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# Fiscal performance of Six Selected Taluka Municipal Administration in Sindh Fy 2001 to Fy 2005.

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Devolution of government financial authority has been an important component of the fiscal reforms implemented by the Musharraf government on the advice of the IMF, the World Bank and the Asian Development Bank since 2000. Devolution of fiscal authority has been integrated into the scheme for the establishment of local government in Sindh. The legal framework for this devolution of fiscal authority is provided by the Sindh Local Government Ordinance (SLGO) of 2001. The fiscal responsibility of Taluka and Town Municipal Authorities (TMAs) have been significantly enhanced by this legislative act.

This paper prevents an analysis of the fiscal performance of six Sindh TMAs during Fy 2001 to Fy 2005. Section 1 describes the work done by successive Provincial Finance Commissions (PFC) established under SLGO 2001. Section II describes the fiscal responsibility of the TMAs and associated procedures for discharge of these responsibilities. Section III analysis the budgeting performance of six Sindh TMAs during Fy 2002 – Fy 2005 (Mithi, Badin, Naushahro Feroze, Dadu, Sanghar and Khairpur). Conclusion are presented in section IV.

## I. Sindh PFCs Assessment and Recommendation.

The institution of fiscal transfers to local government in Sindh has emanated from the system of devolution brought about by Sindh Local Government Ordinance (SLGO 2001). Resources are required by every level of government to incur expenditure on discharge of functions. It is also well known that the resources generated by the lower tiers of government at present are hardly sufficient to meet their expenditure needs necessitated by new responsibilities under SLGO 2001.

A Provincial Finance Commission has been constituted under SLGO 2001 Membership of the PFC had some important features. While it is a political and representative body with the Finance Minister Sindh as its head. It also includes one Zila Nazim, one Taluka or Town Nazim and one Union Nazim, besides three public servants and three professional members from the private sector who are also nominated as members. Its composition had also made the PFC a strong technical body.

The Commission had been assigned the usual functions entrusted to such bodies under Section 120-D of SLGO 2001. It has to make recommendations to the Governor of Sindh for:

a) A formula for distribution of proceeds from the Provincial Consolidated Fund between the Provincial Government and the Local Governments. The Provincial Consolidated Fund had to be first bifurcated into the amount to be retained by the Provincial Government for its own use (the Provincial Retained Amount) and the amount set aside for the needs of the Local Governments (called the Provincial Allocable Amount).
b) The second important function of the Commission is to decide about the distribution of the Provincial Allocable Amount among the District Governments, Talukas and Town Administrations.
c) The making of grants in aid by the Provincial Government to the Local Governments out of the Provincial Retained Amount has also to be recommended by PFC.

The way to put the approach, methodology and formulas used by PFC Sindh into proper perspective is to go over the awards of the Commission made in June 2002 and June 2004.

The first interim award of the first PFC Sindh, made in June 2002, was considered a pioneering effort in local government finance. It is relevant to recall the methodology used and formulas developed by the first PFC, as its basic recommendations, were also implemented in the years 2002-03 and 2003-04. The present Commission has also built upon the same principles.

## AWARD FOR 2004-05

The Commission reconstituted on 2nd June 2003, has followed the same methodology and approach as the previous Commission. Its membership is similar though some individuals have changed and its functions defined under section 120-D of SLGO 2001 are the same as were performed by the previous Commission. The Commission is required to distribute the proceeds of the Provincial Consolidated Fund between the Provincial Government and the Local Governments by dividing them into Provincial Retained Amount and the Provincial Allocable Amount. The Provincial Consolidated Fund comprises of the following:

1. Federal Tax Assignments
2. Straight (Federal) Transfers
3. Provincial Own Tax |Revenues
4. Provincial Non- Tax Revenues
5. Federal OZT Grants (2.5% of GST collections)
6. Loans and Grants from Donor Agencies.

The Commission first determined the size of the Provincial divisible pool by including the following three items:

1. Federal Tax Assignments
2. Straight Transfer; and
3. Provincial Tax Receipts

It will be seen that OZT grant has not been included in the Provincial Divisible Pool as it goes directly to the Local Governments. Provincial Non-Tax Receipts are also not part of it because these are basically user changes for which the provincial government provides services in return. Loans remain the resource of provincial government, whereas the Local Governments cannot borrow.

There is another category of provincial expenditures, which is common to both. This includes item such as pension, debt servicing, and subsidy and priority programs. The Commission agreed that these expenditures should first be adjusted against the Pool and the Net Divisible Pool should then be distributed.

The Commission took into account the Provincial expenditures on Establishment and Commodities to determine the Province's expenditure needs. The combined District Government expenditure was given an increase of 15% in basic salary and the cost of utilities was raised by 6%. The amounts pertaining to new posts in education and health in the District Government were also protected.

The expenditure benchmarks of the two levels of government were thus determined. These showed a shortfall in the available net divisible pool. The Commission however decided that no deficit could be left in the District Budgets and the Province must bear the major share of overall deficit. The Province expected to cover the deficit after receipt of arrears from Islamabad. The Commission recommended the division of the net divisible pool between the Provincial Government and the District Governments on the basis of a 45.55 ratio and thus arrived at the Provincial Retained Amount and Provincial Allocable Amount.

The Commission discussed the existing formula of horizontal distribution, i.e. among LGs, at length. It accepted the indicators and weightages of population (50%) backwardness (17.5%) and tax collection (7.5%). The previous Commission had decided to review the question of transitional transfer. The new Commission decided to gradually taper off transitional transfer. However, it felt that there were still many districts, which did not get sufficient funds on the basis of the first three criteria (population, backwardness and tax collection) and the transition component was therefore needed. Accordingly the weightage of transition was reduced to 20% (from 25%) and 5% was kept for performance. Performance benchmarks were to be finalized by the PFC later.

### *Exhibit One*

Distribution of Provincial Divisible Fund Among Local Government

| | |
|---|---|
| Population | 50% |
| Backwardness | 17.5% |
| Tax Collection | 7.5% |
| Transitional Grant | 20% |

The issue of 2.5% GST was also reviewed by the Commission after accounting for the historic shares of district governments and TMAs (In the base year 1998-99 fixed grants of Rs. 0.6 Million per annum were provided to 1095 UAs, and Rs. 1.2 Million per annum to new TMAs). Pension liability of the local government employees was also to be cleared. A new formula, Multi Indicator Deprivation Index, MDI for calculating the backwardness of TMAs was adopted in consultation with the Applied Economics Research Centre (AERC), University of Karachi. Under this formula, the TMAs would get their share out of residual amount of GST Grant on the basis of the following formula:

### *Exhibit Two*

**Residual GST to TMAs**

| | |
|---|---|
| Population | 50% |
| Human Development Index (HDI) | 40% |
| Tax Collection | 10% |

Some additional amounts under foreign aid are also likely to become available for distribution to districts and TMAs. About Rs. 2 billion were expected to be released under DSSP (Devolved Social Services Program) annually. For DSSP funds, the following formula has been suggested:

***Exhibit Three***

**DSSP Allocation Formula**

| | |
|---|---|
| Population | 50% |
| Backwardness | 40% |
| Equal Share | 10% |

It will be noted that under these arrangements there is no separate allocation for local development programs. The development needs of local governments will be met out of their revenue surplus if they can curtail or control their salary expenditure. Other sources can be grants from the Provincial and Federal Governments and foreign donors. Figures of past years show that considerable funds were released to LGs for development financing.

There are four basic principles, which the PFC was required to follow. These are identified in the law as:

- Fiscal Need
- Fiscal Capacity
- Fiscal Effort; and
- Performance

These terms have not been defined in the law. They should therefore have the same meaning as in ordinary language.

## FISCAL NEED

Fiscal need may be taken to mean the expected or rather the estimated level of expenditure of the two tiers of government (provincial and local). We have seen that these are determined through expenditure benchmarks fixed by the PFC based on historical data.

These estimates indicate the amount that is needed beyond what the local governments can obtain through its own source revenue.

There can be several determinants for assessing relative expenditure needs, such as, under-development, lack of infrastructure and poor social indicators. One can apply multiple indicator indices. Population, which is both an asset and a liability, and has a bearing on the cost of service delivery, has been a traditional basis for revenue distribution at federal level in Pakistan.

It will be interesting to note that fiscal need has been the dominant factor in resource distribution amongst local governments in Sindh. The 2002 formula for distribution of resources for current expenditure gives 92.5% weight to fiscal need. In the 2004 formula fiscal need is assigned 87.5% weightage. In residual GST it is 90% and in foreign aid allocation it is 100%.

## FISCAL CAPACITY

Capacity in general is difficult to measure. It refers to the ability of a local government to raise its production and investment. This capacity is created by the stage of development and level of economic activity of an area. Typically a poor district has a high fiscal need and low fiscal capacity. A good transfer system should ensure that over time capacity is equated with need. Decentralization is one way of building capacity. Fiscal capacity can best be built by allocation of development funds and offering incentives to the private sector to invest in a particular jurisdiction.

## FISCAL EFFORT

The tax system is the main vehicle for funding government operations at any level. The Second Schedule to SLGO 2001 has a long list of taxes, cesses, user charges and fees that the local government can impose. Assessment can be made about efforts being made to improve own source receipts.

**Efforts can be reflected in various ways:**

1. If a local government was serious by interested in raising fiscal effort it would appoint a committee from among its council members to discuss issues on taxation and tax potential.

2. It could assign responsibility to one of its officers for obtaining new information on its own revenues.

3. It could maintain historical data for the last five years or so and undertake survey of its revenues base.

4. It could use the services of a professional finance expert for identifying revenue potential.

During our contacts with the representatives of local governments we did not find that any of the above measures were being taken to a significant extent. It therefore appears that contrary to expectations the new transfer system has not created any incentives for resource mobilization at the local level. There had neither been any enhanced effort at increasing our sourse funding for development projects, nor the expectations of grass root participation in development have been realized. The idea of matching contributional grants has also not really taken off.

**PERFORMANCE**

This principle has not so far been formally defined. Understanding in the past has been that performance could mean expenditure management, service delivery and / or fiscal effort.

It can in fact mean many more things. Targets for social sector projects in education, health, poverty, alleviation and for local infrastructure development (for water supply, sanitation, local roads etc) can be easily linked with conditional grants.

## *II. Fiscal Responsibilities of TMAs*

The Sindh Local Government Ordinance 2001 has created the Taluka Municipal Administration in replacement of Urban Local Council (ULC). TMA is a body corporate and is exclusively responsible for municipal services. The municipal functions which were earlier performed by the now defunct district council have also been assigned to TMAs. Administration of sectors such as education, health and animal husbandry previously performed by the defunct ULCs in urban areas have now become the responsibility of the District Governments.
Every TMA has a Town Municipal Officer (Finance) (TMO-F) who is responsible for budget, revenues and accounts including survey for surveillance and revenue potential. As stated earlier TMAs obtain the bulk of their financial resources under an award from the Provincial Finance Commission. This award is usually for a period of three years.

The TMA is a single accounting unit for the Taluka as against a number of accounting entities under the defunct ULCs. The Auditor General (AG) of Pakistan prescribes the forms, methods and principles for maintenance of accounts at all levels. The chart of classifications for the federal, provincial and local governments is to be prescribed by the AG for uniformity and to enable integration of accounts.

The Controller General of Accounts (CGA) under the CGA Ordinance 2001 is responsible for maintaining the accounts and their integration. The Project for Improvement of Financial Reporting and Accounting (PIFRA) has been engaged in computerization of accounts currently upto district level and later upto the Taluka level also. The audit of a TMA continues to be conducted by the Local Fund Audit staff. The local council staff conducts the pre-audit of all payments pending the rules, methods and procedures to be provided by the AG.

The preparation, discussion, approval and implementation of TMA non-development budgets are on the same line as before the establishment of TMAs. The development budget of the TMA is based on the availability of surplus in the Taluka Local Fund Account. The decentralized departments continue to have their development budget allocated by the provincial government to the relevant district government and the amounts are shown in the ADP of the district government. 25% of the development budget has to be set aside for contributory projects which can’t lapse. However little documentation is available in this regard for the six TMAs surveyed in this study.

TMA revenues include current revenue and capital receipts. Current revenues are taxes, fees and user charges (on water, sewerage, drainage etc) and income from property and enterprise (rent from shops, slaughter house charges etc.)
The inter-governmental transfers based on PFC award are also included in TMA current revenues. The inter-government transfers are:

a. Current budget for the employees of decentralized departments of the Government of Sindh (GOS) now working in the TMA.

b. Development Grant, share of TMA in the provincial ADP / development budget.

c. Share from Federal tax collection in respect of GST (General Sales Tax) amounting to one-sixth of the total collection.

Capital receipts include receipts from the sale of land, other assets, recovery of arrears etc.

Only the following revenues of TMA have been considered as revenues specifically pertaining to the TMA Head Quarter urban area of the TMA due to reasons mentioned against each:

- Urban Immoveable Properties Tax (UIPT) (received from the rating area i.e. within the municipal limits of the defunct ULCs).
- Tax on Transfer of Property (received from transfer of properties situated in the defunct ULCs).
- User Charges (arising from water supply, sewerage, drainage and other municipal services provided by the TMA).
- Rent of municipal properties (these properties belong to the defunct ULCs and were constructed out of their savings).
- Cattle markets (where these were traditionally held in the urban areas).
- Octroi Compensatory Grant (this is in compensation for the Octroi income of the defunct ULCs), and
- Share in inter-government transfers for development expenditure.

All other revenues have been considered as revenues of the TMA from its regulatory and municipal functions in the entire Taluka.

Current expenditure includes establishment (salaries, allowances, pension funds, gratuity, etc), contingencies, charged expenditure, and repairs etc.

Capital expenditure includes works planned under the Annual Development Program, Contributory Projects and payment of liabilities for works.

In the context of the defunct local governments, according to the instructions of the provincial government, salaries of sanitation staff, liabilitie4s for development works, and development works were classified as development expenditure.

Contingent expenditure refers to all current expenditure on POL, office expenses, electricity, telephone, repair of furniture etc.

Charged expenditure includes audit fee, contribution to the Local Council and other expenditure prescribed by the government as charged expenditure. The honoraria of Tehsil Nazim and Naib Tehsil Nazim and allowances for members of the Council have been declared as charged expenditures on the local fund.

## III Fiscal Performance of Six TMA, Fy 2002 – Fy 2005.

We have collected actual income and expenditure statements from the Finance Office of TMO(F)s which have been grouped together for each major head of expenditure and source of revenue. The objective of this format was to identify the major components of TMA finances. The following discussion would also identify the fiscal problem of each TMA and enable us to formulate tentative views about the potential of TMA own revenue sources.

### 1. Taluka Municipal Administration Mithi

The following table shows the financial performance of this TMA during the Fy02 to Fy05.

**TABLE 1**
**Income & Expenditure Statement**

**TALUKA MUNICIPAL ADMINISTRATION MITHI**
**DISTRICT THARPARKAR**
**(2001-2005)**

| S. No | Description | Year | | | | |
|---|---|---|---|---|---|---|
| | | 2001-2002 (Actual) | 2002-2003 (Actual) | 2003-2004 (Actual) | 2003-2004 (Revised) | 2004-2005 (Budget) |
| 1 | Share of OZT | 47,52,156/= | 75,70,947/= | 74,48,232/= | --- | 84,00,000/= |
| 2 | Other Taxes | 2,52,789/= | 1,88,265/= | 11,83,163/= | --- | 27,55,000/= |
| 3 | Water Rates | 14,20,641/= | 18,44,725/= | 52,78,889/= | --- | 75,00,000/= |
| 4 | Parking Fee | 19,476/= | 1,35,625/= | 80,005/= | --- | 3,00,000/= |
| 5 | Market Fee | --- | --- | --- | --- | --- |
| 6 | Shop Rent | 1,14,389/= | 1,89,000/= | 3,42,579/= | --- | 6,00,000/= |
| 7 | Miscellaneous Receipts | 6,90,909/= | 11,24,020/= | 95,792/= | --- | 2,00,000/= |
| 8 | Capital Income | 20,020/= | 11,405/= | 1,46,62,023 | --- | 2,00,28,985/= |
| **Total** | | **72,52,380/=** | **1,19,55,987/=** | **2,90,94,943/=** | **---** | **3,97,83,985/=** |
| | **Expenditure** | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 9 | Salary | 53,65,948/= | 69,09,556/= | 1,47,81,922/= | --- | 1,53,93,848/= |
| 10 | Community Services | 5,67,903/= | 8,48,433/= | 1,09,04,103/= | --- | 1,36,44,616/= |
| 11 | Charged Expenditure | 2,46,000/= | 3,000/= | 1,26,815/= | --- | 94,000/= |
| 12 | Repair and Maintenance | 6,71,676/= | 1,30,03,567/= | 51,08,778/= | --- | 1,00,00,000/= |
| **Total** | | **68,51,527/=** | **2,07,64,546/=** | **3,09,21,618/=** | **---** | **3,91,32,464/=** |

The above table shows high annual fluctuation both vertically as well as horizontally. The share of OZT fell from 66% in 2001-02 to 21% in 2004-05. The magnitude of OZT has been rising over time. But the pattern of other sources of revenue is extremely volatile. For instance, capital receipts rose from Rs 20,020 in 2001-02 to Rs 2,00,28,985. a 1000 = percent increase. The water rates collections show a welcome trend in that its amount has been rising annually.

The record of annual expenditures are also very unsatisfactory both vertically and horizontally. The total expenditure rose from Rs 6.85 million in 2001-02 to Rs 39 million, showing an increase of about 5 times. Repair and maintenance cost rose from 10% of the total in 2001-02 to 25% of the total in 2004-05.

The above discussion reveals that financial management in this TMA is unsatisfactory. Moreover the regular sources of tax revenue are very limited. The TMA depends almost exclusively upon fiscal transfer and capital receipts. There are recurring deficits in substantial amounts.

## 2. Taluka Municipal Administration Badin

The following table summarizes the financial performance of TMA Badin.

**Table 2 Taluka Municipal Administration Badin**

**INCOME AND EXPENDITURE STATEMENT OF TMA BADIN (2001-2005)**

**(In Pak Rupees)**

| S. No | Description | Year | | | | |
|---|---|---|---|---|---|---|
| | | 2001 (Actual) | 2002 (Actual) | 2003 (Actual) | 2004 (Revised) | 2005 (Budget) |
| 1 | Share of OZT | 10508667 | 11036351 | 11673717 | 27313000 | 28764000 |
| 2 | Other Taxes | 227552 | 2131614 | 2205389 | 2736041 | 3732806 |
| 3 | Water Rates | 564068 | 678285 | 758931 | 830000 | 2503700 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 4 | Parking Fee | 215698 | 268746 | 263315 | 315000 | 481422 |
| 5 | Market Fee | --- | 50000 | 165355 | 217000 | ---250000 |
| 6 | Shop Rent | 263073 | 213260 | 235635 | 325000 | 571500 |
| 7 | Miscellaneous Receipts | 762219 | 886734 | 2366582 | 526000 | 608276 |
| 8 | Capital Income | 742307 | 2431639 | 989874 | 621330 | 11455000 |
| **Total** | | **13283584** | **17696629** | **18663798** | **32883371** | **48366704** |
| | **Expenditure** | | | | | |
| 9 | Salary | 8797249 | 11936839 | 12596096 | 14201339 | 17525873 |
| 10 | Community Services | 2251518 | 2407977 | 5924922 | 3753520 | 9397000 |
| 11 | Charged Expenditure | 93518 | 1500 | 5000 | 8000 | 114000 |
| 12 | Repair and Maintenance | --- | --- | --- | 19346122 | 28938630 |
| **Total** | | **11142287** | **14346316** | **18526018** | **37308981** | **55975503114000** |

This table sums up the financial management position in TMA Badin. Fiscal transfer (i.e. OZT) has the largest share in its total income which stood at 79% is 2001-02. the share of OZT has fallen to 59% is 2004-05 although the absolute amount has gone up during the same period by 173 percent which is nearly double. The Capital income shows wide fluctuation. It increased from Rs 0.7 million in Fy 02 to Rs 11 million Fy 05 showing an increase of over fourteen times. Such figures speak loudly about haphazard financial management in TMA Badin.

The expenditure profile is also volatile. The salaries show a trend which is normal. Salaries have gone up consistently and their level has almost doubled in five years rising from Rs 8.8 million in 2001-02 to Rs 17.5 million in 2004-05. Expenditure on community services has been fluctuating substantially. Repair and maintenance expenditure constitutes about half of the total annual expenditure which makes little sense. In brief, the income and expenditure streams establish that the budgets show deficits in most years and that financial management seems to be highly unsatisfactory. Fiscal deficit and imbalances in budgeting practices appear to be an insurmountable administrative bottleneck for up-gradation and further development of municipal services in this Taluka.

### 3. TMA Naushahro Feroze

The table below describes the income and expenditure profile of TMA Naushahro Feroze.

**Table 3 STATEMENT SHOWING THE ACTUAL INCOME AND EXPENDITURE OF**

**TALUKA MUNICIPAL ADMINISTRATION NAUSHAHRO FEROZE**

**Fy 2002 –2005**

**(In Pak Rupees)**

| S. No | Description | Year | | | | |
|---|---|---|---|---|---|---|
| | | **2001-2002** | **2002-2003** | **2003-2004** | **200-2005** | **2005-2006 (Budgeted)** |
| 1 | Share of OZT | 5409757 | 7084254 | 10300731 | 21572811 | 30184740 |
| 2 | Other Taxes | 117732 | 255906 | 369740 | 246541 | 3115000 |
| 3 | Water Rates | 64640 | 86263 | 106260 | 81142 | 100000 |
| 4 | Parking Fee | --- | --- | --- | --- | 100000 |
| 5 | Market Fee | 12997 | 9685 | **9046** | 15937 | 50000 |
| 6 | Shop Rent | 395116 | 537692 | 574127 | 398883 | 850000 |
| 7 | Miscellaneous Receipts | 163108 | 87210 | 126821 | 301287 | 400000 |
| 8 | Capital Income | --- | --- | --- | --- | 6964900 |
| **Total** | | **6163530** | **8061010** | **11486725** | **22616601** | **41764640** |
| | **Expenditure** | | | | | |
| 9 | Salary | 5903898 | 7748660 | 9908963 | 10984498 | 16428836 |
| 10 | Community Services | 41670 | 70350 | 80514 | 598008 | 4235000 |
| 11 | Charged Expenditure | 41506 | 59600 | 140076 | 846747 | 360000 |
| 12 | Repair and Maintenance | 170179 | 121066 | 228207 | 506831 | 2100000 |
| **Total** | | **6157253** | **8059276** | **10357760** | **12936084** | **23123836** |

Table 3 depicts the financial performance of TMA Naushahro Feroze. This TMA depends almost wholly on fiscal transfer i.e. share of OZT which formed 88% of its income in 2001-02. The share of OZT has declined in 2004-05 to 72 percent. This happened due to a one-time receipt of capital income of about Rs 7 million, which comes to about 16% of the total income. The other sources of income are insignificant including a low recovery of water rates which could not exceed even Rs 1 lakh in most years. The conclusion is clear. Fiscal transfer is the backbone of finance for TMA Naushahro Feroze.

The expenditure profile is not fluctuating annually with the exception of the years 2003-04 and 2004-05. Total expenditure has gone up by about 400% during the five years under study. The biggest escalation is in community services. TMA Naushahro Feroze has registered a sizeable budget surplus during 2003-04 and 2004-05. The earlier three years show balanced budgets. The surplus budgets are the result of massive increase in OZT receipts during both 2003-04 and 2004-05 and a one-time capital receipt during 2004-05. This implies that the TMA could not properly prepare its budgets for want of fiscal information. This brings out the point that the TMAs depending upon fiscal transfer, as they do, are unable to effectively perform their responsibility towards provision of dependable municipal services.

## 4. TALUKA MUNICIPAL ADMINISTRATION DADU

Table 4 shows the fiscal management position in TMA Dadu over the five – year period 2001-05.

**Table 4 Income & Expenditure Statement**

**TALUKA MUNICIPAL ADMINISTRATION DADU**
**(2001 –2005)**

**(In Pak Rupees)**

| S. No | Description | Year | | | | |
|---|---|---|---|---|---|---|
| | | **2001-2002 (Actual)** | **2002-2003 (Actual)** | **2003-2004 (Actual)** | **2004-2005 (Actual)** | **2005-2006 (Budgeted)** |
| 1 | Share of OZT | 10988282 | 12734333 | 15155664 | 31203000 | 44264000 |
| 2 | Other Taxes | 5104425 | 5872485 | 2594371 | 5731009 | 6985000 |
| 3 | Water Rates | 192297 | 210334 | 264263 | 237211 | 693000 |
| 4 | Parking Fee | 291829 | 373000 | 375600 | 264738 | 331000 |
| 5 | Market Fee | --- | --- | --- | 10000 | --- |
| 6 | Shop Rent | 834464 | 1606443 | 1213780 | 1191831 | 1700000 |
| 7 | Miscellaneous Receipts | 215174.76 | 112166.16 | 207010.65 | 62380.35 | 302000 |
| 8 | Capital Income | 734170 | 473028 | 588433 | 514500 | 12810000 |
| **Total** | | **18330641.76** | **20835759.16** | **20399121.65** | **39214669.35** | **67085000** |
| | **Expenditure** | | | | | |
| 9 | Salary | 13049901 | 17328813 | 17009169 | 29131620 | 33099000 |
| 10 | Community Services | 1828647.62 | 2907719.59 | 2908797.55 | 4763148.20 | 12958000 |
| 11 | Charged Expenditure | --- | 4500 | 3000 | 500 | 330000 |
| 12 | Repair and | 1162364 | 2350525 | 1117254 | 5345476 | 20675000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Maintenance | | | | | |
| **Total** | | **16040812.62** | **22591557.59** | **21038220.55** | **39240744.20** | **67062000.00** |

A study of the above table indicates encouraging trends. TMA Dadu has sizeable resources of its own generation. Its dependence on OZT / fiscal transfer is obvious but this is not the sole source of revenue. The share of OZT has however increased in five years from 60% in Fy 2002 to 66% in Fy 2005. The level of OZT has gone up four-fold from Rs 11 million in 2002 to Rs 44 million in 2005. Other sources of income are increasing at a modest rate which is a healthy sign.

The expenditure mix at TMA Dadu is also comparatively healthier. Staff salaries have more than doubled in five years which is quite satisfactory. There was a sizeable jump in community services expenditure in 2005 over 2004 showing almost a three fold increase in one year. The budgets are balanced during the whole period Fy02 to Fy05. The level of budget surplus could have been higher if the TMA was able to formulate its own development budget which is a district / provincial government responsibility at present.

## 5. TEHSIL MUNICIPAL ADMINISTRATION SANGHAR

Table 5 presents the summarized position of TMA Sanghar's budget for 5 years beginning in June 2001.

**Table 5 STATEMENT SHOWING THE YEAR WISE INCOME**

**& EXPENDITURE OF TMA SANGHAR**

**(2001 –2005)**

**(In Pak Rupees)**

| S. No | Description | Year | | | | |
|---|---|---|---|---|---|---|
| | | 2001 (Actual) | 2002 (Actual) | 2003 (Actual) | 2004 (Revised) | 2005 (Budgeted) |
| 1 | Share of OZT | 9816848 | 11738881 | 13081769 | 27501700 | 31656000 |
| 2 | Other Taxes | 3651315 | 5032920 | 390197 | 4296890 | 7706000 |
| 3 | Water Rates | 266789 | 379056 | 414940 | 325620 | 315528 |
| 4 | Parking Fee | 736435 | 1409000 | 1249740 | 1091850 | 2125600 |
| 5 | Market Fee | --- | --- | --- | --- | 280950 |
| 6 | Shop Rent | 384970 | 232566 | 348800 | 285630 | 928400 |
| 7 | Miscellaneous Receipts | 329280 | 612635 | 482350 | 684542 | 605000 |
| 8 | Capital Income | 33510046 | 2365568 | 1290050 | 2209693 | 3848360 |
| **Total** | | **18536683** | **21770626** | **20767846** | **36395925** | **50305590** |
| | **Expenditure** | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 9 | Salary | 12868984 | 13841916 | 15412135 | 17879153 | 31863579 |
| 10 | Community Services | 1856603 | 1503433 | 1357876 | 1344236 | 5622000 |
| 11 | Charged Expenditure | --- | --- | --- | --- | 463000 |
| 12 | Repair and Maintenance | 117733 | --- | 260731 | 140259 | 6000 |
| **Total** | | **14843320** | **15345349** | **17030742** | **19363648** | **38548579** |

The table shows that the share of OZT in total income which was 54% in 2001-02 has registered a big increase and constitutes 63% of the total revenue in 2005. This means that the other sources of revenue have not kept pace with OZT. It is quite interesting to see that Parking Free has gone up by about 200% and other taxes have also almost doubled over the five – year period. This shows that TMA Sanghar has managed its finances well as compared to the other five TMAs in this study.

The above remarks are strengthened when we look at the expenditure records. There is a sizeable surplus in all the five years under study. That is, current expenditures have not risen proportionate to revenue. This TMA has shown sound financial practices compared to the other five TMAs.

## 6. TEHSIL MUNICIPAL ADMINISTRATION KHAIRPUR

TMA Khairpur has the largest population among the six TMAs that have been studied.

**Table 6 TMA KHAIRPUR**

**FINANCIAL PERFORMANCE**
**(2001 –2005)**

**(In Pak Rupees)**

| S. No | Description | Year | | | |
|---|---|---|---|---|---|
| | | **2001-2002** | **2002-2003** | **2003-2004** | **2004-2005** |
| 1 | Share of OZT | 32396112 | 38902964 | 41832608 | 61722000 |
| 2 | Other Taxes | 2998961 | 4403814 | 1295430 | 3120422 |
| 3 | Water Rates | 488128 | 0672346 | 0551516 | 737455 |
| 4 | Parking Fee | 79000 | 75120 | 58300 | 31430 |
| 5 | Market Fee | 1841079 | 2446060 | **2550000** | 2167244 |
| 6 | Shop Rent | 1270056 | 1468436 | 1809595 | 1351066 |
| 7 | Miscellaneous Receipts | 325900 | 3911484 | 0205926 | 16967 |
| 8 | Capital Income | --- | --- | 0247120 | 15000 |

| | | | | | |
|---|---|---|---|---|---|
| **Total** | | **39409236** | **31880124** | **48548493** | **69161484** |
| | **Expenditure** | | | | |
| 9 | Salary | 34897268 | 39930527 | 042252186 | 51000000 |
| 10 | Community Services | --- | --- | --- | --- |
| 11 | Charged Expenditure | --- | --- | --- | 1000000 |
| 12 | Repair and Maintenance | 1166432 | 1475824 | 1856795 | 2989167 |
| **Total** | | **36063700** | **41405351** | **44108981** | **54989167** |

A quick glance at Table 6 shows that OZT receipts have almost doubled in five years from Rs 32 million in 2001-02 to Rs 62 million in 2004-05. Moreover the importance of fiscal transfer i.e. OZT share has gone up in TMA Khairpur from 82% of the total revenues in 2001-2002 to 89% in 2004-2005. In other TMAs the share of OZT in total revenue has declined over the years. This was generally due to higher receipts of other sources of income. It may also be seen from Table 6 that there have been small increments in water rate, rent of shops and markets fee. Other taxes have actually lost their importance as sources of income. Such taxes are not merely stagnant but the collection from these taxes has fallen from Rs 4.4 million in 2002 to Rs 1.3 million in 2003. This amount, however, went up again to Rs 3.1 million during 2004.

There is a silver lining when the expenditures are analyzed. The expenditures on salary and repair & maintenance have remained stable unlike in the other TMAs included in our study. Total annual expenditures have stagnated with the exception of Fy 2005, when the charged expenditure added up to Rs 1.0 million for the first time. In view of the controlled level of expenditures, TMA Khairpur depicts surplus budgets during this period. It is hoped that this TMA would perform better if it was made responsible for formulating its development program instead of this function being vested with the district and provincial governments.

## *IV. CONCLUSION*

The TMAs have been entrusted with the responsibility of providing municipal services, which play a pivotal role in the enhancement of quality of life. At the lower rung of this welfare ladder, adequate provision of such basic services works as a catalyst for poverty alleviation and social development. Empowerment of the institutions of local government, that is, Tehsil Municipal Administration in the Province has started bearing fruits. The process must be nurtured by building their capacity to perform municipal functions and enhancing their resource mobilization capacity by assigning local retail sales tax on sales within the TMA jurisdiction at the maximum rate of 5 percent. The TMAs should also be vested with borrowing powers up to the ceiling of 20 percent of TMA product. In other words, the local government should be less local and more government so that democracy yields dividends to the common citizens all over the country.