

**PRO-POOR
RESOURCE ALLOCATION:
INSIGHTS
FROM
PEOPLE**

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List of Abbreviations

ACR	Annual Confidential Report
ADP	Annual Development Plan
BHU	Basic Health Unit
CBO	Community Based Organization
CCB	Citizens Community Board
DCO	District Coordination Officer
DPO	District Police Officer
EDO	Executive District Officer
ESRP	Education Sector Reforms Program
GST	General Sales Tax
FTM	Farm to Market Roads
LGO	Local Government Ordinance
LGS	LGS
MDG	Millennium Development Goal(s)
NGO	Non-Governmental Organization
NFC	National Finance Commission
NRB	National Reconstruction Bureau
PFC	Provincial Finance Commission
SAP-PK	South Asia Partnership-Pakistan
TMA	Tehsil Municipal Administration

Preface

Local government system was carved to decentralize political, fiscal and administrative authority to the lower rungs of political representation. The system has been successful in breaking the traditions despite all odds. It brought some vibrant leadership upfront through a process, especially among women, for example. However, along with benefits, there occurred some problems, too. These problems were either related to the craftsmanship, processes or simply the intent of the local leadership. Some of the most pronounced problems found as very common were adoption of the heritage of power politics, protection of the political, social and economic heavy-weights and failing to fit a pro-poor lens through which budgets and resources allocations could be channeled. Since such pro-poor lens was not in place, and the fiscal autonomy was not devolved at all, the development has been uneven, especially in the case of women, religious minorities, children, peasants and workers. It is then not a surprise that some people even question the philosophy of the devolution of power without devolution of fiscal autonomy.

South Asia Partnership-Pakistan is actively pursuing the agenda of democracy, peace, human rights, women's rights, security and livelihood, through national and regional level programs. In so doing, the organization has essentially been working with peasants and workers, women, religious minorities, elected representatives, state officials, especially in rural areas where inequality, poverty and political suppression has today made the lives of the 67 % population miserable. Research is also one of our main features through which we define our advocacy and capacity development priorities, and suggest policy level interventions.

This study suggestively proposes policy level interventions. It is aimed to highlight problems involved in budget making processes at the union council level and to put forward some recommendations to the federal government and provincial governments on how budgets can be made as pro-poor. This study is by no means a program in itself. We believe that through coverage of the past performance of the selected districts, this study shall be helpful in re-directing thoughts of our democratically elected government.

This study is premised on interviews and focus group discussions, with District Focal Groups (DFGs). DFGs are small groups located in all our target districts where Strengthening Democratic Governance in Pakistan (SDGP) of SAP-PK is operational. DFGs comprise of local knowledgeable people, from various different fields, and are intended to assist the Peasant and Worker Groups, of local peasants, in understanding issues and developing communities' level programs accordingly. Elected representatives were therefore an essential part of such discussions.

We cordially welcome your feedback and suggestions.

Mohammad Tahseen
Executive Director

1. Introduction

Pro-poor resource allocation has increasingly become a focus of attention for policy makers and the civil society alike. Various studies have suggested indicators to gauge the extent of pro-poor resource allocation within the budgetary documents. While budgets reveal government priorities, they also tend to hide people's perspectives. The present study combines budgetary analysis with people's insights and brings out an integrated perspective on pro-poor resource allocation in post-devolution context in Pakistan. This study is based on review of budgetary documents, interviews and focus group discussions through out the focus districts under SAP-PK's project "Strengthening Democratic Governance in Pakistan."

This study is divided into seven chapters. After Introduction, the study reviews the literature on devolution from the perspective of pro-poor resource allocation. For people aware of basic background of devolution, parts of this chapter may sound redundant however variables defining the pro-poor elements have been explained in details. Third chapter traces historical developments in LGS since pre-partition to the present system under LGO 2001. Forth chapter delineates analysis from budgetary documents while presenting province wise comparison over the years 2005 through 2007. There is no separate chapter on methodology, as the quantitative analysis is rather descriptive in nature and wherever necessary, notes have been added to explain the methodology. Fifth chapter brings forward the viewpoints of government officials and elected representatives on pro-poor resource allocation. This is based on direct and personal interviews in a chosen district. Sixth chapter, forming may be the core of this study, presents 'voices of people', as gleaned through focus group discussions held in eighteen districts. Seventh and last chapter of this study is based on the conclusions drawn by the authors and the recommendations put forwarded by the people themselves.

To do justice with the title of this study, every effort has been made to bring forward what people think about the current dispensation and how it should be improved. However it is not enough to communicate what people think, it is also important that

policy makers should understand as well. We hope that the policy makers and other institutions responsible for designing and managing the LGS would keenly listen to people's perspective and reflect it in their priorities and actions.

2. Literature Review

The advocacy of decentralization by social scientists and policy makers assumes that this system will give better service facilities and improve pro-poor allocation of resources. This advocacy clearly shows discontents over centralized system in which government is run by functionary body present in the capital. All financial, managerial and policy level decisions of whole federation are taken by top level management and decentralized units receive power from national government and constitution. The failure of the central government in generating proper response to citizens, high rates of corruption and inadequate provision of public goods and services, and poor allocation of funds for poor are the key reasons that paved the way for decentralization.

Webster dictionary defines decentralization as dispersions or distributions of functions or powers, especially a delegation of power from a central authority to regional authorities. But technically decentralization is transfer of authority or responsibility of public functions from central government to subordinate government or sub-national units. Cheema and Rondenelli (1987) define decentralization as a transfer of authority to make policies and decisions, carry out management functions and use resources from central government authorities to local government, field administration, semi-autonomous corporations, area-wide or regional-wide corporations, functional authorities, subordinate units of government or specialized functional authorities. The transfer of responsibility in decentralization is characterized by more transparency, better management, deep coordination and better control over resource management among sub-national units to allocate resources for more betterment and making them more likely for poor.

The sharing of information, knowledge and skills among different technocrats at rural, urban, macro and sectoral level to develop a well informed and comprehensive approach is the basic aim of decentralization in all country programs. Better decision making, policy, planning and operation at unitary levels (districts) about expenditure and revenue

generation, makes the decentralization more powerful and effective in retiring central government burdens efficiently by resource allocation for priority areas. Debt collection at unitary level makes the whole decentralization more strong and powerful in policy management. The decentralization takes into account different concepts by embracing specificity and variety in analyzing a particular country if its programs support different domain of reorganization: policy, administrative and financial systems.

Sharing of information and deepening of knowledge on inter-governmental relations, regional development, transparency and better management to enhance the effectiveness of national government is the essence of decentralization. It includes political, fiscal and market decentralization but its forms can differ from country to country, geography to geography and sector to sector level.

Types of Decentralization

- Political Decentralization
- Fiscal Decentralization
- Market/Economic Decentralization
- Administrative Decentralization

Political Decentralization

It is a type of decentralization in which political representatives are given more powers to frame policies for their public and is close to democracy in which will of people is represented in better interest of general public as locally elected representation closely understands the needs of their constituencies.

Fiscal Decentralization

It is an important type of decentralization in which local governments and respective private organizations and other functionary bodies have the power of revenue collection and total expenditure. They are fully independent to utilize all available resources either generated locally or provided by central governments. Sharing of resources among

national and sub-national units for revenue generation, inter-governmental transfers, authorization of local borrowing for the development expenditures and tax imposition to some extent are the main determinants of fiscal decentralization.

Economic Decentralization

Economic decentralization provides the transfer of functional responsibilities from public to private sectors. It accompanies privatization and de-regulation in which more control over decisions is granted to private sector making it more independent in market policies by transferring the burden from the shoulders of governments.

Administrative Decentralization

It is type of decentralization in which responsibilities of planning, financing and management are redistributed among different government levels from central government and its agencies to local or sub-level governments, authorities or corporations or regional/local bodies. It is further divided into de-concentration, delegation and devolution.

De-Concentration shifts the responsibility from central government to provinces, districts and local administrative bodies.

Delegation keeps central accountability intact but transfers responsibilities of decision making and administrative powers to semi-autonomous organizations that are not accountable fully to central government.

Devolution is a setup in which functions of governments are devolved and authority of decision making, financing and management is given in the hands of local governments that have legal status and well set geographical boundaries. Usually functional responsibilities are transferred to local sub-units which elect their representatives that have power to collect revenue and adjust expenditure at some specific level as given under legislation. The process of devolution empowers local governments and constituencies to budget their expenditures according to the real needs of their people. The elected representatives know well about the priority areas where they need finance as

they have direct contact with common people and have complete representation of their people.

Availability of abundant literature on decentralization makes it easy to trace the benefits, it has for common man generally and for poor particularly. Different authors favor different types of decentralization depending upon the present condition, geography and level of public comprehension and their absorbability but none gives any opinion against it. Faguet (2002) and Azfar (2000) give a very supporting view about the process of decentralization concluding that public investment decisions by local government are more progressive and responsive to poor than central government decisions, particularly in developing countries. Faguet (2004) finds that decentralization in Bolivia benefited marginalized regions and made service delivery more responsive. Diana M. Bowser (2003), favoring decentralization process for pro-poor equitable resource distribution particularly for least developed countries. Andrew N Parker (1995) examines the rationale for a specific rural focus in poverty reduction program and reviews recent attempts to encourage rural development. He discusses the role decentralization could play in rural development programs and analyzes recent efforts to implement decentralized rural development programs. Manor (1999) views improved governance and poverty if decentralization leads to transfer of powers to local authorities, availability of resources to local governments from central government to meet their expenditures and system of accountability for local administration, elected representatives and their electorates. In true sense he is a supporter of process of political, fiscal and institutional decentralization simultaneously.

At its best, decentralization does not simply transfer centralized functions to the local level but simultaneously reorganizes the roles and responsibilities of central governments, local governments and communities, and opens government processes to greater involvement by the people. Above authors support the process of decentralization in order to resource allocation for the poor and marginalized communities. They develop a need to decentralize powers in a way that can support those with limited access in society. The success of decentralized structures on the other hand critically depends upon the higher level enabling environment and citizen participation and less so on the local

institutional capacity and information network as confirmed by the Colombian experience by Fiszbein (1995). It supports the process of Citizen Community Board (CCB) developed by local administration to enhance participation of common people to solve their own problems.

Shah (1997) argued that developing economies, like Indonesia are nurturing self-government through their poor village grants programs. It is a way to empower local communities ensuring the availability of resources for the poor. In the literature of fiscal federalism, Wallace Oates (1997) argues that the greatest efficiency is achieved when budgetary choices are made by local officials elected by local people who have to meet the full cost of their decisions through local taxes. This view has been challenged by European writers (Prudhomme 1989, Davy 1996) who consider the link between local government budget choices and popular preference somewhat tenuous by arguing that many field of local expenditure such as education and environment are combining legitimate local and national interests. Actually Prudhomme is not denying the importance of decentralization but supporting it by taking all possible cooperation from central governments. Developing countries are turning to decentralization to escape from the traps of ineffective and inefficient governance, macroeconomic instability, and inadequate economic growth (Bird and Vaillancourt, 1999). In a fiscally decentralized system, the policies of sub-national branches of governments are permitted to differ in order to reflect the preferences of their residents. Advocates make a case that fiscal decentralization brings government closer to the people and a representative government works best when it is closer to the people (Stigler, 1957).

The developed countries had made demarcation between legislative and administrative functionary bodies and have achieved a balance between central and sub-national units that paved the way for them to provide maximum facilities to local communities. They made the process simpler and access easy and better resource allocation by removing unnecessary constraints from the system. In the western world, decentralization is an effective tool for reorganization of the government in order to provide public goods and services cost effectively in the "post-welfare state" era (Bennett, 1990; Wildasin, 1997).

Developing countries are turning to decentralization to escape from the traps of ineffective and inefficient governance, macroeconomic instability and inadequate economic growth (Bird and Vaillancourt, 1999). Throughout post-communist Central and Eastern Europe, decentralization of the state is the direct result of the transition from socialist system to market economy and democracy (Bird, Ebel, and Wallich, 1995). According to Rojas (1999) the process of decentralization in many Latin American countries is because of political pressure from the people of those countries. It is established fact that decentralization develops the sense of democracy and ownership among the people and gives them power to solve their problems themselves. The concept of Citizen Community Boards (CCBs) has proved that the allocation of 25% budgets for citizens have made communities more responsive and sensitive. Another way of empowering community is the formation of Community Based Organization (CBO) which is a formal organization of local poor communities constituting on both women and men representing their own areas. CBOs provide a platform and develop linkages with local administration, elected representatives and get different grants for the development of their areas which they use under their own policies to target those problems of pro-poor that were not in focus of local bodies and administrations before it.

Policy makers and analysts of both developed and developing economies are unanimous about the priority areas in the context of pro-poor resource allocation. Social scientists and policy experts identified those domains if targeted, can help to make them equal participant in market economy. They give ways to allocate resources that help communities to lessen their out of pocket expenditures and enable them to earn their daily needs. Optimal pro-poor resource allocation can be achieved if it is targeting necessary education and health, capacity building and infrastructure development, availability of clean drinking water and access to justice. The process of fiscal decentralization along with equally supportive administrative decentralization facilitates the poor by providing them food security, land holding and housing. Access to credit market, occupational status, respect in society and skill enhancement are the key factors that generate real economic activities making communities to come out of poverty under the umbrella of decentralized world.

The policy for pro-poor resource allocation starts from an appropriate profiling of the poor. It can be tricky, as the poverty can be disguised. However, income information, wherever available and reliable, can be helpful. Again, income definition would also change across areas. In our areas of research, landless peasants, day-laborers and unemployed persons constitute majority of the poor population, often earning between Rs. 2,000/ to 3,000/ per month.

The presence of abundant literature on decentralization makes it credible for good governance, transparency and better facilities for common people. Power sharing among locally elected representatives and bureaucrats can play a better role if it provides a well established system of accountability as its outcome is transparency and minimum corruption. Literature draws a balance over fiscal mobility and consensus over revenue collection and its redistribution among central and sub-national units creating links among different form of decentralizations. Community participation by CCBs and CBOs not only empowers general public but also provides a real way to allocate resources for poor to meet Millennium Development Goals (MDGs) following a long run approach.

3. Historical Review

“Decentralization has, not only an administrative value, but also a civic dimension, since it increases the opportunities for citizens to take interest in public affairs; it makes them get accustomed to using freedom. And from the accumulation of these local, active, persnickety freedoms, is born the most efficient counterweight against the claims of the central government, even if it were supported by an impersonal, collective will.”

(A. DE TOCQUEVILLE)

LGS which we see today is a result of different changes and evolution that took place in history leading what are the needs at local level in a governmental system. The French and British developed LGS considering the needs of local communities but French system remained poorly developed and British system was launched into different countries even in the United States. History proves that LGS was present in Indian Subcontinent for many years either in the form of municipal corporation or in the form of informal system of *Panchayats* in villages to solve the problem at local level. System of caste *Panchayats* and local bodies which are town nominated are also reported in Subcontinent centuries ago (Mani Shankar Aiyar *Union Minister of Panchayati Raj, India*). The territory which now constitutes Pakistan remained under different local governments under colonial rules. So people were familiar of local governments rules since centuries but real steps were taken in seventeenth century to ensure the active participation of local community.

Pakistan inherited the LGS from British like other former colonial states in the world. Military remained in power in Pakistan more than the political governments and it has always erupted the elected governments, in which provinces were administered by the center and districts and sub-district were bureaucratically administered leading to rejection of will of locality, increasing of corruption and poor accountability. It is a strange commonality that all military run government that came into power by forcefully removing the elected governments of Pakistan started the process of decentralization at

gross root level although they depressed the real essence of local participation and empowerment. But it is fact that they tried to improve political participation pursuing their own interests.

Historical Look of Decentralization:

A- Pre-independence

Years	Historical Milestones
1688	Set up of 1 st Municipal Corporation in Madras
1842	Conservancy Act led to formation of Conservatory Committee
1846	Board of Conservancy Act was established
1852	Municipal Commission
1867	Municipal Act for Lahore and Karachi was passed
1882	Lord Ripon's Resolution on Local Governments
1907	Decentralization Commission recommended non-official Chairman of Municipal Committees
1925	Set up of Simon Commission to assess performance of Local Self-Governments
1935	Government of India Act allowed provincial autonomy

B- Post-independence

1959 to 1969

The first serious attempt to provide institutional framework at local level was provided by the President Ayub Khan in the history of Pakistan. Key points of LGS are as under:

- Developments of Local Government in the form of Basic Democracy (BD)
- BD constitutes a four link tier, whereas union council as lowest tier elected through adult franchise
- Urban areas were defined under BD Ordinance of 1959
- Town committee were set up in urban areas having a population of less than 14,000
- About 37 functions were expected from social welfare to maintenance
- Town committees can levy tax
- All the chairmen of union committees were the members of municipal committee
- Chairman of municipal committee was appointed by provincial government
- Union council was first tier of government in rural areas, consisted of group of villages and each UC had its elected head as the Chairman
- *Tehsil* council was a higher council of UC but it had no taxation power
- District Council was an electoral college of all chairmen of Union Council, Town and Union Committees
- District Council (DC) had the power to levy tax
- DC coordinates Local Councils and Municipal Committees under its jurisdiction
- Basic democracy system served as a electoral college to elect the President and Assemblies
- Basic democracy system remained functional till 1971

1972 to 1977

- Basic Democracy system was abolished in 1972 by Bhutto
- Bhutto's system could not become operational because no elections were held
- Official administration governed local administration from 1971-79

1979 to 1984

- President Zia-ul-Haq revived local government via Local Government Ordinances 1979 and 1982 which remained functional till 14 Aug 2001 with amendments
- Levels of system in urban areas: Town Committees, Municipal Committees, Municipal Corporation and Metropolitan Corporation
- Level of system in rural areas: Union Council, *Tehsil* Council and District Council
- *Tehsil* level was abolished by provincial government
- System comprises of two tiers for rural and three tiers for urban areas

1985 to 1998

- General elections of Provincial and National Assemblies took place in 1985
- Culture changed from Local Bodies to national and provincial levels
- MNAs and MPAs hijacked functions of Local Representatives
- Tension between Local Bodies and provinces resulted in suspension of Local Bodies number of times

Devolution in New Millennium

Poor accountability, high corruption and mismanagement of funds at gross root level and very limited community participation paved the way for the installation of new LGS that can protect the sentiments of poor communities by making them an active participant in the governmental functions. Following the predecessors, when President Musharraf took over citing corruption, inefficiency and incompetency of politicians, he claimed that there should be open and transparent system of democracy not only at central level but also at local level and introduced a new process of devolution of powers at the start of new millennium.

Local Government Ordinance 2001

Military government established National Reconstruction Bureau (NRB) to reconstruct political and services structures through the process of decentralization by launching devolution plan. It includes empowerment of citizens, decentralization of administration powers and distribution of financial resources to provincial and local governments through the diffusion of power-authority nexus (Rafi Khan 2001). This ordinance forms the basis of the new Local Government System (LGS).

Structure of District Government System (DGS)

The district government is a three tier system, where a link exists between administration and organization in rural and urban areas because of demographic and location distribution of people in Pakistan. The system constitutes: Union Council, *Tehsil* Council and District Council. The string moves from lowest level of administration to highest level.

- District Government System is a three tier system: Union Council , *Tehsil* Council and District Council
- Union Council(UC) has an elected representative, *Nazim* and *Naib Nazim* as heads of Councils
- Union *Nazim* prepares annual development plans of Union Council and manages UC budget

- Union Council has an average population of around 25,000
- Total Member in UC: 21 elected on non-party basis
- *Tehsil* Council consists of *Naib Nazims* of all *Tehsil* and *Tehsil Nazim* is its head.
- Indirect elected members such as women members, peasant and minorities constitute one third of elected representation
- District *Nazim* is an indirectly elected head of elected representatives in a district
- District administration is answerable to district *Nazim* including police.
- All provincial head quarters were considered city districts.

Devolution Plan of 2001 is a courageous step on part of the military government as it redefined the administrative relationships between the province and the district. Under new system, community was given responsibility to manage and generate their own resources according to their needs. All district administration was made accountable to the elected elite of local community. It is fact that LGS gave a better mechanism of political decentralization in which communities were empowered in term of increased access and awareness about their rights. Fund transfer process from the center to provinces and districts were properly designed so that local government could access to marginalized and poor communities. Different aspects of LGS in contributing and addressing local community needs under different contexts of decentralization, political and fiscal, are discussed below ranging from local representation to better allocation of financial resources.

Local Representation

Devolution gave representation to local communities by giving them right to select their representatives by open electorate process. It gave them access to local offices for the solution of their problems. Their representation at local level is a way to admit their importance and it provided them an opportunity to solve their problems which are best known by their representatives than any other. Local government development projects are discussed with local representatives before launching. They were allowed to

participate in the affair of policy framing that could not be given under any previous LGS in Pakistan.

Women Participation

The LGS did not only recognize the importance of women participation in electorate process but also gave them representation in decision making. It empowered women of rural areas where even their basic rights were not given properly. Now they are given seats in union council which provided them opportunity to fight for those rights which are not given by male dominated society. Their representation ensures that not a single decision at local level can be taken without consulting them and nor a single decision can be decreed that hamper women rights in process of decision making.

Peasants Representation

The new system gave opportunity to peasant community to gather on a platform to solve their mutual problems by allocating fixed number of seats. This style of representation to a particular class empowers them politically and administratively. Peasants' representatives can select a person that can deal all problems concerning water management and lining of canals.

Internal Political Accountability

Devolution plan ensured the process of internal accountability of *Nazim* who can be substituted if s/he loses majority support in the council or assembly.

Political Head and its Independence

The devolution plan made the elected political head of Local Government completely independent in running the office. A balance between district and provinces was created in order to make the process of devolution more supportive to provide the rights to local community in one sense and on the other hand it contributed a lot to empower marginalized community as political head is now independent and no one in district management has the power to undo his/her decisions.

Legislative Powers

Elected representatives were granted legislative powers under new LGS at Union Council, *Tehsil* and District levels to run the office as the people of that community want. Now district government can impose taxes at local level to generate revenue to fulfill expenditures. Collection of taxes and preparation of district level budget and development of the process of revenue generation smoothen the process of pro-poor resource allocation. Non-elected member can also be made responsible to collect land revenue if local elected representatives select him/her for this position. This limited the role of numberdar in village community that is a symbol of colonial administration. Union Council can have some authority to solve family disputes and can degree divorces under new system. UC decision can be challenged in courts. This legislation at local level helped in facilitating local community in Pakistan.

Administrative System

Now administration is made fully accountable to local elected representation and needs approval of elected representatives. Local administration is coordinated by District Coordinating Officer (DCO) who reports to District *Nazim*. New police reforms make the District Police Office (DPO) directly answerable to District *Nazim*. To enhance the cooperation of local bureaucracy with *Nazim*, s/he is made responsible to look not only their offices but also to write their Annual Confidential Reports (ACRs) and forward the same to provincial bureaucracy. The balance between elected representatives and district management makes the allocation of financial resources pro-poor as they are now channeled by the consultation of elected elite of that community.

Community Participation

Community participation is an innovation which gives more power to the communities to utilize resources. It targets communities by setting up a system of Citizen Community Boards (CCBs) which constitutes non-elected members of community that agree to work for the development of their areas. Financial resources for CCBs are given under district budget by allocating 25% of financial allocation in the district. Further allocation of financial resources for development projects and infrastructure development will be

mutual sharing of 20% by community and 80% by district government. This allocation of financial resources by communities and governments develops the sense of ownership in communities.

Financial Decentralization

The process of financial decentralization under local government is very important component of devolution under Local Government Ordinance 2001. According to this Ordinance, local government can generate revenue to meet its expenditures. This power of revenue generation and setting the level of expenditure makes the process of local governments distinct from the previous, Local Bodies and Basic Democracy System. LGS has theoretically narrowed down gaps between revenue and expenditures by creating its own tax base and cost recovery policies.

National Finance Commission (NFC) award's devisable pool consists of income, wealth, capital value, sales tax, and federal excise excluding natural gas and custom duties. NFC award, renewed in 2002, supported by Article 160 allocates share of 37.5% of financial transfer to provinces on the basis of national population. Other than this, provinces will receive 2.5% of General Sales Tax (GST) in lieu of elimination of Octroi tax. Octroi tax was imposed by urban governments on goods and services imported from other jurisdictions and the Zila tax was levied by rural governments (current equivalent of district governments). In 1998, these taxes were abolished at the direction of federal government with a promise to compensate local governments for loss of revenues through a federal transfer program that passed funds through provincial governments to local governments. Special grants to relatively backward provinces, NWFP and Balochistan, are allocated to help them in difficulties. Conditional grants are sponsored by federal revenue or financial support or add-in-grants from foreign governments. Khushhal Pakistan Program (KPP) receives funds from central governments via provincial governments under special criteria. Tameer-i-Watan-Program (TWP) is also implemented by district government along with participation from concerned members of National and Provincial Assemblies. Education Sector Reforms Program (ESRP) also channels funds from central to local government for updating school facilities. Extended

Immunization Program (EIP or EPI) constitutes in kind donations. Operational assistance in health sector is provided by Lady Health Worker Program. All such programs transfer financial resources from central government to local governments that can contribute much in pro-poor resource allocation.

Credit Lines and Social Safety Nets

Local governments ensure the availability of financial resources to marginalized segments of communities by providing them different options. Availability of credit under different micro financing network makes contribution to alleviate poverty is best supportive by local government as it facilitates different Non-Governmental Organizations (NGOs) in their operation. For example: opening of bank accounts of CBOs by the involvement of locally elected persons. Local government also provides some safety nets to those classes of community that are very poor by allocating financial grants in term of Zakat and financial grants to the poor with the help of local elected members.

The process of decentralization, devolution and service delivery in developing countries has become the mantra of administrative and governmental reforms as not a single development theory support the process of centralization. Shift from central system to decentralized one with more service provisioning led to a balance between district and provinces in term of power distribution and resource allocation. The powers of local bureaucracy were checked by making them accountable to elected representatives. Financial provision was ensured by giving districts a financial channel from the provincial government. The facility of co-financing for different developmental projects and intergovernmental borrowing makes the local government more empowered. Indexation of districts on the basis of poor population and deprivation can guide the process of flow of financing from the central governments to local governments through provinces. It justifies fund allocation for the poor and marginalized communities under Local Government Ordinance of 2001.

It is speculated that LGS in the presence of national and provincial Assemblies will lose strength in term of resource allocation particularly to pro-poor as elected representatives of these Assemblies will not allow to function local governments properly as history proves in Pakistan. The controversial status of local governments still exists but if this system was not allowed to work, the fate of poor Pakistani society will not be very different from those which history has shown.

4. Budget Analysis

Financial resource allocation is analyzed by financial documents, budgets and Annual Development Plans (ADPs) of respective districts for the period 2005-06 and 2006-07 in this research report. The quantitative analysis is conducted district wise, province wise and sector wise.

The problems regarding data analysis included procedural delays in getting the budgets and lack of uniformity in reporting of financial data even in the presence of uniform financial reporting standards. Initial sample consisted of 20 districts but owing to data availability constraints at sectoral level, the sample was brought down to eleven districts. The availability of partial information in most of the districts made the budgetary analysis rather indicative and not much generalizeable for the specific province. Moreover to make the analysis more responsive a district was selected from each province and is separately explained.

Quantitative Analysis

Punjab

Punjab saw a 67% rise in development expenditures over 2005-06 to 2006-07 where development expenditure for education has been increased about 1.24 times. The government launched different programs to enhance education at all levels. *Para Likkah* Punjab (Educated Punjab) is one of them. Special focus sector of Punjab government on health made it possible to allocate 3.85 times more in order to provide health facilities to rural Punjab by providing better pay and facilities for doctors and supportive staff working in basic health units (BHUs). Community participation was encouraged by development of CCBs and CBOs and approximately funding was enhanced by 1.81 times to channel fund for poor that can develop among them the sense of ownership. The provision of funds for safe drinking water remains with no change shows consistency of government policies in this sector. Analysis of district Mianwali shows a decrease in development budget for Education, Health and Social development but it gives a very

huge allocation for agricultural and clean drinking water. This shows prioritization of these two sectors as local government has power to allocate funding accordingly. Poor allocation for CCBs shows shifting of funding priority areas.

Province	Punjab		
Year	2005-06	2006-07	Percentage
Education	233,198,700	521,833,000	124%
Health	65,084,000	315,781,900	385%
Agriculture	260,664,000	86,817,000	-67%
Social Development	108,449,000	304,390,000	181%
Drinking Water & Sanitation	170,587,000	172,389,000	1%
TOTAL	837,982,700	1,401,210,900	67%

Sindh

Sindh province made 6.44 time increase in development budget in 2006-07 and allocation mainly concentrated on education and health. Massive enhancement reflected in health sector is because of data missing for a district but it is very clear that allocation for health remained considerable due to provision of health facilities to poor village community by BHUs. Allocation of Rs225 million and Rs131 million for agricultural and social development respectively in 2006 was made to ensure that devolution contributed much in pro-poor resource allocation in the form of different programs under LGS. District Sanghar in Sindh province shows poor allocation for education and health considering them less priority sectors on local government level but its allocation for clean drinking water is even Rs3 million more than previous year showing government interest to provide clean drinking water to poor people of this district. The data about health and agricultural sector is missing for 2005 but highest allocation for agricultural sector in 2006 which is more than any sector, which shows local government plan to alleviate poverty by agricultural development by supporting poor farmers and by facilitating them in cultivation by construction of farm to market roads and different bridges to give them better access to markets. The allocation for CCBs in this district shows local government interest to strengthen community participation. This district gives a very balanced picture in term of pro-poor resource allocation under devolution in Sindh province.

Province	Sindh		
Year	2005-06	2006-07	Percentage
Education	19,124,000	49,017,000	156%
Health	65,084,000	315,781,900	385%
Agriculture	N/A	240,571,000	N/A
Social Development	N/A	131,896,000	N/A
Drinking Water & Sanitation	15,389,000	3,600,000	-77%
TOTAL	99,597,000	740,865,900	644%

Balochistan

Balochistan, constitutes 44% of total area of country received 5 times increase in development budget as it was treated as priority province in term of pro-poor resource allocation. Local, provincial and central government showed special interest to develop health and education for community to alleviate poverty by introducing different developmental schemes. This province allocated approximately Rs237 million for promoting education in 2006 which made possible to launch different educational promotion programs at province level. In NFC award of 2006, Rs9.168 billion were allocated under special grants to this province which is 33% of total grants (Rs27.75 billion) at federal level and double the level of grants in 2005. Special allocation from President Education Reform Fund also remains considerable. Considering the poor status of health facilities in the district Kallat, approximately Rs33 million were allocated which is even much greater than allocation per sample in the previous year. Non- availability of data for 2 out of 3 districts gives significant meaning in this regards. An allocation of Rs56.66 million against the very poor allocation of previous years justifies that even in the absence of poor agricultural facilities due to mountainous geography; this district received a very handsome amount.

Considering the scope of Millennium Development Goals, allocation for clean drinking water was enhanced by 30% from the previous years which benefited to community at scale. On the side of social development, funding for CCBs remained poor showing poor community participation as major source of funding came from provincial and federal government. Due to targeted funding nature, district government remained on sidelines.

This allocation will contribute a lot in order to meet MDGs and increase literacy which signifies pro-poor resource allocation in its true scenes. Water supply and development of water courses was considered as targeted areas as they received financial allocation under President National Program for Improvement of Water Courses and Water Storage Tanks due to remove water shortage in this district. As a form of continuous policies, to make available water for every one, other programs were also launched. Agricultural sector was allocated about Rs40 million that can contribute to government policies to fulfill coming needs of foods.

Province	Balochistan		
Year	2005-06	2006-07	Percentage
Education	39,490,898	237,384,803	501%
Health	1,394,772	33,889,072	2330%
Agriculture	3,964,044	56,665,088	1329%
Social Development	8,252,200	5,937,514	-28%
Drinking Water & Sanitation	3,836,619	4,997,000	30%
Total	56,938,533	338,873,477	495%

NWFP

NWFP allocation for development budget per selected sample is Rs748.252 million with many blank due to unavailability of data. Data remain unavailable for two districts out of 3, for education sector and allocation only for a district remain Rs20.08 million which will not be sufficient to argue. Data for health sector is missing for 2 districts and so a poor index for respective sector. But social development sector shows a 55% increase which supports arguments that community participation is strengthened and ensured by local governments in NWFP. But 80% decrease in allocation for clean water in this province shows neglecting this sector. But it is fact that about Rs9.71 billion were allocated for this district under special grants to province, targeted programs which make it also one of the priority provinces for fund allocation under devolution. The district Charsadda showed balanced financial allocation in which except education, all sectors were allocated with special focus on agricultural and community development for which

about Rs70 million were allocated. Huge allocation for agricultural development in this district shows local government strategy to be resourceful in agricultural products indigenously.

Province	NWFP		
Year	2005-06	2006-07	Percentage
Education	240,465,000	20,082,000	-92%
Health	415,455,000	9,150,000	-98%
Agriculture	3,003,446	72,084,000	2300%
Social Development	19,075,000	29,513,750	55%
Drinking Water & Sanitation	119,028,000	32,298,000	-73%
Total	797,026,446	163,127,750	-80%

General Analysis

General analysis shows that financial allocation to specified sample districts has increased by 29% from the previous year. New formula for resource allocation under NFC supports the enhancement of financial resources as provincial is increased. Sectoral analysis shows that education has received 68% more allocation than previous year showing government's commitment to promote education and make it accessible to those which could not get if government does not take action. This large increase in education sector is also due to special allocation for education under President Fund. Agricultural development remained main agenda of local government's plans as 70% more allocation from the previous year supports government commitment to poor farmers that can not face competitive market. These initiatives contributed a lot to remove food shortages that can severely affect poor in the period of price hike. A substantial 2.47 times increase in financial allocation for social development reflects pro-poor resource allocation by enhancing community participation. The development of Citizen Community Boards (CCBs) and Community Based Organizations (CBOs) to use funding from the divisible pool of district has contributed a lot to alleviate poverty and impetus resource generation justifying pro-poor resource allocation. Percentage for drinking water does not show poor allocation but detail sample analysis shows large missing in data set.

Allocation of Whole Sample			
Year	2005-06	2006-07	% change
Education	419,956,898	704,103,803	68%
Health	621,114,772	416,430,972	-33%
Agriculture	267,631,490	456,137,088	70%
Social Development	135,776,200	471,737,264	247%
Drinking Water & Sanitation	308,840,619	213,284,000	-31%
Total	1,753,319,979	2,261,693,127	29%

Source: Annual Development Plans 2005-06

Millennium Devolution and NFC Awards

Fiscal decentralization under millennium devolution contributed to horizontal and vertical distribution from the divisible pool. President Musharraf tried to get a consensus between provinces to resource sharing under 6th NFC award but chairmanship of Prime Minister Shaukat Aziz could not finalize the provincial demands. The 7th NFC award was announced by President Musharraf in which provincial share was revised to 45% of total divisible pool including grants and with 1% increase per year from the net divisible pool. It is seen that total provincial share in 2005 was Rs287.93 billion which was increased to Rs333.37 billion, 15.5% higher justifying more allocation for provinces.

Overall Analysis

NFC analysis shows that financial allocation for each province was enhanced and it was ensured under presidential order that provincial government will transfer the whole of such amount to district governments and without retaining any part thereof. The presence of this prudential directive and enhanced community participation increased the role of local government to allocate fund that can work to alleviate poverty and can make a just vertical distribution of financial resources from the center to province and later to district governments. The financial allocation of grants-in-aid to provinces taking into account backward provinces was specially targeted in order to help them to come out of deprivation and be an active player in national economy. For 2005, total grants were only Rs8.7 billion but in 2006 this allocation has been increased 3 times to Rs27.75 billions which will hopefully be allocated to meet those goals that are signed under MDGs.

6th NFC Award and Financial Allocation		
(In Billions)		
Year	2005-06	2006-07
Total Provincial share	287.93	333.37
Punjab	149.1	172.64
Sindh	73.72	85.29
NWFP	43.12	49.96
Balochistan	21.99	25.48

Conclusion

Devolution in its true spirit gives powers to local governments to run programs at district level and target poor and marginalized communities by making their representation in local governments. Financial allocation under devolution remains pro-poor as there was seen considerable increase in funding to enhance those variables which we selected as pro-poor variables. Education remained among the priority areas of allocation as it contributes a lot to alleviate poverty. The health and social development remained also among those sectors which were allocated funding to a great extent. In Punjab and Sindh, community participation was encouraged by allocating large amount of funding for social and community development. Provision of clean drinking water remains less priority area as funding remains poor for this sector. Considering the National Finance Commissions (NFCs) it is clear that there is gradual increase in provincial share in net divisible pool and in grant-in-aid. However, whether people, both elected and common public, really believe in the magic of these numbers remains to be seen. Our subsequent qualitative analysis brings some insights.

5. Pro-Poor Resource Allocation: Viewpoint of Government and Elected Representatives

When it comes to pro-poor resource allocation, implications and applications of policies can vary a great deal across different localities. We realize that the demands of the poor can often be in conflict with the official strategies and priorities. Therefore the participatory approach to development rests on consultations with the ultimate beneficiaries. This chapter presents the results of a series of interviews conducted from various stakeholders focusing on the government officials and elected members. Interviews were conducted in TMA Dunya Pur and District Government Lodhran. It discusses various options of pro-poor resource allocation from direct cash transfer to infrastructure development.

Cash Grants/Direct Transfer

We have argued elsewhere that economics of resource allocation should take precedence over its politics (SAP-PK 2007). That it does not happen simply exacerbate the poverty problem. At local level, giving away cash grants to the destitute form a politically powerful instrument for poverty alleviation. Traditionally, the governments have relied on income transfers through *Zakat* and *Bait-ul-Maal*. The economic impact of these grants is uncertain though its political impact is predictable: one can win votes. Especially, the one time grant rehabilitation package through *Zakat* is susceptible to severe corruption. We share an original story here.

We were told that some recipients of the rehabilitation package- which amounts to Rs50,000 have actually started micro lending business. They would typically keep Rs4,000 with themselves, and put the remaining Rs46,000 into micro lending business, while earning Rs3,000 to 4,000 each month as interest. Thus, they are able to

utilize their capital most 'productively.' This is the most fatal combination of entrepreneurship and rent-seeking, one could think of!!!

Another popular instrument of reducing poverty, especially amongst women, is to give them sewing machines. Every ruler visiting a poor locality distributes sewing machines. This practice is carried regardless of actual needs of those women or the potential business impact of so many sewing machines. Most women would keep those machines as dowry of their daughter and would not bring them in commercial usage. Although indirectly, even dowry usage is not bad, the original idea of giving poor women a productive asset in the form of sewing machine flops.

We were told by a tehsil that it had many 'left over' new sewing machines but no body takes them.

Direct Representation

The LGO 2001 envisages direct representation of the poor in the local government set up as an effective strategy of pro-poor resource allocation. It is indeed a sound strategy, only if poor can really make through it. We were told that officially, a peasant member in the union council should not have more than two acres of land; however, his selection is rarely based considering this criterion. At least the current peasant member in the *tehsil* assembly does not fulfill this standard. Therefore the representation of the largest segment of the poor population remains doubtful in reality.

Participatory Development

Participation in decision making is critical for pro-poor resource allocation. If poor are not included in the decision making, resources are often misdirected. Our respondents told us that last year, the cotton crop was devastated due to an attack by a virus, *Mealy Bug*. If the resource allocation were truly participatory, launching an education and awareness campaign for particularly small farmers, would have been an excellent

example of pro-poor resource allocation. However, instead of such urgent issues, money is mostly spent on street pavements and sewage. In spite of a severe attack on the cotton crop, local government did not direct any resources for cure or prevention. If such very local arrangements could not timely respond to local needs, how can we expect anything from the provincial or federal governments?

Infrastructure Development: Too much ado

There is no doubt that sewage and street pavements as well as farm-to-market (FTM) roads are very helpful indirect developmental interventions. However, we observed that elected representatives (in the opposition) express serious doubt on the real utility of such infrastructure works. Most of them are of the opinion that such development is carried on due to the influence of contractors' mafia, whose business interest lies in tenders for new constructions each year.

According to an international benchmark, if 0.25 kilometers in each square kilometer of an area is a metal road, that area is considered to be well developed. By this standard, district Lodhran has long surpassed this international benchmark!

Financial Independence

The LGO 2001 envisages financial independence at local government level. However, realization of this objective needs first of all freedom to make economic decisions. The TMA Dunyapur proposed to build a commercial plaza and a bus stand with its own resources to generate a permanent source of revenue. However, audit objections would always prove a hurdle in such brave business ideas.

Resource generation at local level is possible by ensuring good governance. *Tehsil* Dunyapur administration was able to collect Rs9.3 million as *Abiyana* (tax on water usage) whereas *tehsil* Kahror Pakka could only collect Rs4.5 million though the land was much greater there.

There are various instances of double taxation at union and tehsil levels. This is certainly anti-poor, as at this level, the tax payers often belong to the poor, typically amongst them are the common street vendors, or chabri wallas.

According to a senior official whom we interviewed, devolution was never pro-poor. The local governments contribute hardly 1% in resource generation therefore they do not have influence in resource allocation from a people's perspective. They normally have to concede to the budgets imposed on them. Although TMAs are authorized to collect taxes, the cost of tax collection is usually double the tax amount collected.

Capacity Building

The capacity building programs started with the support of donor agencies came under fire from the local government officials, as it was pointed that for each capacity building program, some 70% of the amount is spent in technical assistance, thereby it goes back to the donor agencies' home countries. The remaining 30% amount is spent on the travel and daily allowance of the participants.

Participatory development needs participatory planning process. In this regards, development plans for next 5 to 20 years have been laid out after thorough consultation with a selected group of six union councils. This was supported by an international donor agency. Groups were formed; open houses were held; community needs were identified and then these plans were endorsed by the district assembly. As a success, 20% of the plans so developed were then included in the ADP.

Community Development

Tehsil Dunyapur stood at 7th rank, in a World Bank's ranking of local governments on the basis of community development in a comparison over 74 countries, and 1st within Pakistan. In this tehsil, approval of a CCB project is a one-day process, in which 21

CCBs have been registered, with at least half of them functioning actively. This has been made possible due to: awareness raising campaigns by local and international development organizations; highly educated members in the union councils; and honesty and dedication of local leadership. In comparison, Rs140 million are lying unused in the district government, but nothing has been spent on CCBs due to complicated procedures and non-cooperation from the district administration.

Ownership

A related issue in community development is ownership of development process itself. Ownership of people not only keeps a check on the resource allocation, it also proves cost effective in terms of resource utilization. For example, a street pavement would cost a district government Rs350,000 whereas same development would cost a *tehsil* government only Rs250,000, due to closer proximity of stakeholders. If the same street, however, is to be paved by people themselves, the budget can be cut down to Rs.100,000!

A considerable portion of budget for TMA has been spent on the building of the administration, as the earlier buildings were non-existing or were otherwise in debilitating conditions. With active monitoring from the TMA elected members, the building was completed well under the budget with only Rs9.4 million cost. Dunyapur is first TMA administration in Pakistan to have acquired its own fire brigade system.

Budget Making

Pro-poor resource allocation heavily depends on the transparency and direction of the budget making process. We observed that the local government budget making is a top down process, in which information is scarcely shared. The budget is usually imposed from district and *tehsil*, and other members do not have a real say in the process. Even *tehsil* also receives the basic framework from district administration thereby leaving little chance of a pro-people budget.

Process of Budget Making

1. EDO Finance writes to all departments for proposals and gets report on allocation/expenditure from previous year.
2. The budget is presented in the assembly by the *Nazim*.
3. *Nazim* of the union councils also send proposals to the Secretary of assembly and then the secretary forwards them to concerned departments.
4. Development schemes are taken from *Nazimeen* and presented to the assembly.
5. There is a fixed budget for each union council i.e. Rs91,000 for its administrative purposes.
6. At district level, the District Accounts Committee is authorized by the district assembly to formalize budget proposals.
7. 2% budget is allocated for women members.
8. Some allocation is also made for peasant and labor members.
9. Development proposals by members of provincial and national assemblies are processed through the provincial local government.

In terms of pro-people or pro-poor resource allocation, transparency is the key to credibility. Before the budget is presented, detailed budget book is not issued. Due to lack of transparency and restrictions on information sharing, monitoring becomes difficult. It also leads to budget lapses, as monitoring committees do not function actively.

6. Voices of People: Analysis of Focus Group Discussions

Budgetary indicators are not sufficient to gauge the pro-poor resource allocation and one needs to get up, ‘close and personal’ with the real stakeholders. For the purpose of this research, focus group discussions were organized in all the focus districts led by experienced moderators. Representatives from the civil society, media, elected bodies and government departments participated in these focus group discussions organized during the second and fourth quarter of this year. These discussions were audio-taped and notes were also taken. The analytical portion in this chapter summarizes main points of these discussions while objectively reporting the views of the participants. The discussions are based on a uniform framework, given below and are grouped district wise to understand the situation with respect to pro-poor resource allocation at each district distinctively.

Discussion Framework

1. Which budget items/allocations are more likely to be beneficial for the poor? To what extent they are budgeted? Why? (Probes: Cash grants, projects for social services, projects in the backward areas, any other ideas...)
2. Can you name a single major project completed by the local government which has been most beneficial for the poor in last three years? (Probes: Education, Health, Water & Sanitation, CCBs, Roads...) Please provide details.
3. Are poor people (through labor, peasant and minority members in particular) consulted during budget preparation? If yes, how they are consulted?
4. What methods would you suggest for improving the service and assistance for the poor at district/*tehsil* government level? Why? (Probes: Community owned projects, subsidies, cash grants, social services expansion...)

5. What methods would you suggest for starting income generation/employment generation for the poor in particular? Why? (Probes: business activity, public sector projects like roads, micro finance, and income generation schemes...)

For the sake of precision and flow of the report, we have consolidated and reported the responses of first two questions in this chapter, which truly represent people's voice on the status of pro-poor resource allocation. The responses to the third question on consulting with the poor have been consolidated at a single place due to a perfectly similar response across all provinces in the same chapter. The responses to last two questions have been grouped together and are reported under 'Recommendations' chapter later.

Pro-poor Resource Allocation: Perceptions and Examples

NWFP Province

Mardan

Some of the participants had the opinion that the main focus of recent budgets has been on the development of road and drainage system, instead of making technical training institution like "*Handicraft Teaching Schools*" which will help in generating income for poor and help in reducing unemployment. Participants were also not satisfied with system of *Bait-ul-Maal* and gave the opinion that it should be wrapped up because of its inefficient and unmerited work.

The first project reported by the participants was *Computer Training Resource Center* which is the project of local government. A female participant suggested that this institute is working very well and has helped in increasing women's computer literacy. Bathrooms are constructed and drinking water is provided in schools through some local government development program and it is still under progress. Development programs in schools are pure effort of the local government. Degree College for Women is opened after 60 years, which is a great achievement of district government. Peasant Worker Groups (PWGs) are

working successfully on few projects which help cultivators in irrigating their lands. Construction of wall is also another achievement of local government to prevent the agricultural land from the floods.

Charsadda

Overall participants were of the opinion that cash grants are suitable means for pro-poor resource allocation as long as they are used in productive ways and not just for consumption. Participants said that no development program had been completed in their district by the government. Although one CCB has made pavements for pedestrians and proper drainage system, with the funds given by district government and more than 500 people benefit from this development every day.

Lower Dir

The participants suggested that funds from Zakat and *Bait-ul-Maal* constitute important mechanism of pro-poor resource allocation. Every union council is given three-four lack rupees for the developmental work, but because of corruption this amount is not properly being utilized. Some of the participants said that district lack resources, but few said that we had resources but lack awareness of how we could utilize it for our own good. Issue of peace is also seen as hurdle for the development of the area and the common people. Participant requested SAP-PK to bring up the peace issue; *Bajour* operation has badly affected every sector of the district. “*Dir is like a war gate*” as one of the participant was quoted as saying.

“*Dir is like a war gate*”

Development works reported by the participants were in health and agriculture sector. One million rupees were given to upgrade the laboratories and purchase of equipment for DHQ hospital, because of which hundreds of people benefit every day. 1.7 million rupees were granted for agriculture sector, with which project of seed production and spray scheme was started in order to replace traditional seed and seeds were given to farmers free of cost. Fruit farming was also encouraged. Under the agricultural department, four

fish ponds of *Mashare* fish are developed. Two thousand farmers are registered in the project and they are given full and free technical and logical support about farming.

Haripur

Ration card, *Zakat* funds and *Bait-ul-Maal* funds are the major source for helping the poor. Nine thousand people are registered and additionally four thousand will also be registered as deserving people with *Bait-ul-Maal*. *Zakat* system was criticized because only five hundred rupees were given per month; in contrast, the work of *Bait-ul-Maal* was appreciated. Cash grant was not much appreciated in the district Haripur, as people want to establish resources to generate income in the district.

No significant development work has been completed in the education, water and sanitation sector in Haripur in the last three years. Participants told that there was a Basic Health Unit (BHU) which was non-operational for the last few years but then it was reopened with the help of district government, and hundreds of women and children are benefiting health care facilities at low rates. In union council Darwash, students are given books, uniforms and fees so that they should complete their education, but this is community owned project.

Balochistan Province

Kech

Participants said that, public opinion and ground realities are all together neglected while making budget. *Zakat* and *Bait-ul-Maal* funds were not encouraged by the participants, because it does help the poor but it does not generate income. Similarly, ration card, subsidies and free water can help the poor but can not become sustainable source of generating income. Most of the participants agreed on the point that in every budget whether it is of district, *tehsil* or of any other department, proportion of non-development budget is more than the development budget. District budget mainly focuses on the roads and other mega projects, so that the political party of the district government could benefit their own contractors. Some participants suggested that *Ration Cards* system is

beneficial for the poor and they also demanded to open more utility stores so that access is convenient and easy.

When the participants were asked about the project completed by the local government for the benefit of the poor, they reported two CCB projects: computer centre and language center. Opinion of the participants about the other programs was that, those were prone to corruption by party members of political parties.

What do the people in Islamabad know about the needs of the people in Turbat?

Mastung

Participants were of the view that budget should be allocated in such a way that the causes of unemployment and poverty could be eliminated. Government should promote micro finance so that the poor comes out of the orbit of poverty and can become economically stable. More funds should be allocated in the health department and people should be provided with free medicine, free tests and free treatment especially those who are below poverty line.

Participants' views on examples of pro-poor resource allocation were detailed. Participants told that ten million rupees were allocated to district Mastung in budget 2007-2008. Mostly the funds were spent on education (56%) and on health sector. Millions of rupees have been spent on the development projects in district Mastung since 2005-2008, for example water supply system was improved in five union councils and in a degree college of Mastung. As a part of water supply program, *Summer Saybun Machines* were fitted through which the problem of water supply was solved of a large area. Water tanks were built in few union councils of the district. Roads were constructed, drainage work was done, maternity home was repaired, and boundary walls of few schools were built. CCBs got the grant of thirty seven lac and fifty thousand in the budget of 2007-2008 and thirty one projects are under process which include health, education, vocational and computer center and sewage systems.

Gwadar

The participants said that budget items were hardly allocated for poor at district or *tehsil* level. The areas which are touched in the budget by the members are of their own interest and are not for the welfare of the poor. For the benefit of the poor, more funds should be allocated in health sector; especially family health centers are required in the Gwadar district. One of the participants said that the local budget is for the benefit of poor, only if the proper rules and regulation are properly implemented.

Regarding major projects completed by the local government, participants said, that some schools were provided with the new furniture, books for library and uniforms with which students got benefit. Conditions of girls' primary schools were improved with the funds given by the federal government. Electricity was provided to few more villages and roads are also built. Water supply problems were solved by the district government.

Kalat

Participants claimed that at present there is no budget granted at district level for the development of the area, people and for the income generation of the poor. Funds should be granted to the education, health, livestock and agriculture sector. District government should increase the budget for the social services so that they can help the poor through community owned projects.

Two hundred and eighty million rupees were given to Kalat by the President of the Pakistan for development work, but on ground one can hardly see the results. The response of the participants about the completion of projects under local government was not much encouraging as no such project is completed in the last three years, only work which can be seen to some extent in district Kalat is of water supply from which limited number of people are getting benefit. Many projects and programs for development were started under the local government but it is very difficult to report even a single project which is completed by the government.

Zhob

Local government should allocate more funds in health sector by providing free health facilities at all levels for the poor, improving standards of education, means of communication, agriculture and water supply. In the view of participants, most of the development schemes failed because of bad planning. But few projects were completed under the *Kushhal Pakistan Program*, in which local government made and repaired the roads and government buildings and provided supply of clean drinking water in many areas of the district. But all this development work was part of small schemes and as such no mega project was completed in the district Zhob as reported by the participants.

Sindh Province

Larkana

For pro-poor resource allocation, it is necessary to increase representation of the poor and hence the number of seats of *Kisan Mazdur* should be increased. Similarly, more funds need to be allocated for health and education- especially for girls' education. Participants mentioned that Fatima Bhutto center was established for technical training of girls. However, as per the quality of projects completed during last three years, the buildings and roads were not durable and right now they were in bad condition.

Nawabshah

Participants said that more funds were allocated to non-development part of the budget than the development budget. There is no item in the budget for benefiting the poor; it is not at all pro-poor budget. Local government should allocate funds according to the requirement of the area and its population. Special budget must be allocated for the education of women. Proper check and balance is required to ensure the appropriate utilization of the budget. When the participants were asked about the major projects completed by the local government in the last three years, they reported that few roads were built but they were broken after two months.

Badin

People strongly feel that corruption is the biggest anti-poor element in the budget and once it is controlled for, the poor would be able to get their share. There is a dire need to increase the budget for the health, agriculture, water and sanitation and education department. Funds of the local government should be allocated according to the need of the area and people of the area, not according to the interest of the leaders. Major projects completed by the local government were two libraries made by the funds of CCBs while district government made an agriculture research center, which is non-functional for last three years.

Dadu

Participants were of the view that the budget allocated to the district is not enough to bring any major change. Although one hundred and ten million rupees were allocated for the development work in district Dadu, non-development funds exceeded development expenditure. Government should allocate more funds to the agriculture department as most of the population in Dadu depends on irrigation of land. Departments of education, health and water and sanitation need to be improved and also require more funds in budget. Government should give free education to the children of poor. Except a few new roads, participants noted that no major pro-poor development project was undertaken during last three years.

All the major departments like health, education, agriculture and water & sanitation need the immediate attention of government. Every department is in its worse condition, for example medicines are not available in the government hospitals and sewage system in Dadu is also in bad condition because of which local people are facing many health problems. No such development work is being observed which one can report to be done by the local government in the last three years except few roads. Funds should be given to local NGOs so that some development work can be done. Ninety nine percent of CCBs are also non-functional in the district Dadu.

Sanghar

Participants said that more funds should be allocated to the department of the education, health and water & sanitation. Seventy percent of our population depends for their living on agriculture, so the government should also allocate more funds for this department; give free seeds, spray and fertilizers. Participants also demanded giving unemployment allowance for the educated young men and women.

Major project completed by the local government in the last three years included few drinking water filtration plants but they had become non-functional. Five lakh and fifty thousand rupees were spent on the toilet project for the use of common people through the CCB fund and many families are benefiting from this project. Roads are built in many union councils of the district by the local government.

Punjab Province

Faisalabad

Participants were of the view that for the last 20-25 five years people of Faisalabad are facing different problems because of the water drainage system. Drinking water is being contaminated with the mixing of sewage and water from textile mills, leading to many health problems for the people of the district. Good management for solid waste is also required.

Participants reported the major project completed by the local government which has been most beneficial for the poor in the last three years is a project worth three hundred million rupees for the sewage system in union council 181 and project of sui-gas in union council 176. Network of roads is developed almost all over the district.

Layyah

Participants said that no part of the budget is for the benefit of the poor. Major problem of the area is the lack of proper sewage system and drainage of water; therefore government must allocate more funds to departments of WASA and LDA. Government also needs to

allocate more funds for education, health and agriculture and try to improve the crop of sugarcane, rice by providing sprays and machinery required for this crop. Improper use of funds allocation must be checked. “Ninety six percent” of the rural population requires basic facilities of good life including electricity.

No mega project was reported to have completed during last three years under district government, although certain roads, bridges and schools were built under the local government. District government also provided the peter-engine in Thal and Sabee which improved the yield of the crop and water courses are made. Electricity is provided to few villages by the efforts of the district government.

Lodhran

Major problem of district Lodhran is availability of clean drinking water, due to which health of the people is at great risk. Government also needs to improve the standard of education in the government schools and bring it par with the private schools and make more schools for girls. Only one pro-poor project was noticed by the participants which was arrangement of dowry for some 52 women for their marriage.

Mianwali

Participants pointed out that the literacy rate of Mianwali is very low and up to only thirty percent while three point four percent of budget is allocated for education, which is not enough. Therefore the most important pro-poor budgeting should take place in the field of education. Another key problem for the Mianwali residents is access to clean drinking water. Also, as 60% of population lives on agriculture income, spending on agriculture should be significantly enhanced for the benefit of the poor. Availability of clean drinking water is a big problem of Mianwali, but still government has not allocated funds or projects in order to cope up with this problem. Government should also allocate more funds for agriculture in this way the economic condition of the people of Mianwali will improve as sixty percent of the population lives in rural area and depends on agriculture.

Participants reported the major project completed by the local government which had been most beneficial for the poor in the last three years were that the hand pumps and turbines given by CCBs and TMA and few project of sui-gas also gave benefits to the poor people.

Toba Tek Singh

Some participants suggested that instead of giving cash grants, government should spend that money on development of the area, whereas few were in favor of cash grants. Major issue of the district is availability of clean drinking water and government needs to allocate funds and project to make sure of its availability to all people and in all areas. Government also needs to give and improve health facilities in the district.

Giving examples of projects completed, participants reported that a project of eleven lac rupees was completed during last three years, to construct a school and award of scholarship to the needy. Work on project of water supply was also completed, because of which many people are benefiting now.

General Remarks

In this section, we report some general remarks made by the participants not directly relating the pro-poor resource allocation but certainly affecting the whole process of allocations.

Appreciating the access aspect of the local government, participants maintained that each and every member of the community could easily reach the councilor and could tell their problem because of this LGS. Through this system they can solve their problem at their own level, “*Ghar ki bat ghar main hi ho sake ge*” as one of the participant remarked.

This system has supported poor people in many ways for example, women are present at the grass root level in politics only because of the LGS, and this is one of the biggest achievements of government in bringing women at this level and giving them power to

fight and work for their rights. The need of women empowerment is positively supported by the local people, through making them work in productive manner.

People across the country have strongly spoken about pervasive corruption and lack of check and balance system in the local government. Some participants have taken the view that by ensuring the implementation of rules and regulations alone, we can guarantee pro-poor resource allocation. There could be nothing more anti-poor than the corruption.

There could be nothing more anti-poor than the corruption.

Despite all above reservations, there was a general degree of acceptance of the LGS. People felt that because of the system of local government, genuine problems/needs of the area and people were identified and solved which was not possible under the provincial/federal set up. Much more efforts are needed on the implementation side. In this regard few suggestions came up to improve the functioning of the LGS, like considering the percentage of rural area, “*Kisan Mazdur*” seats must be increased and *Nazim* should be directly elected by the people.

Where each district presents a unique problem set, there is one factor in which there is hardly any variation across the whole country: the conspicuous absence of consultative process before budget preparation. Participants in all the focus groups have held that the poor people, or their representatives in the local bodies, were never taken into confidence before budget preparation. They are simply handed over a copy of the prepared budget just before release or approval. As a matter of fact, some participants took this view that not only poor, but also other elected members of district and *tehsil* assemblies are kept unaware about the budget making process.

People's Voice: Concluding Remarks

In the foregoing section, we have presented people's voice from all the focus districts, where focus group discussions were held. Participants have shared their views on what should constitute pro-poor resource allocation and have also given examples. The overall emphasis seems to be on social sector development i.e. education and health with almost equal stress on agriculture and livestock, on which majority of the poor population depends. Participants of almost all focus groups have held that income generation schemes constitute the core of pro-poor resource allocation in a sustainable way. Many people have called for provision of cash grants through various channels of direct income transfer but most of the participants are of the view that these channels are heavily politicized. Almost every focus group has spoken on corruption and its anti-development and anti-poor nature. People have taken a clear view that under LGS, non-development allocations have increased much more than development allocations, thus bringing the whole crux of the devolution on its head. The government has not devolved; it has just relocated its concentration.

7. Ideas from the People: Conclusions and Recommendations

In literature review, we identified various factors which help us understanding the nature and extent of pro-poor resource allocation. These factors included credit lines and social safety nets, financial decentralization, social sector spending, community participation, and participation of women and other marginalized segments. We have now analyzed budgetary documents; listened to the viewpoints of government and elected officials' and most importantly, have gained tremendous insights from the public through focus group discussions.

The foregoing analysis shows that on almost all above factors, the present LGS is not closer to desired results. The credit lines through micro finance have been mostly used for consumption purpose and not for business or other productive purpose and in any case micro finance remains a realm of non-governmental organizations. Social safety nets through *Zakat* and *Bait-ul-Maal* have remained highly politicized and in all cases disbursements from *Zakat* have been largely perceived as insufficient for poverty alleviation. Although all local governments are spending on the education and health, the trends captured in the budgetary analysis are not supported by people's insights. Naturally this also reflects the squeezing public sector expenditure at macro economic level owing to current account deficits. Community participation has been institutionalized through CBOs but at many instances, these resources remain unutilized and many CBOs remain dysfunctional. There is no participation of any community representatives in the budget making process, which is essential requirement of pro-poor budgeting. Although present system has given substantive representation to women, labor, peasants and minorities, they are largely kept outside the decision making process, as noticed in all the focus group discussions.

Recommendations

During the course of focus group discussions, people not only mentioned problems and examples, they also came up with suggestions and recommendations for better pro-poor resource allocation. As people can be the best judge of what can really be a pro-poor resource allocation, we are reporting their ideas. These ideas reflect cultural sensitivities, development needs and business potential of the respective districts. Thus, they can become basis of a bottom-up developmental strategy in contrast to the top-down mega developmental plans.

Balochistan

Ideas From People: Balochistan Province
Private Sector Development: Dates development and fisheries
Promotion of handcraft in non-Balochi markets
Subsidy on electricity bills
Veterinary Facilities for livestock
Provision of free or subsidized agriculture inputs

Kech

Methods suggested by the participants for improving the service and assistance for the poor at level of their district/*tehsil* were: the government should allocate more funds to promote the production of *Kahgor* (dates) in Kech and the production of fish in district Gwadar. Suggestions for starting income/employment generation for poor was to promote and introduce “*Balochi Dastakaree, Chicken karee and peesh work on women clothes*” in non-Balochi markets, because its patterns are unique and beautiful and this will create income generation for poor. Technical training centers can also help in income generation, but the skills being given in the institute must be according to the needs of the area. Government should subsidize the electricity bills in agriculture sector and give free water to the community. Availability of clean drinking water is also a big problem in district Kech.

Mastung

In response to the question on methods for improving the service and assistance, participants shared their opinions that in health sector, all the facilities at all the levels should be free and quality treatment/medicine should be provided to the poor. Free medical camps should be arranged every month in which the poor get free medicines.

In education sector government should improve the standards, provide properly trained teacher, free uniforms, books and technical/skill training to the poor as well as scholarships. As far as the agriculture sector is concerned, it should be funded more and strengthened by giving subsidies in fertilizers and electricity as well as by providing machines for land leveling. Dry areas of Balochistan depend on livestock sector, so the government should provide free medical facilities for the animals. Social welfare systems also need to be strengthened with the help of the budget.

Suggestions for starting income/employment generation mainly focused on industrial development, like marble factory, cement factory, juice factory, ketchup factory and leather factory. Also, interest free finance particularly for livestock owners and farmers was considered very important.

Gwadar

Methods suggested for income generation/employment included: starting technical institutions; giving small loans to the fisher men with low mark-up rate, providing facilities like fishing net and boats. If the port is opened, it will create resources for income generation. If the government develops railway system from Gwadar to Darbudin, it will also create resources of employment.

One of the participants said that the Annual Development Plan should be released in all the four provinces, in order to make the people literate about the budget. If the CCBs and private organizations join together than mega development project can be completed through which large number of poor can benefit. Monitoring is required so that the budget should be properly used.

Kalat

Suggestions in this context focused on giving subsidies to the farmers to level their land, to provide electricity for irrigation, and to purchase the seeds and fertilizers. An animal care center was also proposed to help those poor people, who earn their livelihood from cattle rearing. Proposed income generation schemes included micro finance, agriculture funds to the poor farmers, vocational and technical institutes, promotion of local handicraft to new markets, and herbs and minerals available in Kalat. Some participants called for developing industries, matches factory, marble factory, factory of potato chips and juice factory. One participant suggested to build dams in the district of Kalat and to promote tourism.

Development funds are being allocated in all the departments but they are not properly used by the local government, because of which no such development work is being reported, except in supply of water. Larger proportion of budget should be allocated to the livestock and agriculture sector because a large number of people depend for their livelihood on these sectors. Free Fertilizers, seeds, sprays and medicinal facilities for the animals is required in the district. Besides, these sectors government needs to focus more on the improvement of the health department, education department and supply of clean drinking water, allocate more funds and make sure of their proper utilization.

Zhob

Methods suggested for starting income generation/employment generation for the poor included: more expenditure on roads to benefit poor farmers; free seeds, spray and electricity to farmers and micro finance schemes. In addition, technical training centers and medical centers for the treatment of cattle were also strongly emphasized. For educating the people, print and electronic media should play role for example a radio channel like FM should be used to educate people on social issues especially on budget making.

NWFP

Ideas From People: Frontier Province
Invest in peace and law-n-order
Small scale industrial development especially suitable for women based at homes
Poultry farming and mushroom farming
Development Cooperation between social welfare organizations and union councils
Skills Development Institutions

Mardan

Participants suggested that funds should be allocated for developing small industries especially for females, keeping in mind the concept of “*chadar aur char devari*”. Yellow cab system and “*Qinchei*” (small three wheeler rickshaw) are very helpful schemes for income generation. Growing cottage industries; involving women in business can be very helpful. Women should be provided with cattle so that they can take care within their homes and can earn money.

Charsadda

Development cooperation should be planned between the union council and other social welfare organizations by combining their budgets and funds to help and generate income resources for the poor people. Funds should be allocated directly to the local government that might help in allocating better resources for poor. Keeping in mind the percentage of rural area, “*Kisan Mazdur*” seats must be increased at the local government level.

In terms of income generation schemes, participants said that loans or in-kind should be provided, so the poor can use it for income generation, for example cattle farming, poultry farming and mushroom farming. And government should also make roads to increase and ease the business activities. Participants thought that making small industries, especially cottage industry in Charsadda would help the poor significantly.

Lower Dir

Participants said that government should work on peace issue in this district. Bringing a lasting peace can really improve services and assistance for the poor. Methods suggested by the participants for starting income generation/employment generation for the poor were that government should bring development in agricultural sector and develop cottage industry, provide technical skills and build capacity to utilize their own land for irrigation. Similarly, projects should be made to utilize the water for irrigation. Participants also suggested establishing skill development centers for women and children especially for special children.

Haripur

Farmers and cottage industry should be given and the process should be very simple, it should be one window process. Business activity should be encouraged in the area especially for the women keeping in mind the concept of “*chadar aur char devaree.*” Participants also emphasized on developing skills regarding the need of the area so that the poor can utilize these skills for income generation.

Punjab

Ideas From People: Punjab Province
Enhance the capacity and improve transparency of <i>Bait-ul-Maal</i>
Vocational and technical training centers
Develop new markets for the products made by the poor
Free or subsidized agriculture inputs

Faisalabad

In response to the question about the methods suggested for improving the service and assistance for the poor at district/*tehsil* government level, participants suggested that function institution of *Bait-ul-Maal* can be an effective way for directly helping the poor but it must be built on transparent basis. must work with justice. Government should co-ordinate with NGO’s to promote development work at grass root level and involve local

community members. Another pro-poor item on the government agenda should give subsidies on purchase of basic food items.

Methods suggested by the participants for starting income/employment generation for the poor in particular were that the government must introduce handicraft in new markets, make technical training schools, provide jobs and improve/polish the already existing skill building institutions in the district. Participants also suggested giving micro-finance without any mark-up for cattle rearing in rural areas and promoting industries.

How to identify the poor:

As it is often hard to actually identify poor in a location as potential recipients of a direct cash transfer, transparency in the selection process is a must to ensure credibility. Open meetings in villages can be adopted through the self-respect issues concerning the poor may become hindrance in identification.

Layyah

In response to the question, methods for improving the service and assistance, participants shared their opinions that improve the system and number of the utility stores should be increased and subsidies should be provided to the farmers for fertilizers, sprays and free seeds.

Methods suggested for starting income generation/employment generation for the poor included: government provisioning of livestock to the poor so that they can generate income for themselves. Participants also suggested making small vocational institutes, and giving the required machinery to the trained persons through the funds of Bait-ul-Maal and Zakat and developing cottage industry.

Lodhran

The participants' suggestions for improving the service and assistance for the poor are: Funds of Pakistan *Bait-ul-Maal* and *Zakat* funds should be combined together so that large number of poor can take benefit from it and for check and balance government

should make a data base of deserving families. One of the participants suggested that cash grant should be given to the poor to run small business.

Methods suggested by the participants for starting income generation/employment generation for poor were that government should bring development in agricultural sector and develop industry like cottage, make factory for yarn, provide technical skills and give micro finance.

Innovative thinking: People Factories

District Lodhran receives Rs15 to Rs20 million each year under *Zakat* and a similar amount through *Bait-ul-Maal*, but most of this money is spent on politically selected beneficiaries. There are 198 *Chukook* (villages) in the district and 10 recipients are awarded cash transfer, thus making a total of 1980 *Zakat* recipients, while there are some 5,000 recipients of *Bait-ul-Maal*. A better mechanism would be to invest this money in a commercial project like an industry and make the poor shareholders in that company, which would be a for-profit, all dividends company. While the amount of cash dividend per person is likely to be less than the average disbursement, establishment of factory in such backward areas would absorb considerable poor, thus bringing down the actual number of deserving people. It may be noted here that a similar scheme has been suggested by the noted economist, Dr. Akmal Hussain.

Mianwali

In response to the question about the methods suggested for improving the service and assistance for the poor at district/*tehsil* government level, participants suggested that micro finance with low mark-up schemes especially for the female will help the poor families. Government should educate farmers to improve the products (milk and meat) from livestock i.e. milk and meat. Funds of Pakistan *Bait-ul-Maal* and *Zakat* funds should be used to make small factories. In addition, free seeds, fertilizers and sprays should be provided to the farmers.

Methods suggested by the participants for starting income/employment generation for the poor in particular were that the government should make factories especially for the minerals which are taken out in the district of Mianwali and develop cottage industry. Technical training should be provided to the farmers so that they can improve their production. Similarly, government should facilitate in increasing the access to the new markets to increase farmers' income. By introducing the products made by the poor in new markets will also help the poor to increase income.

Toba Tek Singh

Participant shared their opinions that cash grants should be given and development projects should be started to benefit the poor in particular. Methods suggested for starting income generation/employment generation for the poor were that, government needs to develop loans or cash grants to establish dairy farming and cattle rearing.

Sindh

IDEAS From People: Sindh Province
Corruption and lack of transparency is the major anti-poor practice, so it must be curbed
Livestock and fisheries development be ensured
Help the farmers by free or subsidized agriculture inputs
Invest more in education and health

Larkana

The key point seen in the discussion in Larkana regarding pro-poor resource allocation was an emphasis on proper check and balance and ensures minimization of corruption. All the basic departments like health, education, agriculture, department of culture and heritage need more funds. Government should also increase the percentage of development funds.

Importance of training:

It is extremely important to train elected members of district and *tehsil* assembly in the process of budget making, so that they can identify the real pro-people and pro-poor projects. Since they are not skillful and educated enough to understand the budget intricacies, they are often misguided by the district administration.

Nawabshah

Participants suggested that government should develop factories, make technical schools, and give micro credit for purchasing cattle. Opinion of common people during the budget preparation can make it poor friendly, which has been altogether neglected.

Government must focus on sustainable development work in the district so that the allocated funds are not wasted. Government should provide free medical facility to the poor. People of the district also want that special funds should be allocated for the education and development of women. For income/employment generation few suggestions also came up like government must make factories, technical schools and give micro loans for purchasing cattle.

Dadu

Methods suggested by the participants to improve the services and assistance for the poor at district/*tehsil* level included capacity building of social service department and help the farmer particularly to increase the crop of *Jawar* in this area as this will aid the poor people to earn income. For income generation, participants called for opening up technical training schools. Government should give loans for cattle rearing, make industries so that people can get employment, focus on improving irrigation in the district Dadu and make network of canals for irrigation.

Sanghar

Methods suggested by the participants for improving the service and assistance for the poor at district/*tehsil* level included promotion of NGOs to encourage community owned project, provision of subsidies to the farmers to purchase seeds, fertilizers & sprays and

provision of micro finance to the persons who want to start new business. A participant also suggested that *Bait-ul-Maal* should give funds to develop “*Dastakari schools*” for women.

Demanding establishment of technical institutes, one of the participants said “*sonay ke kangun se behtar sonay ke hatt hay*”, which should be taken as a Sindhi version of the famous Chinese dictum of ‘teaching how to fish instead of giving fish.’ District government should give small interest free loans/micro finance to farmers and to persons who want to start their business.

Badin

Suggestions given by the participants for improving the service and assistance for the poor were that the government should involve the local community in the project for the development of that area, also provide free fertilizers, seeds and proper canal system for irrigation and veterinary doctors as thirty five percent of population in Badin rear cattle and need this assistance for their animals. Methods suggested for income/employment generation for poor included provisioning to make technical schools, develop industry/factories like sugar factory, tomato ketchup factory and rice mill. Population of Badin also depends for their livelihood on fishing and livestock, so they need funds and small loans to buy boats, nets and cattle. Cottage industry and handicraft industry is another potential area for income generation.

Discretionary funds:

The discretionary funds become a major source of corruption, therefore they should be abolished and instead an equal amount should be given directly to each member and *Naib Nazim*.

Ideas From People: Concluding Remarks

As pointed out earlier, almost every one has expressed dissatisfaction over the transparency of budget making process, which is an essential requirement for pro-poor resource allocation. This calls for an elaborate mechanism for public hearing of

budgetary documents with active support from the media and the civil society. As people are most likely to be well informed about local needs, they can identify projects with maximum benefits for the poor.

While going through the above list of ideas and recommendations made by the people, one comes across certain striking commonalities. People from different backgrounds have appreciated the overall role which the local government can play in pro-poor resource allocation. But much more than cash grants or other forms of subsidies, most of the people have given importance to development of means of earning rather income transfers themselves. People have emphasized the role of the private sector as well as social sector in enterprise creation and employment generation. They clearly understand that the sustainable pro-poor development is not possible just by way of government intervention.

However there is dilemma here. As people have put down all responsibilities, including that of industrial development and income generation, squarely on the shoulders of government, they should anticipate more government and a bigger government. A bigger government is only possible through raising more taxes, which in our fiscal scenario, are largely anti-poor and regressive. Therefore by demanding a bigger government, the people have effectively reduced free space for private initiatives.

To end the research at a rather optimistic note, a voice of sanity has also prevailed. People do acknowledge and understand the importance of an enabling environment and level playing field for development. This is reflected in their demand for restoration of peace, law-n-order and provision of educational facilities for the public. Also, pro-poor resource allocation is not possible in the environment of pervasive corruption and in certain areas this corruption is apparently more noticeable than others. That is why people across board have raised this issue and have demanded more transparency as a key to just resource allocation. There is no doubt that just resource allocation goes hand in hand with pro-poor resource allocation.

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Appendix: 1

Focus Group Discussion for Research Study on “Pro-Poor Resource Allocation in LGS”

Instructions for Coordinator/Focal Person for FGDs

1. Audio recording should be arranged for verbatim reporting of the proceedings.
2. Notes should also be taken as record of important points. Please use separate sheets for note-taking.
3. Open discussion should be encouraged without losing focus. The leads/probes are provided with each question, but they should not be taken as the only options. Special attentions should be provided on seeking the participants’ opinions on reasons of the choices they make.
4. Details about the focal person should be filled on this format.
5. Attendance should be taken and each attendee should sign on the attached sheet.

Discussion Framework

1. Which budget items/allocations are more likely to be beneficial for the poor? To what extent they are budgeted? Why? (Probes: Cash grants, projects for social services, projects in the backward areas, any other ideas...)
2. Can you name a single major project completed by the local government which has been most beneficial for the poor in last three years? (Probes: Education, Health, Water & Sanitation, CCBs, Roads...) Please provide details.
3. Are poor people (through labor, peasants and minorities members in particular) consulted during budget preparation? If yes, how are they consulted?

4. What methods would you suggest for improving the service and assistance for the poor at district/*tehsil* government level? Why? (Probes: Community owned projects, subsidies, cash grants, social services expansion...)

5. What methods would you suggest for starting income generation/employment generation for the poor in particular? Why? (Probes: business activity, public sector projects like roads, micro finance, and income generation schemes...)

Appendix: 3

Respondents of Interviews

Ch. Muhammad Irshad, *Naib Nazim* UC # 42, *Tehsil* Dunyapur, Distt Lodhran, Chairman Accounts and Finance Committee

Muhammad Ghafoor, *Naib Nazim*, *Tehsil* Dunyapur

Hafiz M. Akram Kanju, Secretary District Assembly, District Lodhran

M. Asghar Bhatti, EDO Finance and Planning, District Government Lodhran

Imdad Abbasi, Member District Assembly Accounts and Finance Committee, District Lodhran

M. Afzal Chaudhary, Journalist, Lodhran

Haider Ali, CIDA official at Lodhran