistance	
		Entertainments & Gifts	
		Other Transfer payments	
		Interest payment	Interest - domestic
		Interest – foreign	
		Others	
	Loans and advances	Advances to Govt. servants	
		Provinces	
		District Government/TMAs	
		Financial Institutes	
		Non-Financial Institutes	
		Loan to Others	
		Physical assets	Purchase of Building
	Computer Equipment		
	Commodity Purchases		

		Other Stores and Stock
		Purchase of Transport
		Purchase of Plant & Machinery
		Purchase of Furniture & Fixture
		Purchase of Other Assets
	Principal repayments	Principal repayment-domestic
		Principal repayment - foreign
		Other repayments
		Principal repayment - floating
	Investment	Investment local
		Investment foreign
		Others
	Civil Works	Roads highways and bridges
		Irrigation works
		Embankment & drainage works
		Buildings and structures
		Other Works
		Telecommunication Works
		DERA (Drought Emergency Relief Assistance)
	Repairs and maintenance	Transport
		Machinery and Equipment
		Furniture and Fixture
		Buildings and structure
		Irrigation works
		Embankment and drainage
		Roads, highways and bridges
		Computer Equipment
		General
		Telecommunication Works
	Suspense and Clearing	Recovery of Expenditure

Source: Annual Budget Statement 2014-15, Finance Department, KP

Table A1.2: Function-wise Classification of Health Budget

Major Function	Minor Function	Detailed Function
Health	Medical Products, Appliances and Equipment	Medical Products, Appliances and Equipment
	Outpatients Services	General Medical Services

		Specialized Medical Services
		Dental Services
		Paramedical Services
	Hospital Services	General Hospital Services
		Special Hospital Services
		Medical and Maternity Center Services
		Nursing and Convalescent Home Services
	Public Health Services	Public Health Services
	R&D Health	R & D Health
	Health Administration	Administration

Source: Annual Budget Statement 2014-15, Finance Department, KP

Annexure 2

Detailed Tables

Table A2.1: Percentage Distribution of Households by the Perception of Economic Situation of Household Compared to the Year Before

	Much Worse	Worse	Same	Better	Much Better	Don't Know	Total
<i>Haripur</i>	5.00	28.29	34.97	28.22	3.52	0	100
<i>Urban</i>	2.96	27.78	36.83	32.43	0	0	100
<i>Rural</i>	5.48	28.41	34.53	27.23	4.35	0	100
	Much Worse	Worse	Same	Better	Much Better	Don't Know	Total
<i>Peshawar</i>	12.79	25.28	37.54	17.04	7.34	0	100
<i>Urban</i>	12.51	23.48	41.47	16.08	6.46	0	100
<i>Rural</i>	13.12	27.5	32.72	18.23	8.43	0	100

Source: Pakistan Social Living Standards Measurement Survey (PSLM) 2014-15

Table A2.2: Schedule for Current & Development Budget of District Government (Under New Local Government System)

S#	Activity	Responsibility	Deadline
1	Communication of 3 Years' Indicative District Share by PFC based on the projections of MTFF-I	Provincial Finance Commission Secretariat	By 31st October
2	Issuance of Budget Call Circular and ADP Guidelines	District Officer Finance and Planning	By 15th November

3	Review of Goal (s), Outcome (s), Output(s) and Performance Indicator(s) of the Office	Head of Offices and DDOs	By 30th November
4	Strategic Allocation of Indicative Ceilings by Outcome(s), Output(s) and Fund Centers/Spending Units/DDOs.	Head of Offices	By 10th of December
5	Issuance of Indicative Ceilings along with prescribed Budget Forms to all the Funds Centers/Spending Units/DDOs	Head of Offices	By 15th of December
6	Consolidation and review of schemes submitted by District Council and other stakeholders	District Development Committee and Deputy District Officer Planning	1st Aug – 31st December
7	Approval to prepare project proposal	District Development Committee	By 30th November
8	Preparation of project proposal	Head of Offices and DDOs	By 31st December
9	Approval of project proposal	District Development Committee	By 15th January
10	Preparation of detailed estimates and accordance of Technical sanction	Head of Offices and Deputy District Officer Planning	By 15th February
11	Filling in and submission of 'prescribed Budget Forms to Head of Offices.	DDOs	By end of February
12	Review and consolidation of Budget Forms and pre-budget meetings	Head of Offices	By 15th March
13	Submission of Consolidated Draft Budget Proposals (Current and Development)	Head of Offices	By 31st March
14	Review, consolidation and pre-budget meetings	Deputy Commissioner	By 20th of April
15	Review of Draft Budget (Current and Development)	District Council	By 30th April
16	Communication of District Share by PFC as firmed up based on MTFP-II	Provincial Finance Commission	By 20th of May
17	Communication of changes in indicative budgetary ceilings to district offices	District Officer Finance and Planning	By 25th of May

18	Revision and changes in budget proposals and their submission to Finance & Budget Officer and Deputy District Officer Planning based on updated figures of ceilings	Head of Offices and DDOs	By 1st June
19	Submission of final Budget to District Council based on final estimates provided by the PFC.	District Officer Finance and Planning	June
20	Approval of Final Budget	District Council	June
21	Authentication of Schedule of Authorized Expenditure	Nazim District Government	June
22	Communication of Budget	District Officer Finance and Planning	July
23	Budget Release and Implementation	Head of Offices	July – June

Taken from district or city district government budget rules 2016