



Research Report No. 15

**THE PROVINCIAL BUDGETS
1997-98**

SOCIAL POLICY AND DEVELOPMENT CENTRE

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The Provincial Budgets 1997-98

1997

Social Policy and Development Centre

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FOREWORD

The budgets of the provincial governments have been framed immediately after the announcement of the National Finance Commission (NFC) award earlier this year. The new inter-governmental revenue sharing criterion has impacted on various segments of provincial finances. Firstly, there is a reduction in the quantum of transfers from the federal to the provincial governments. Secondly, the provinces would have to be more prudent in their expenditures. Lastly, the provinces have to make an appropriate exploitation of their own tax bases to match the shortfall in revenues and to at least maintain the historical level of development.

Social Policy and Development Centre, has undertaken analyses of the provincial resource mobilisation and expenditure priorities. These analyses cover issues related to fiscal status, fiscal effort, impact of provincial budgets on social sector development, SAP expenditure priority, inter-sectoral priorities of the Annual Development Programme and implication of the federal and provincial budgets on economic and social infra-structure.

This report is a compilation of articles produced after the announcement of the provincial budgets. We hope that our analyses will represent an objective appraisal of the state of affairs and will be of some use to the readers.

Fiscal Status of the Provincial Governments

by

*Abdul Rauf Khan**

Rafia Ghaus

The budgets for 1997-98 have been announced in the backdrop of economic crisis and fiscal constrains. The budgets of the provincial governments have been framed immediately after the announcement of the National Finance Commission (NFC) award earlier this year, the major has hemorrhaging of federal revenues from taxes (particularly those shared with the provinces), and an economy which has been stagflating for a number of years the NFC award 1997 changed the rules of revenue sharing. On the one hand these rulers have reduced the quantum of transfer of resources from the federal to the provincial governments. On the other hand, however, the rules have ensured that the provinces would have to more prudent in their expenditures. Moreover, they have created an environment which encourages the provinces to exploit their own tax bases further to raise revenues for development.

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TABLE 1
TREND IN PROVINCIAL FINANCES
FOUR PROVINCES COMBINED

[Rs in Million]

| | 1991-92 | 1995-96 | 1996-97 | 1997-98 | Annual Growth Rate % | |
|----------------------------------|--------------|---------------|---------------|---------------|----------------------|--------------|
| | [R] | [R] | [R] | [B] | 1992-96 | 1997-98 |
| General Revenue | 80529 | 152378 | 167220 | 170526 | 17.3 | 2.0 |
| Tax Revenue | 7773 | 11099 | 14280 | 17646 | 9.3 | 23.6 |
| Non-Tax Revenue | 6388 | 9928 | 10881 | 11865 | 11.7 | 9.0 |
| Federal Tax Assignment* | 63975 | 129280 | 140056 | 133603 | 19.2 | -4.6 |
| Non-Development Grants | 2394 | 2071 | 2004 | 7411 | -3.6 | 269.9 |
| Recurring Expenditure | 75454 | 141917 | 151024 | 165768 | 17.1 | 9.8 |
| Revenue Surplus/Deficit | 5075 | 10462 | 16196 | 4758 | 19.8 | -70.6 |
| Development Expenditure | 27982 | 43039 | 30440 | 33577 | 11.4 | 10.3 |
| Net Capital Receipts | 19502 | 14173 | 8578 | 23356 | -7.7 | 172.3 |
| Federal Loan | 16281 | 12503 | 12374 | 23819 | -6.4 | 92.5 |
| Federal Soft Loan | 14071 | 1910 | 1364 | 12050 | -39.3 | 783.4 |
| Foreign Assistance | 2210 | 10593 | 11010 | 11769 | 48.0 | 6.9 |
| Others | 3221 | 1670 | -3796 | -463 | - | - |
| Development Rev. Receipts | 5910 | 11439 | 3559 | 3793 | 18.0 | 6.6 |

Source: Annual Budget Statements of the Provincial Governments.

* *Including additional resource mobilisation of Rs. 1 billion by Punjab*

** *Including Profit from hydro-electricity*

An analyses of the aggregate fiscal status of the provincial governments, Table 1, indicates that their financial position has been worsening over time. Overall revenue receipts have been raising at a historical (1992 to 1996) rate of 17.3 percent annually (provincial own revenues at 10.4 percent and 19.2 percent for shared revenues). During this period the economy grew by 15.8 percent annually in nominal terms. Thus, the growth in general revenue receipts were more buoyant than the itself by a margin of an average of over 1.5 percent each year. During the fiscal year 1996-97 the revenue receipts grew by only 19.9 percent compared to the economic growth rate of 15.6 percent. This indicates that tax administrators were unable to realise even the meagre targeted potential of yield. During 1997-98 fiscal year growth is targeted at a mere 1.8 percent.

The questions, therefore, arises: who is to blame for this slowdown: the federal government or the provincial government themselves?. It would appear from Table 2 that the blame lies at the doors of the federal government. The massive hemorrhage in revenues from sales tax during this current year has reduced the rate of growth to less than half the historical rate of growth. During the coming year largely as a result of the NFC award, these are expected to decline by 4.6 percent.

The provinces, on the other hand have begun to make some effort at revenue generation.

To over come this short-fall in revenues the provinces have decided to curtail the growth in current expenditure from 15 percent in the post 1990 NFC era to 10 percent in 1997-98. This has been achieved by reducing the non-salary components like utility bills and in Sindh there are instances of reduction in salary component also. Despite all these measures the revenue surplus of four provinces combined has reduced from Rs. 16 billion in 1996-97 to Rs. 4 billion in 1997-98. Thus the overall resource crunch created has adversely affected the development programmes of the provinces which are their prime responsibility. Table 1 also shows that an intentional halt of plan programmes has actually reduced the development expenditure from Rs. 43 billion in 1995-96 to Rs. 30 billion in 1996-97, followed by a marginal increase to Rs. 33 billion in the budget for 1997-98 just to gain political good will of the people. A province-wise analysis follows Table 3 represents the trend in finances of Government of Punjab. The general revenue receipts of Punjab province are budgeted to be Rs. 83 billion as compared to this current expenditures are budgeted to be Rs. 81 billion, implying a revenue account surplus of Rs. 2 billion. This has been achieved through additional resource generation measures worth Rs. 1 billion through measures which will impact people with high incomes. This shortfall is a result of reduction in federal tax assignment which has also resulted in a negative growth of 3 percent in total revenue receipts of the province during the current fiscal year.

TABLE 2
TREND IN GROWTH RATES

| Head of Revenue | 1991-92 to 1995-96 | 1995-96 to 1996-97 | 1996-97 to 1997-98 |
|--------------------------|---------------------------|---------------------------|---------------------------|
| General Revenue Receipts | 17.3% | 10.4% | 19.2% |
| Provincial Own Sources | 9.9% | 19.7% | 8.3% |
| Federal Tax Assignments | 1.8% | 13.3% | -4.6% |

TABLE 3
TREND IN PROVINCIAL FINANCES OF PUNJAB

[Rs in Million]

| | 1991-92 | 1995-96 | 1996-97 | 1997-98 | Annual Growth Rate % | |
|----------------------------------|--------------|--------------|--------------|--------------|----------------------|---------------|
| | [R] | [R] | [R] | [B] | 1992-96 | 1997-98 |
| General Revenue | 38793 | 75077 | 85046 | 83199 | 17.9 | -2.2 |
| Tax Revenue** | 5317 | 6392 | 8603 | 10724 | 4.7 | 24.7 |
| Non-Tax Revenue | 3593 | 5566 | 5927 | 6442 | 11.6 | 8.7 |
| Federal Tax Assignment | 28721 | 63096 | 70485 | 66012 | 21.7 | -6.3 |
| Non-Development Grants | 1162 | 23 | 32 | 21 | -62.4 | -33.7 |
| Recurring Expenditure | 37053 | 70011 | 75502 | 80666 | 17.2 | 6.8 |
| Revenue Surplus/Deficit | 1741 | 5065 | 9544 | 2533 | - | - |
| Development Expenditure* | 11371 | 14264 | 10682 | 14082 | 5.8 | 31.8 |
| Net Capital Receipts | 8342 | 2153 | 124 | 10707 | -28.7 | 8558.2 |
| Federal Loan | 7951 | 4141 | 2357 | 12239 | -15.0 | 419.2 |
| Federal Soft loan | 7332 | 995 | 457 | 6000 | -39.3 | 1211.7 |
| Foreign Assistance | 619 | 3147 | 1900 | 6239 | 50.2 | 228.4 |
| Others | 391 | -1988 | -2233 | -1532 | - | -31.4 |
| Development Rev. Receipts | 1687 | 3856 | 1014 | 843 | 23.0 | -16.9 |

Source: Annual Budget Statements of the Provincial Governments.

* Net development expenditure including population welfare grants.

** including additional revenue from resource mobilisation of Rs. 1 billion

Current expenditures for 1997-98 are stated to increase by only 6.8 percent that is half the historical rate. The increase of Rs. 4 billion in development expenditure is due to loans of Rs. 12 billion which includes a soft loan of Rs. 6 billion from the federal government.

The most adversely effected are the finance of Sindh. Growth in both revenues and expenditures have been subdued extensively. General revenue receipts are expected to decline by about 2 percent next year compared to 16 percent average growth from 1992. The coming year is expected to end with a deficit of about Rs. 1 billion on revenue account compared to surplus of Rs 3.7 billion in 1996-97. The reason for such a distortionary financial position is a reduction in federal transfers, elimination of non-obligatory grants and reluctance on part of the province in resource generation particularly tax revenue (see Table 4). On current expenditure side the province has reduced the traditional growth rate 14 percent annually to 10 percent next year. This is despite the burden of an additional 15000 jobs announced in the budget.

Government of Sindh has declined their development expenditure alarmingly by Rs. 5 billion in 1996-97, followed by a further reduction of Rs. 1 billion in 1997-98. The contraction in development

TABLE 4
TREND IN PROVINCIAL FINANCES OF SINDH
[Rs in Million]

| | 1991-92 | 1995-96 | 1996-97 | 1997-98 | Annual Growth Rate % | |
|----------------------------------|--------------|--------------|--------------|--------------|----------------------|--------------|
| | [R] | [R] | [R] | [B] | 1992-96 | 1997-98 |
| General Revenue | 19325 | 39451 | 41019 | 40239 | 19.5 | -1.9 |
| Tax Revenue | 1903 | 3708 | 4429 | 5154 | 18.1 | 16.4 |
| Non-Tax Revenue | 1732 | 2446 | 2326 | 2770 | 9.0 | 19.1 |
| Federal Tax Assignment* | 14990 | 31664 | 34005 | 32315 | 20.6 | -5.0 |
| Non-Development Grants | 700 | 1633 | 260 | 0 | 23.6 | -100.0 |
| Recurring Expenditure | 19123 | 36827 | 37298 | 41051 | 17.8 | 10.1 |
| Revenue Surplus/Deficit | 202 | 2624 | 3722 | -812 | - | - |
| Development Expenditure | 5878 | 14522 | 9270 | 8747 | 25.4 | -5.6 |
| Net Capital Receipts | 6104 | 7849 | 3304 | 7201 | 6.5 | 117.9 |
| Federal Loan | 3646 | 4422 | 5080 | 5497 | 4.9 | 8.2 |
| Federal Soft Loan | 2944 | 400 | 163 | 2750 | -39.3 | 1587.0 |
| Foreign Assistance | 702 | 4022 | 4917 | 2747 | 54.7 | -44.1 |
| Others | 2458 | 3427 | -1775 | 1704 | 8.7 | - |
| Development Rev. Receipts | 2452 | 3694 | 648 | 2023 | 10.8 | 212.4 |

Source: Annual Budget Statements of the Provincial Governments.

expenditure is because of major reduction in provincial contribution and allocation of Tameer-e-Sindh funds from the federal government. During 1997-98 the share of provincial contribution in total development expenditure is only 14 percent compared to almost 40 percent in revised estimate of 1996-97. Federal grants have been over budgeted by Sindh Rs. 2 billion against a federal commitment of Rs. 1 billion only.

Table 5 presents the Government of NWFP finances. Although the overall growth of revenue receipts have reduced but, special grants of Rs. 3 billion have compensates for the reduction in federal transfers. Moreover, the province has also announced Rs. 700 million additional revenue through revision and adjustment in existing portfolio.

As far as the expenditures are concerned, the province is unable to control their current expenditure, and to reduce the size of the revenue deficit, has cut its development expenditure. Its level of profligacy can be gauged from the target growth of 16.5 percent the next year. On the capital side the province will be receiving a soft federal loan of Rs. 2.5 billion in the current fiscal year. However, the federal project assistance has been reduced by 30 percent in 1997-98.

The government of Balochistan has announced a surplus budget of Rs 2 billion for the fiscal year 1997-98 (see Table 6). Like the NWFP province, Balochistan will also receive a grant of Rs. 4 billion which

has to a great extent contributed in stabilizing the overall reduction in revenue receipts. Three thousand new jobs have been created in education, health and other departments. Efforts will be made to curtail the growth of recurring expenditure. However, Balochistan is the only province which has shown a positive growth in development expenditure particularly in social services.

On the whole, it appears that the absence of any growth in the resources will constrain financial outlays on development projects. More particularly Sindh development projects will suffer the most as no additional assistance from the federal government has been provided to them as compared to other provinces. Reduction in revenue transfers along with unwillingness of provinces in additional revenue generation has not only affected the fiscal position of the provinces, but the implication on finances have trickle down and affected the masses.

TABLE 5
TREND IN PROVINCIAL FINANCES OF NWFP
[Rs in Million]

| | 1991-92 | 1995-96 | 1996-97 | 1997-98 | Annual Growth Rate % | |
|----------------------------------|--------------|--------------|--------------|--------------|----------------------|--------------|
| | [R] | [R] | [R] | [B] | 1992-96 | 1997-98 |
| General Revenue | 14134 | 24618 | 27400 | 31072 | 14.9 | 13.4 |
| Tax Revenue | 436 | 810 | 1007 | 1408 | 16.8 | 39.9 |
| Non-Tax Revenue | 864 | 1487 | 1754 | 1867 | 14.5 | 6.4 |
| Federal Tax Assignment* | 12432 | 22315 | 24634 | 24487 | 15.7 | -0.6 |
| Non-Development Grants | 402 | 5 | 5 | 3310 | -67.0 | 69569.5 |
| Recurring Expenditure | 12737 | 23564 | 25800 | 30059 | 16.6 | 16.5 |
| Revenue Surplus/Deficit | 1397 | 1054 | 1600 | 1014 | -6.8 | -36.7 |
| Development Expenditure | 6458 | 8467 | 5852 | 4927 | 7.0 | -15.8 |
| Net Capital Receipts | 3439 | 3054 | 3152 | 3500 | -2.9 | 11.0 |
| Federal Loan | 2960 | 2647 | 2676 | 3775 | -2.8 | 41.1 |
| Federal Soft Loan | 2423 | 328 | 424 | 2500 | -39.3 | 489.8 |
| Foreign Assistance | 537 | 2319 | 2252 | 1275 | 44.2 | -43.4 |
| Others | 479 | 407 | 477 | -274 | -4.0 | - |
| Development Rev. Receipts | 1021 | 2819 | 1252 | 872 | 28.9 | -30.4 |

Source: Annual Budget Statements of the Provincial Governments.

** including profits from hydro-electricity*

TABLE 6
TREND IN PROVINCIAL FINANCES OF BALOCHISTAN
[Rs in Million]

| | 1991-92 | 1995-96 | 1996-97 | 1997-98 | Annual Growth Rate % | |
|----------------------------------|-------------|--------------|--------------|--------------|----------------------|--------------|
| | [R] | [R] | [R] | [B] | 1992-96 | 1997-98 |
| General Revenue | 8277 | 13233 | 13754 | 16016 | 12.4 | 16.4 |
| Tax Revenue | 117 | 189 | 242 | 360 | 12.8 | 49.2 |
| Non-Tax Revenue | 197 | 429 | 875 | 786 | 21.4 | -10.1 |
| Federal Tax Assignment | 7833 | 12205 | 10931 | 10789 | 11.7 | -1.3 |
| Non-Development Grants | 130 | 410 | 1707 | 4080 | 33.4 | 139.0 |
| Recurring Expenditure | 6540 | 11515 | 12424 | 13992 | 15.2 | 12.6 |
| Revenue Surplus/Deficit | 1736 | 1719 | 1330 | 2023 | -0.3 | 52.1 |
| Development Expenditure | 4275 | 5786 | 4635 | 5820 | 7.9 | 25.6 |
| Net Capital Receipts | 1617 | 1117 | 1997 | 1948 | -8.8 | -2.5 |
| Federal Loan | 1724 | 1292 | 2262 | 2308 | -6.9 | 2.1 |
| Federal Soft Loan | 1372 | 187 | 320 | 800 | -39.3 | 150.2 |
| Foreign Assistance | 352 | 1106 | 1942 | 1508 | 33.1 | -22.3 |
| Others | -107 | -176 | -264 | -360 | - | - |
| Development Rev. Receipts | 750 | 1070 | 645 | 56 | 9.3 | -91.4 |

Source: Annual Budget Statements of the Provincial Governments.

Relative Fiscal Efforts by The Provincial Governments in Pakistan

by
Rafia Ghaus
Abdul Rauf Khan

There is a lot of debate and discussion on how the federal budget has affected the provincial finances. Particularly much has been said about the current provincial budgets announced as they are formulated on a somewhat similar strategy adopted by the federal government, i.e., emphasis on broad-basing, curtailment of expenditure and no new taxes. Such a strategy is not preferable for provinces as there is a major difference in responsibilities and status between the two levels of governments. The prime responsibility of the provincial governments is to provide basic social and economic services which is only possible through adequate resources. However, curtailing the expenditures particularly current expenditure is a viable strategy for all levels of governments.

The article aims to quantify the level of provincial fiscal effort. The representative tax system approach is used to make an inter-provincial comparison. Magnitudes of tax base by provinces is measured and an index is constructed as a ratio of actual to potential tax revenue. The index with unity denotes an average tax effort. However, if this index is significantly below unity it implies that there is a relatively low level of effort in that province compared with national average. While making an inter-provincial comparison of the fiscal effort it is noticeable that the performance of

TABLE 1
INDICATORS FOR THE RELATIVE PROVINCIAL PERFORMANCE
1992-93 1993-94 1994-95 1995-96 1996-97 1997-98

| | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 |
|---|---------|---------|---------|---------|---------|---------|
| Gross Regional Product (Billion) | | | | | | |
| Punjab | 605 | 711 | 848 | 983 | 1128 | 1196 |
| Sindh | 400 | 472 | 566 | 656 | 752 | 798 |
| NWFP | 148 | 174 | 209 | 242 | 278 | 294 |
| Balochistan | 48 | 56 | 66 | 76 | 88 | 93 |
| Provincial Tax Revenue (Million) | | | | | | |
| Punjab | 4737 | 5704 | 5390 | 6392 | 8603 | 9724 |
| Sindh | 2024 | 2371 | 3125 | 3708 | 4429 | 5154 |
| NWFP | 689 | 634 | 724 | 810 | 1007 | 1158 |
| Balochistan | 129 | 142 | 156 | 189 | 242 | 360 |
| Overall Index of Fiscal Efforts | | | | | | |
| Punjab | 1.22 | 1.26 | 1.12 | 1.12 | 1.16 | 1.14 |
| Sindh | 0.81 | 0.81 | 1.01 | 1.02 | 0.97 | 0.98 |
| NWFP | 0.83 | 0.66 | 0.69 | 0.65 | 0.64 | 0.64 |
| Balochistan | 0.36 | 0.34 | 0.35 | 0.35 | 0.34 | 0.45 |
| Overall Tax-to-Base Ratio (%) | | | | | | |
| Punjab | 0.78 | 0.80 | 0.64 | 0.65 | 0.76 | 0.81 |
| Sindh | 0.51 | 0.50 | 0.55 | 0.57 | 0.59 | 0.65 |
| NWFP | 0.47 | 0.36 | 0.35 | 0.33 | 0.36 | 0.39 |
| Balochistan | 0.27 | 0.26 | 0.24 | 0.25 | 0.28 | 0.39 |
| Per Capita Tax Burden (Rs.) | | | | | | |
| Punjab | 71.7 | 84.1 | 77.3 | 89.2 | 116.9 | 128.6 |
| Sindh | 69.1 | 78.1 | 99.5 | 113.9 | 131.4 | 147.7 |
| NWFP | 41.6 | 37.1 | 41.0 | 44.4 | 53.4 | 59.4 |
| Balochistan | 12.8 | 13.2 | 13.5 | 15.3 | 18.2 | 25.4 |

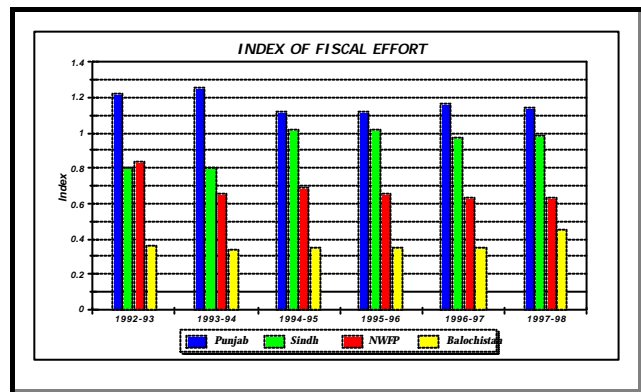
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Punjab is comparatively better than that of the other provinces, followed by Sindh, NWFP and Balochistan respectively (see Table 1).

Although it appears that the performance of Punjab is comparatively better than the other provinces, with the highest index of fiscal effort being at 1.14 but its tax-to-base ratio is only 0.81 percent. Implying that there is still more room for exploiting the tax-base. Nonetheless, their per capita tax incidence has increased by 10 percent because of efforts made in agriculture income tax, broad-basening and enhancement in some of the existing taxes and improvement in tax administration in the current fiscal year.

Sindh with an overall index of 0.98 stands at second position in 1997-98 while in the fiscal years 1994-95 and 1995-96 it stand above the national average. This drop in index of fiscal effort is because of the fact that Sindh have not taken any measures to enhance their tax revenues in the current budget. Table 1 shows that tax to base ratio is also below the provincial combine average but it is growing at a rate of almost 5 percent per year. The per capita tax incidence is Rs. 148 in 1997-98 which is the highest among the provinces.

NWFP stands at third position with an overall index of 0.64, despite additional efforts for resource mobilisation in the budgets their index shows a decreasing trend. Such a tendency is mainly due to underutilization of their tax base. This is obvious from negative growth in tax-to-base ratio. Balochistan's overall index in 1997-98 is 0.45. Although, the index represents the least effort on part the of the province, but, their base utilization is 0.39, which is the same as NWFP. Their index is showing a increasing trend over the years.



As far as individual taxes are concerned we have chosen seven major provincial taxes which contribute almost 80 percent of the total provincial tax revenue. Information regarding tax revenue was available in the budget documents. However, there are data limitations on relevant tax bases. To overcome this difficulty we have taken appropriate proxies for tax bases. The relative provincial performance is as follows:

In stamp duty Punjab's fiscal effort is the best, followed by Sindh, NWFP and Balochistan (see Table 2). Although the bigger two provinces stand at first and second position but, their performance has been diminishing over the trend for the last five years. Five years annual compound growth in tax revenue under the stamp duty has been highest in Sindh (23 %), followed by NWFP (22 %), Balochistan (14 %) and Punjab (6 % only). Implying that there still exist room for modification within tax administration and tax rate revision. All the provinces have demonstrated a some what average performance in the motor vehicle tax which is the second largest source of provincial tax revenue.

Punjab and Sindh have performed above average, whereas, the performance of NWFP and Balochistan is 0.96 and 0.67 respectively.

NWFP has the best performance in land revenue, followed by Punjab province, whose index has decreased during the last five years. The indices for Sindh and NWFP stands at 0.24 and 0.20 only. Thus representing the adverse effect of the collection of ushr which has significantly eroded the land revenue base. Urban immovable property tax is the only tax in which Balochistan has shown the highest index as compared to other taxes. NWFP shows the poorest performance Sindh is marginally better. Sindh, on the other hand, performs better than the national average as far as tax on professions, trades and callings is concerned.

The index of fiscal effort for agriculture tax which provinces have recently introduced shows that Punjab province performance the best followed by Balochistan, NWFP and Sindh provinces. Punjab government has budgeted for Rs. 1.5 billion under this head. However, other three provinces; Sindh, NWFP and Balochistan have budgeted for Rs. 0.35, Rs. 0.15 and Rs. 0.1 billion, respectively.

In short, in terms of exploitation of revenue potential, the analysis reveals that focus needs to vary among provinces with Punjab concentrating on income related taxes, Sindh and

TABLE 2
INDEX OF FISCAL EFFORT
1992-93 1993-94 1994-95 1995-96 1996-97 1997-98

| | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 |
|--|---------|---------|---------|---------|---------|---------|
| Stamp Duties | | | | | | |
| Punjab | 1.48 | 1.42 | 1.16 | 1.17 | 1.14 | 1.16 |
| Sindh | 0.61 | 0.66 | 0.94 | 0.96 | 0.99 | 0.98 |
| NWFP | 0.41 | 0.56 | 0.81 | 0.62 | 0.71 | 0.62 |
| Balochistan | 0.15 | 0.14 | 0.16 | 0.17 | 0.18 | 0.18 |
| Motor Vehicle Tax | | | | | | |
| Punjab | 1.02 | 0.96 | 1.16 | 1.04 | 0.99 | 1.03 |
| Sindh | 1.01 | 1.16 | 0.89 | 1.05 | 1.11 | 1.05 |
| NWFP | 1.07 | 0.97 | 0.85 | 0.94 | 0.97 | 0.96 |
| Balochistan | 0.68 | 0.75 | 0.62 | 0.65 | 0.70 | 0.67 |
| Agriculture Tax | | | | | | |
| Punjab | 1.72 | 1.74 | 0.01 | 0.01 | 1.47 | 1.26 |
| Sindh | 0.00 | 0.00 | 0.49 | 0.27 | 0.49 | 0.60 |
| NWFP | 0.00 | 0.00 | 8.64 | 9.33 | 0.24 | 0.72 |
| Balochistan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.82 |
| Land Revenue | | | | | | |
| Punjab | 1.40 | 1.42 | 1.42 | 1.36 | 1.32 | 1.31 |
| Sindh | 0.24 | 0.19 | 0.23 | 0.26 | 0.22 | 0.24 |
| NWFP | 0.71 | 0.67 | 0.57 | 0.85 | 1.13 | 1.13 |
| Balochistan | 0.24 | 0.18 | 0.19 | 0.18 | 0.19 | 0.20 |
| Tax on Transfer of Property | | | | | | |
| Punjab | 1.16 | 1.31 | 0.93 | 0.80 | 0.80 | 0.78 |
| Sindh | 1.03 | 0.80 | 1.37 | 1.59 | 1.61 | 1.68 |
| NWFP | 0.33 | 0.37 | 0.34 | 0.33 | 0.25 | 0.14 |
| Balochistan | 0.50 | 0.40 | 0.53 | 0.46 | 0.47 | 0.48 |
| Urban Immovable Property Tax | | | | | | |
| Punjab | 1.32 | 1.31 | 1.31 | 1.42 | 1.27 | 1.26 |
| Sindh | 0.63 | 0.68 | 0.72 | 0.54 | 0.78 | 0.80 |
| NWFP | 0.48 | 0.44 | 0.37 | 0.40 | 0.35 | 0.39 |
| Balochistan | 1.23 | 1.11 | 1.06 | 1.04 | 0.98 | 0.92 |
| Tax on Profession, Trade & Callings | | | | | | |
| Punjab | 0.82 | 0.73 | 0.65 | 0.65 | 0.91 | 0.75 |
| Sindh | 1.73 | 1.90 | 2.02 | 1.99 | 1.56 | 1.83 |
| NWFP | 0.23 | 0.20 | 0.21 | 0.31 | 0.26 | 0.28 |
| Balochistan | 0.06 | 0.05 | 0.04 | 0.03 | 0.01 | 0.01 |
| Other Provincial taxes | | | | | | |
| Punjab | 0.92 | 1.09 | 0.95 | 1.04 | 1.09 | 1.08 |
| Sindh | 1.11 | 1.05 | 1.29 | 1.21 | 1.15 | 1.18 |
| NWFP | 1.26 | 0.68 | 0.62 | 0.48 | 0.39 | 0.35 |
| Balochistan | 0.38 | 0.34 | 0.34 | 0.31 | 0.44 | 0.42 |

NWFP on property related while Balochistan can develop most of its taxes.

Impact of Provincial Budgets on Social Sector Development

by
*Rao Asif Iqbal & Abu Nasar**

Alongwith implementation constraints on efficient and productive use of resources, inadequate level of resources allocated to social sectors have been identified as part of the problem in delivering effective social services. Provincial governments budgets for 1997-98 have been formulated in a situation when Federal government, and consequently provincial governments, are facing a severe resource crunch. Federal government has almost frozen its level of current expenditure and resources for development expenditure have also been severely squeezed to reduce the fiscal deficit. Provincial governments have also slashed their expenditures, particularly development expenditure, in order to match available resources. The major responsibility for delivering social services rests with the provincial governments and these consume a very large proportions of provincial expenditure.

The total expenditure of the four provincial governments combined, both recurring and development expenditure, is estimated at Rs 202 billion for fiscal year 1997-98. It is apparently 11.3 percent higher than the outlays for 1996-97, Nominal compound growth of provincial expenditures over 1995-96 is 4.5 percent per annum when current expenditure grew at the rate of 8 percent per annum. On the other hand, however development expenditure registered a negative growth of over 8 percent. The share of development outlay in total expenditure has declined from 23 percent in 1995-96 to 18

percent in 1997-98 which is perhaps the lowest in the 1990s. Interestingly, despite of all resource crunch, share of social sectors in total expenditure has increased from about 39 percent in 1995-96 to over 43 percent in 1997-98 mainly due to enhanced share of current expenditure rising from 28 percent to about 33 percent of the total expenditure for the same period. Within development outlays, the share of resources allocated to social sectors rose significantly from 46 percent to about 60 percent

| TABLE 1 | | | | |
|--|-----------------|--------------|--------------|------------|
| TOTAL EXPENDITURE BY PROVINCIAL GOVERNMENTS | | | | |
| (Four Provinces Combined) | | | | |
| | [Rs in Billion] | | | |
| | 1995-96 | 1996-97 | 1997-98 | ACGR |
| | (R) | (R) | (B) | (%) |
| Current Expenditure | 141.9 | 151.0 | 165.8 | 8.1 |
| General Admin. & Debt Servicing etc. | 69.2 | 70.4 | 75.0 | 4.1 |
| Social Services | 52.1 | 58.5 | 66.3 | 12.8 |
| Economic Services | 20.7 | 22.1 | 24.5 | 8.9 |
| Development Expenditure | 43.0 | 30.4 | 36.3 | -8.2 |
| Social services | 19.7 | 17.4 | 21.6 | 4.8 |
| Economic Services | 23.4 | 13.0 | 14.7 | -20.7 |
| TOTAL EXPENDITURE | 185.0 | 181.5 | 202.1 | 4.5 |
| Percentage Share of Social Services in Total Expenditures | | | | |
| Total | 38.8 | 41.8 | 43.5 | |
| Development | 10.6 | 9.6 | 10.7 | |
| Recurring | 28.1 | 32.3 | 32.8 | |
| Source: Budget Documents of Provincial Governments | | | | |

* The Writers are Economist and Statistician at Social Policy and Development Centre (SPDC), Karachi.

indicating, to some extent, the commitment of provinces towards protecting expenditures in social sectors. This increasing share represents an attempt by the provincial governments to divert expenditures towards social sectors.

On a closer examination, the share profile of different sectors in total expenditures and growth trends over the last year (1996-97) reveal less than what they hide. First, the total availability of resources has not increased in line with past trend. Second, the fiscal year 1996-97 was unusual with respect to fiscal management and economic development and, therefore, an unrepresentative benchmark year for assessing nominal growth rates and shares in expenditure. The Finance Minister Senator Sartaj Aziz has also termed the current financial year as the worst in the country's financial history. Third, it is not merely the share but the real growth in expenditure which is important while analysing the impact of expenditure priorities.

Adequacy of the level of provincial government expenditures on social sectors can also be examined in terms of expenditure to GDP ratio as presented in Table 2. The analysis reveals that provincial governments failed to sustain the social sector expenditure to GDP ratio at the previous level which declined from 3.3 percent in 1995-96 to 3.1 in 1997-98. The decline is visible in both the development and recurring expenditure. The former falling from 0.9 percent to 0.7 and the latter from 2.4 percent to 2.3 percent respectively.

| | 1995-96 | 1996-97 | 1997-98 |
|-------------------------|---------|---------|---------|
| | (R) | (R) | (B) |
| Development Expenditure | 0.91 | 0.70 | 0.75 |
| Recurring Expenditure | 2.40 | 2.34 | 2.30 |
| Total Expenditure | 3.30 | 3.03 | 3.05 |

Sources: Budget documents of provincial governments
Economic Survey, Government of Pakistan

TABLE 3
REAL GROWTH IN SOCIAL SECTOR
EXPENDITURE
At Constant Prices of 1990-91
[Percent]

| | 1995-96 to 1996-97 | 1995-96 to 1997-98 |
|--------------------------------|-----------------------------------|-----------------------------------|
| Development Expenditure | -20.6 | -5.0 |
| Punjab | -13.3 | 7.8 |
| Sindh | -30.2 | -22.5 |
| NWFP | -22.6 | -18.9 |
| Balochistan | -21.1 | 3.9 |
| Recurring Expenditure | 0.8 | 2.4 |
| Punjab | 5.0 | 4.2 |
| Sindh | -6.7 | -1.7 |
| NWFP | 3.6 | 2.5 |
| Balochistan | -9.0 | 2.6 |
| Total Expenditure | -5.0 | 0.4 |
| Punjab | 0.9 | 5.0 |
| Sindh | -12.9 | -6.7 |
| NWFP | -5.1 | -4.1 |
| Balochistan | -14.3 | 3.2 |

Provincial expenditures on social sectors have recorded a modest real growth of 0.4 percent per annum from 1995-96 to 1997-98. Recurring expenditure grew at 2.4 percent and development expenditures witnessed a negative growth of 5 percent. Amongst the provinces, Punjab has been able to maintain a higher growth compared to other provinces. At constant prices of 1990-91, total expenditure increased at the rate of 5 percent and over 3 percent in Punjab and Balochistan respectively. Sindh and NWFP are lagging behind with a negative growth in total expenditures on social sectors. In the context of development expenditures, a positive real growth is visible in Punjab (7.8%) and Balochistan (3.9%) while there appears a massive decline in development expenditures in the case of Sindh and NWFP (see Table 3). However, the growth of recurring expenditure has been positive except in the province of Sindh. Altogether, Sindh seems to be the major loser with decline in real growth of both development and recurring expenditures on social sectors.

Inter-provincial comparison of social sector expenditures by all provincial governments is illustrated in Table 4. The story repeats. Allocations under recurring expenditure to the social sectors in the next fiscal year we will increase in all the four provinces against the expenditure incurred in 1995-96. Development allocations, compared to 1995-96, are budgeted to increase, in nominal rupee terms, by Rs 3.1 billion in Punjab and by Rs 0.9 billion in Balochistan. A significant cut down amounting to Rs 1.3 billion and 0.9 billion has occurred in Sindh and NWFP respectively.

It is obvious from the above analysis that the provinces of Punjab and Balochistan are able to sustain a relatively adequate level of expenditures for social sectors, particularly development outlays, in the recent budget. However, Sindh and NWFP will lag behind. What factors have enabled Punjab to exhibit a relatively better performance? Have they got the message of the

TABLE 4
INTER-PROVINCIAL COMPARISON OF SOCIAL
SECTOR EXPENDITURE
[Rs in Billion]

| | 1995-96 | 1996-97 | 1997-98 |
|--------------------|----------------|----------------|----------------|
| | <i>(R)</i> | <i>(R)</i> | <i>(B)</i> |
| PUNJAB | 34.2 | 38.4 | 45.8 |
| Development | 7.7 | 7.4 | 10.8 |
| Recurring | 26.5 | 31.0 | 34.9 |
| SINDH | 17.6 | 17.1 | 18.6 |
| Development | 4.7 | 3.6 | 3.4 |
| Recurring | 13.0 | 13.5 | 15.2 |
| NWFP | 13.3 | 14.0 | 14.9 |
| Development | 4.4 | 3.8 | 3.5 |
| Recurring | 8.8 | 10.2 | 11.3 |
| BALUCHISTAN | 6.7 | 6.4 | 8.6 |
| Development | 2.9 | 2.6 | 3.8 |
| Recurring | 3.7 | 3.8 | 4.8 |

Source: Budget Documents of Provincial Governments

federal government to do away with the high dependence on federal transfers and try to fully exploit their own potential resources? Unfortunately, the answer is not “yes”.

It is very interesting to note that in the total Annual Development Programmes of respective provincial governments, Punjab’s own contribution in financing its ADP is the lowest among all the provinces even in absolute rupee terms. The government of Punjab has contributed only Rs 1.0 billion (less than 7 percent) in its total ADP outlay of Rs 15.0 billion while remaining part of ADP is being financed through soft loan from federal government of Rs 6.0 billion and foreign assistance of Rs 6.3 billion. Own contributions of other provinces to their ADPs are Sindh Rs 1.2 billion, NWFP Rs 3.0 billion and Balochistan Rs 2.8 billion. As a matter of fact, contributions of smaller provinces in their ADPs are greater than the bigger ones, over 60 percent in NWFP and 48 percent in Balochistan. It seems that federal assistance in terms of soft development loans is geared towards the province of Punjab. This is in line with historical sharing principals, namely, in keeping with the size of populations. In conclusion, it can be stated that the increase in the shares of social sectors in total provincial expenditures is merely window dressing. In actual reality, it appears that social sectors are going to suffer and the impact of recent provincial budgets on social sector development does not seem encouraging. Provincial governments will have to make more efforts to achieve at least the expenditure level of previous years.

Is Sap Expenditure Priority Still Valid?

by
Zafar H. Ismail, Nadeem Ahmed and Aisha Bano?

The paradigm that growth in the economic wealth of nations is sustainable only if it is accompanied by a corresponding improvement in its human capital and the quality of life that its residents enjoy. Improvements in the social well-being of a nation can be judged by public expenditure on the basic social services, which, after all are the responsibility of the state. Since 1992-93 Pakistan has been pursuing an accelerated programs to improve these indicators through the Social Action Programme (SAP).

The general impression is that owing to a financial crunch, the governments in Pakistan have backtracked on their commitment, both to the nation and the international donor community, in their outlays on SAP. One way of judging whether the outlays by government are in line with the commitments made is to examine their relationship to the economy at large. In other words, what is their relationship to the GDP? Table 1 shows that the target for 1996-97 was 2.24 percent and that expenditures during the year would be 2.19 percent of the GDP. The commitment for the terminal year of SAP-I with the donors was 1.7 percent. Thus the government has over-achieved financial outlays. For 1997-98, the start of SAP-II, the outlays are expected to be 2.17 percent, again higher than required. The commitment by government is, therefore, amply indicated. As may be expected the lion's share of allocations is for primary education, then followed by health, water supply and population welfare, in that order. A minuscule share is assigned to the "other" segment which caters for monitoring and evaluation and the newly introduced Participatory Development Programme. This latter is an experiment which is designed to increase the participation of NGOs in both the delivery of services and in mobilizing the community for their integration into the development process.

| TABLE 1 | | | |
|-------------------------------------|----------------|----------------|----------------|
| SAP Expenditures and GDP (%) | | | |
| | 1996-97 | | 1997-98 |
| | Budget | Revised | Budget |
| Outlay as % of GDP | 2.24 | 2.19 | 2.17 |
| Education | 1.41 | 1.41 | 1.40 |
| Health | 0.44 | 0.43 | 0.41 |
| Water Supply | 0.29 | 0.28 | 0.28 |
| Population Welfare | 0.08 | 0.07 | 0.07 |
| Other | 0.02 | 0.01 | 0.01 |

Source: Provincial Governments, Federal Area Administration and Ministries

? The authors are Principal Specialist, Economist and Research Assistant with the Social Policy and Development Centre (Karachi).

An alternative way of judging the commitment to SAP is to look at SAP expenditures during the current fiscal year and those proposed for the next. This is shown in Table 2. This shows that aggregated for all regions and governments in Pakistan, expenditures (combined recurring and development) on SAP were nearly as allocated, 98 percent of the targeted level for 1996-97. These will increase by 13.8 percent next year. The former clearly indicates the intent of the government to fully protect SAP allocations from the cuts they have had to impose on other sectors of the economy as a result of substantial declines in resource availability during the year. The latter, moreover, is an increase of nearly 5 percent in real terms and is indicative of their combined commitment to investment in the SAP sectors.

| | 1996-97 | | | 1997-98 | |
|--------------------|----------------|----------------|-----------------|----------------|-------------|
| | Budget | Revised | Performance (%) | Budget | Growth (%) |
| Federal | 7816.0 | 7109.0 | 91.0 | 7864.2 | 10.6 |
| <i>Recurring</i> | 2017.3 | 1928.3 | | 2308.8 | |
| <i>Development</i> | 5798.7 | 5180.7 | | 5555.4 | |
| Punjab | 25118.0 | 25341.0 | 100.9 | 28890.8 | 14.0 |
| <i>Recurring</i> | 18754.0 | 19086.0 | | 21564.2 | |
| <i>Development</i> | 6364.0 | 6255.0 | | 7326.6 | |
| Sindh | 9573.0 | 8928.0 | 93.3 | 9623.0 | 7.8 |
| <i>Recurring</i> | 6619.0 | 6626.0 | | 7120.0 | |
| <i>Development</i> | 2954.0 | 2302.0 | | 2503.0 | |
| NWFP | 8837.0 | 9047.0 | 102.4 | 10462.0 | 15.6 |
| <i>Recurring</i> | 4663.0 | 4863.0 | | 6055.0 | |
| <i>Development</i> | 4174.0 | 4184.0 | | 4407.0 | |
| Balochistan | 4697.0 | 4503.0 | 95.7 | 5649.0 | 25.4 |
| <i>Recurring</i> | 2386.0 | 2382.0 | | 2906.0 | |
| <i>Development</i> | 2311.0 | 2121.0 | | 2743.0 | |
| National | 56041.0 | 54928.0 | 98.0 | 62489.0 | 13.8 |
| <i>Recurring</i> | 34439.3 | 34885.3 | | 39954.0 | |
| <i>Development</i> | 21601.7 | 20042.7 | | 22535.0 | |

Source: Provincial Governments, Federal Area Administration and Ministries

A comparison by region indicates that the performance of expenditure last year was somewhat similar for all regions and governments. Punjab and NWFP are expected to end the year 1996-97 with a higher than targeted level of expenditure. However, the growth in allocations for the next year vary from region to region. The Federal Government's outlay (covering all areas under their control and some national programmes, e.g., Lady Health Workers, Expanded Programme of Immunisation, Family Planning) is targeted to increase by 10.5 percent. Punjab plans to increase outlays by 14 percent. Both NWFP and Balochistan plan substantially higher rates of increase. The province of Sindh, however, appears to have planned increase of only 7.8 percent, one percentage point lower than

the expected inflation rate next year. In other words, Sindh plans to reduce its outlays on SAP in real terms.

The inter-sectoral comparison of aggregate expenditures is shown in Table 3. This shows that the utilisation of allocations by the primary education, primary health and water supply sectors has been satisfactory. However, the low utilisation rate for population welfare is indicative of a breakdown in the system of delivering these services. A closer analysis would indicate that this is attributable largely to development outlays, that is the actual delivery of the product - family planning material - to the end-user. As this would appear to be true, then the claims for a reduction in the population growth is suspected. The Participatory Development Program started nearly half-way during the current year and the monitoring and evaluation activities have also apparently been allowed to slide.

Therefore, the lowest rate of utilisation in the “others” category.

A further analysis of Table 3 suggests that the utilisation of recurring expenditures is substantially higher than that for development. The latter may be explained as being the result of a number of causes. These

| | 1996-97 | | | 1997-98 | |
|--------------------|----------------|----------------|-----------------|----------------|-------------|
| | Budget | Revised | Performance (%) | Budget | Growth (%) |
| Recurring | 34439.3 | 34885.3 | 101.3 | 39954.0 | 14.5 |
| Education | 26678.0 | 26913.0 | 100.9 | 30956.8 | 15.0 |
| Health | 5854.0 | 6081.0 | 103.9 | 7000.6 | 15.1 |
| Water Supply | 1875.0 | 1862.0 | 99.3 | 1962.8 | 5.4 |
| Population Welfare | 32.0 | 29.0 | 90.6 | 33.0 | 13.8 |
| Other | 0.3 | 0.3 | 100.0 | 0.8 | 166.7 |
| Development | 21601.7 | 20042.7 | 92.8 | 22535.0 | 12.4 |
| Education | 8604.0 | 8370.0 | 97.3 | 9425.5 | 12.6 |
| Health | 5199.0 | 4576.0 | 88.0 | 4684.7 | 2.4 |
| Water Supply | 5403.0 | 5101.0 | 94.4 | 6195.7 | 21.5 |
| Population Welfare | 2001.0 | 1707.0 | 85.3 | 2073.0 | 21.4 |
| Other | 394.7 | 288.7 | 73.1 | 156.1 | -45.9 |
| Total | 56041.0 | 54928.0 | 98.0 | 62489.0 | 13.8 |
| Education | 35282.0 | 35283.0 | 100.0 | 40382.3 | 14.5 |
| Health | 11053.0 | 10657.0 | 96.4 | 11685.3 | 9.6 |
| Water Supply | 7278.0 | 6963.0 | 95.7 | 8158.5 | 17.2 |
| Population Welfare | 2033.0 | 1736.0 | 85.4 | 2106.0 | 21.3 |
| Other | 395.0 | 289.0 | 73.2 | 156.9 | -45.7 |

Source: Provincial Governments, Federal Area Administration and Ministries

include, but are not limited to, delays in releases from both the finance departments and the reimbursement from donors.

Of interest also is what has happened to government's commitment to increase non-salary expenditures. Table 4 presents this analysis.

The Table shows that the aggregate outlay on salary for all sectors and regions combined was targeted to be 86.4 percent during fiscal year 1996-97. The year is expected to consume 87 percent of the expected expenditures by the year-end. Other than the water supply sector, each of the other sectors are expected to be higher than their budgets. This would imply that this part of the commitment has not been met. During the next year, the aggregate outlay on salary is expected to be lower by marginally less than one percentage point that is 85.6 percent. Sector-wise plans are to increase the proportion of expenditure on salary for the water supply and population welfare sectors, perhaps as a result of filling in critical vacancies to ensure better delivery of services in these sectors.

In summary, therefore, it would appear that contrary to apprehensions both by the more vocal segments of civil society and the international donor community, the government

| TABLE 4 | | | | | | |
|---|----------------|-----------------|----------------|----------------|-----------------|----------------|
| SALARY EXPENDITURES ON SAP SECTORS | | | | | | |
| <i>(Rs Million)</i> | | | | | | |
| | 1996-97 Budget | 1996-97 Revised | 1997-98 Budget | AS % OF TOTAL | | |
| | | | | 1996-97 Budget | 1996-97 Revised | 1997-98 Budget |
| FEDERAL | 1669.0 | 1619.2 | 1877.2 | 82.7 | 84.0 | 81.3 |
| Education | 1169.0 | 1122.0 | 1333.0 | 91.7 | 94.1 | 92.4 |
| Health | 402.0 | 401.0 | 439.0 | 69.3 | 69.6 | 65.1 |
| Water Supply | 69.0 | 69.0 | 74.0 | 53.1 | 52.7 | 46.5 |
| Population | 29.0 | 27.0 | 31.0 | 90.6 | 93.1 | 93.9 |
| Welfare | 0.20 | 0.20 | 0.20 | 66.7 | 66.7 | 25.0 |
| Others | | | | | | |
| PUNJAB | 16774.0 | 17234.0 | 19304.0 | 89.4 | 90.3 | 89.5 |
| Education | 0 | 4 | 0 | 95.4 | 96.9 | 95.2 |
| Health | 14760.0 | 14989.0 | 16975.0 | 68.4 | 68.5 | 66.4 |
| Water Supply | 0 | 0 | 0 | 34.0 | 34.0 | 40.7 |
| | 1784.0 | 2015.0 | 2081.0 | | | |
| | 230.0 | 230.0 | 248.0 | | | |
| SINDH | 5862.0 | 5858.0 | 6210.0 | 88.6 | 88.4 | 87.2 |
| Education | 4734.0 | 4819.0 | 4876.0 | 93.1 | 92.5 | 92.1 |
| Health | 943.0 | 909.0 | 1133.0 | 76.3 | 80.2 | 75.7 |
| Water Supply | 185.0 | 130.0 | 201.0 | 62.1 | 45.8 | 61.5 |
| NWFP | 3493.0 | 3693.0 | 4378.0 | 74.9 | 75.9 | 72.3 |
| Education | 2707.0 | 2907.0 | 3501.0 | 80.7 | 81.8 | 77.5 |
| Health | 599.0 | 599.0 | 666.0 | 68.4 | 68.4 | 66.0 |
| Water Supply | 187.0 | 187.0 | 211.0 | 43.3 | 43.3 | 40.1 |
| BALUCHISTAN | 1945.0 | 1945.0 | 2377.0 | 81.5 | 81.7 | 81.8 |
| Education | 1382.0 | 1382.0 | 1739.0 | 92.4 | 92.6 | 92.7 |
| Health | 381.0 | 381.0 | 457.0 | 69.0 | 69.0 | 66.3 |
| Water Supply | 182.0 | 182.0 | 181.0 | 53.8 | 53.8 | 53.1 |
| NATIONAL | 29743.0 | 30349.0 | 34146.0 | 86.4 | 87.0 | 85.5 |
| Education | 2 | 6 | 2 | 92.8 | 93.7 | 91.8 |
| Health | 24752.0 | 25219.0 | 28424.0 | 70.2 | 70.8 | 68.2 |
| Water Supply | 2 | 4 | 0 | 45.5 | 42.9 | 46.6 |
| Population | 4109.0 | 4305.0 | 4776.0 | 90.6 | 93.1 | 93.9 |
| Welfare | 853.0 | 798.0 | 915.0 | 66.7 | 66.7 | 25.0 |
| Others | 29.0 | 27.0 | 31.0 | | | |
| | 0.20 | 0.20 | 0.20 | | | |

Source: Provincial Governments, Federal Area Administration and Ministries

is not renegeing on its promises and commitments, even though it is faced with an enormous financial constraint and pressures to invest into economic infrastructure.

**Inter-Sectoral Priorities of Provinces in
Annual Development Programme
by
Abu Nasar and Naeem Ahmed[?]**

Pakistan's previous pace of economic growth cannot be sustained without substantial investment in human development. Few countries in the world show a large gap between economic growth and human development. Pakistan's social and human indicators make dismal reading. Two thirds of its totals adult population (77 percent of women) are illiterate. Combined school enrolment is only 37 percent. Basic health facilities are available to only half the population. The maternal mortality rate is very high at 340 per 100,000. A quarter of newborn babies are under weight and malnourished. Both coverage and quality of basic social service are extremely poor.

As far as the consolidated performance of all the four provinces is concerned there was a substantial decrease of 29% in 1996-97 as compared with 1995-96. (See Table 1). The allocation for the social sectors in 1996-97 decreased by 11.5%. However the decline in the economic sectors is much higher i.e., 44% as compared to 1995-96. In the financial year of 1997-98 budget allocation for ADPs has

increased by 19% with respect to revised estimates of 1996-97. The overall effort of provinces indicate high priority to the social sectors. As the allocation for the social sectors have increased by 24% and the allocation to economic sectors will increase by about 13% in 1997-98 over the revised figures of 1996-97.

| TABLE 1 CONSOLIDATED PERFORMANCE OF PROVINCES | | | |
|---|--------------------------|------------------------|------------------------|
| Sectors | Rupees in Million | | |
| | 1995-96 (R) | 1996-97 (R) | 1997-98 (B) |
| Social Sectors | 19666.1 | 17414.0 | 21590.1 |
| Education and Training | 7331.6 | 7232.4 | 8053.5 |
| Health | 3110.6 | 2319.7 | 2742.4 |
| Physical Planning & Housing | 8070.3 | 6662.9 | 8782.5 |
| Others | 1153.6 | 1199.0 | 2011.8 |
| Economic Sectors | 23371.6 | 13025.1 | 14702.9 |
| Agriculture | 3867.7 | 2613.0 | 3075.4 |
| Rural Development | 5675.9 | 2432.0 | 1796.5 |
| Water and Power | 4902.2 | 3764.5 | 3955.3 |
| Transport and Communications | 4123.5 | 2883.6 | 2944.4 |
| Others | 1302.3 | 707.0 | 931.2 |
| Tamir-e-Sindh Programme | 3500 | 625 | 2000 |
| Total ADP | 43037.684 | 30439.115 | 36293.026 |
| <i>Source: Annual Development Programme of Provinces.</i> | | | |

[?] The writers are Statistician and Research Assistant at Social Policy and Development Centre (SPDC), Karachi.

The consolidated picture in table-1 shows that provinces have given high priority to education & training within social sectors and to water/power sector in the economic sectors i.e., 22% and 10% of the total ADP respectively.

As far as the performance of individual provinces in the current fiscal year is concerned, additional taxes have only been imposed by the provincial government of Punjab. Therefore, it is important to analyze how the provincial government managed their priority expenditure in the ADP keeping in mind the limits on resources. Under the circumstances, it will be interesting to analyze the impact of these priority expenditures.

PUNJAB

The government of Punjab has proposed an ADP of Rs.15,733 million which is 47% higher than the revised estimates of 1996-97. On education side Punjab government proposes to enhance participation of local population in increasing educational activities in the rural areas in particular through the already working network of school management committees. Therefore, the education/training expenditure is almost 19.3% (Rs. 3036 million) of the total ADP which is the second highest allocation. In the fiscal year 1997-98 the provincial government of Punjab has given special attention to ongoing schemes. No specific provision is kept for new schemes in technical education sector.

The outlay of physical planning/housing which includes water supply and sanitation is almost 35% of the total ADP (see table 2). It is even higher than the allocation to economic sectors. In terms of allocation the third is agriculture (10.7%) and fourth (9.7%) is health expenditure. Expenditure on rural development, water/power and transport / communication show a declining trend after 1995-96.

BALUCHISTAN

First time in the history of Balochistan, the provincial government has evolved a policy for economic development while remaining within its financial resources. Accordingly the Chief Minister has decided to launch a new programme based on community participation approach in development planning. The main criteria for approval of these schemes would be the extent of benefit to the community rather than the individual and their completion within one year. The scheme will be required to be identified by the community on demand driven basis.

Balochistan government has allocated Rs. 5,821 million to its ADP for 1997-98. Allocation for the social sectors is almost 65.5% of the ADP. Previously it was 55% in 1996-97 and 50% in 1995-96. This shows that Government of Balochistan has given more priority to the social sector. Within the social sector, expenditure on education / training receives the highest share (about 32%). Physical planning & housing get the second highest allocation in terms of level and share. Although health expenditure gets the third largest outlay in the social sector their allocation has decreased from 8.1% in 1996-97 to 6.6% in 1997-98 of the total ADP. On the economic side Balochistan is the only

province with the highest allocation of 15.4% of total ADP to transport/ communication. Agriculture and water/power with 9.3% and 8% of ADP are ranked second and third in terms of allocation.

NWFP

Government of NWFP has allocated Rs.5,177 million to the 1997-98 ADP. This allocation is Rs.675 million less than 1996-97. Despite the limited resources, social sector receives priority over the economic sectors. Social sector allocation is almost 69% of total ADP in 1997-98. It was about 65% in 1996-97 and 52% in 1995-96.

Within the social sector, expenditure on education & training has been given top priority, about 35% of ADP, which is even higher than the total economic sectors. Physical planning & housing and health get 21.6% and 6.2% of total ADP respectively.

On the other hand, within the economic sectors, agriculture and water/power get approximately equal share of 9.5% of ADP followed by transport & communication and rural development. Rural development received priority within the economic sectors in 1995-96.

SINDH

The Sindh Government has allocated Rs.9,562 million for their forthcoming Annual Development Programme. Rs.3,378 million of total ADP will be spent only on on-going schemes. A look at inter-sectoral allocation shares reveals that Sindh is the only province among the four, which has allocated a higher proportion to economic sectors 64.4% of the ADP. Over the last two years economic sectors in Sindh received higher share than the social sectors.

Unlike other provinces Sindh Government has decreased their outlay on education. As a percentage of total ADP, it is 5% less than in 1996-97. Physical planing / housing gets the highest allocation within the social sector, i.e., about 15.2% of total ADP. Rural development is an important head of the economic sector because the expenditure under the head improves the living standard of rural population. In the current fiscal year the allocation is only 5.3%. This is almost 9% less than in 1996-97. Similarly allocation for agriculture is also less than that for the previous year.

A perusal of the table reveal that the provinces in their allocation have given priority to promote education thereby committing themselves for enhancing the literacy rate in the country in near future. It has also been observed that all the four provinces have also given priority to the completion of existing on-going projects instead of committing funds for new projects.