RESEARCH BRIEF
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# Widening Disparities: Public Sector Spending and Poverty across Districts in Punjab

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Punjab is often cited as an exemplar of good governance in Pakistan. However, this view is challenged by the fact that the administrative and financial powers are not shared effectively with districts even several years after the passing of the 18th amendment. This has meant that resources continue to be allocated and spent in a highly centralized, discretionary manner, with little recognition of intra-provincial equity and development needs of the constituting districts. Using a mix of data sources including district poverty profiles, we assess the extent to which the allocation of public sector expenditure is equitable and responsive to the development needs of districts. We also explore whether there has been a shift in regional allocation of public resources over time. To illustrate as the current ruling party has been in power for two consecutive terms, since 2008. To illustrate the nature and dynamics of inter-district financial allocation of public resources, we analyse in this brief the district level public sector per-capita expenditure for the year 2013, and the public-sector expenditure data for the years 2013 to 2015. We corroborate these trends with the estimates of multidimensional poverty to demonstrate the contrast between multiple deprivations at the district level and the allocation of public resources (Naveed, Wood, & Ghaus, 2016). We also use data from provincial departments to analyse district wise budgetary shares in two key areas of development - education and health.

## Geography of Poverty

Various studies of poverty and inequality have illustrated the uneven landscape of social and economic development across districts of Punjab. A recent official analysis of multidimensional poverty at district level further highlights these inequalities. Importantly, a joint report by the Pakistan Poverty Alleviation Fund and Sustainable Development Policy Institute titled Geography of Poverty in Pakistan 2008-09 to 2012-13 provides a detailed analysis of intra-provincial differences in the incidence of poverty and its trends over time. The report showed that compared with a national average of 31.3 percent in 2012-13, Punjab's headcount ratio was 24.3 percent. Nonetheless, there were strong inequalities between rural and urban poverty in the province – 40 percent of the population in rural Punjab lived below the poverty line, compared with 8 percent in urban Punjab. Poverty rates have varied markedly between urban and rural districts, and with uneven urbanization, a clear geographic divide between the north and south has occurred within the province. Most districts in north and central Punjab fall in the least poor quintile of districts in the country. Using a few examples, Tables 3 shows the regional split in the incidence of poverty in Punjab.

| District | Poverty headcount 2012-13 | Region | District | Poverty headcount 2012-13 | Region |
|---|---|---|---|---|---|
| Chakwal | 5.6 percent | North | Rajanpur | 63.3 percent | South |
| Rawalpindi | 6.2 percent | North | D.G. Khan | 55.8 percent | South |
| Jhelum | 6.8 percent | North | Muzaffargarh | 48.9 percent | South |
| Gujranwala | 9.7 percent | Central | Rahim Yar Khan | 44.0 percent | South |
| Sialkot | 9.8 percent | Central | Vehari | 48.2 percent | South |
| Faisalabad | 10.0 percent | Central | Bahawalpur | 42.6 percent | South |

*Source: Naveed, et al. (2016)*

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Compared with the poorest districts in Balochistan, the poorest districts in Punjab have a much higher population density, making them home to the largest population of the poor in the country. Eleven (11) districts of 3 divisions - DG Khan, Bahawalpur and Multan - alone have one-fourth of Pakistan's poor population, which is far higher than their contribution to the overall population. Poverty remains concentrated in some parts of the province, against continued improved development in others. This stark division seems to be an outcome of several factors, including the historic bias in the distribution of public resources and opportunities. While providing a historic account of this bias is outside the scope of this brief, recent data demonstrates how relatively well-developed districts have continued to take the major share of public resources, leaving little for the less developed ones.

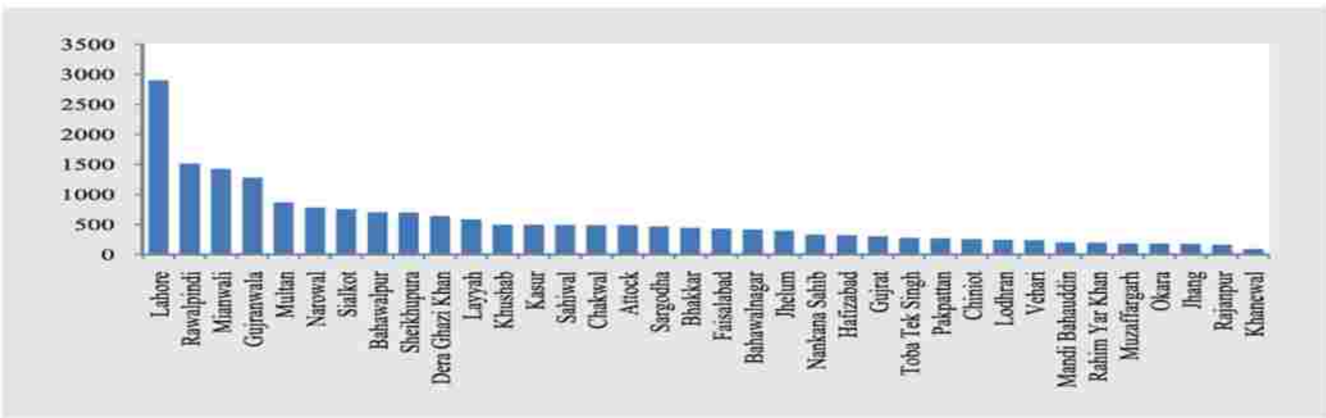
## Distribution of Development Funds and Budgetary Allocations

While Punjab is an oft-cited example of development, the evidence points towards inequitable nature of development in the province, with concentration of resources and opportunities in certain, already least poor, districts. Such a development strategy is highly non-inclusive, making poverty reduction sluggish and increasing intra-provincial disparities over time.

Figure 1(a) presents the district wise per capita allocation of development expenditure from the Annual Development Plan (ADP) 2012-13. Figure 1(b) plots the poverty headcount ratio – the proportion of population living below multidimensional poverty line for each district in the same year. The contrast between the socio-economic development level of the population in each district and the development resources allocated to it is very clear in the two figures.

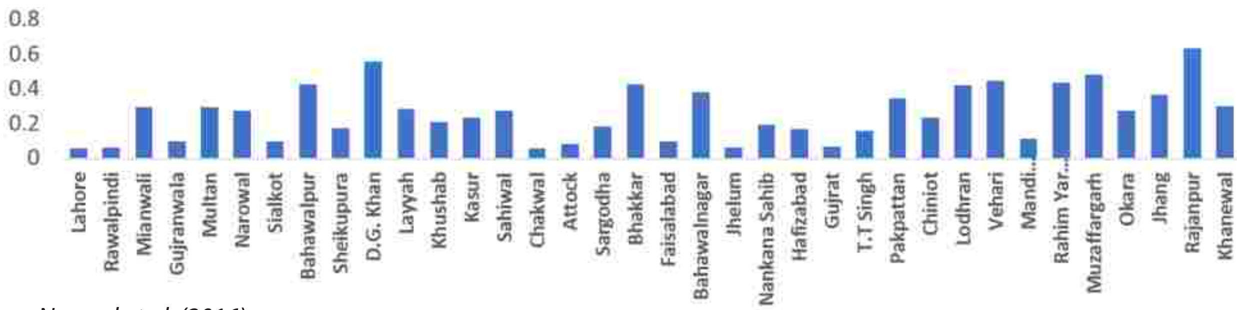
Lahore, where the proportion of those living below the poverty line is 6 percent, had the highest allocation of development expenditure per person. In contrast, Rajanpur with 66.3 percent population living below the poverty line, had the one of the lowest allocation of development expenditure per person. Similarly, Muzaffargarh, Rahimyar Khan, Vehari, Lodhran - districts with the highest levels of poverty in the province - had the lowest per capita allocation of development expenditure. D.G. Khan and Bahawalpur are also amongst the poorest districts of the province with low per capita development spending, even though their allocation is better than some of the other districts in south Punjab. In contrast, several districts, with very low rates of poverty had high per capita development expenditures allocated for them including Rawalpindi, Gujranwala, Sialkot, and Sheikhupura.

**Figure 1(a): Per capita allocation of development expenditure 2012-13**




*Source: Punjab Social Sector Public Expenditure Review 2013*

**Figure 1(b): Poverty headcount ratio - 2013**

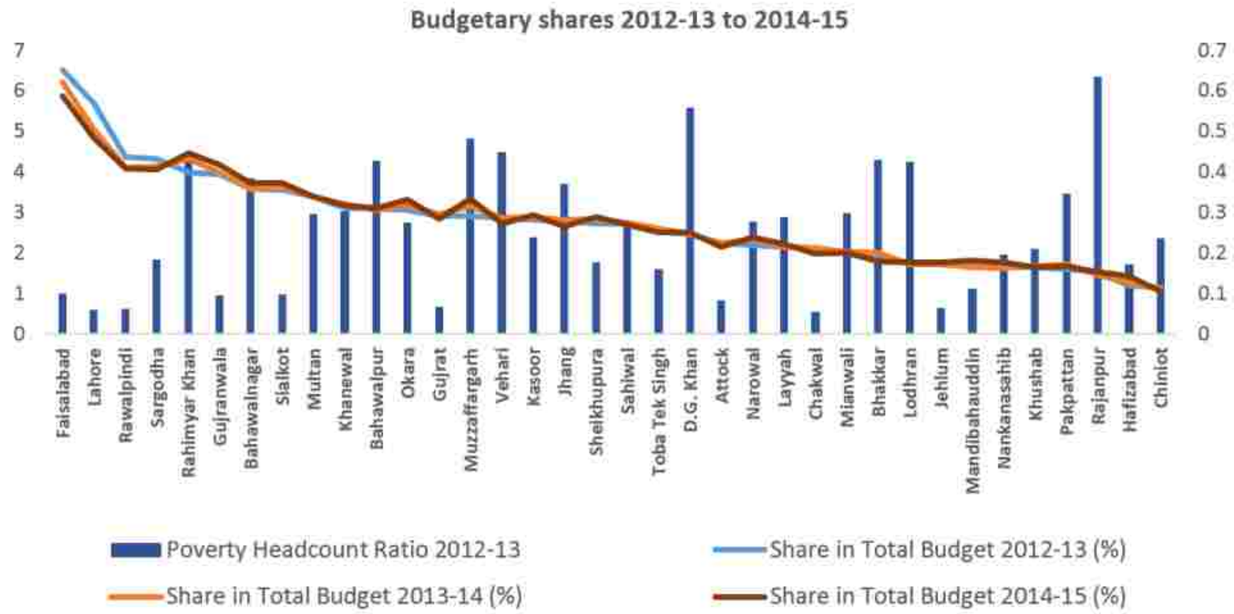



*Source: Naveed et al. (2016)*

Figures 1a) and 1(b) illustrate that urban centres, mainly from north/central Punjab have been prioritized by the government, and there appears little interest in improving the conditions of the less-developed districts. Data clearly suggests the highly inequitable nature of public resource allocation in 2012-13, failing to sufficiently target poverty reduction. In fact, the allocation of public resources appears to perpetuate regional inequalities in the province. From an economic standpoint too, there is little logic to such a distribution of resources; largely urban, developed districts have high population densities thus lower costs of public service delivery than the rural areas with sparse populations. Compared with the well-developed districts, the less developed districts should therefore require a higher amount of resources for provision of similar levels of public services.

The political discourse in the province has increasingly acknowledged both the prevalence of high poverty rates in the southern part of the province, and a historic neglect of southern districts in public sector development programmes. The extent to which this acknowledgement has meaningfully altered the intra-provincial allocation of public sector resources over time can be seen through trends in regional allocation of resources within the province. In this brief, we analyse trends in the distribution of resources between districts in the province over the tenure of the current government (2012-15) by using the data provided by the office of the Accountant General of Punjab.[3] Figure 2 shows the share of each district in the sum of the overall budget for all districts for the period 2012-13 to 2014-15. We do not take into account the aggregated provincial figure which does not provide district level disaggregates. These trends are contrasted with the incidence of poverty in each district in 2012-13. It is important to acknowledge that population density varies across districts; hence the absolute amount of public resources spent on each district does not reveal much about equity, nonetheless, population density is already taken into account in Figure 1a. Changes over time in the budgetary share of each district would thus imply a corresponding change in per capita spending.

**Figure 2: Trends in inter-district public sector expenditures (2012-13 to 2014-15) [left axis] and poverty headcount ratio by district 2012-13 [right axis]**




*Source: Authors, based on Government of Punjab data and Naveed et al. (2016)*

[3] We are thankful to the colleagues at the World Bank Pakistan office for providing access to these data.

Figure 2 shows that there are only small unsystematic changes in the patterns of resource allocation between districts over time. It reveals a startling gap, not just in the distribution of the budget but also in how removed the budget is from the needs of several, mainly southern, districts, given their level of poverty. Well-developed districts have had the highest share in the overall sum of the budget, and the trend has persisted since 2013. Political persistence in Punjab, therefore, seems to have had rather negative impact on addressing the disparities in development across the various regions of the province.

Budgetary allocations, in Figure 2, take a sharp dip following Faisalabad and Lahore, indicating the government's focus on industrial urban centres and large vote banks. Figure 2 also illustrates a lack of interest in prioritizing poor and less developed districts of the province, indicated by the sharply lower budgetary allocations for districts with high poverty headcount ratios. Rajanpur, for example, has a 63.4 percent population that is poor, and yet, its share in the sum of districts' budget has remained around 1.5% since 2013. On the other hand, Faisalabad and Lahore, both in central Punjab, take the major chunk with their shares averaging 6.1% and 5.2% over the three years, despite much lower levels of poverty headcount ratios (10 percent and 6 percent respectively).

Multidimensional poverty is a composite measure of deprivation in education, health, living conditions and asset ownership. A high incidence of multidimensional poverty implies that a high proportion of households experience deprivation on most of these indicators. The analysis presented above can be disaggregated further by analysing district-wise resource allocation for education and healthcare sectors and by comparing these allocations with the measure of multiple deprivations including on the indicators of education and healthcare.

The trends presented on the aggregate public spending across districts in the previous figures are replicated as we plot districts' share on education and health spending, and over time, during 2012-15 (Figures 3a and 3b, respectively). It is important to note that these Figures do not include provincial spending which are not disaggregated by district. Over three years, no significant shift has occurred in the intra-provincial allocation of resources to address acute deprivation in certain districts of the province and to minimize regional inequalities. Districts with very high incidence of poverty continue to have a low share in public resources for basic services that contribute to human development.

**Figure 3a: District wise health budget share and poverty**

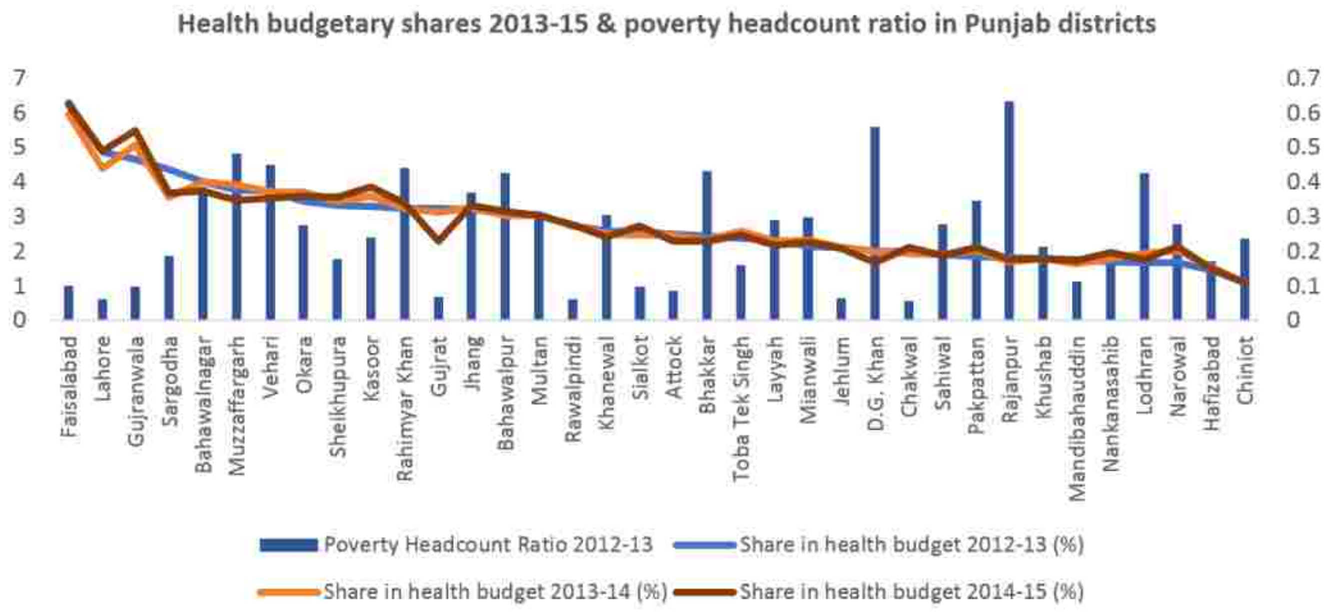



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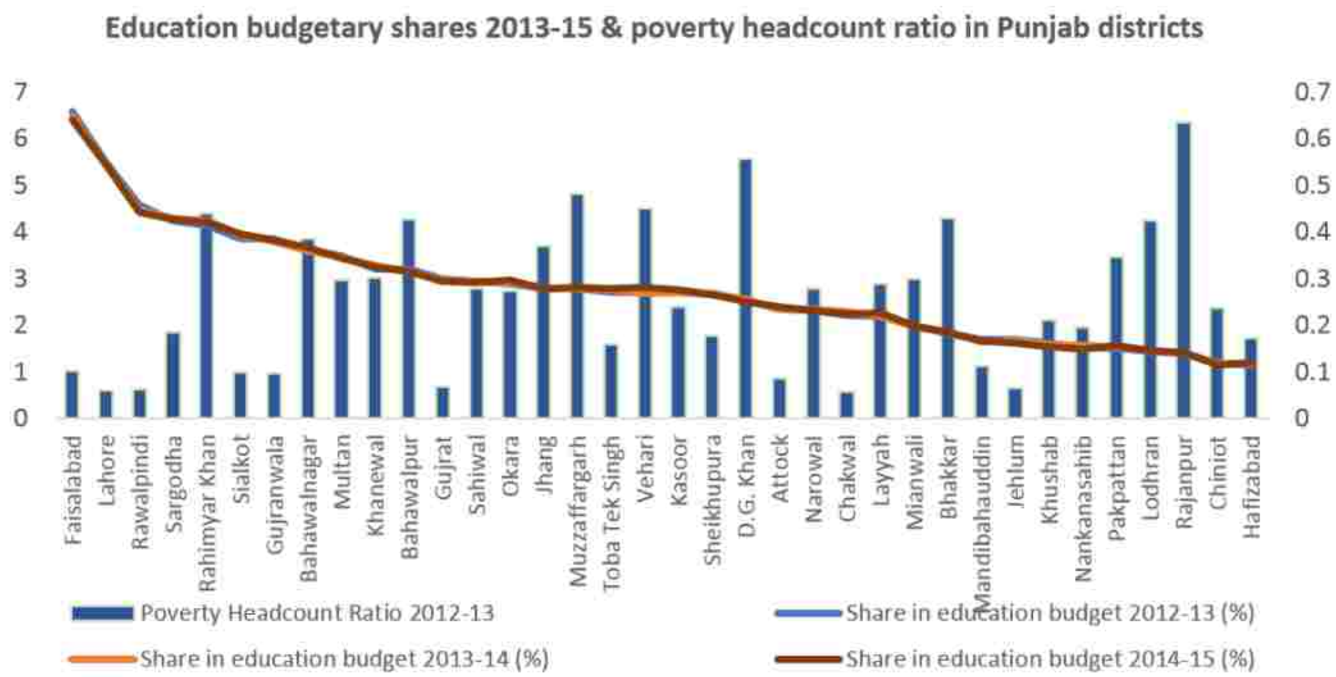
**Figure 3b: District wise education budget share and poverty**



Like the total budget, districts' share in the overall health budget does not seem to be responsive to their levels of health deprivations and poverty.[4] Share of each district out of total districts' health budget shows Faisalabad and Lahore dominate in the total budget, whereas poorer districts such as D.G. Khan and Rajanpur remain at the lower end of receiving public resources. Arguably, these are absolute spending figures and not per capita, so populous districts like Lahore, Rawalpindi, and Faisalabad are likely to have higher shares in public resources. Nonetheless, we have seen in Figure 1a that even per capita adjustment of public resources shows a highly inequitable distribution of resources.

As stated earlier, we have not taken into account the aggregated provincial spending where district-wise breakdown is not provided. The expenditure review by World Bank, DFID and the Government of Punjab, with more detailed disaggregated data showed that in 2011-12 and in the subsequent three years, Lahore alone spent 39% of total health spending in the province, followed by 7% in Faisalabad (World Bank, Government of Punjab, and Department for International Development, 2013, pp72). By taking district wise population into account, the same review reports that in 2011-12, per-capita expenditure in Lahore were Rs. 2,509 followed by Bahawalpur with Rs. 852 and Multan with Rs. 840, whereas, the rest of the districts had much lower per capita expenditures.

Throughout the three years of the current government (2012-15), the trend for budgetary allocation across the province remains the same. The few exceptions where there is an increase, however, remain well-developed districts, mainly in central Punjab. On the other hand, the share of poorer districts, mainly in southern Punjab, has actually declined. Again, Rajanpur and D.G. Khan are instructive examples, as both have high levels of poverty and yet, their share in the health budget has not only been incommensurate with the level of poverty but has declined. For education too, the budget shares are dominated by Faisalabad, Lahore, and Rawalpindi, throughout the three years of the current government. This has led to higher teacher-student ratios and lower per-pupil expenditures in the poorest districts compared to the least poor districts (World Bank, Government of Punjab, and Department for International Development, 2013, pp40-45). There appears a major gap between budgetary allocations for education and the prevailing levels of multiple deprivations (see, for example, D.G. Khan, Rajanpur, Muzaffargarh, Bhakkar, Lodhran, and Pakpattan). This has evidently resulted in lower development outcomes for the poorer districts: district education rankings reveal that developed districts, with higher per capita allocations of budget and expenditure, score highest on the education index, whereas districts with a higher incidence of poverty, such as D.G. Khan, Muzaffargarh, and Rajanpur rank the lowest lowest (Memon, 2013) .

Even as the government may repeatedly cite numbers noting it has successively increased development budgets, public sector expenditure reviews reveal that little translates into development expenditure, particularly for the less developed districts. Despite an increase in the overall development budget over the previous years, the number of development schemes and programmes that see fruition has not witnessed an increase. Disconcertingly, the numbers reflect stark regional disparities, as higher development funds continue to be allocated to relatively developed districts. Per capita estimates indicate the same picture – receiving the least funds, least developed districts in the province have remained off the development radar of provincial government. Public sector expenditure review highlights the regional inequality built into the provincial development programmes. It states: 'looking at district specific schemes reveals that relatively developed district crowd out the less developed districts... about 40 percent of the provincial population receive only 6 percent of the total allocation' (World Bank, Government of Punjab, and Department for International Development, 2013, pp22).

There are also serious issues with the management of public finances as illustrated by the independent expenditure review conducted jointly by the World Bank, Department of International Development and the Government of Punjab. Even where disbursed, social spending is affected by a public financial system unable to overcome its shortcomings. Urban-rural disparities remain high in social spending, reflected in critical sectors such as education and health. In education, for example, the disparities are pervasive at all levels. In 2012-13, enrolment rates in urban areas at the secondary level were 30 percentage points higher than in rural areas; availability of both, teachers and infrastructure remains lower for rural areas,

[4] We add two separate heads for health budget: public health and health services.

too.[5] Developed districts in the northern region of the province continue to have higher per student expenditure, compared with the less developed districts in the south and western regions.

This review also reports a similar trend in the health sector. Over the past several years, the provincial capital has singlehandedly taken up to a third of the total provincial health expenditure; the districts that follow are also relatively developed ones, including Faisalabad, Rawalpindi and Multan. Per capita estimates reflect the same trend, augmenting the argument frequently made that development is prioritized within the ruling party's voting clusters (urban centres).

The above cited review notes that higher per capita public health expenditures have led to improved health outcomes in the province overall. However, disparities in per capita expenditures have entrenched the development divide across the province. Districts that have witnessed higher per capita public health expenditures have over the years witnessed improved health outcomes, once again leaving less developed districts disproportionately worse off. There appears to be little visible intent in shifting the trend of allocation of financial resources in favour of less developed districts. Based on data from the office of the Accountant General Punjab, this review also notes that provincial social protection expenditure too has remained higher for richer districts, which received Rs.55 million on average compared with an average of Rs.13 million that poor districts have received in 2011-12. It reports that districts that had 12-22% population below poverty line received two-times higher per-capita expenditure compared to the districts that had 30-37% population below poverty line; Lahore received 10 times higher per-capita spending on social protection compared to the districts with 30-37% population below poverty line. The review observes that political economy needs have outstripped the considerations for equity and social justice in the manner the provincial government has allocated and spent financial resources .

Crucially, the review goes on to identify that the reluctance to further devolve administrative and financial powers at the district and local levels has only added to the ineffectiveness of development spending. Also, public sector employees work under provincial authorities, and even in functional operations that should be under local authorities, such as appointments, transfers, and posting, the provincial government has frequently meddled. Budgetary allocations too remain under provincial control, compromising districts' autonomy on financial matters. Local governments have also had to bear with frequent political meddling by elected members of the provincial assembly.

## Conclusion

In this brief commentary, we have used data from government departments and public sector expenditures reviews to inspect how the government in Punjab, having been in power for at least two consecutive terms (2008-2013 & 2013 onwards), has responded to the incidence of poverty at the district level, and whether the less developed districts have been a priority for it. A broad-brush analysis of public sector budgetary allocations and expenditures gives credence to the notion that the government has maintained its focus on relatively developed districts, where it arguably faces stiff electoral competition. This has not been without a significant cost to the poor in the less developed districts, who continue to receive the least priority, even as political parties clamour for their votes as the election cycle completes a term. Per capita public sector expenditures appear to be negatively associated with the incidence of poverty at the district level, indicating how a political conversation regarding the poor not only remains limited but can also marginalise the poor.

The recently formed provincial financial commission for the distribution of resources at the district level will have to be cognizant of the persisting levels of poverty and the wide regional disparities that the distribution of public resources has led to in the province. There is a need for higher than current weightage to be given to the incidence of poverty/underdevelopment while allocating resources amongst districts. There is a strong need not just to bring parity in the per capita expenditure but also to spend higher on the highly poor and largely rural districts to offset accumulated deprivations and neglect as well as to account for higher costs of service provision to sparse rural populations. The government's reluctance to effectively devolve administrative powers in key areas of development has limited the

[5] Multiple indicators reflect these disparities. Just two are fairly instructive here: Student-teacher ratio was 26 for rural compared with 31 for urban areas. Provision of latrines in rural area schools was 83 percent compared with 94 percent in urban areas.

possibility of closing the inequality gap in the province by improving the conditions of the least development districts. A short-term development model such as this, responsive only to prospects of staying in power, will further entrench inequality and create divisions along regional lines, hindering Punjab's overall progress. This brief analysis also makes the case for non-governmental development stakeholders to allocate their own resources to the districts with high incidence of poverty, avoiding the concentration of resources and opportunities within a handful of districts that appear to have higher government attention. The development actors also need to strategise influencing public sector priorities for equitable resource allocation to achieve the shared goal of poverty reduction.

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