Political Economy of Discretionary Allocation of Annual Development Programmes: Theory and Evidence from Balochistan

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This article discusses and analyses the presence of discretionary allocations of annual development programmes (ADP)—the annual development budget—in the Balochistan province of Pakistan. The paper builds a strong theory and uses robust empirical techniques to assess how the political and bureaucratic elite discretionarily and disproportionally allocates the development funds to meet two central objectives: First, to allow misappropriation of the development funds to their benefit; and second, to make constituency/district-specific allocations to buy political allegiance, indulge in pork-barrel and promote patronage politics—clientelism. For empirical assessment, the article applies an unbalanced panel dataset for districts from the provincial level sources. The theoretical propositions and the empirical results show a presence of discretion and clientelism in the process of budget making and projects' allocation to districts/constituencies, for incumbent politicians and senior career officials in charge of the budgetary-making process make disproportionate budgetary allocations in ADP to their home districts or constituencies or the projects with leverage of extraction and kickbacks in the process of allocations, bidding, and execution. It is evident that constituencies or districts, without representation in the government/cabinet and/or senior bureaucracy in the ministries that make public policy, receive far lesser budgetary allocations than their proportionate share, notwithstanding their prevailing poor social and economic landscape. Such discretionary allocations suffice personal interests and support clientelism in resource sharing, creating inter-regions and inter-districts/constituencies disparity in terms of economic and social development within the province.

*Keywords: A*nnual Development Programmes; Discretionary Allocation Clientelism; Distribution of Resources; Disparity; Deprivation; Balochistan

1. INTRODUCTION

The article discusses the political economy of Annual Development Programmes (ADP) in Balochistan, Pakistan, during the budget-making process. The article mainly discusses the discretionary power and clientelist approach of the political and bureaucratic elite in project selection and allocations to the districts/constituencies during annual budget-making in Balochistan. After presenting a logical political-economic model of budget allocation on bargaining game principles, the article provides a logical and strong empirical insight on how the political and bureaucratic elite—mainly those who are involved in fiscal policymaking—make a discretionary allocation in ADP to

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suffice mainly two purposes: (1) to allow misappropriation of projects that fit best their personal benefits and bargain power; and (2) to make constituency/district-specific allocations to buy political allegiance and to promote patronage politics. In the process, the article argues that the political and bureaucratic elite in the province would not consider the developmental needs and socio-economic profile of the districts or constituencies in the project selection and allocation decision-making process.

It is worth noting that no criteria-based and systematic mechanism is followed in project selection and resource sharing among districts in the province. Therefore, the ADP allocation during the annual budget is largely made arbitrarily and at the discretion of the Chief Minister and his (CMs are always men) key cabinet members, coalition partners, and senior bureaucrats to give disproportionate priority to their home districts/constituencies to mollify two very conspicuous interests as earlier alluded. Indicators like poverty, backwardness, illiteracy, unemployment, and lack of basic amenities are not kept into consideration while allocating the development funds that are presumed to be the top priority in any normal and transparent resource-sharing process (Bardhan & Mookerjee, 2005).

The bargaining game theoretical model presented in the article includes some of the underlying factors affecting the selection and allocation of the projects in the ADP in the politico-economic setting of Balochistan. The article empirically examines the theoretical preposition using a provincial-level dataset on district/constituency-level projects. The rest of the article is organised as follows: while section two discusses the socio-economic and political landscape of Balochistan, section three describes elite capture and institutional aspects of corruption. Section four discusses the political economy of project allocation, and section five presents a budget allocation model. Section six presents the methodology, while Section 7 discusses the empirical results. Section 8 concludes the article, and Section 9 gives policy recommendations.

2. THE SOCIOECONOMIC AND POLITICAL LANDSCAPE OF BALOCHISTAN

Balochistan is the largest province of the country with 44 percent of its total geography. Balochistan has a huge natural resource endowment. However, the province is sparsely populated, where only 6 percent of the nation resides in it (Census, 2017). The provincial economy is vastly undeveloped, relying dominantly on primary modes of production. The mainstay of its economy are natural resources—the majority of them still untapped –, fruits and crops, livestock, fisheries, and illegal border trade and commerce with neighbouring Afghanistan and Iran.

The agriculture sector in Balochistan notwithstanding consists of high-value and non-staple produce, favourable for the water-scarce high-altitude atmosphere in central, northern, and southern regions of the province. However, the sector has invariably remained at a subsistence level with no striking potential for further growth, owing largely to water scarcity, long spills of droughts, and rug and mountain terrains, not suitable for agriculture. Though crop cultivation in the canal-irrigated region in the northeast of Balochistan, falling on the west bank of the Indus River, follows the general trends of agricultural growth in the Canal irrigated area of Pakistan (Khan & Nawaz, 1995).

Whereas the provincial economy is least diversified at the local level, the distinct ecological systems in different areas—flood plains, uplands, and deserts to the coastal area—give a considerable variety at the provincial level. As the northern region specialises in horticulture, the central and western regions employ primarily in livestock rearing, the southern region relies on (il)licit border trade with Iran, subsistence agriculture based on perennial water sources (*Kahn & Kareez[1]*), fisheries, and service provisions to the public sector in Pakistan and elsewhere in the Middle East (Bengali, 2018). Rich mineral deposits, such as coal, copper, gold, and natural gas, are found in several regions of Balochistan. However, ironically few influential tribal notables *(Sardars, Nawabs)* with the strong support of state institutions not only control these resources, but they also rudimentarily exploit them without any tangle support to the provincial economy and socioeconomic impacts on the people of Balochistan (Ahmed, 2022). The economic and social development of Balochistan faces daunting challenges. It lags far behind other provinces of Pakistan in all socioeconomic and development indicators such as basic healthcare, education (primary and secondary) and gender equity, economic, social, and physical infrastructure (Ahmed & Hassan, 2020).

For budgetary support and meeting fiscal needs, Balochistan relies heavily on transfers through the National Finance Commission (NFC) Award[2] and other straight transfers, and given that the horizontal distribution of the NFC Award had historically been entirely on a single criterion of population, the Balochistan received less than 5 percent of the total horizontal distribution (Jaffery & Sadaqat, 2006). The historic underdevelopment of the province has squarely been placed on the lack of available resources with a certain degree of justification. However, the 7th NFC Award, which was constituted and implemented in 2009 and 2010 respectively, has changed the fiscal landscape of Balochistan. Under new resource-sharing arrangements, the share of the provinces has increased from 54 percent to 57 percent in the total divisible pool (Ahmed & Baloch, 2014). On the horizontal front, more criteria such as backwardness/poverty, revenue generations and collections, and inverse population density were included besides population—the latter with 82 percent weight still takes far greater a share.[3] The share of Balochistan, therefore, has increased up to 9.09 percent (Iqbal, et al. 2012). However, this somewhat consolidated fiscal position of the province owing to the 7th

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[1]For more information about Kahn & Kareez, see Fazle K. & Nawaz (1995).

[2]The inter-governmental resource transfer, which is a significant feature of provincial governments' finances in Pakistan, takes place under the fiscal arrangement of the National Finance Commission (NFC) Award. As mandated by the Constitution of Pakistan, after every five years the President of Pakistan constitutes the NFC Award that prescribes a formula-based fiscal resource distribution and sharing of taxes and non-taxes revenues between the federation and the provinces and among the provinces (for more discussion on NFC and resources sharing arrangement between the federal government and provincial governments and among the latter, see Ahmed & Baloch, 2014).

[3]From the national resources divisible pool, which comprises 82 percent of the population share, 10.3 percent of Poverty and backwardness, 5 percent of revenue collection share, and 2.7 percent of inverse populations density in horizontal distribution criteria as it was up to 5 percent with 100 percent population-based criteria in horizontal distribution (Iqbal, et al. 2012). Although since 2009 a greater number of criteria—like backwardness and revenue collections—have been included in the horizontal resource mechanism, the population retains an 82 percent weight. This criterion preserves Punjab's domination over resources (Jaffery & Sadaqat, 2006; Ahmed, et al. 2007; Ahmed & Baloch, 2014).

NFC Award and the 18th Constitutional Amendment[4] in 2010 has so far failed to bring a visible and meaningful change to its social and economic landscape, which has further pushed the province backward to other provinces of the country. Resultantly most districts in Balochistan are multidimensional poor (Naveed, et al. 2016) and their status has further worsened since 2009.

At the provincial level, the Provincial Finance Commission (PFC) was established in 2001 with the advent of the Devolution Plan[5] to distribute the provincial share of resources among the districts. Besides allocations through the PFC, the districts received resources (funds, grants, etc.) from the federal government on discretionary bases.[6] However, in 2008 the PFC was discontinued, as the Devolution Plan was abandoned. So, in the absence of criteria-based PFC public finance distribution in Balochistan is unbalanced (not considering the developmental and social needs of the respective districts/regions) and biased allocations to districts beyond their just share based on any judicious criteria that could potentially lead to creating a significant intra-provincial disparity in Balochistan as well as a sheer wastage of project allocations and executions through misappropriations, kicks back and pork-barrel by public officials and politicians.

Such lopsided and distorted project allocation and executions to districts/constituencies appear to be on politico-bureaucratic considerations that warrant a sound theoretical insight and empirical inquiry to understand the underlying political economy behind such practices. This paper therefore is an attempt to investigate and explain this issue to try in contributing to the existing literature on public finance and political economy. The article postulates the presence of a phenomenon of preponderance elite capture and clientelism on the public finances of the province, particularly the annual budgetary share allocated for Public Sector Development (Annual Development Plan) in which the discretionary powers and manipulations of public officials and politicians are instrumental.

Two oft-repeated portrayals of Balochistan for many decades are that 'the province is rich in all resources', and that the 'province is the least underdeveloped in Pakistan'. This is indeed very contradictory, though it is very true in every account. In the early decades of Pakistan as an independent country, Balochistan did not reflect meaningfully in any national economic plans or budget documents of Pakistan, except for the discovery and extraction of natural gas at Sui, Dera Bugti region, and other sites of natural resource explorations and extractions. An analysis of growth in Balochistan during the 1970s,

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[4]Pakistan took a major shift towards federalism through the 18th Amendment to the Constitution passed in April 2010, which was billed as the most comprehensive reform package in the constitutional history of Pakistan. The 18th Amendment arguably has a profound impact on the governance and economic management of Pakistan. The provinces have received additional powers because of the abolition of the Concurrent List, which ensures the transfer of large amounts of economic authority to the provinces. The 18th Amendment is by and large conceived formally along provincial lines but substantially along ethnic lines. Federalism in Pakistan remains ethnic in both substance and style. The 18th Amendment has invariably given Balochistan a far wider space and autonomy to make an indigenous administrative and fiscal arrangement. Yet for Balochistan, the 18th Amendment has barely been effective in addressing the decades-old grievances. While it provided a constitutional and fiscal space for the province, it could hardly help to address the persistent economic and political issues in Balochistan. For the Baloch to coexist and be part of the Pakistani federation, the federal project of the country needs to be restructured (Ahmed, 2010).

[5]In 2001, Pakistan embarked on reforms through which sizeable powers were shifted to the third tier (i.e., local governments,) mainly from the provincial governments (Ahmed, M., 2016)

[6]For More discussion see, Ahmed, M.

1980s, and 1990s, shows the economic and political neglect of Balochistan in national mainstream policy mechanism (Bengali, 2018).

Key economic indicators in Balochistan portray a depressing picture. For instance, during the 1970s average gross regional product (GRP) growth rate was a mere 2 percent in the province. Although the average growth rate during the 1980s[7] increased to 5.9 percent, but the same fell to 3.5 percent during the 1990s and further to 2.8 percent over 2000-11. Likewise, per capita income growth was 2.2 percent in the 1980s, sliding to 1.6 percent during the 1990s. Over the three-decades period of the 1970s to 1990s, per capita growth was mere 0.3 percent implying zero growth and stagnancy. As a result, the average share of the province to national income has shrunk from 4.5 percent in the 1970s to 4 percent in the 1980s and 1990s. The decrease in provincial share to the national income shows a sharp drift of the provincial economy to the national economy of the country (table 1). The situation somewhat remained the same post-2000s, as the GRP growth over the decade of 2000-11 with 2.8 percent was less than 60 percent of the average combined GRP growth of the other three provinces (Bengali, 1918). Thus, it shows that Balochistan in terms of its economic performance is not only lagging behind other provinces but also drifting away from the mainstream economy of Pakistan.

Table 1

Balochistan: Gross Regional Product Growth by 'Material" Sectors and by Decades

Material Sectors	1970s	1980s	1990s	1947-2000
Major Crops	10.2	14.0	4.3	9.2
Minor Crops	9.5	6.5	1.2	5.0
Livestock	–5.2	6.8	6.0	3.8
Fishing	–4.9	3.1	4.9	2.1
Mining and Quarrying	1.4	4.8	3.2	3.4
Manufacturing	19.0	19.5	5.9	13.9
Construction	2.0	2.3	5.4	3.5
Electricity and Gas	29.1	8.5	2.8	10.8
Transport	–0.4	9.7	4.4	5.3
Communication	22.2	10.5	6.9	11.6
Trade	4.5	8.0	3.8	2.8
Finance	12.4	8.4	6.0	8.3
Overall GRP Growth	2.0	5.9	3.5	4.3
Per Capita Income Growth	–5.2	2.2	1.6	0.3
Share of Balochistan GRP in National GDP	4.5	3.9	4.0	4.1

Source: Bengali and Sadaqat, Provincial Accounts of Pakistan: Methodology and Estimates 1973-2000, Social Policy and Development Centre, Working Paper No. 5, 2005.

[7]The robust 5.9 percent average growth during the 1980s is attributable to the small base effect. The first steps to development in Balochistan commenced with its formation as a province in 1970, with the provision/up-gradation of some essential services – electricity, telephone, official housing, etc. – yet that also only in the provincial capital, Quetta. Banks brought under public domain in the early 1970s, established/expanded their branch network in Quetta and other cities. Banks brought under public domain in the early 1970s, established/expanded their branch network in Quetta and other cities (Bengali, 2018).

The above investments served to boost the growth rate in the 1980s. However, in the two subsequent decades, the 1990s and 200s, no major investment initiatives were undertaken. As a result, growth across almost all sectors was stagnant.

Table 2

Gross Regional Productivity by Province: Average Growth Rate 2000-11

Province	Overall	Rural	Urban
Punjab	4.5	4.02	4.8
Sindh	4.7	5.7	4.1
Khyber Pakhtunkhwa	5.5	5.6	5.3
Balochistan	2.5	2.5	2.5

Source: Social Policy Development Centre, Social Development in Pakistan Annual Review 2014, State of Social Development in Rural Pakistan.

Table 2 shows the average gross regional productivity of all four provinces of Pakistan from 2000 to 2011. Balochistan with 2.5 overall productivity features the lowest gross regional productivity compared to other provinces—Khyber Pakhtunkhwa, for instance, has the highest gross regional productivity among all provinces.

3. ELITE CAPTURE AND INSTITUTIONAL ASPECTS OF DISCRETIONARY ALLOCATIONS

Scholars are cynical about the motivations of politicians and public officials regarding the projects' selection and allocation in most countries. When encountering politicians or bureaucrats, the tendency is to think not about the leadership skills and competence that allowed them to obtain these positions, but rather to imagine all the myriad ways that they are scheming to extract from public resources. The common belief the political and bureaucratic elites stealthily capture resources has deep roots in almost all underdeveloped societies (Hamilton, et al. 1787; in the development context, see also Wade, 1982; Dreze & Sen, 1989). More recently, the phenomenon of elite capture has been further explored and developed in such works as Bardhan and Mookherjee (2000), Acemoglu (2006), and Acemoglu, et al. (2012). Rumbul, et al. (2018) define elite capture as the dominance of political elites in all stages of the budgeting process, often resulting in budget policies that fail to promote the public good provision.

Elite capture is a phenomenon where a few, usually politically and/or economically powerful groups usurp public resources, which are created for the benefit of the masses, at the expense of the economically weaker groups. The elite can be defined along a variety of lines including income, professional, social, power, education attainment, and gender.

According to Laffont and Tirole (1991), the origin of the elite capture phenomenon can be traced to the 'interest group capture' paradigm in the works of Marx, Stigler, and Peltzman. The interest group capture happens because of information asymmetry, inefficient or lack of regulation, and allocation of public resources.

The two main ways of bringing about capture are bribes and collusion. This has significance for elite capture. If elite capture means the capture of government decision-making or resources and has the means to influence public decision-makers, then we

must know under what attributes or quality will it be brought about. Collusion is one such quality, which is easier to notice at lower levels where public officials invariably collude with local politicians or their loyalists. Public officials and politicians are more prone to elite capture than higher/central government agencies (Platteau & Gaspart 2003; Bardhan & Mookerjee, 2005).

Looking at elite capture in terms of access to power, then Bardhan and Mookherjee's (2002) work is much suggestive in the consideration of the idea of 'relative' capture. They investigate the greater vulnerability of subnational governments to relative capture through an extended version of the Baron (1994) and Grossman and Helpman (1996) models of the electoral process, which are subject to the influence and lobbying of special interest groups. The basic presumption of why subnational governments and electoral processes are more prone to elite capture in these models is like the Laffont and Tirole (1991) and Plateau and Gaspart (2004) premise, that is, information asymmetry and collusion. Lieten (1996) mentions that the extent of information asymmetry will depend upon the economic base of the political structure and the robustness of the administrative structure of the state.

The existence of vested interests that come in the way of establishing a more equitable system, by local and national elites, has been discussed by Acemoglu and Robinson (2002). In countries like Chad and Niger in Sub-Saharan Africa, they note that the existence of powerful "interest groups" blocks the introduction of new technologies, or any other vehicle of development to protect their economic rents. Their analysis tries to differentiate and identify which type of elites is most likely to feel threatened and block the development. In the case of Sub-Saharan Africa and the case for the introduction of new technology and beneficial economic changes, Acemoglu and Robinson (2002) argue that elite groups whose power and economic rents are eroded will block technological advances. Similarly, it is perhaps a useful exercise to differentiate various local elite groups and identify who stands to lose most if elite capture of public resources is eliminated.

Elite capture often takes place and nurtures in an institutional framework. Thus, a brief understanding of institutional nature is imperative to grasp the nature of elite capture. Douglass North (1990: p. 3) offers the following definition of institutions: "… are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction." Three important features of institutions are apparent in this definition: (1) that they are "humanly devised," which contrasts with other potential fundamental causes, like geographic factors, which are outside human control; (2) that they are "the rules of the game" setting "constraints" on human behaviour; (3) that their major effect will be through incentives (see also Acemoglu, Robinson, 2010).

Corruption is very much shaped by the nature of institutions, and if someone looks around the world at different societies they have different levels of corruption, and part of that is very much shaped by the kind of institutions they have. Theoretical insight into Political Clientelism (see Bardhan & Mookherjee, 2012) explains that with weak and unaccountable governance and power structure the political elite tends to capture the public services not only for themselves and their immediate families and friends but also use them for clientelistic purposes: to reciprocate the favours to their voters. The absence

of different mechanisms necessary for making politicians and public officials accountable to the people promotes corruption, clientelism, and capture, which leads to the inefficiency of institutional structure and encourages elite capture through institutional corruption (Jayal, 2008).

Thus, the extent of relative elite capture (possible) of government in Balochistan is crucial to understand the likely impacts of unconstrained elites and their captures of public resources elsewhere in similar societies in the developing world.

4. POLITICAL ECONOMY OF PROJECTS ALLOCATION

It is fair to argue that politics and the political process are essential and play an important role not only in the distribution of national resources but also a crucial factor in devising public policies, planning, and development at the provincial/sub-national level. In the majority of underdeveloped societies, the political or social/local elite and the officials who run state apparatus (both civil and military bureaucracy) tend to have an overriding influence in the entire process of politics and political culture. The public resources and their policy planning, budgeting, distribution, and execution are consistently influenced and shaped by the prevailing political and social culture and institutional structure of that society. In a region like Balochistan, where politics is very much patronage-based and project selection and allocation are undertaken largely on political priorities and considerations than socioeconomic grounds, the overall allocation of public funds is driven largely by political economy dynamics (Finan, 2004).

In an ideal situation, it is the prime responsibility of the state and its incumbent government(s) to ensure a just distribution, considering their needs for public resources among all different segments of society, regions, provinces/units, districts, and constituencies so that all communities or individuals of a nation are treated fairly and equally.

Resource sharing plays a key role in increasing the overall living standard of society—mainly of a developing society/economy—helping reduce poverty and inequality, and generating opportunities for jobs, employment, and social and economic well-being. Such a utopian distributional mechanism does not take place voluntarily or through market forces, hence it is imperative and essential for the incumbent government(s) to guarantee a distributional mechanism in which those segments of society lagging are enabled to become effective partners in the overall social and economic growth process. It is fair to argue that the prevailing socio-political culture with inherent political incentives tends to define the general pattern and trend of the public resources distribution of that society. Hence, government(s)—be it federal, provincial, or local—tends to do it, considering the political motives. In a nutshell, for a somewhat fair mechanism of resource distribution, a justly inclusive and representative government needs to be in place.

However, in Pakistan—and particularly in Balochistan province[8]—the political process has consistently been selective and unrepresentative. Some of the historical trends show that (see for example, Khan, 2012; Ahmed & Khan, 2014) during both political dispensations or military regimes, the representation and the resources sharing

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[8]For more discussion on this see, Ahmed, M. (2020).

mechanism, determined purely on population bases, has disproportionately favoured the bigger federating unit(s)/province(s), which cost Balochistan (with just 6 percent of the population) heavily in terms of deficiencies in all socioeconomic and political dimensions, creating a huge developmental gap.

In more democratic societies, the political process intrinsically is a key driving force through which the resources and wealth of the nations may reach across all segments of society. Yet in less developed and less-democratic countries like Pakistan, politics is the vehicle through which patronage is used to flatter and buy off loyalties and allegiance, which would create entrench public resources capture of the conventional elite as well as produce local interest groups that will lead to culminate their political influence for further resources capture. This political ecology tends to pave the way and further facilitates favouritism, despotism, and corruption, which tends to support elite capture.

Pakistan is a federation of four federating units/provinces: Balochistan, Sindh, Punjab, and Khyber Pakhtunkhwa. The resources are shared between the federation and four provinces—the vertical distribution—and among the four provinces—the horizontal distribution based on a systematic mechanism of the NFC Award. Looking at the historical processes of the NFC, one can notice an extremely uneven resource sharing in Pakistan.[9] As discussed earlier, the population had remained the sole criterion for resource sharing among provinces, which inherently harmed smaller provinces. Since the decision to resource sharing is done mainly by governments where politics plays a remarkable role, therefore it is fair to argue that the process of resource sharing has its political economy. While, the political economy of resource sharing has endowed the Punjab and Sindh, the bigger provinces, it adversely affected Balochistan and KPK, the smaller ones, leading the country to a course of unconformable politics of discontent and disenchantment.

It can be argued that the tension between the federation and Balochistan province was historically explained through the mechanism of resource sharing in Pakistan. The development literature[10] shows that any conflicts seemingly with political contour are fundamentally triggered by the underlying discontent caused by the resources sharing mechanism. Such conflicts primarily on resource distribution are not uncommon in many developing countries. For instance, in many African, Middle Eastern, and Latin American countries, resource distribution is a great source of political conflict.[11] Thus, the resource distribution mechanism of any country is a major cause of political conflicts, limited not only to Pakistan. However, the centrality of resource distribution in political conflicts is challenged by some scholars including Haggard and Kaufman (2012). Yet evidence from Pakistan-Balochistan, where we notice a centrality of resource sharing in political conflict shows that the latter argument is weak.

According to Ahmed and Baloch (2017), resource distribution in Pakistan follows a principle of a typical game theoretic bargain, where the province with more political and bureaucratic clouts at the federal level has far greater leverage to get a disproportionate size of resources—far in excess to its size and justly share. Such political leverage normally leads to a situation where the economic interests of the dominant provinces or regions/districts are reflected in public finance distribution of the

[9]For a thorough debate on NFC Awards, see Ahmed and Baloch (2014).
[10]See for discussion Harvey, David (2003).
[11]See, Acemoglu and Robinson (2012).

country/province, while weaker provinces/districts/constituencies with lesser political influences on manoeuvre, end up receiving far lesser resources than their just share.

Ahmed and Khan (2015) show that the budget deficit in Pakistan has been much higher during civilian regimes. This phenomenon is best explained by Alesina and Tabellini (1990). Their politico-economic theoretical framework defines that government spending invariably remains higher with a chronic budget deficit, as the civilian elected governments tend to allocate more resources to people-centric social and economic services. In addition to this, political dispensation often finances unproductive projects—sometimes out of their patronage policies—to buy loyalty and allegiance in the prospects of garnering alliances in elections.

The resource distribution pattern—both at federal and provincial levels—is driven largely by politics and the vested interests of a political and bureaucratic elite with significant bargaining power. The apparent preferences of politicians for their constituencies in resource allocation are, as explained earlier, driven by patronage and resource extraction through bribes and kickbacks. This may not necessarily reflect the economic needs of regions or constituencies in which the funds are allocated national/provincial exchequer. Looking at budgetary documents in Pakistan, it is conspicuously illustrative that the political and bureaucratic elite and its preferences always influence project and scheme selection and resource distribution. And such an uneven distribution tends to create a huge and chronic disparity among the regions, provinces, districts, and constituencies in terms of development and social and economic status of those communities.

Milanović (2010) using panel data from many developing countries explains that the economic policies adopted and pursued by many states play a significant role in explaining the inequality across classes and regions. The policies pursued by the state are somewhat egalitarian and enable to wider scale to all segments, it could, in the longer run, converge the groups and regions on similar paths of social and economic trajectory. China in this case provides a classic example of the state's role in economic policies and their impinging impact on poverty reduction. For three decades, China has succeeded in reducing poverty by more than 25 percentage points, where more than 300 million have been lifted out of poverty.[12]

A Budget Allocation Model

Consider a provincial economy where there are two districts, A and B; additionally, there are two constituencies (provincial assembly seats), $i = \{1,2\}$, within each district. Individuals differ in their inherent labour productivity, denoted by s_i, which is distributed according to the density function $\gamma_i(s)$. An individual's wage rate, $w_i s_i$, is linear in the productivity parameter. An individual of type s_i, residing in constituency i of district A, receives utility from private consumption $c_i(s_i)$ and a constituency-specific public good, G_i; conversely, that individual receives disutility from the labour supply $\ell_i(s_i)$. For simplicity, we assume Cobb–Douglas preferences.

$$\ln u_i(s_i) = \ln\big(c_i(s_i)\big) + \ln\big(1 - \ell_i(s_i)\big) + \ln(G_i) \qquad \ldots \qquad \ldots \qquad \ldots \qquad \ldots \quad (1)$$

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[12]For more discussion on Chinese strategies for growth and poverty reduction, see, Pei (2018).

We denote the B constituency with ~. In other words, the utility of a type-s individual in district i of District B is:

$$\ln \tilde{u}_i(\tilde{s}_i) = \ln(\tilde{c}_i(\tilde{s}_i)) + \ln\left(1 - \tilde{\ell}_i(\tilde{s}_i)\right) + \ln(\tilde{G}_i) \quad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (1')$$

An individual of type s_i in constituency i of district A receives an after-tax wage income, as well as a provincial budget allocation, b; both are assumed to be used for consumption or/and on durable goods with no saving.

$$c_i(s_i) = (1 - \tau)w_i s_i \ell_i(s_i) + b \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (2)$$

where τ is the income tax rate. Consequently, in District B:

$$\tilde{c}_i(\tilde{s}_i) = (1 - \tau)\tilde{w}_i \tilde{s}_i \ell_i(\tilde{s}_i) + b \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (2')$$

We will suppress the ~ when there is no ambiguity (i.e., when we calculate the derivations for district A, and can always obtain the corresponding quantities for district B by adding ~). We assume the constituency-specific wage rate to be linear in that constituency's development expenditure, D_i, and that the "base wage" w is the same across constituencies[13]—namely:

$$w_i = wD_i \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (3)$$

$$\tilde{w}_i = w\tilde{D}_i \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (3')$$

4.1. Economic Equilibrium

Maximising (1) s. t. (2) derives the labour supply function and the corresponding indirect utility:

$$\ell_i(s) = \frac{1}{2} - \frac{\theta}{2wsD_i} \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (4)$$

$$U(\tau, ws, \theta, D_i, G_i) \equiv \max_{c_i(s), \ell_i(s)} U_i(s) = \left((1 - \tau)ws\right)\left(D_i + \frac{\theta}{ws}\right)^2 \frac{G_i}{D_i} 2^{-2} \qquad \cdots \quad (5)$$

where

$$\theta \equiv \frac{b}{1 - \tau} \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (6)$$

4.2. Government Budgets

Each district is given a budget, R and $\tilde{R}$, by the provincial government, to use on development expenditure and the public good in each of the two constituencies:

$$R = D_1 + D_2 + G_1 + G_2 \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \qquad \cdots \quad (7)$$

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[13]For a detailed discussion on the institutional structure where it's shown that in underdeveloped regions the wage rate is linear to the public sector investment/expenditure, see Marsiliani & Renstrom (2007).

$$\tilde{R} = \tilde{D}_1 + \tilde{D}_2 + \tilde{G}_1 + \tilde{G}_2 \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (7')$$

The government collects tax revenue from wage income and distributes it to the provinces/districts, in addition to providing the federal/provincial subsidy/transfer.

$$R + \tilde{R} + Nb + \tilde{N}b = \tau\left(Y_1 + Y_2 + \tilde{Y}_1 + \tilde{Y}_2\right) \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (8)$$

N and $\bar{N}$ are the representative individuals in both districts/constituencies.

$$Y_i = \int_s wD_i s\ell_i(s)\gamma_i(s)ds \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (9)$$

4.3. The Bargaining Game

We assume a simple alternating-offer bargaining game principle in the provincial budget-making process, as in Marsiliani and Renström (2007). Take District A, with two elected representatives (types s_1^* and s_2^*). If the Constituency 1 representative is the senior minister/finance minister/planning and development minister of the two constituencies, we assume that the elected representative from Constituency 1 makes and presents the budget. Representatives of Constituency 2 can accept or reject budgetary proposals. In case the representative of Constituency 2 rejects the proposals, the provincial budget may undergo another round of proposals and deliberations till the final offer. (The game could be extended to several rounds, without altering the qualitative properties.) In the final round, representative 1 of constituency i is to make the final offer, he/she will maximise the utility of his/her constituency subject to (7), thus implying the setting $D_j = G_j = 0$. Maximising (5) subject to (7) provides the optimal level of development expenditure and the public good when a major part of the budget is used in constituency i, and the resulting indirect utility is as follows, provided that constituency i does not receive any share above its annual development grant:

$$D_i = R\frac{1 + m_i(R)}{4} \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (10)$$

$$G_i = R\frac{3 - m_i(R)}{4} \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (11)$$

$$V\left(\tau, ws_i^*, \theta, R\right) \equiv \max_{D_i, G_i} U_i(s_i^*) = R^2\left(3 - m_i(R)\right)^3\left(1 + m_i(R)\right)\left((1-\tau)ws_i^*\right)16^{-2} \quad \dots \quad (12)$$

where

$$m_i(R) \equiv \sqrt{1 - 8\frac{\theta}{ws_i^* R}} \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (13)$$

If constituency 2 is not chosen in the final round, then since $G_2 = 0$, it follows that $V_2 = 0$. If constituency 2 is chosen in the final round, the utility is given by (13). If we denote the probability that constituency 1 is chosen as p, then the expected utility of constituency 2 in entering the final round is:

$$E[V_2(R)] = (1-p)R^2\left(3 - m_2(R)\right)^3(1 + m_2(R))\left((1-\tau)ws_2^*\right)16^{-2} \qquad \dots \quad (14)$$

Thus, constituency 2 accepts any proposal that satisfies.

$$\left((1-\tau)ws_2^*\left(D_2 + \frac{\theta}{ws}\right)^2 \frac{G_2}{D_2} 2^{-2}\right) \geq (1-p)R^2\left(3 - m_2(R)\right)^3(1+m_2(R))\left((1-\tau)ws_2^*\right)16^{-2} \quad (15)$$

When the representative of constituency 1 makes the first offer, it maximises its utility, subject to both (15) and (7).

Note that this problem can be written as

$$\max_{D_1,D_2,R_2} \left((1-\tau)ws_1^*\left(D_1 + \frac{\theta}{ws_1^*}\right)^2 \frac{R - R_2 - D_1}{D_1} 2^{-2}\right) \quad \ldots \quad \ldots \quad \ldots \quad (16)$$

subject to

$$\left((1-\tau)ws_2^*\left(D_2 + \frac{\theta}{ws_2^*}\right)^2 \frac{R_2 - D_2}{D_2} 2^{-2}\right) \geq (1-p)R^2\left(3 - m_2(R)\right)^3(1+m_2(R))\left((1-\tau)ws_2^*\right)16^{-2} \quad (17)$$

The first-order conditions imply that (9), (10), and (11) hold for the respective constituency evaluated at R_1 and R_2, respectively. R_2 is chosen at the level where (17) holds with equality—that is:

$$D_i = R_i \frac{1 + m_i(R_i)}{4} \quad \ldots \quad \ldots \quad \ldots \quad \ldots \quad \ldots \quad \ldots \quad (18)$$

$$G_i = R_i \frac{3 - m_i(R_i)}{4} \quad \ldots \quad \ldots \quad \ldots \quad \ldots \quad \ldots \quad \ldots \quad (19)$$

$$V\left(\tau, ws_i^*, \theta, R_i\right) = R_i^2\left(3 - m_i(R_i)\right)^3(1+m_2(R_i))\left((1-\tau)ws_i^*\right)16^{-2} \quad \ldots \quad \ldots \quad (20)$$

for $i = 1,2$ and

$$R_2^2\left(3 - m_2(R_2)\right)^3(1+m_2(R_2)) = (1-p)R^2\left(3 - m_2(R)\right)^3(1+m_2(R)) \quad \ldots \quad \ldots \quad (21)$$

Equations (18)—(21) completely characterise the bargaining equilibrium as a function of the district budget R, the federal tax rate τ, and the benefit rate/welfare transfer, θ. The same equations are obtained for district B, using the ~ notation.

4.4. Provincial Level Decision-Making

We characterise the situation where one constituency within one district dominates at the provincial level. That situation can occur when the chief minister/finance minister/head of the planning and development department comes from one of the districts. The finance minister decides the allocation to the districts, R, and $\tilde{R}$, considering the bargaining game at the provincial level, maximises its utility. At first, it could look as if the finance minister would set R for the other district to zero. This is not the case, as production there would then stop, and no taxes could be collected from that district, and certain other pre-emptive political economy compulsions would stop the finance minister from zero allocation. Instead, it is optimal to maximise the net tax revenue from the other

district on one hand and to avoid any stalemate in politics. Suppose the finance minister comes from constituency A; then, $\tilde{R}$ is chosen so that:

$$\max_{\tilde{R}} \tau\left(\tilde{Y}_1 + \tilde{Y}_2\right) - \tilde{N}b - \tilde{R} \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (22)$$

subject to (4), (9), (18), and (21).

The first-order condition to (22) give $\tilde{R}_s$ a function of τ, θ, w, etc.

$$\tilde{R} = \tilde{R} \,(\tau,\,\theta,\,w) \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (23)$$

Differentiating (23), and evaluating within a symmetric equilibrium (where the two districts within a province are equal), we obtain:

$$\frac{\partial \tilde{R}}{\partial \theta} = \frac{\tilde{R}}{\theta} \frac{1}{\left(1 - \phi_{\tilde{R}}\right)^2 + \phi_{\tilde{R}}^{\,2}} \qquad \dots \qquad \dots \qquad \dots \qquad \dots \qquad \dots \quad (24)$$

Notice that by (6), $b = (1-\tau)\,\theta$; then,

$$\frac{\partial}{\partial b}\left(\frac{\tilde{R}}{\tilde{R}+b}\right) = \frac{b}{(\tilde{R}+b)^2}\frac{\partial \tilde{R}}{\partial b} - \frac{\tilde{R}}{(\tilde{R}+b)^2} = \frac{\theta}{(\tilde{R}+b)^2}\left(\frac{\partial \tilde{R}}{\partial \theta} - \frac{\tilde{R}}{\theta}\right) = \frac{\tilde{R}}{(\tilde{R}+b)^2}\frac{2\phi_{\tilde{R}}\left(1 - \phi_{\tilde{R}}\right)}{\left(1 - \phi_{\tilde{R}}\right)^2 + \phi_{\tilde{R}}^{\,2}} > 0 \qquad \dots \quad (25)$$

Where the second equality follows from (6)—i.e., from $b = (1-\tau)\,\theta$—and the last equality from Equation (24). Then, we have:

> Proposition: *In the bargaining equilibrium, the ratio of the local expenditure to the total expenditure is increasing in the provincial budget allocation in the Annual Development Plan.*

The proposition implies that if the provincial budgetary allocation, b, to that specific constituency, is larger, then the overall resource availability to the constituency is greater. Since a larger provincial budgetary allocation in the shape of projects through the ADP to one constituency comes at the cost of another constituencies/districts, we would expect total funds/projects allocations and the total number of schemes to have a positive impact on the developmental and economic profile of the districts/constituencies.

The elite capture and discretionary allocations by the political and bureaucratic elite are conspicuous in the resource sharing at the provincial level, whereas, unlike social and economic indicators, the political representation in the provincial cabinet and top-ranked bureaucracy determines the project allocations and resource share to districts and constituencies. The "influence" or "capture" of the chief minister/finance minister, key cabinet members, or bureaucracy (that includes the head of the Planning and Development Department—additional chief secretary development, finance minister, chief secretary, etc.) defines the disproportionate allocations of development budgets to the districts/constituencies. We postulate that those constituencies/districts to which the political and bureaucratic elite belong, gain a disproportional development budgetary allocation in the provincial budget. The bureaucratic corruption would not be clientelistic, as bureaucrats would not engage in reciprocity or exchange any favour, however, their discretion in project allocation in the ADP entails personal gains.

The main proposition and theoretical argument are that the project allocation takes place more on political considerations and less on economic and social grounds. The politically-driven public policies that invariably drive the funds and resources distribution, therefore, jeopardise the key economic considerations. The districts or constituencies with extreme poverty, deprivation, and economic underdevelopment are unlike to get any priority in resource distribution based on their poor socioeconomic profile given the incumbent political economy of resource sharing at the provincial level where political and bureaucratic portfolios of political and bureaucratic elite matter more than social and economic conditions of the districts/constituencies.

The incentive of getting re-elected from the same constituency/district induces the politicians favouring their constituencies in project allocation. The optimal level of benefit drawn from the projects, allocated to the districts/constituencies through ADP is determined by the given cost of taxation. However, in a discretionary environment with disproportionate project allocation to certain districts/constituencies, as postulated and predicted in the bargaining model, the benefits gained from the projects outweigh the costs, determined by the taxation.

The study assumes that if the Chief Minister or member of his/her cabinet belongs to constituency/district i, during his/her tenure the constituency/district invariably has disproportionate resource allocation. Since the cabinet minister for finance or senior minister plays an important role in budget making and funds allocation like the Chief Minister (CM), the finance minister is inclined to allocate more resources to his/her home district/locality. (In Balochistan because of low population density in many districts a provincial constituency composes entire districts—Awaran, Washook, Kharan, Panjgur, and Gwadar are cases in point). Another key player in budget-making and public resource sharing is the Additional Chief Secretary (ACS). The ACS is a top-ranked bureaucrat who hails from one of the districts/constituencies (if he is a local of Balochistan). We assume that the incumbent ACS allocates more funds to his home district/constituency.

5. METHODOLOGY FOR EMPIRICAL INVESTIGATION

Our primary objective is to assess the discretionary allocation of projects and clientelist politics, and the strong influence of politicians and public officials in ADP during the budget-making process. We operationalise this empirically by using total fund allocations and the number of schemes/projects in absolute terms to each district as outcomes and as measures of political and bureaucratic discretionary power and clientelism. The models, variables, data, and estimation procedures are explained as follows.

5.1. The Empirical Models

For the empirical model, following the predictions of the theoretical framework developed in Section 6, the empirical models of Barankay and Lockwood (2007), Faguet

and Sánchez (2014), and Faguet, et al. (2020) our strategy for empirical inquiry proceeds as under:

$$Y_{it} = \alpha_i + \emptyset X_{it} + \gamma P_{it} + \delta K_{it} + \beta_1 D1 + \beta_2 D2 + \beta_3 D3 + \beta_4 D4 + \beta_5 D5\mu_{it} \quad \dots \quad (26)$$

Where outcomes *Y* are total yearly funds allocations (TFA) in absolute terms and share of the district to the total number of schemes/projects (Share) to total provincial level schemes/projects and developmental funds. This captures the effects of districts/constituencies with political and bureaucratic clouts disproportionately credited with developmental schemes/projects. 'α' captures the regional/district fixed effects. *X* is the Index of multiple deprivations. Multiple deprivations are made up of separate dimensions or 'sectors' of deprivation. Four key dimensions are used to construct the index: Education, housing quality, and employment. These sectors reflect different aspects of deprivation. Each sector is made up of several indicators, which cover aspects of the deprivation as comprehensively as possible (for more discussion, see, Jamal, et al. 2003). Data on the deprivation index show Jafarabad, Harnai, and Awaran as the most deprived districts in Balochistan, while Quetta, the capital city, is the least deprived district. The index ranges from a maximum of 96 percent and a minimum of 13 percent.

'P' is the population of each district according to current and previous Census reports that capture the per capita expenditure. Poor data even affects regional population estimates, which are entirely based on three censuses thirteen years apart (1981, 1998, 2017), with no annual population data other than projections derived from these. Following Faguet, et al. (2020), to address potential inaccuracies in regional population data, we instead use each region's population share. We assume that even if absolute population estimates are inaccurate, population shares will be more accurately estimated. This measure is likely to mask rural-urban migration within a region, unfortunately. But it seems a reasonable second-best option for dealing with poor data availability. $'K'$ is the area of the district, which allows the capture of the developmental funds needed for physical infrastructure. All subscripted by year *t*, and district index *i*. Quetta is the largest district of Balochistan in terms of population and the smallest in terms of area after Ziarat. Chagai is the largest district in terms of area and if development funds/resources were allocated considering areas/inverse population density maximum share would go to Chagai.

D1, D2, D3, D4, and D5 are the dummy variables that capture the effect of the chief minister (CM) of the province, the senior minister or P&D minister (SM), the finance minister (FM), the additional chief secretary (ACS) and members of the provincial assembly who are the coalition partners of the incumbent government (CG). ACS heads, the P&D Department undertakes the entire budget-making process and constitutes the Annual Development Plan. His influence in diverting funds and schemes to his home district is remarkable. Dummy variables with Zeros (0s) show the official(s) and politicians are not from that district/constituency and Ones (1s) show them from that specific district(s).

The time series of the panel dataset ranges from 2008-09 to 2021-22, and in total 29 districts are included in the analysis.

5.2. Variables and Data Sources

Table 3

Variables and Data Sources

Variable	Symbol	Sources	Measurement
Total Yearly Funds Allocations to Each District[14]	TFAs	Budget documents, Finance Dept. Govt. Balochistan	Expressed in absolute terms, in Millions of Rupees
Yearly Share of Each District to Total Projects in the Province	Share	Budget documents, Finance Dept. Govt. Balochistan	Expressed in Percentage share
Total Number of Schemes in Each District	TS	Budget documents, Finance Dept. Govt. Balochistan	In absolute numbers, in Millions of Rupees
Index of Multiple Deprivation of the Districts	IMD	SDPI, OPHI[15], UNDP	1= least deprived 100= Most Deprived
Chief Minister	CM		a dummy variable (0,1)
Senior Minister/P&D Minister/Finance Minister	SM		a dummy variable (0,1)
Additional Chief Secretary	ACS		a dummy variable (0,1)
Finance Minister	FM		a dummy variable (0,1)
Members of Provincial Assembly in Coalition Government	CG		a dummy variable (0,1)
Population of District	Pop	Census reports, Govt. of Pakistan	Expressed In millions
Area/Inverse Population Density of District	Area	Govt. of Pakistan	In Square Km

5.3. Panel Estimations

Given the nature and heterogeneity of the data, panel estimation is the best method to assess the prevalence of political and bureaucratic capture in overall resources/ development funds distribution/allocations to districts or constituencies. Our panel is

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[14]The data are available only for 29 districts; hence, we restrict to 29 that include, Districts Awaran, Barkhan, Bela, Chagai, Dera Bugti, Gwadar, Harnai, Jaffarabad, Jhal Magsi, Kachhi. Kalat, Kech, Kharan, Khuzdar, Kohlu, Loralai, Mastung, Musa Khail, Nasirabad, Nushki, Panjgur, Pishin, Qilla Abdullah, Qilla Saifullah, Quetta, Sibi, Washuk, Zhob, Ziarat.

[15]Oxford Poverty and Human Development Index.

sufficiently long and (un)balanced. Panel estimations enable us to control for time-invariant characteristics (e.g., geography) and statistically unobserved phenomena (e.g. culture, social structure, etc.), especially when results are clustered at the level of districts. Given our postulation and theoretical predictions, we expect a positive relationship, and hence statistically significant coefficients with positive (negative for X) signs of any effects of these variables on outcome variables. We use a fixed effects (FE) model to address omitted variable bias and endogeneity issues. A Hausman [16] test confirms that the fixed effects strategy is correct, yet we report both fixed and random effect (RE) models. Hausman's (1978) test compares the FE with the RE test where the null hypothesis is that the coefficients of the RE model are the same as that of FE.

FE model removes the time-variant characteristics from explanatory variables and enables us to assess the predictor's net effects. In the FE model, it is assumed that the time-invariant characteristics distinctive to one entity may not be correlated with other included entities' characteristics (Baum, 2006). Using the FE model comes at the cost of loss of a considerable degree of freedom, which consequently increases the estimators' standard error and reduces the effectiveness of the model to test coefficients. The FE model controls for all time-invariant differences between the individuals/entities so the estimated coefficients of the FE model cannot be biased because of omitted time-invariant characteristics like culture, religion, gender, race, etc.[17]

6. RESULTS AND DISCUSSIONS

The empirical results obtained using the model specification portray a clear and sharp presence of discretionary power of the political and bureaucratic elite in the process of budgetary allocations for the development schemes to districts and constituencies. The salient statistics of variables are described in Table 4 to show a clear picture of the dataset used. Using a panel dataset, in the following we present and discuss descriptive statistics to get prior information on the subject matter. The results obtained from both models of the FE and the RE are discussed and analysed correspondingly.

Table 4

Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Total Fund Transfer to District (TFA)	435	930.2168	1440.348	0	14206.57
Total Number of Schemes District (TS)	435	52.5799	67.1033	0	652
Percentage Share of the District to Total					
Projects/Schemes (Share)	435	1.9531	2.3722	0	23.39
Index of Multiple Deprivation (IMD)	434	52.1509	12.0604	13	96
Chief Minister (CM)	429	0.0288	0.1674	0	1
SM/FM (Senior Minister/Finance Minister)	430	0.0350	0.1842	0	1
Geographical Area of District (Area)	430	1.2803	1.3480	0.15	5.055
The Population of District (Pop)	435	0.3591	0.3269	0.03	2.54
Member of Provincial Assembly in a Coalition					
Government (CG)	428	0.6025	0.4902	0	1
Additional Chief Secretary (ACS/SM)	390	0.0328	0.1786	0	1
Finance Minister (MF)	390	0.0328	0.1786	0	1

[16]Hausman, Jerry A. 1978. 'Specification Tests in Econometrics'. *Econometrics 46*(6):1251–71.
[17]For more discussion, see, Baum, C., E. (2006) An Introduction to Modern Econometrics Using Stata, A Stata Press Publication, Stata Corp LP, College Station, Texas.

The second row of Table 4 shows the total funds allocation of the last 13 years' development budget. A third row is a yearly number of schemes for each district for the last ten years from the provincial budget. As we see for some given years some of the districts have virtually zero allocation from the provincial budget. The statistics further show that resources are not distributed on the bases of area, weak social and economic profile, poverty, and backwardness. The footprint of ACS and the senior/planning and development minister is conspicuous in the overall projects' allocation to districts.

The results using FE and RE models are reported in Tables 5 and 6, showing significant political considerations and other vested interests in the project allocation process. More pressing indicators like poverty, socioeconomic backwardness (captured by IMD), and poor physical infrastructure (captured by the geographical size of the district) are *not* considered. The regression results are presented with the sign and level of significance of the coefficient of all included variables, which follow rigorous analytical discussions.

Table 5

The determinants of total fund allocations to districts (TFA)

Variables	Fixed Effects		Random Effects	
	Coefficient	t-statistics	Coefficient	z-statistics
Cons	–1232.31	–0.48	–523.226**	–3.30
	(2563.13)		(158.58)	
IMD	–1.3702	00.45	–2.105622	–0.001
	(3.022)		(2.63)	
CM	789.2422***	4.05	633.4927***	3.68
	(194.90)		(172.0)	
PDM/FM	129.1641**	2.64	165.942***	3.05
	(201.59)		(157.7)	
Area			43.19005**	1.88
			(22.92)	
Pop	2036.975***	6.25	1147.993***	7.53
	(326.16)		(152.55)	
CG	178.052*	2.44	93.5656**	3.41
	(73.076)		(66.391)	
ACS	675.536**	2.77	34.45721***	2.17
	(243.67)		(199.52)	
FM	543.112**	3.1	27.56801***	3.12
	(432.04)		(201.12)	
F-test	117.96***			
Wald χ^2			1990.88***	
Fixed Effect (F-test)	F (24, 232) = 2.36***			
No. of observations/ groups	265/25		265/25	
Hasuamn Test Result	Chi2 (10) [P. Value]	19.31 (0.0133)		

Note: Values are in million Rs, Panel regressions robust standard error in parentheses. *p < 0.10, **p < 0.05, ***p < 0.01

Table 6

The Determinants of 'Share of Each District to Total Projects (Share)'

Variable	Fixed Effects		Random Effects	
	Coefficient	t-statistics	Coefficient	z-statistics
Cons	3.087	0.68	1.078***	2.88
	(4.57)		(0.374)	
TS	0.0094**	6.68	0.0073***	4.97
	(0.0014)		(0.001)	
DP	−0.012	−0.26	−0.021167	00.65
	(0.0053)		(0.0058)	
CM	0.899**	2.59	0.5730***	2.50
	(0.347)		(0.3811)	
PDM/SM	0.286**	0280	0.19124**	2.51
	(0.35)		(0.376)	
Area			-0.00714	−0.09
			(0.082)	
PP	0.120	0.21	3.1743***	7.61
	(0.581)		(0.412)	
CG	0.518***	3.98	0.6544***	4.58
	(0.130)		(0.142)	
ACS	1.93***	4.46	0.239***	4.53
	(0.434)		(0.451)	
FM	2.66**	5.22	0.155***	5.13
	(.5440)		(0.342)	
F-test	17.99***			
Wald χ^2			341.14***	
Fixed effect (F-test)	F(24, 232) = 9.21***			
No. of observations/ groups	265/25		265/25	
Hasuamn Test Result	Chi2 (10) [P. Value]	23.45 (0.0038)		

Note: Values are in million Rs, Panel regressions robust standard error in parentheses. *$p < 0.10$, **$p < 0.05$, ***$p < 0.01$

Table 5 shows the empirical result by using FE and RE Models correspondingly. The results explain that the IMD, an important variable in capturing the socioeconomic landscape of districts is *insignificant*, showing that the socioeconomic conditions of districts may not reflect in the overall consideration of the planners at the provincial level while devising the developmental budget. The 'area' or geographical length of the district also has a weak correlation with the total fund allocations. The coefficient of deprivation index is negative (i.e., −1.37), which suggests the fact that deprivation and poverty of any district are not reflected in total project allocations, no matter how deprived the district may be. It doesn't get the least footprint and reflection in overall budgetary allocation. In a normal scenario, however, the most deprived districts should have attracted more allocation/projects to address the deprivation level.

Likewise, the Chief Minister coefficient is positive (i.e., 789.24) and statistically significant, showing the fact that the home district of the CM would receive disproportionately more projects/schemes from the provincial developmental budget. Also, high-level significance for the finance minister and P&D minister shows the relevance and predictive power of this variable in the model. The variable is positively correlated with the total fund allocation, which means like the CM, the minister also grabs more funds and schemes for his constituency/district. The variable, CG (part of coalition government) is statistically significant, illustrating the fact that the minister/MPA being part of the collation also influences the budgetary allocation and therefore allocates more projects to the district that he belongs. The population variable of all districts is also positive and statistically significant, with a clear illustration that more populous districts, like Kech and Quetta, attract more schemes, irrespective of their representatives being in the incumbent government. The Additional Chief Secretary (ACS) variable is also significant and shows the hypothesised sign, exhibiting that the ACS disproportionally allocates more projects and schemes to the district to which he belongs.

Table 5 also reports the empirical results using the RE model. Like the FE model, the RE model results also show a similar trend where one can notice the presence of political and bureaucratic capture, clientelism, and pork barrel in overall fund distributions during the Annual Development Plan. The concerned variables that would potentially indicate any possible existence of elite capture and pork barrel in the budgetary allocation process show the expected signs and are also statistically significant. While the empirical results not only support our main hypothesis of the strong presence of political and bureaucratic capture and discretionary allocations to districts and constituencies, it also corroborates the prepositions discussed in the theoretical model of the paper.

Table 6 shows the results where the 'share of districts to the total annual development budget of the province' is the dependent variable. Like the previous models on total fund transfers, the share of total projects or schemes variable is significant with all expected signs vis-à-vis dummy variables detecting the presence of 'elite capture' (the influence of CM, senior cabinet members, powerful coalition partners, and senior bureaucrats like ACS and CS). Whereas the wrong signs of coefficients of the variables included in the model to capture the social and economic landscape of the province (what they should have theoretically been) or the statistical insignificance of the variables that show the social and economic status of the districts are the clear manifestation of the fact that the planners are least interested taking such determinants into account during budgetary allocations for developmental schemes. In other words, political considerations and vested interests are key in this entire process of public finance allocation for development schemes, where influential politicians and bureaucrats tend to prefer their home districts/constituencies at the very cost of the developmental needs of many other regions and districts. Such a practice is bound to lead to more uneven social and economic development and create acute inequality and economic and social disparity among districts and constituencies.

Like the earlier results and discussions, using the RE model and regressing the Share of schemes/projects of districts/constituencies to total developmental schemes of

the province gives identical results where virtually all variables with a certain degree of statistical significance suggest a strong discretionary power of the political and bureaucratic elite in the process of budget making and funds allocations to various districts and constituencies in Annual Development Plan. With a certain degree of confidence, we, therefore, can argue in line with basic postulations and theoretical prediction(s) in the article, that the allocations of public-funded schemes and projects are allocated mainly on political and vested interests' considerations than social and economic needs of the districts and constituencies. This suggests a strong elite capture and discretionary power in the entire process of ADP making in Balochistan.

6. CONCLUSION

It is commonly understood that public resources, particularly the development budget, in Balochistan, are *not* distributed among districts and constituencies considering largely the social and economic landscape, and physical infrastructural needs of the districts/constituencies.   In a normal scenario, nevertheless, weak socioeconomic indicators should catch the attention of the planners during the budget-making process and Annual Development Plan allocations. In such an ideal case, the political and bureaucratic considerations would play a minuscule role in the overall resource distribution to the districts/constituencies in Balochistan. Yet, nothing of sorts exists during the projects' allocation in the annual budget, where, on the contrary, political and bureaucratic elite favours excessively their home districts/constituencies during the development budget-making process. Thus, the evidence of this warrants a systematic and robust study of the political economy of ADP making in Balochistan. This paper was an attempt towards that direction.

The empirical evidence shows that politics and bureaucratic considerations have significant influence and intervention in the ADP-making process and allocation of projects to the districts and constituencies. The political elites and top-ranked bureaucrats/ administration are more cognizant of their interests and clientelistic considerations in the projects' allocation process in a way that their districts/constituencies get the major share at the cost of other poor districts. Better-represented districts in the incumbency get a larger share of funds/projects and create in the process a huge disparity in the shape of development.

Both the theoretical prepositions and empirical evidence of the paper suggest a strong presence and prevalence of political and bureaucratic capture, the discretionary power of the policy-making circles, and clientelist behaviour in resource/project sharing/allocation in Balochistan. The main argument of the paper is in line with some of the profound theoretical and empirical work in the existing literature. Scholars (see, for example, Bardhan, 2006; Laffont & Tirole. 1991; Zaidi 2005; Bardhan, 2002) believe that the discretionary power of the incumbent elite makes resources allocation ineffective in addressing some of the important social and economic challenges, because it may increase the chances of some districts or constituencies to usurp the rightful shares and allocations of their counterparts (Dellinger, 1994; Krishna, 2003). Bardhan and Mookherjee's (2005) work in this regard provides a fine insight to understand more of the elite capture phenomenon in projects' allocation during the budget-making process. They propose that in the absence of a transparent electoral process, the lack of political

awareness, and the presence of strong and rich lobbies to influence political parties and representatives through their finances, project allocation processes tend to be discretionary and much more prone to elite capture and clientelism.

The scale of capture and clientelism is high in those countries or provinces where institutions are weak and dysfunctional. Balochistan is not only the poorest province of Pakistan lagging other regions and provinces on almost all social and economic fronts, but its public institutions are also abysmally weak with virtually no checks and balances, and accountability. The weak institutional setup coupled with undemocratic culture defined largely by tribal allegiances and kinship not only supports pork barrel and patronage-based politics but also encourages unrestrained corruption and misappropriation of public resources. In such a situation politicians and bureaucrats are less likely to be accountable for any possible lack of transparency and political retributions to weaker and poorer districts or constituencies. Bardhan and Mookherjee (2005) further highlight that under the central budget-making process, given the "bureaucratic corruption" the stronger and more representative districts/localities may receive better allocation provided that aggregate supply is greater than the black-market demand, which comes from the rich.

An important caveat of provincial/local autonomy and devolution is indeed the elite capture, discretionary power of the incumbent elite, and clientelism (Bardhan and Mookherjee, 2012) in the process of budgetary allocation at the provincial/local level, particularly in those subnational units where the institutional structure is weak and without any robust system of accountability (Bardhan and Mokeerjee, 2005, 2012 showed elite capture in relation of decentralisation in India). The political economy literature (see, Laffont an&d Tirole, 1991; Bardhan & Mookherjee, 2000; Persson & Tabillini, 2000; Pranab, 1996) point out that the fruits of devolution and fiscal autonomy are likely to be jeopardised because of the presence of the 'elite capture' and clientelism on the public resources once they are devolved. Therefore, the essence of devolution may fail to produce any tangible outcomes due to such practices.

Balochistan is a kind of society where strong chieftains, tribal elders, and a few well-connected families or kin have a high stake to explain the trend and nature of the political economy of public resource sharing and expenditure/consumption, as they normally ascend to capture political and administrative control. The influence of these individuals or families is conspicuous in rural areas. In the case of decentralisation and devolution, they potentially have the power to divert the public resources to their interest as well as indulge in clientelist belabour at the expense of public benefits at large at the provincial level.

Our theory indicates the extent of discretionary power in project allocations: the disproportionate allocations to the projects of their own choice as well as clientelistic transfers. The empirical evidence in Tables 5 and 6 supports our theoretical prepositions of elite capture and the institutionalised nature of corruption. The kind of capture and clientelism that we witnessed in our empirical investigation is a form of institutional corruption. Weak governance and lack of institutional checks and balances provide unbridled leverage to the political and bureaucratic elite to capture resources in the form of disproportionate allocation and political clientelism. Our analysis is aligned with existing literature, see for example Kitschelt and Wilkinson (2007) as these studies

provide an overview of studies from Africa, India, Latin America, and South Asia documenting the pervasiveness of patronage-based clientelism and capture. Additionally, our research adds a new dimension to the understanding of capture and clientelism. Our research implies that in weak governance and poor accountability framework, as we witnessed in the case of Balochistan, public resources are captured and diverted to suffice the interests of politicians and senior bureaucrats, not necessarily reflecting the developmental and social needs of the districts or constituencies to which disproportionate funds are allocated, as we know that there are much poorer districts in Balochistan (see MPI in Pakistan, 2016; Naveed, et al. 2016).

8. RECOMMENDATIONS

Based on the theoretical forecasts and empirical evidence, the following policy recommendations may be considered by policy circles:

(i)   The government of Balochistan should establish transparent criteria for project selection in the Annual Development Plan. These criteria should be based on objective factors such as development priorities, socioeconomic indicators, needs assessment, and technical feasibility in districts. By clearly defining the criteria, the decision-making process becomes more accountable and less susceptible to discretionary allocations.

(ii) Involve stakeholders, including local communities, community-based organisations, and representatives from relevant sectors at the district and tehsil level, in the project allocation process. Conduct consultations, public hearings, and forums to gather feedback and insights from the public. This participatory approach helps ensure that projects address genuine needs and get broad-based support, reducing the discretion of a few individuals.

(iii) Strengthen the role and authority of local government bodies, such as district councils or local councils, in project selection and implementation. By decentralising the decision-making process, there is a greater likelihood of projects being allocated based on local needs and priorities, rather than centralised discretion.

(iv) Through a World Bank-funded project, Balochistan Government has established the "PSDP Automation" programme, in which the entire process of ADP is to be automated. The Government of Balochistan must implement the PSDP Automation programme to ensure the use of technology to increase transparency and efficiency in project allocation. This will enable the implementation of online portals or platforms where project proposals, evaluations, and progress reports can be accessed by the public. Technology-driven systems can help reduce manual interventions, enhance accountability, and provide a streamlined process for project allocation.

(v)   Strengthen the auditing process to ensure strict financial accountability. Regular and independent audits of project expenditures help identify any irregularities, misuse of funds, or deviations from approved plans. Auditing serves as a deterrent to discretionary allocations and encourages adherence to established rules and procedures.

(vi) The influence of politics and the political elite in the reflection and allocation of projects and funds to their districts/constituencies may be abandoned by discontinuing the MPAs-based selection and allocation of projects.

(vii) A comprehensive annual or five years development plan for the province may be devised through a robust group of relevant experts, and stakeholders so that the project could be allocated to those sectors and districts which are in dire need of resources to come at par with other districts and constituencies of the province if not the country.

(viii) Sectoral criteria for the allocation of funds should be strictly followed to avoid wastage of resources.

(ix) The budget calendar may be strictly followed up so that the projects should be processed and complete timely.

(x) For proper implementation of the schemes and projects, the monitoring and evaluation wing of the Planning and Development Department must be staffed with relevant experts and made fully functional and autonomous.

(xi) Routine planning may be carried out by taking on board the experts, economists, social scientists, educationists, etc.—in close consultation with district-level think tanks and universities, whereas the bureaucrats should be restricted only to the implementation of the planned projects and schemes.

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