

5. PUBLIC EXPENDITURES AND RURAL SERVICE DELIVERY

As mentioned in the previous chapter, inadequate roads, electricity and telecommunications are major constraints on productivity and growth of Pakistan's rural and small-town enterprises. Similarly, low levels of public service related to health and education contribute to a disparity between Pakistan and other south Asian countries on many social welfare indicators. Improving rural service delivery is thus crucial both for economic growth and improved welfare for the poor.

This chapter analyzes this issue by examining: the changes in total fiscal resources available at lower levels of government over time; the composition of expenditures; and constraints to more efficient service delivery. Following a brief examination of devolution in Pakistan, the chapter presents data on total revenues and expenditures at various levels of government; these show that total resources increased at the federal and provincial levels from 2001-02 to 2005-06, but also that the transfer of resources to local governments remains uneven. Based on the results of a 2006 survey of selected district and *Tehsil* Municipal Authority (TMA) governments, the chapter also identifies administrative issues and provides suggestions for reform.

BACKGROUND: DEVOLUTION IN PAKISTAN

International experience demonstrates that decentralization of administrative and financial authority to lower levels of government offers great scope for enhancing efficiency of public-sector service delivery. Decentralization can increase efficiency in administration and allocation, improve equity in service provision, enhance participation and inclusion, empower local stakeholders and accelerate poverty reduction. Local governments are more likely to engage in participatory procedures that can identify local priorities and provide feedback on implementation and progress. Reforming the fiscal framework entails implementing incentives and fiscal arrangements that promote efficient use of resources according to local needs, budgetary certainty, autonomy in preparing the budget and incentives to increase local revenues. Local revenues may also contain intrinsic incentives for efficiency, as local taxpayers are likely to be more vigilant than distant ones. Accountability relationships also can be improved through the political process of citizens influencing policymakers and policymakers influencing service providers.

Pakistan, like many other countries has devolved service-delivery responsibilities to local governments through an elaborate program initiated in 2001. The main features of this program are: restructuring the bureaucratic set up and devolution of administrative authority to the district level and below; refocusing administrative systems to allow public participation in decision-making; facilitating oversight of government functionaries by the monitoring committees of local councils and rationalizing administrative structures to improve efficiency. The program was implemented through creation of three tiers of local governments at the district, *tehsil* and union levels. The most significant change under the new system is the transfer of responsibilities for budgeting, planning and development of service provision, previously decided at the provincial level, to the district governments. Health, education, assessment and collection of land taxes, cesses and agricultural income tax, agricultural extension and farm water management, planning and design of district roads and buildings are all now devolved from the provincial governments to the district governments. *Tehsils* and towns have assumed responsibility for delivering water

and sanitation, drainage, roads under their authority, street lighting and fire fighting.⁷³ No service provision responsibilities have been assigned to the union administration.⁷⁴

The local governments have also been assigned powers to raise additional revenues under the new system and the distribution of resources through the Provincial Finance Commission (PFC) formula⁷⁵ ensures direct distribution of resources from the provinces to local governments as well as distribution among local governments.

Under the new system of government, citizen representation is ensured through direct election of the Union Councilors, and the *Nazims* (elected heads of local government) have been made more accountable to the people. In addition Local Government Ordinance (LGO) 2001 also provides for the existence of numerous new bodies through which citizens are able to access and potentially influence government decisions at the local level. These oversight bodies fall into three broad categories. There are those that provide external checks, like the Monitoring Committees at the district, *tehsil* and union levels. Through these committees citizens are able to influence the performance of service delivery providers through their elected representatives, who are members on these committees. Village Development Councils (VDCs) and Neighborhood Councils are appointed under the provisions of the LGO, which are designed to mobilize community resources. The VDCs may, with funds raised through voluntary contributions or on self help basis, develop and maintain municipal and community welfare facilities and can also assume authority to deliver services in their areas. Last are a group of bodies responsible for community development and management of facilities, The Citizen Community Boards (CCBs), formed voluntarily by citizens to mobilize resources aimed at improving service delivery and conveying community concerns to local governments.

FISCAL OUTCOMES AND ISSUES

Overall fiscal resources in Pakistan have increased at both the federal and provincial levels since 2001-02. Spending on rural development at the federal and provincial levels has increased as well. Total transfers to local government (districts, *tehsils* and unions) varied widely by province, as well as by district within provinces.

Increases in government revenues since 2001-02 have provided the fiscal space for an expansion of expenditures at both the federal and district levels. From 2001-02 to 2005-06, total consolidated expenditures (fiscal and provincial), government revenue and the budget deficit all increased by 23 to 26 percent in real terms. Expenditures grew by an average of 5.9 percent per year and 23 percent overall in the period. The increase in overall spending was largely financed by stronger revenue: 62 percent of the revenue increase came from tax increases; the remainder was derived from non-tax sources. The overall government budget deficit increased by 23 percent in real terms, but remained equal to about one-quarter of total expenditures over the period (Table 5.1 and Figure 5.1)

⁷³ Under the old system these services were simultaneously provided by both the rural and urban local councils and by the respective provincial line departments.

⁷⁴ The federal government has sole responsibility for providing road transport, electricity, energy and telecommunication services. It shares policing and judicial responsibilities with the provincial government, and health, education, water and sanitation provision with lower levels of government. There are therefore multiple levels of government providing the same services.

⁷⁵ The Provincial Finance Commission formula defines the allocation of the transfers of revenues from provincial governments to local governments. See World Bank (2004; Pak Public Exp Mgmt, Vol I).

Table 5.1: Real Federal and Provincial Revenues and Expenditures in Pakistan, 2001-02 to 2005-06, (in billion Rs, 2004-2005 = 100)

	2001-02	2002-03	2003-04	2004-05	2005-06	FY02-06	Percent Change 2002-06
Consolidated							
Total Expenditures	1019.6	1029.4	1019.3	1195.5	1257.6	5.9%	23.3%
Current Expenditures	864.1	907.4	827.1	943.1	970.3	2.7%	12.3%
Development Expenditures	155.8	148.1	174.5	227.7	288.7	18.1%	85.3%
Net Lending to PSEs	-0.2	-26.0	17.7	24.8	-1.4	---	---
Statistical Discrepancy	-14.4	3.7	0.0	78.5	0.0	---	---
Total Revenue	770.2	826.1	873.4	900.0	968.3	5.6%	25.7%
Tax Revenue	590.0	637.0	669.8	659.4	712.0	4.2%	20.7%
Non-Tax Revenue	180.2	189.1	203.7	240.7	256.3	9.9%	42.2%
Surplus/Deficit	-235.0	-207.0	-145.8	-217.0	-289.3	---	23.1%
Federal							
Total Expenditures	768.6	824.6	764.2	823.9	893.1	3.0%	16.2%
Current Expenditures	647.4	687.4	631.3	688.6	691.2	1.3%	6.8%
Development Expenditures	121.2	137.2	133.0	135.3	201.9	10.6%	66.6%
Transfers to Provinces	-216.1	-221.8	-229.1	-245.3	-251.3	12.8%	16.3%
Total Revenues	720.7	772.0	808.5	843.0	892.6	5.3%	23.9%
Tax Revenue	566.8	612.0	632.8	624.8	674.1	3.7%	18.9%
Non-Tax Revenue	153.9	160.0	175.7	218.3	218.5	10.6%	42.0%
Surplus/Deficit	-47.9	-52.6	44.2	19.1	-0.5	---	-98.9%
Provincial							
Total Expenditures	251.3	230.8	237.4	346.9	365.9	12.3%	45.6%
Current Expenditures	216.7	219.9	195.9	254.5	279.1	6.7%	28.8%
Development Expenditures	34.6	10.9	41.5	92.4	86.8	48.8%	150.7%
Total Revenues	265.6	275.9	290.0	302.3	326.9	5.2%	23.1%
Tax Revenue	23.2	25.0	36.9	34.6	37.8	13.9%	63.0%
Non-Tax Revenue	26.3	29.1	24.0	22.4	37.8	4.8%	43.9%
Transfers to Provinces	216.1	221.8	229.1	245.3	251.3	4.1%	16.3%
Surplus/Deficit	14.3	45.0	56.7	-44.6	-39.0	---	---

Source: Pakistan Economic Survey 2002-2003, 2004-2005, 2005-2006.

Notes: Nominal values deflated with National Accounts Index of the Price of Private Consumption;

Consolidated, Federal and Provincial Budget Numbers are from Pakistan Economic Survey 2005-2006, Table 4.2.

Federal and Provincial Development Expenditures based on calculations from: Pakistan Economic Survey 2005-2006, Table 4.1; Pakistan Economic Survey 2004-2005, Table 5.9; and Pakistan Economic Survey 2002-2003, Table 5.6.

Transfers to provinces based on Pakistan Economic Survey 2005-2006, Table 5.13; Pakistan Economic Survey 2004-2005, Table 5.10; and Pakistan Economic Survey 2002-2003, Table 5.7.

Transfers to provinces include both federal grants and federal tax receipts.

Figure 5.1: Government Total Expenditure and Financing*, 2001-02 to 2005-06



Source: Pakistan Economic Survey 2005-06.

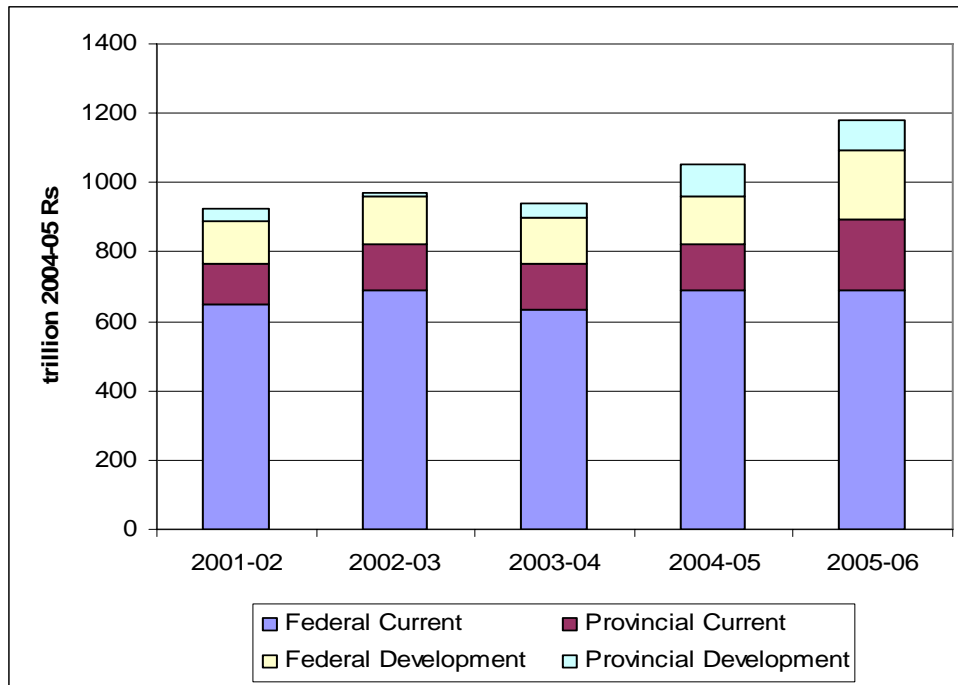
Notes: * Consolidated budget figures. Deficit financing defined as total expenditures less tax and non-tax revenues.

Development expenditures increased by 85 percent (18.1 percent per year) from 2001-02 to 2005-06, reflecting the government's increased commitment to development investments. Growth in development expenditures was particularly rapid at the provincial level, (48.8 percent per year) as compared to the federal level (10.6 percent per year). Combined, current federal and provincial government expenditure increased by only 2.7 percent per year in the same period. As a result, the share of development in total consolidated expenditures rose from 15.3 percent in 2001-02 to 22.9 percent in 2005-06 (Figure 5.2).

Total expenditures by the provinces increased much more rapidly (45.6 percent) than they did at the federal level (16.2 percent), excluding transfers to provinces and net lending to Public Sector Enterprises (PSEs). The rapid growth in provincial expenditures was not due to increased transfers from the federal government, however; these increased by 16.3 percent, (essentially the same rate as other federal spending), (Table 5.2). Rather, Rs 53.2 (2004-05) bn of the Rs 114.6 (2004-05) bn increase was financed by a change in provincial budget surpluses, which fell from 5.7 percent to -10.7 percent of total expenditures from 2001-02 to 2005-06.

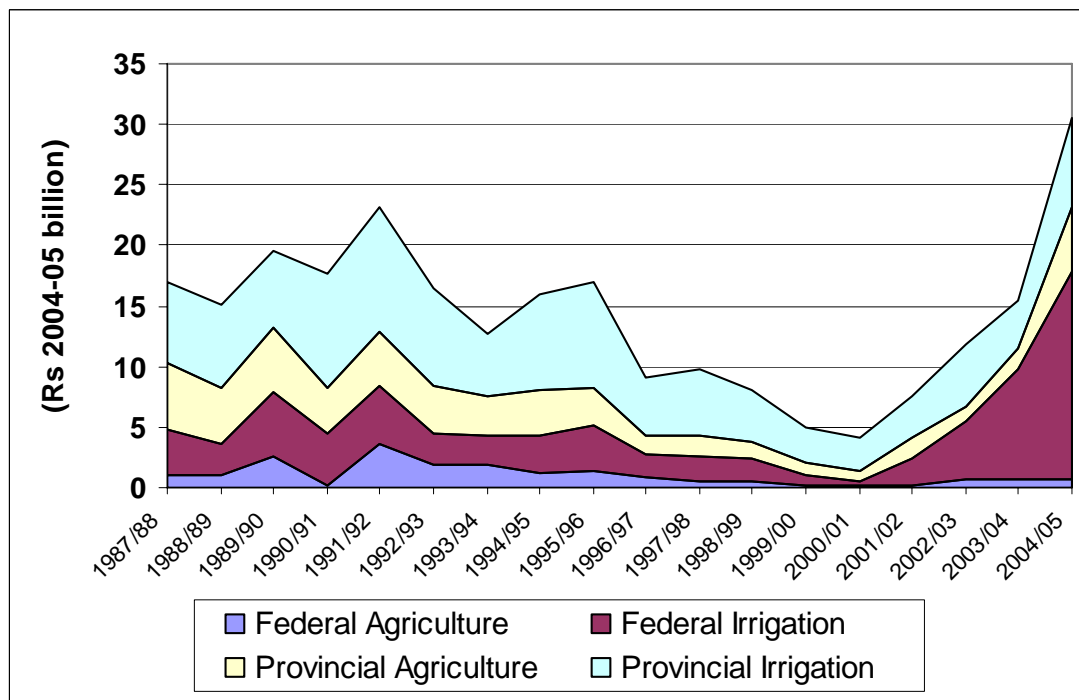
Moreover, federal and provincial development expenditures on agriculture and irrigation, which declined dramatically during the 1990s, have increased sharply since 2001-02 (Figure 5.3). Federal and provincial development expenditures on agriculture and irrigation fell from an average of more than Rs (2004-05) 15 billion between 1987-88 and 1995-96, to less than Rs (2004-05) 5 billion in 1999-00 and 200-01, mainly due to a steep decline in development expenditures on irrigation. Large increases in irrigation expenditures at the federal level, from less than Rs (2004-05) 1 billion in 2000-01 to more than Rs (2004-05) 15 billion in 2004-05 largely account for the more than fivefold increase in total real federal and provincial expenditures on agriculture and irrigation in this period.

Figure 5.2: Federal and Provincial Government Expenditures*, 2001-02 to 2005-06



Source: Pakistan Economic Survey 2005-06.
Notes: * Consolidated budget figures

Figure 5.3: Federal and Provincial Agriculture and Irrigation Expenditures, 1987-88 to 2004-05



Source: Pakistan federal and provincial budgets.

Table 5.2: Devolution in Pakistan: Real Expenditures and Transfers, 2001-02 to 2005-06

	2001-02	2002-03	2003-04	2004-05	2005-06	FY02-06	Percent Change 2002-06
Total Expenditures							
Consolidated (includes net lending to PSEs)	1019.6	1029.4	1019.3	1195.5	1257.6	5.9%	23.3%
Federal	768.6	824.6	764.2	823.9	893.1	3.0%	16.2%
(not including transfers to provinces)	552.5	602.8	535.1	578.6	641.9	2.6%	16.2%
Provincial Expenditures	251.3	230.8	237.4	346.9	365.9	12.3%	45.6%
Federal Transfers to Provinces	216.1	221.8	229.1	245.3	251.3	4.1%	16.3%
Sindh	62.6	65.7	69.9	75.8	76.4	5.6%	22.0%
NWFP	24.4	25.6	27.0	29.2	30.1	5.7%	23.3%
Punjab	108.5	110.5	114.7	122.8	126.9	4.3%	17.0%
Baluchistan	20.6	19.6	18.6	17.5	17.9	-3.9%	-13.4%
Federal Transfers to Punjab	102.9	110.2	114.6	124.6	129.6	6.0%	26.0%
Federal Transfers to Punjab (including grants)	107.5	122.9	130.1	146.9	160.1	10.2%	48.9%
Punjab Transfers to Local Government	60.7	69.5	67.5	63.8	66.7	1.0%	9.8%
Share of Total Consolidated Expenditures							
Federal	75.4%	80.1%	75.0%	68.9%	71.0%	---	-4.4%
Provincial	24.6%	22.4%	23.3%	29.0%	29.1%	---	4.4%
Sindh	24.9%	28.5%	29.5%	21.9%	20.9%	---	-4.0%
NWFP	9.7%	11.1%	11.4%	8.4%	8.2%	---	-1.5%
Punjab	43.2%	47.9%	48.3%	35.4%	34.7%	---	-8.5%
Baluchistan	8.2%	8.5%	7.9%	5.0%	4.9%	---	-3.3%
Punjab (incl. grants, Punjab govt data)	53.0%	69.4%	78.1%	57.4%	60.4%	---	7.5%
Federal Transfers to Provinces	21.2%	21.5%	22.5%	20.5%	20.0%	---	-1.2%
Federal Transfers to Punjab (including grants)	10.5%	11.9%	12.8%	12.3%	12.7%	---	2.2%
Punjab Transfers to Local Government	6.0%	6.8%	6.6%	5.3%	5.3%	---	-0.7%

Source: Pakistan Economic Survey 2004-2005, Table 5.10; Punjab Government data.

Pakistan's per capita total expenditure on agriculture and irrigation remain far below those of other South Asian countries, however (Table 5.3 and Figure 5.4). Per capita total expenditures on agriculture and irrigation in India (including both current and development expenditures) are more than four times those of Pakistan; in Sri Lanka total expenditures are more than double the level of Pakistan. Much of India's current expenditures on agriculture and irrigation are on price subsidies that encourage excessive use of fertilizer and water, and have contributed to depletion of groundwater and other environmental damage (World Bank 2005). Spending on subsidies rather than on investments has contributed to poor agricultural performance in Latin America (de Ferranti et al., 2005). Pakistan lags its neighbors in development expenditures as well, however. Per capita development expenditures on agriculture and irrigation in India are double those of Pakistan; those in Sri Lanka are three times as large.

Table 5.3: Public Expenditures on Rural Development and Social Services in South Asia (US\$/person)

	Pakistan 2000-01	Pakistan 2004-05	Bangladesh 2004-05	India 2004-05	Sri Lanka 2004-05
Agriculture Current	1.84	1.49	1.20	16.08	7.40
Of which: Agricultural Extension	n.a.	n.a.	0.62	n.a.	n.a.
Agriculture Development	0.19	0.51	2.88	0.56	10.50
Of which: Agricultural Extension	n.a.	n.a.	0.46	n.a.	n.a.
Irrigation Current	1.26	1.84	---	3.09	---
Irrigation Development	0.53	2.86	---	6.12	---
Rural Development Current	---	---	1.47	7.47	0.00
Rural Development Capital	---	---	5.55	0.93	0.00
Total	3.82	6.70	12.19	34.26	17.90
Current	3.10	3.33	2.68	26.64	7.40
Development	0.72	3.38	8.43	7.61	10.50
Education Current	8.14	10.15	9.87	17.97	24.88
Of which: Primary Education	3.89	4.50			
Education Development	0.31	3.08	3.33	0.27	7.10
Of which: Primary Education	0.10	0.70			
Health Current	2.19	2.71	1.95	4.92	13.69
Health Development	0.43	0.79	2.26	0.28	6.32
Water Supply Current	0.21	0.18	---	1.89	---
Water Supply Development	0.15	0.12	---	1.06	---
Total	15.42	22.23	17.42	26.39	51.99
Current	10.54	13.04	11.83	24.77	38.57
Development	0.89	3.99	5.59	1.61	13.42
Rural Population as % of Total * (in 2003)	65.9	65.9	73.0	71.7	76.2
Rural Population in Millions	92.8	100.2	101.6	788.7	14.8

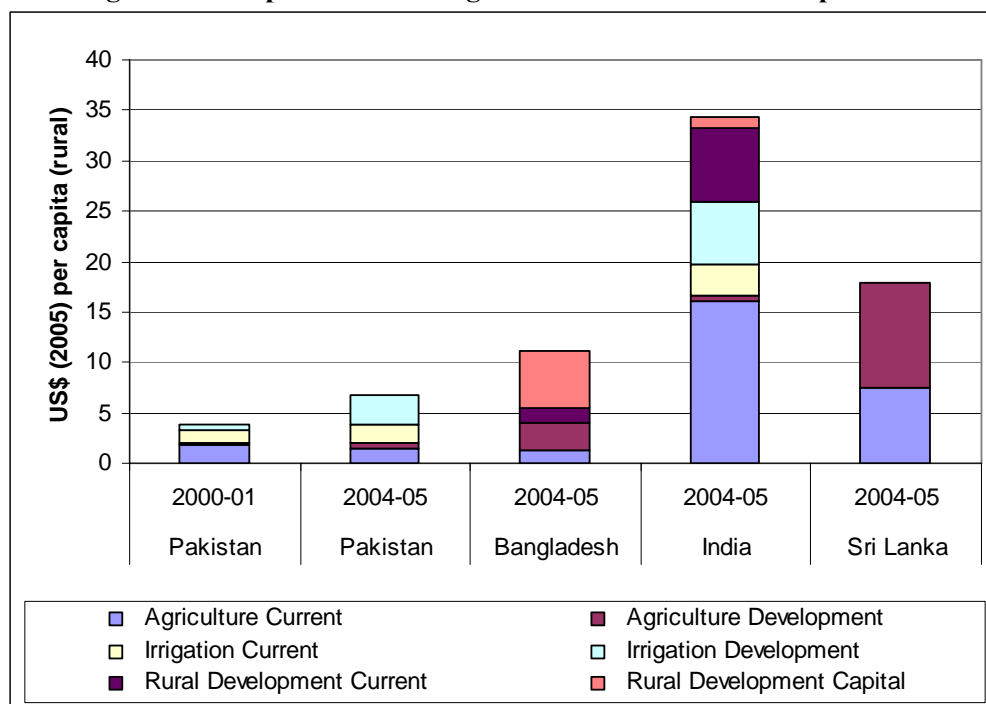
Source: Sri Lanka Central Bank Annual Report 2005; World Bank country office, Bangladesh; World Bank country office, India; and World Bank country office, Pakistan.

Notes: Sri Lanka water supply figures not included.

Sri Lanka and Bangladesh Agriculture figures include irrigation.

Pakistan 2004-05 Figures are preliminary

Figure 5.4: Expenditures on Agriculture and Rural Development in South Asia



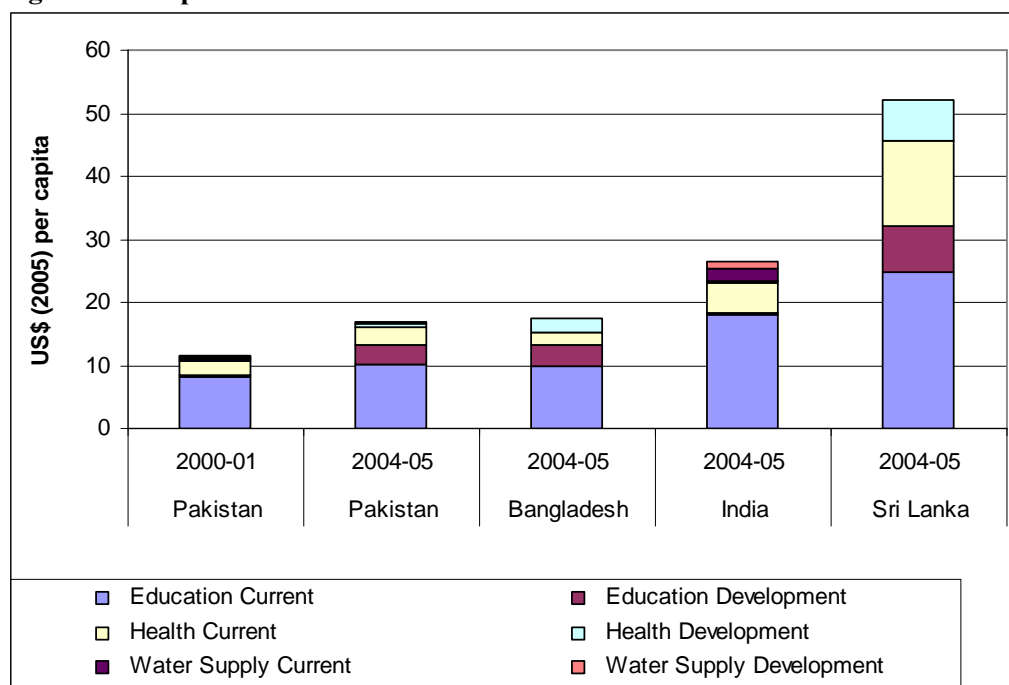
Source: Sri Lanka Central Bank Annual Report 2005; World Bank country office, Bangladesh; World Bank country office, India; and World Bank country office, Pakistan.

Notes: Sri Lanka and Bangladesh Agriculture figures include irrigation. Pakistan 2004-05 Figures are preliminary.

Likewise, in spite of improvements made since 2001-02, Pakistan’s total (both urban and rural) per capita expenditures on health, education and water supply remain below those of India and Sri Lanka (Figure 5.5). In 2004-05, Pakistan spent \$17 per person on these key public services, essentially the same as Bangladesh. In the same year, India spent \$26 per person and Sri Lanka spent \$32 per person, 1.6 times and 3.1 times as much as Pakistan, respectively.

In Punjab, the only province for which detailed time series budget data were available, total expenditures increased by 66 percent between 2001-02 and 2005-06, or 13.1 percent per year. Current expenditures increased by only 19 percent in real terms, however (4.0 percent per year), permitting a more than four-fold increase in development expenditures from Rs (2004-05) 14.3 to 79.2 billion over the period. An increase in federal transfers by Rs (2004-05) 52.6 billion funded most of the 88.0 (2004-05) billion increase in total Punjab expenditures. A further one quarter of the increase in expenditures, however, was financed by a change in the provincial budget deficit, which increased from 0.2 billion to 22.1 billion over the period (Table 5.4 and Figure 5.6).

Figure 5.5: Expenditures on Social Services in South Asia



Source: Sri Lanka Central Bank Annual Report 2005; World Bank country office, Bangladesh; World Bank country office, India; and World Bank country office, Pakistan.

Notes: Sri Lanka water supply figures not included. Pakistan 2004-05 Figures are preliminary

Table 5.4: Real Revenues and Expenditures in Punjab, Pakistan, 2001-02 to 2005-06

	2001-02	2002-03	2003-04	2004-05	2005-06	Growth Rate 2002 - 2006	Percent Change 2002- 2006
Total Expenditures	133.2	160.2	185.5	199.2	221.1	13.1%	66%
Current Expenditures	118.8	131.8	141.9	136.4	141.9	4.0%	19%
Transfers to Loc. Gov	60.7	69.5	67.5	63.8	66.7	1.0%	10%
Development Expenditures	14.3	28.4	43.6	62.8	79.2	52.4%	453%
Total Revenues*	132.9	150.4	173.9	186.5	199.0	10.8%	50%
Tax Revenue	13.0	14.4	19.7	19.1	23.6	15.9%	81%
Non-Tax Revenue	12.4	10.9	18.8	15.3	15.3	7.8%	23%
Transfers to Punjab	107.5	122.9	130.1	146.9	160.1	10.2%	49%
Development Revenue	---	2.2	5.3	5.2	0.0	54.5%	139%
Surplus/Deficit	-0.2	-9.9	-11.6	-12.8	-22.1	---	---

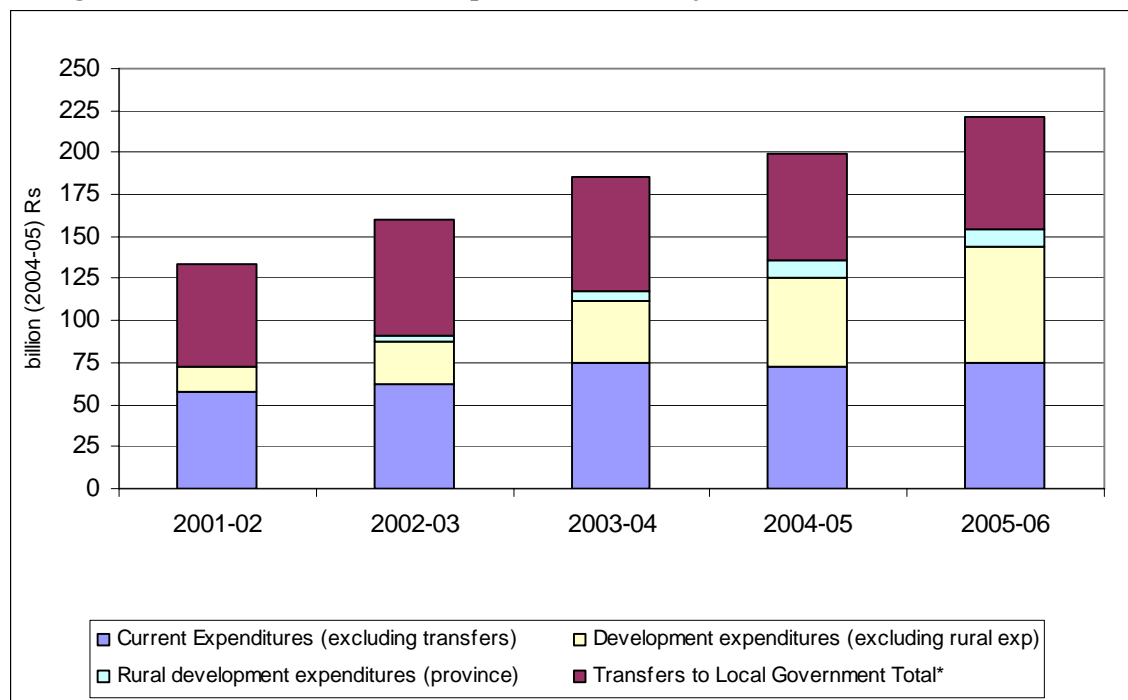
Source: Calculated from Punjab Budget Reports 2003-06; Punjab Economic Report March 31, 2005

Notes: Figures for the growth rate and percentage change of Development Revenues are for 2003 to 2005.

2005-06 data are preliminary. 2001-02 data for Development Revenue are unavailable.

Real values are calculated using a price index of private consumption from the National Accounts..

Figure 5.6: Real Revenues and Expenditures in Punjab, Pakistan, 2001-02 to 2005-06



Source: Calculated from Punjab Budget Reports 2003-06; Punjab Economic Report March 31, 2005

Note: 2001-02 development expenditure data include rural development expenditures.

Punjab's expenditures on rural development as a share of total development expenditures varied between 12 and 15 percent from 2002-03⁷⁶ to 2005-06. Real expenditures on the Rural Development Programme, the largest budget item, almost doubled over the period, from Rs (2001-02) 2.3 to 4.5 billion. Real expenditures on rural water supplies increased even more rapidly, from only Rs (2001-02) 0.05 billion in 2002-03 to Rs (2001-02) 3.25 billion in 2005-06. Livestock spending increased fourfold to Rs (2001-02) 0.72 billion by 2005-06, bringing it almost to parity with the level of spending for crop agriculture and agricultural credit, which was Rs (2001-02) 0.94 billion in 2005-06, having itself increased by 25 percent per year in real terms between 2001-02 and 2005-06.

Total transfers to local government (districts, *tehsils* and unions) varied by province, however. Transfers by the Punjab provincial government changed little in real terms from 2001-02 to 2005-06. The real rupee value of transfers to district and *tehsil* governments increased by only 11 and 9 percent, respectively in the period, and transfers to union level governments actually fell by 12 percent in real terms. Similarly, in NWFP transfers to local governments remained essentially unchanged in real terms between 2002-03 and 2005-06. By contrast, however, in Sindh transfers to local governments in both 2004-05 and 2005-06 were 50 percent or more higher in real terms than the province's average transfers in 2002-03 and 2003-04 (Figure 5.7). India experienced similar problems with the flow of resources to local governments in the early years of fiscal and administrative decentralization (Box 5.1).

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No data were available for 2001-02.

Box 5.1: Decentralization in India

India has made bold efforts to strengthen the voice of the rural poor through decentralization to local governments. A 1993 Constitutional Amendment created a decentralized government structure. Bringing government closer to the rural people improves the match between diverse local preferences and public services. Decentralization strengthens the voice of local people and accountability to them of public sector decision-making. These benefits flow from the democratic process, as well as because of greater transparency, as local actions are more visible to local people.

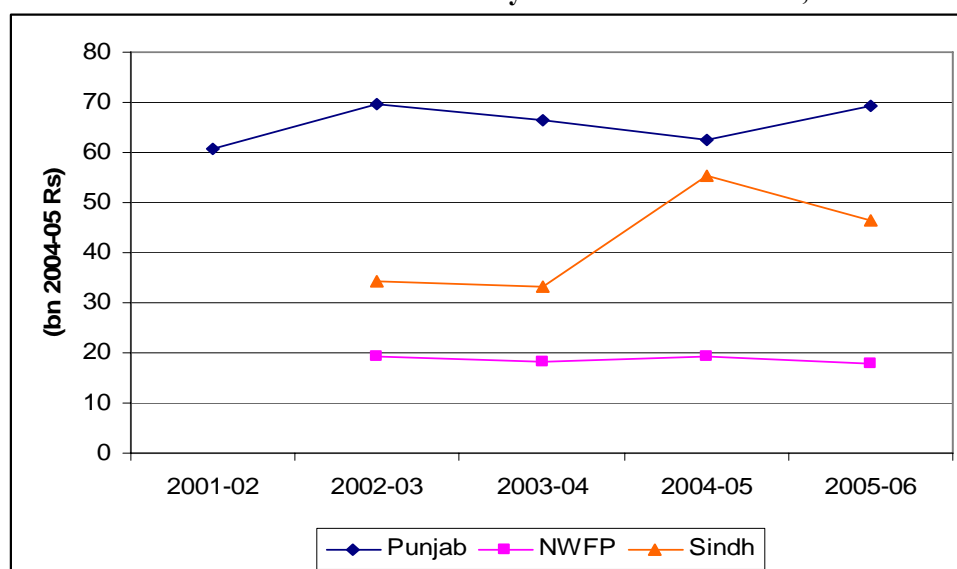
India's size and diversity in terms of ethnicity, language, geography, resource endowment, climate and levels of economic development, makes designing effective central and state level programs extremely difficult. Thus, decentralization has become the critical core of India's strategy to improve service delivery. The 73rd Constitutional Amendment of 1993 created three tiers of democratically elected sub-state rural governments: at district level (district *panchayat* or DP); at block level (block *panchayat* or BP); and at the village level (*gram panchayat* or GP). The Amendment specifies a list of 29 subjects that states can choose to devolve to rural governments at these three levels. Since decentralization was defined as a state subject, different states have pursued varying strategies to empower rural governments.

Rural decentralization in India is constrained by state finances. State fiscal deficits in India hover around 5 percent of GDP. With decentralization defined as a state subject, this raises a critical issue of financing decentralization. As a result, even states that have a relatively well designed and mature decentralization program become captive to the state fiscal situation, and the result is again under-funding of decentralization initiatives relative to entitlement. For example, two states, Karnataka and Kerala, both showed large surpluses at the Gram Panchayat level (the level of local government with discretion). The natural conclusion was that weak capacity at that level led to the accumulation of huge fiscal surpluses. However, further investigation revealed that because of the fiscal situation of the state, actual disbursements to local governments were smaller than the corresponding figures in the state budgets.

To correct this problem, financial management systems need to be updated so as to portray actual fiscal positions of local governments, instead of only budget figures. In addition, accelerating the pace of rural decentralization will require either a debt-restructuring program for the states or improving the financial positions of large cities so as to free up resources at the state level.

Source: Fiscal Decentralization to Rural Governments in India (World Bank 2004).

Figure 5.7: Transfers to Local Governments by Provinces in Pakistan, 2001-02 to 2005-06



Source: Provincial Finance Departments; Niazi et al. 2006.

A 2006 survey of seven districts in Punjab, Sindh and NWFP⁷⁷ highlights the considerable variation in levels of resources available at the district level. Per capita availability of funds ranged from 981 Rs/person in Sargodha (Punjab) to 2000 Rs/person in Chakwal (Punjab).⁷⁸ It is noteworthy that large expenditure increases for health and education at the district level are not apparent in these budgets. On average, 88 percent of the budgetary resources across the seven districts came from provincial government grants.⁷⁹ In two Punjab districts, Chakwal and Bahawalpur, however, drawdown of cash balances accounted for 16 percent of resources, reflecting unused funds from previous budgets. On average, current expenditures account for 80 percent of total expenditures; salaries alone account for 63 percent of total expenditures. The share of resources devoted to development expenditures nevertheless varies widely: from 3 percent in Lower Dir (NWFP) and 9 percent in Sargodha to 35 percent in Chakwal (Annex Table 5.1). Likewise, the performance of CCBs in terms of their financial contribution as a percentage of the government financing of development expenditures varies from only 2 to 6 percent in the three sample districts in Sindh up to between 22 and 34 percent in the three Punjab districts.⁸⁰

⁷⁷ Sample districts were Sargodah, Chakwal and Bahawalpur in Punjab; Khairpur, Mirpurkhas and Badin in Sindh and Lower Dir in NWFP. Two *tehsils* from each district were selected for case studies: Sargodah and Silanwali in Sargodah District; Chakwal and Talagang in Chakwal District; Bahawalpur and Ahmedpur East in Bahawalpur District; Khairpur and Kotdigi in Khairpur District; Mirpurkhas and Digri in Mirpurkhas District; Badin and Matli in Badin District; and Temargarah and Samarbagh in Lower Dir District. Field work was conducted from February 9 to March 29, 2006

⁷⁸ This variation is in part by design, as Provincial Finance Commissions (PFCs) awards to districts in Punjab and Sindh take into account district rankings of indicators of health, education, housing, employment and residential services, and those in NWFP take into account a backwardness index. Other factors taken into consideration in PFC awards include tax effort in Sindh, infrastructural deficiencies in NWFP and size of the district in terms of geographical area in Baluchistan.

⁷⁹ It should be noted, though, that special development grants are not consistently recorded across districts.

⁸⁰ As in the case of special development grants, it is likely that CCB resources are not consistently recorded in the government budgets.

An even wider variation in fiscal resources is found at the *tehsil*/TMA level. Expenditure per capita in Digri (381 Rs/person) and Khairpur (361 Rs/person) are more than eight times as high as those in Timergarah and Samarbagh in NWFP (both 44 Rs/person). In part, this difference in resources reflects a greater ability by some *tehsils* to raise their own revenues through local taxes and fees such as urban immovable property tax, cattle *mandi* (market) and *adda* (transport station) fees and rents. Own revenues per capita are highest in the three Punjab district capitals sampled (131 Rs/person) where these account for 48 percent of revenues; by contrast, own revenues are lowest in NWFP at only 28 Rs/capita in the district capital of Lower Dir, or 63 percent of (very low district) revenues. District awards to *tehsils* also vary, from only 11 Rs/capita in the two NWFP *tehsils* sampled to 210 Rs/capita in Mirpurkas and 240 Rs/capita in Khairpur.

Table 5.5: Budgets in Selected *Tehsils* and TMAs, 2005-06

	Punjab Capitals	Punjab Remote	Sindh Capitals	Sindh Remote	Total Capitals	Total Remote
Population (mns)	1.01	0.54	0.41	0.34	0.70	0.41
Budget/capita (Rs)	275	174	268	236	239	182
Expenditure Shares						
Salary	38%	35%	43%	36%	41%	33%
Non-Salary	26%	18%	28%	19%	28%	20%
Development	36%	47%	29%	45%	32%	48%
Total	100%	100%	100%	100%	100%	100%
Revenue Shares						
Grants	33%	47%	62%	73%	44%	55%
Own Revenue	48%	40%	30%	19%	43%	33%
Cash Balance	19%	13%	8%	7%	13%	11%
Total Revenues	100%	100%	100%	100%	100%	100%

Source: TMA budgets; Niazi et al. 2006.

Notes: The total sample includes three remote and three district headquarters TMAs in both Punjab and Sindh, and one remote and one district headquarters TMA in NWFP .

TMAs are unable to tap additional sources of revenues because the tax base is small and taxpayers cannot pay more.⁸¹ For example, the *tehsils* of Sargodah, Silanwali, Bahawalpur, Khairpur, Kotdigi and Mirpurkhas face difficulty in even collecting the existing taxes. Raising revenue through new taxes or higher rates is politically unpopular. Attempts to raise revenues through additional taxes were made in Talagang and Mirpurkhas *tehsils* but could not be sustained due to political pressures to withdraw them. In Mirpurkhas, the cattle *mandi* has been abolished as a result of devolution, thereby eroding the revenue base. By contrast, the resource base in Badin has improved slightly due to inclusion of a cattle *Piri* in its jurisdiction.

In some *tehsils*, the devolution process has resulted in an expanded jurisdictions and responsibilities without a corresponding increase in resources, threatening service delivery to remote areas. In Silanwali and Talagang *tehsils* in Punjab, and Khairpur, Kotdigi and Mirpurkhas *tehsils* in Sindh, government officials reported that providing services to the remote areas now under their jurisdiction has increased costs, and that because of the lack of a

⁸¹ This is the general view from the field and needs to be explored more.

corresponding increase in resources they have been unable to provide adequate services to these areas. Since there is now no formal administrative distinction between rural and urban areas and no mechanism to track spending, it is difficult to earmark resources for these under-serviced areas.

In general, establishment costs (expenditures on salaries and overheads) have increased faster than provincial government transfers to local governments through PFC awards. As a result, development expenditures have tended to rise more slowly than the overall increase in revenues. Nonetheless, the situation for lower tiers of local government is much better than it was previously when they received virtually no transfers from the province except in the form of discretionary, purpose-specific grants. Under the current system, district governments are reimbursed for their actual wage bills and the funding is earmarked for salaries,⁸² while transfers for non-salary part contingencies are made on an incremental basis.⁸³ The district councils have little say in the prioritization of establishment-related allocations, which are incremental and input-focused. Thus the DGs do not exercise control over a large part of their budgets and allocation of resources does not necessarily reflect local priorities.

Although relatively more resources are available for development following devolution, one major reason still cited for inadequate service delivery is that development resources available to the local government remain limited. The development budget is allocated to the DGs and TMAs by the respective PGs through the PFC on a residual basis. Development funds constitute a small proportion, 10-12 percent of DG budgets. Utilization rates are very low, and some districts have accumulated large cash balances because of carry-over from previous years of development funds, including funds for CCB projects. The releases have generally been smooth in Punjab and NWFP but Sindh has faced some problems, with the release of funds occurring late and this has contributed to even lower utilization rates there. Moreover in Sindh these funds are often utilized to finance the DGs' fiscal deficit. TMAs have more development funds at their disposal but local priorities are not always reflected in the allocation of funds.

The transfer of resources through the vertical programs and other higher-level government programs adversely affect LGs' autonomy in preparing development budgets and undermines accountability and operational efficiency. Substantial resources are allocated, especially in the water and sanitation sector, through the Members of the National Assembly (MNAs), Members of Provincial Assemblies (MPAs) and directives of the Chief Minister. A number of donor programs, Punjab Devolved Social Service Program, NWFP-Rural Water Supply and Sanitation Project, Punjab-Community Water Supply & Sanitation Program, Sindh Devolved Social Service Program, Sindh-Presidents' Revamping/Rehabilitation of Irrigation and Drainage Systems, Khusal Pakistan Programme, and the Drought Emergency Relief Assistance project also operate in some districts. All these allocations normally bypass LGs budgets and are spent on programs which have formally been assigned to LGs. It is also not clear how these vertical programs have been treated in the TMA budgets; sometimes they appear with some allocation and in other years they are not mentioned at all. Inter-LG funding comparisons become very difficult because of this varying treatment of funds. Some LGs have welcomed these transfers because they fill the huge gap in development funding but these transfers nevertheless disturb the local planning process and create unwanted liabilities for LGs.

Problems of insufficient finances are particularly acute for TMAs that now formally have responsibility for maintaining water-supply schemes, many of which are old and have very high operation and maintenance costs. Officials in many of the TMAs covered in the study districts stated that they lacked the financial ability to maintain these schemes. There are severe funding constraints in Sargodah, Silanwali, Bahawalpur Ahmedpur and Khairpur, and a number of schemes have been abandoned. Funds are just sufficient to maintain schemes in Talagang, Kotdigi, Badin and Matli, but this leaves no resources for development. Moreover, most *tehsils* lack the financial resources to implement new schemes. As a result, previously planned schemes are either not undertaken or are built with funds from provincial governments, vertical programs, MPA allocations or directives of the Chief Minister. To address this problem, the former Public Health Engineering Department has been revived to undertake water and sanitation projects in some provinces.

Similar problems exist at the village level where most water supply, drainage and sanitation schemes are either non-operational or were very poorly maintained because of ineffective Village Development Committees (VDCs). Most of the water supply and sanitation schemes were constructed by the PHED and later handed over to these committees for maintenance.⁸⁴ VDCs are not able to operate and maintain water supply systems in Sargodah, Silanwali, Talagang, Bahawalpur, Ahmedpur, Khairpur, Kotdigi, and Digri because of a lack of funds. VDCs are also unable to recover user charges from the communities to operate and maintain the expensive facilities built by the PHED. All TMAs were concerned about this and feared that they would be obliged to maintain these schemes in future without additional financial support.⁸⁵

ADMINISTRATIVE ISSUES

Even five years after devolution, there still exists confusion regarding roles and responsibilities of the various levels of government, as well as apparent jurisdictional overlaps. Members of local government staff are still not absolutely clear about their roles and responsibilities and the line of reporting under the devolved system and often look to the District Government for direction. There was also some confusion regarding functions assigned to different levels of government when multiple levels are involved in delivering the same service and the public is unable to attach credit or blame for a particular service to a particular politician. The mismatch between expectations and jurisdictional responsibility creates problems of accountability without responsibility. Many union *nazims* and *naib* (deputy) *nazims* report that voters are demanding services that they have neither responsibility nor resources to provide. Yet, despite their ex officio presence on *tehsil* and district councils, they are not credited with any of the successes of higher tiers of government.

Still, the delegation of power to the local governments has brought decision making closer to the communities and enabled them to access government officials, and there has been some improvement in service delivery. As reported by all *tehsils* (except Bahawalpur) citizens' access to their representatives has increased considerably and problems are solved relatively quickly under the new system. The priorities of local communities are also increasingly reflected in development schemes. There has also been substantial improvement in awareness and knowledge

⁸⁴ In Punjab no funds are being allocated to the VDCs for operation and maintenance while in Sindh they were received funding for maintenance for four years.

⁸⁵ Operation and maintenance are less important in the NWFP *tehsils* as most of the water supply schemes there are spring water gravity supply schemes. There are therefore no user charges for them.

and flow of information across all areas.⁸⁶ In terms of perceptions of improvement in service delivery, this is mixed, with a number of *tehsils* showing improvement while in others the majority of respondents claimed to not have experienced any improvement. Political priorities are reflected in decision making in most *tehsils*. Surveys reveal that councilors are most effective in getting their priorities reflected in development schemes but have no role to play in revenue raising and monitoring.

NGO feedback on whether service delivery has improved and decision making has been placed in the hands of the communities following devolution is mixed. Little improvement is reported in water supply and sanitation in Sargodah, Khairpur Mirpurkhas Badin and Dir. In the other two district, Chakwal and Bahawalpur slight improvements in both decision making and improvement in service delivery is reported. Access roads have improved most sharply in the opinion of NGOs in all districts. This is also reflected in district Annual Development Plans as most of the development funds are allocated to this sector.

The *tehsils* still look toward the District administration for guidance and are dependent on the District in a number of ways. Data indicate that the most common interaction occurs when projects are financed through the DG sources or when it provides technical help in the design of projects as happened in Bahawalpur, Ahmedpur, Mirpurkhas, and Digri. This way the DG can influence where the money is spent and affects the independence of the *tehsil* administration. There are both negative and positive aspects of this linkage. Some *tehsils* are better off as they are able to draw on the larger resources of the DG and undertake costly water and sanitation schemes, which they would not have been able to from their own resources. In others such as Sargodah, Silanwali, Talagang, Digri, and Badin the role of the district is considered an encroachment on the TMA's authority and against the spirit of devolution.

CAPACITY

Staff shortages and lack of appropriate skills are serious constraints to efficient service delivery. The capacity issues at the TMA level are more serious and almost all the TMAs surveyed lacked the capacity to perform their planning functions. Some staff serve in positions that require greater seniority and experience. The key post of Tehsil Municipal Officer (TMO) was vacant in two *tehsils* while officers at a lower grade were serving as TMOs in three *tehsils*. Staff capacity was especially weak in the finance departments.⁸⁷ The planning capacity was consistently a deficiency of TMA staff strength, and the position of Tehsil Officer (TO) in charge of planning was vacant in seven of the fourteen *tehsils* in the study. The TO (Infrastructure) was usually a qualified engineer but all *tehsils* lacked the capacity to deal with the technical aspects of service delivery. There seems to be little attention paid to the post of TO (community development) in most *tehsils*: often the officer was not physically present in the *tehsil* or a junior level staff was assigned these responsibilities.

Weak financial capacity especially at the TMA level adversely affects their performance in many ways. First, it hampers the exploitation of new revenue resources, which requires staff and with the skills to assess the new revenue base. Other key tasks such as preparing a case for

⁸⁶ This was in many ways inevitable with hundreds of union councilors across the entire district but this is also a visible difference from the first three years of devolution experience when improvements were not so widely felt by the stakeholders, as reported in the ADB, DFID, World Bank study (2004).

⁸⁷ In many districts, EDO/TO Finance did not have the required background in finance with no accounts and audits training.

approval by council/PG, arranging for the publicity, conducting public hearings and dealing with public comments have not been adequately done. None of the TMAs have ever made a case for their PFC allocations or transfers. There are also frequently inconsistencies in LG budgetary practices. Financial planning has been ineffective and there has been no planning beyond the yearly budgets. The latter also do not reflect policy priorities.

Provincial governments still hold the Appointment, Promotion and Transfer power over local government and thus exercise a considerable influence over them. Many of the senior staff at TMAs are appointed by the provincial government. The lack of transparency in the APT process, in the form of opaque recruitment and promotion criteria, means that the threat of a transfer can exert pressure on senior staff to accede to the wishes of the provincial government. Transfers of staff are frequent and few officials are able to complete their full term of office.

ACCOUNTABILITY

Beneficiary and stakeholder responses on the council process indicate that it is functioning well and that regular council sessions are held in Silanwali, Chakwal and Matli *tehsils* to debate the development budget, although attendance is thin. The Council process is reported to be effective in Sargodah, Silanwali, Chakwal, Mirpurkhas, Matli and Samarbagh. Overall, 82 percent of the respondents believed that LG decisions are based on political priorities rather than other considerations. Political priorities are reflected in the distribution of funds in the *tehsils* of Sargodah, Silanwali, Chakwal, Digri, Badin and Samarbagh, which have also reported the process to be effective. Accounts and works committees have been formed in two *tehsils* each in Punjab and Sindh and one in NWFP but they have been functional and effective only in Talagang *tehsil*.

The ineffectiveness of the LG councils and their elected committees in overseeing the budgets and ensuring that LG plans reflect peoples' preferences is one of the main reasons cited by the NGOs for service delivery deficits. Overall 70 percent of NGO representatives considered the council process to be weak. The council process is reported to be ineffective for a number of reasons. First councilors are not powerful enough to influence the *Nazim* who controls a large proportion of funds and uses these at his own discretion. Second, councilors are also reluctant to raise their voices against political hand outs because of fear of isolation. Third, council resolutions are not always implemented to the letter. Fourth, councilors lack a strong interest in the process, as the allocations to them, out of the development funds, are small. Finally, access to information is poor and citizens are not aware of their rights.

Focus group discussions with citizens, beneficiaries and councilors show that the CCBs process is gaining ground and a number of projects have been successfully undertaken (Box 5.2). Overall 65 percent of respondents were familiar with the process. However, CCBs have been only partially effective, especially in remoter areas, for a number of reasons. Citizens are not aware of the procedures for CCB formation; in some cases they had no knowledge of the process at all. The registration of the CCBs is to be undertaken by the Executive District Officer EDO of Community Development to whom communities do not have ready access. Registration guidelines are also not always clear to citizens. In remote areas there is the additional problem that people do not have the capacity to develop a PC 1 for projects due to lack of education and were thus unable to utilize funds. In five of the fourteen *tehsils* visited the funds allocated to the CCBs under the development program were not fully utilized. In Sargodah, Talagang, Bahawalpur and Matli *tehsils* CCBs were not effective because of a lack of awareness, while

financial constraints prevented their effective functioning in Silanwali, Ahemedpur and Badin, where poor communities were unable to make the 20% contribution. It was also observed that in Sargodah, Silanwali and Talagang community participation was low as the communities were not united in their efforts. **CCBs are less effective at the TMA level** because they are registered at the district level, and no one guides their formation at TMAs. NGOs have generally not contributed to CCB formation while the community development department (CD) at the district lacks motivation, capacity and mobility.

CCBs have not been a priority for local government leadership and sometimes there is general political reluctance to release government funds to private entities. In some cases hostility has been observed toward CCBs on the part of elected representatives. CCBs have also been the victims in power struggles between district and local governments. However, there are some examples (Khairpur) that suggest innovative leadership would have a positive impact on community mobilization and on service delivery.

Mushawarat Committees, with members from the district *Nazimeen* and the DCO, were envisaged as forums for evolving strategic plans and coordinating the development of entire districts. This is the only mechanism to coordinate the district and the *tehsil* under the new system. **The overall conclusion from field visits is that they do not meet regularly and are not effective.** Only in Khairpur do Mushawarat Committees meet regularly. They are somewhat effective in Khairpur and Mirpurkhas *tehsils*.

The Local Government Commission (LGC), which is a reconciliation mechanism for inter-government dispute resolution, is not effective. In almost all districts and *tehsils*, except the *tehsils* of Bahawalpur in Punjab and Digri in Sindh, it was reported to be totally ineffective. Even in the *tehsils* of Bahawalpur and Digri the LGC was effective only in that a number of cases were referred but there were numerous delays in resolving matters due to a cumbersome lengthy process. All the officials interviewed at the district and TMA level showed no faith in the institution's ability to resolve their inter-government disputes.

SUMMARY OF ISSUES

Budget certainty and predictable transfers are the key to successful decentralization. In Pakistan local planning and budgeting have not been a strong substitute for central direction although local administrations have been given the powers to manage their budgets and raise their own revenues. Lack of adequate resources remains a serious constraint to efficient service delivery. A too-large share of resources are taken up by establishment costs and little is left for operations and maintenance; there are often no funds available for development of infrastructure. Also, many TMAs have a weak tax base and some local taxes and user charges are difficult to impose in practice. The process is highly political and unpopular. The transfers of funds through the PFC award are negotiated on the basis of establishment size and provide a disincentive to reduce costs and improve efficiency. The allocation of resources through vertical programs or through MNA, MPA and CM funds also creates a disincentive for local politicians to exert their authority to improve service delivery in their areas. The budget process under the new system allows the councils to allocate resources according to their priorities and toward service delivery objectives.

Political relationships between the provinces and the local government also has a significant impact on the flow of funds. Jurisdictional overlaps and unclear responsibilities under the new system make it difficult for the public to assign credit or blame for delivery of specific services.

This overlap weakens incentives to perform well on service delivery and may encourage politicians to target services aimed only or largely at their core supporters.

Box 5.2: Citizen Community Boards (CCBs)

Background

Citizen Community Boards (CCBs) were created as part of the devolution process begun in Pakistan in 2001 to address problems of public service delivery, the lack of need-based planning and the overall lack of accountability of government to people. These citizens' groups, comprising at least 25 members, register with government and receive public funds to undertake development projects or monitor public service providers. At least 25 percent of the total development budget of each tier of local government (district, *tehsil*, and union) must be earmarked for CCB projects. Because local governments are required to devote such a large share of their annual development budgets to CCB projects, they have an incentive to include CCBs in the decision making, planning, implementation, and monitoring of development process. CCB development funds cannot be re-appropriated for other activities if unused by the end of the fiscal year and must be carried forward to subsequent financial years.

Current Status

As of 2006, over 25,000 CCBs have been registered in Pakistan. Thousands of these have formed partnerships with government for community driven development and projects have been launched and completed. In these projects, CCBs are required to contribute at least 20 percent of the total capital costs of the project. Participation of the CCBs has also led to increased use of appropriate technologies, introduced the concept of service standards, and strengthened operation and maintenance undertaken by project users through the CCBs.

A recent study supported by the World Bank at the request of the Government of the Punjab suggests a need to simplify the systems and procedures related to CCBs (especially registration and project execution). A technical or financial cap also is needed on CCB projects to reflect communities' ability to implement projects. Weak field outreach of government and lack of adequate evaluation systems are other major drawbacks. Good CCB practices occur mainly in districts where there is a strong political will and commitment. CCBs themselves could be strengthened, however, by making them more broad-based; at present, they are driven mostly by a few community activists.

Looking Ahead

The CCB idea is innovative and ambitious and appears already to be taking off. However, true community participation as an integral part of the work of local governments will require a continuous review and revision of rules, procedures and partnership arrangements between government and CCBs, as well as a robust monitoring and evaluation system. In many cases, it would also be useful to have an interlocutor between CCBs and the government to facilitate interaction between them. Finally, project standards and written agreements that take into account community capacities and clearly delineate responsibilities for projects between CCBs and government could improve transparency and accountability for individual projects.

Staff capacity, especially at the TMA level is not strong and many local government officials lack the managerial skills to undertake their increased responsibilities under the devolved system. Since ATP powers remain with the provincial government after devolution there is pressure on the senior staff to adhere to the demands of the provinces. Many water supply and sanitation schemes are outdated and expensive to maintain.

POLICY IMPLICATIONS

To improve the resource position of the local governments and to ensure their financial autonomy, more and more predictable resources should be made available to them.

Allocations through pre-determined and pre-announced capital budgets will ensure that LGs know in advance what financial resources are available to them and plan accordingly. Autonomy and flexibility can also be ensured by allowing LGs greater local discretion over the use of funds and by ensuring a more meaningful planning process. Incentives for more efficient use of resources may be provided in the form of performance indicators into the grant system, e.g., development expenditure allocations for good performance; and by linking LG performance to a range of criteria, such as quality of planning, fiscal effort, compliance with procurement procedures, financial management, transparency, and operations and maintenance arrangements. A block grant funding approach will also encourage LGs and communities to focus efforts on *mobilizing their own resources* to complement this amount and shift the focus of LG politicians away from lobbying for funds from higher level politicians. As a substantial amount of funds is channeled through the federal government, providing information on vertical programs and converting existing vertical programs into grants, or alternatively making LG managers responsible for them will give LGs more control over their resources and thus greater autonomy. Making more resources available to the LG and ensuring the allocation of operational funds to VDCs will help maintain and manage public facilities.

Strengthening LG capacity for finance and planning on a priority basis will ensure better budget preparation and implementation; planning can go beyond assessment and look at such issues as appraisal, cost-benefit analysis, and O&M arrangements. *Demand-driven capacity-building* can play an important role in optional or location-specific needs. Giving APT powers to local governments and improving the transparency of the APT process will ensure that there is no interference from higher levels of government in terms of appointments.

Monitoring and evaluation capabilities should be enhanced to improve quality of development spending. Monitoring committees should have a formal role in developing sector budgets and receive training in sector specific plans and budgets. Requiring Executive District Officers (EDOs) to report on sector performance to Monitoring Committees, providing councils with resources to follow up reports and complaints, and giving councils the authority to take action against EDOs will all also improve accountability and increase citizens' power over service providers.

Accountability can be increased through increased dissemination of information and greater community involvement. Publishing district and TMA plans, budgets, transfers to service providers, sector expenditures and performance reports, and encouraging the local media to discuss issues will improve access to information and make the local government system more transparent. Likewise, CCBs can be made more effective by publishing and disseminating widely user-friendly guidelines for CCB processes, developing training programs for councilors to improve their awareness and ensuring implementation of the LGO provisions for CCB funding.

Annex Table A5.1: Real Expenditures and Revenues in Punjab Province, 2001-02 to 2005-06

	2001-02	2002-03	2003-04	2004-05	2005-06	Growth Rate FY02-06	Change FY02-06
Total Expenditures	133.15	160.24	185.48	199.23	221.13	13.1%	66%
Current Expenditures	118.83	131.83	141.90	136.38	141.89	4.0%	19%
Salaries							
Other							
Transfers to Local Government Total*	60.74	69.55	67.53	63.81	66.69	1.0%	10%
- District Governments	53.12	58.29	58.31	54.79	59.00	1.5%	11%
- Tehsil/TMA's	4.65	8.16	5.06	4.88	5.06	-3.4%	9%
- Union Administrations	2.98	3.10	2.93	2.71	2.63	-3.7%	-12%
- Other		0.00	1.23	1.43	0.00		
Development Expenditures	14.33	28.42	43.58	62.85	79.24	52.4%	453%
Agricultural/Rural Total*		3.58	6.02	9.48	10.11	42.9%	183%
- Agriculture and Agricultural Credit	0.52	0.74	0.89	2.12	0.94	24.9%	81%
- Livestock Development		0.17	0.16	0.45	0.72	71.1%	326%
- Forestry/Wildlife/Fisheries		0.08	0.05	0.14	0.44	81.9%	423%
- Rural Dev. Programme		2.28	3.92	4.63	4.52	24.8%	98%
- Rural Water Supplies:		0.05	0.81	1.81	3.25	278.7%	6380%
- Urban Water Supplies:		0.23	0.01	0.63	0.73	128.9%	218%
- Irrigation	0.26	0.25	0.19	0.33	0.24	5.5%	0%
Other		24.84	37.55	53.37	69.13	40.8%	178%
Total Revenues	132.94	150.39	173.88	186.46	199.01	9.5%	32%
Current Revenues	132.94	148.23	168.61	181.30	198.97	10.6%	50%
Federal Tax Receipts	102.86	110.20	114.63	124.57	129.58	6.0%	26%
Federal Grants	4.62	12.75	15.44	22.28	30.50	54.2%	560%
Provincial Taxes	13.03	14.40	19.71	19.15	23.61	15.9%	81%
Provincial Non-Tax Receipts	12.42	10.88	18.84	15.30	15.28	7.8%	23%
Development Revenues	0.00	2.16	5.26	5.16	0.04	-69.9%	-98%
Current Surplus/Deficit	14.11	16.41	26.71	44.93	57.08	46.3%	304%
Total Surplus/Deficit	-0.21	-9.85	-11.60	-12.76	-22.12		125%

Source: Calculated using Punjab Budget Reports 2003-06; Punjab Economic Report from March 31, 2005.