RESEARCH BRIEF

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# Prepetuating Disparities: Public Sector Expenditure and Poverty Across Districts in Sindh

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## Introduction

Lauded as an historic step in the constitutional evolution of the country, the 18th amendment devolved administrative powers in key areas of policy to the provinces. Central to improving development outcomes, the amendment's success laid in further devolution on part of the provinces themselves. This was meant to serve two interrelated purposes: improving development outcomes, and narrowing down the gaps in development outcomes between various jurisdictions. Using a mix of data sources, we examine how public sector resources have been distributed in Sindh, and to what extent does that contribute to the achievement of the intended objectives of the 18th amendment. We use public sector expenditure reviews for the year 2013, two years after the passing of the amendment and the year the ruling government in Sindh got re-elected into office after General Elections. We also use data from provincial departments to assess per capita spending in two key areas of social development – health and education.

## Patchy geography of social and economic development

Pakistan is known as a land of a highly diverse geography. This diversity, however, cuts way beyond the physical domain and, is perhaps higher in the realms of social and economic development. Key indicators vary markedly across jurisdictions and urban-rural population groups, revealing a highly patchy and uneven geography of human development. Disconcertingly, despite the passing of the 18th amendment, public sector priorities have failed to address the sharp disparities that exist across districts.

It is a popular belief that political elites in Pakistan have kept development of their respectively governed territories conditional upon their own prospects of staying in power. Equitable distribution of resources and opportunities is the first casualty of such political arrangements, giving rise to persisting poverty and rising inequality between groups and territories. Sindh is an instructive example, not only because of the unique nature of political competition in the province, but also because it is home to some of the poorest population groups in the country. The distribution of public sector expenditure in the province has been highly unequal, such that the poorest segments of the population have remained at a disadvantage. It should be no surprise then that poverty has persisted in the poorer regions, and as public resources have continued to be expended to the relatively developed regions (which have also been electoral turfs with intense competition between political parties), inequality has escalated.

This is clearly visible in the geography of poverty itself. Using a range of development outcomes, Naveed, Wood and Ghaus (2016)[3] have recently provided district level analysis of the incidence of multidimensional poverty in and across Pakistan. The study shows that one-third of Pakistan was multidimensionally poor in 2012-13, but more importantly, poverty was unequally distributed, not only across provinces but also across urban and rural population groups within them.



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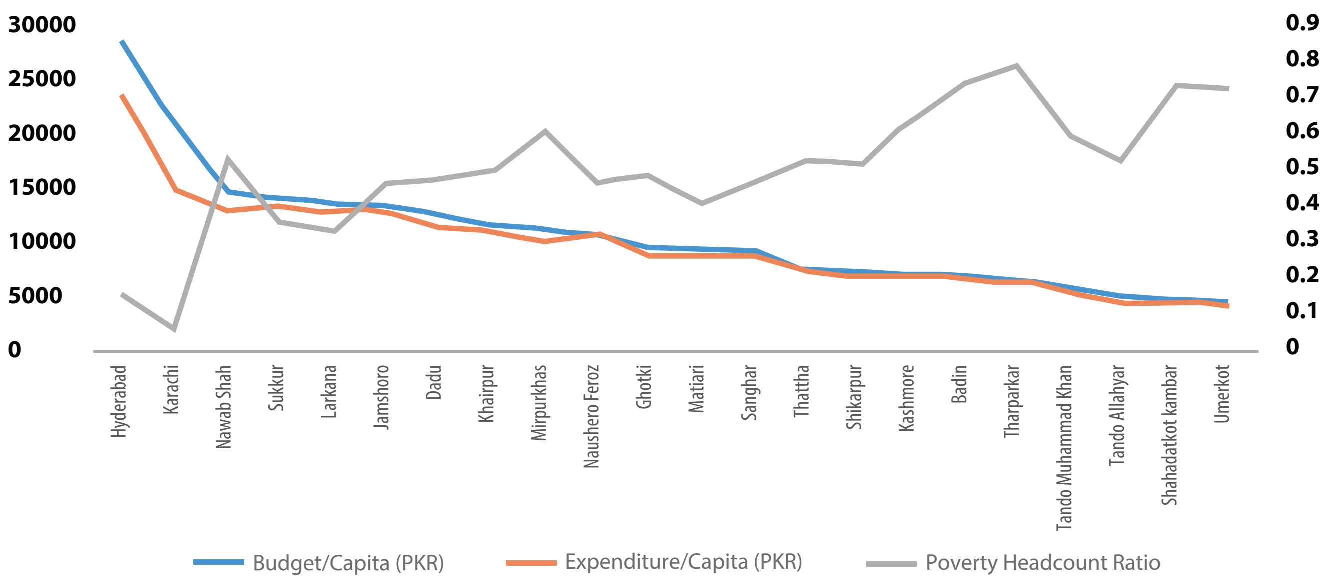
[3]Naveed, Wood and Ghaus (2016). Geography of Poverty in Pakistan.

At 37.5 percent, the proportion of poor in Sindh was higher than the national average. More worryingly, rural poverty was as high as 64 percent, compared with a 10 percent incidence in urban areas. Poverty in rural Sindh has persisted, worsening the urban-rural divide in the incidence of poverty. Compared with the districts with the highest headcount ratios in the country (predominantly in Balochistan), the higher population density of the poorest districts in Sindh has only added to the misery. Tharparkar, Badin, Thatta, Umerkot, Kashmore, Mirpur Khas, Tando Muhammad Khan, Nawabshah, Tando Allah Yar, Shahdadkot and Shikarpur have had particularly high levels of poverty as up to three-quarters of the population in these districts were living below the poverty line in 2012-13 (ibid.). Of the 23 districts of the province, 9 were home to approximately 15% of the poorest population of the entire country.

But perhaps what is worse is that progress in Sindh has been the slowest. Most rural districts in the province either experienced an increase or a very low decrease in poverty from 2008-09 to 2012-13. During the period, Sindh could only reduce poverty by 1.9 percentage points, compared with a reduction of 9.2 percentage points in KP, 7.7 in Balochistan and 5.8 in Punjab (Naveed, Wood and Ghaus, 2016). This suggests that the province had the lowest improvement in constituting factors of estimated poverty - access to education, health, living conditions and asset ownership. The public sector has been unable to address the gaping levels of poverty in the province and the widening of inequality it has led to. Evidently, public sector priorities have remained on relatively well-developed districts, particularly in urban Sindh where electoral competition is high.

Figure1 shows per capita budget and expenditure, and the poverty headcount ratio mapped across 22 districts of Sindh, or the year 2013.[4] Based on the data provided by the AG Office Sindh, total district level expenditures are estimated by aggregating the total expenditure incurred on following heads: general public services; public order and safety affairs; economic affairs; environmental protection; housing and community amenities; health; recreational, culture and religion; education affairs and services; and, social protection.[5] Per capita expenditures are then estimated using population estimates as provided by the Sindh Population Welfare Department.[6]

**Figure 1: Per capita public sector expenditure [left axis] and poverty by districts in Sindh [right axis] 2012-13**




*Source: Authors, based on Government of Sindh data (2013) and Naveed et al (2016)*

The figure is a stark revelation of how budgetary allocations remain concentrated in the relatively developed urban centres, taking a sharp dip beyond Karachi and Hyderabad. If anything, the relationship between district's poverty and

[4]District Jacobabad has been excluded in this analysis. The district witnessed servere floods in 2012 and as a result saw a hike in expenditure over the following year, primarily humanitarian in nature.
[5]We are thankful to colleagues at the World Bank for providing access to these data.
[6]For details, see Government of Sindh (2014). Development Statistics of Sindh, Bureau of Statistics, Planning and Development Department.

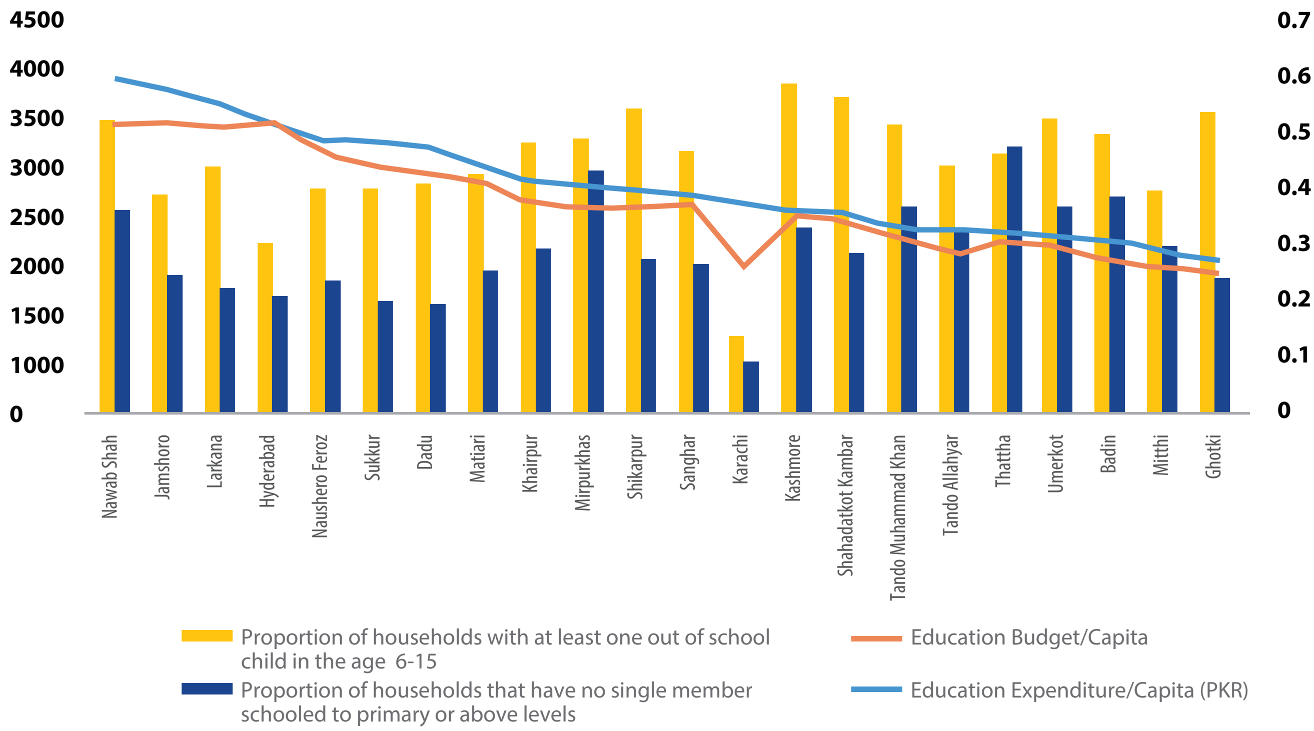
per-capita public sector expenditures is a negative one – the poorer the district, the lower the public spending as one can see from the case of Tharparkar, Umerkot, Shahdadkot, Badin and Kashmore. An equitable distribution of resources should mean higher levels of public expenditure on the poorer districts and lower levels on the better off ones. As most of the poor districts have low population density compared to the least poor ones, with the cost of public service provision to be higher than what it is in the high population density districts, there is even a stronger case for allocating higher resources to the poorer districts for the universal provision of basic public services. This apparent redistribution of public resources, from poor to the least poor, has persisted even as the government got re-elected, indicating that procedural democracy and an uninterrupted political presence have not seemed to make a difference in the lives of Sindh's poorest populations. It is unfortunate that neither politicians nor the state have addressed acute disparities in public sector expenditure in the districts.

The measure of poverty headcount ratio used in Figure 1 is constituted by aggregating deprivation on a set of indicators pertaining to health, education, asset ownership and living conditions. We can see the relationship between deprivation and public spending by breaking down both set of measures into the constituting indicators of human development, mainly education and health.

## Education

Figure 2 plots the per capita education budget and expenditure of Sindh province against two indicators of education. The first indicates the proportion of households with at least one out of school child in the age bracket 6-15. The second indicator presents an acute measure of educational deprivation; it shows the proportion of the households that have no single member schooled to primary or higher levels. These indicators are contrasted against 1) per-capita amount budgeted for education for the district; and 2) per-capita amount actually spent on education for each district. Bars represent deprivation on educational indicators and the lines represent public sector budget and expenditure on education.

**Figure 2: Educational deprivations and per-capita budget [left axis] and public spending on education [right axis] 2012-13**




*Source: Authors, based on Government of Sindh data (2013) and PSLM2012-13.*

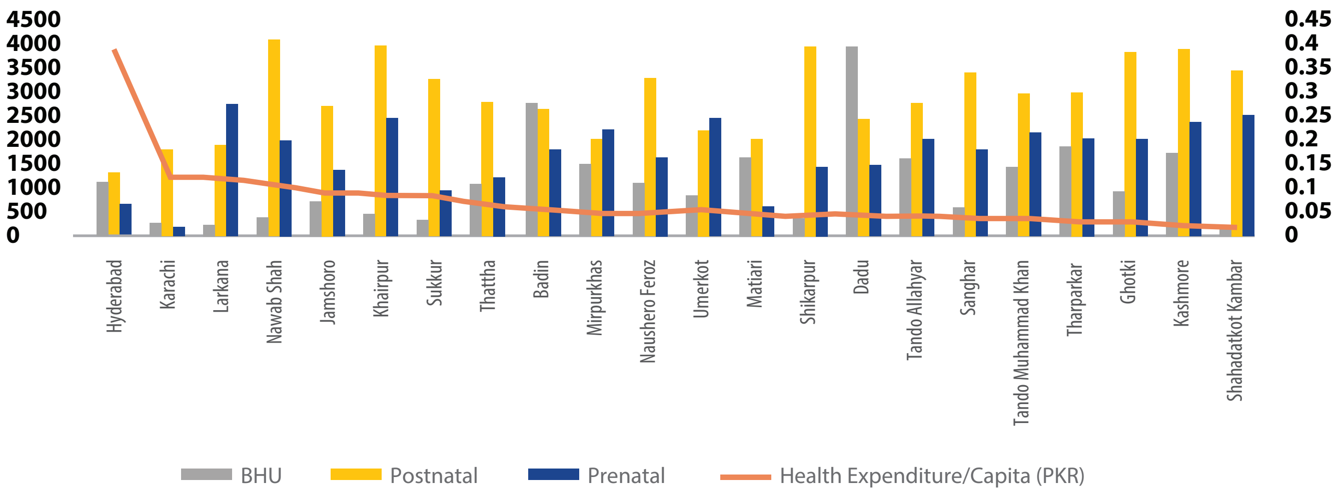
Overall, districts on the right-hand side of Figure 2 have higher educational deprivation and lower per-capita spending compared to those on the left-hand side. This trend reiterates the ones found in Figure 1 and Figure 2. Other evidence also suggests that developed districts that have a larger share of public finances score highest on the education index, whereas districts with a higher incidence of poverty and low levels of allocated budgets, such as Thatta, Tando Muhmmad Khan and Tando Allahyar Khan, rank the lowest. In the Figure 3 too, districts with the highest levels of deprivation in education, such as Kashmore, Shahdadkot, Umerkot, and Ghotki have not had commensurate levels of per capita expenditure available to them.

Apparently, the urban-rural split is less in the case of education expenditure than in the overall public sector expenditures as shown in Figure 1. Karachi, for example, ranks much lower in education budget and expenditure, despite being the most urbanized city in the country but perhaps because of the economies of scale given high population density. Moreover, education is a much bigger private sector enterprise, more prevalent in urban centres than in rural areas, giving the government room to limit education expenditure in the former. Supported by private sector schooling, budgetary allocation and expenditure may be lower in urban districts, but as the figure shows, deprivation there is also markedly lower (see Karachi and Hyderabad). In contrast, educational indicators of access have failed to improve in the least developed districts.

## Health

The trend persists, more visibly in health than in education. Figure 3 plots allocated per capita health budget and expenditures against three indicators of deprivation in health. The first indicates the proportion of households without easy access to a basic health unit (BHU) because it is far away or is too costly to reach. The second and third measure report the proportion of households where a female member who gave birth to a child in the last three years did not receive pre-natal care and post-natal care respectively.

**Figure 3: Per-capita public sector expenditures on health and public health & housedold deprivation on access to healthcare facilities, 2012-13**




*Source: Authors, based on Government of Sindh data (2013) and PSLM2012-13.*

[7]Alif Aliaan, 2013

Remarkably, health budget and expenditure priorities are in sharp contrast to the landscape of deprivation in health across the province. Like earlier figures, public sector expenditure in health is highest in urban centres, where deprivation in all three indicators of health is the lowest among the districts of the province. Following Hyderabad and Karachi, the health expenditure takes a dip, contradicting the need for a split of expenditure allocations that is responsive to the least developed and poor districts in the province with higher levels of deprivation. Unsurprisingly, a visit to any of these districts reveals the apathy of public service provision. Badin and Dadu have had the highest levels of deprivation in access to BHU and have both received little in terms of their per capita health expenditure needs. In prenatal and postnatal care, Larkana, Khairpur, Shahdadkot and Umerkot have had the highest levels of deprivation, and yet, have failed to receive proportionate levels of public resources to address their needs.

## Public Financial Management

Of all the provinces, Sindh is often seen as a glaring example of misgovernance. Public financial management in the province, however, cuts a different story, going beyond the highly varied distribution of public resources across the urban-rural divide and intra-district. In a recent review of public financial management,[8] the Sindh Government did worst in terms of budget credibility and scored a higher rating (A/B) on only 8 out of a total of 32 indicators.[9] This review highlights the issue of the executive use of power to make discretionary changes in the budget which is highly prevalent and results in lowering the budget's credibility and impact on stated development outcomes. In the absence of public access to key fiscal information, transparency in terms of how much is being spent where in government operations has also remained limited. Essentially, what this indicates is that the process of devolution has halted at the provincial level, where authorities have remained reluctant to give districts the administrative and financial autonomy, they need for improving social and human development in their jurisdictions perpetuating the inter-district disparities.

The above cited review also notes that even where development sums are disbursed, there appears to be little clarity on how these are spent or what exactly their breakup is, as these are lump sum amounts categorized as development packages such as Karachi Package or Larkana Package. This has limited the possibility of monitoring and assessing financial performance in terms of development outcomes. This review also suggests that service provision is deeply marred by vested interest groups that carry influence over both how resources are disbursed as well as spent; recurrent expenditures have dominated total spending, accounting for an average of 73 percent for the period 2008-13. Development expenditure was reduced to 27 percent, compared with a budgeted amount of 36 percent. Worryingly, development spending has taken the flak as a result of both revenue shortfalls as well as the provincial departments' limited implementation capacity. And despite an increase in the budget for priority areas including education, health, and social protection, on average the growth of non-priority expenditures (indicating non-development expenditures) was higher during the whole tenure of the last government in the province.[10]

At the same time, provincial expenditures have also been characterized by a lack of sector strategies for costing of investments and recurrent expenditures. Additionally, investment budgets have remained lower than the amount required for even approved development schemes, raising serious questions about how and where the difference is spent in a province marked by an eroding public sector capacity. While issues in public financial management affect the province as a whole, the relatively poorer districts, already on the lower rungs of government attention, are arguably the worst affected ones.

## Conclusion

In this brief commentary, we have used per capita budgetary allocations and expenditure and public sector expenditure reviews to assess how, following the 18th amendment, Sindh has responded to development needs at the district level, and whether public resources are spent equitably and in a pro-poor manner. A broad-brush analysis of public sector budgetary allocations and expenditures gives credence to the notion that governments have maintained their focus on relatively developed districts. This has not been without a significant cost to the poor in less developed

[8]Government of Sindh and Development Partners (The World Bank, European Union, UK-aid and ADB), 2013
[9]Indicators were assessed on the following performance metrics: Credibility of the budget, Comprehensiveness and transparency, Policy-based budgeting, Predictability and control in budget execution, Accounting, recording and reporting, External scrutiny and audit, Donor Practices, Higher Level of Government. The highest number of poor ratings were in the category of Predictability and control in budget execution.
[10]Finance Department, Government of Sindh, 2013

districts that remain off the development radar of governments, even as political parties clamour for their votes leading up to the elections. Per capita public sector expenditures appear to be negatively associated with the incidence of poverty and development needs at the district level, indicating how a political conversation regarding the poor not only remains limited but can also be misleading.

A short-term development model that remains responsive only to prospects of staying in power has led to deepening inequality in the province and will only hinder - not contribute to – its progress. Crucially, the provincial government, which has come under fire for slowing the progress of the devolution agenda, will have to be more responsive to the geography of poverty and how development indicators vary markedly across the province. The formation of the Provincial Finance Commission is a necessary step in this direction, but in the distribution of resources, the government will have to take into consideration not only the districts' specific needs, but also their own autonomy to execute those resources in the best way possible. So far, the provincial government has not fared well on that front. A development model with concentrated pockets of administrative authority will only lead to the kind of patchy development in the province today and is unlikely to close the harrowing gap in development indicators across its districts. Public sector development projects need to prioritise the districts with the highest incidence of poverty and those with the largest populations of poor. Similarly, development partners need not only to channelize their own resources by prioritising the most deprived districts but also leverage their influence to ensure that the government too is committed to changing the status quo in its budgetary allocations in favour of less developed districts. And finally, the federal government, as the overarching state authority, also needs to play its role in reminding, supporting, and pushing provincial governments to improve in key areas of governance, transparency, and service delivery.

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