



Pakistan

WASH BUDGET ANALYSIS

(2017-2018, 2018-2019 and 2019-2020)

March 2020



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INTRODUCTION

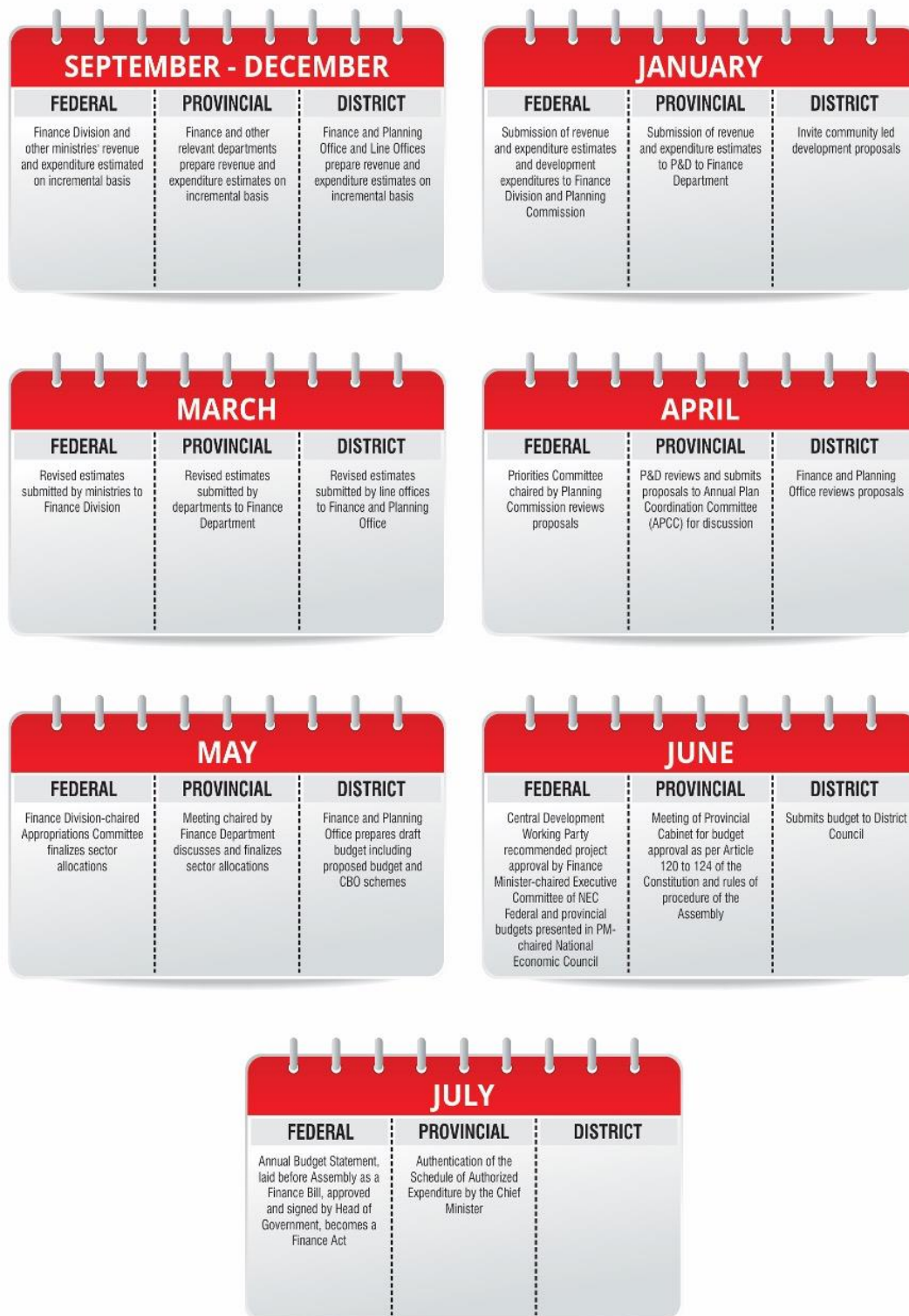
In Pakistan, planning and budget making process takes place at three levels i.e. the federal level, provincial and district/local council levels. The federal and provincial budget making is a regular feature while the budget making by elected councils only started since 2015 after a break of more than five years when local bodies did not exist. However, in absence of elected councils the bureaucracy handles district budget which is reviewed and endorsed by the provincial government.

At the federal level, budget making is an annual process, involving various steps that start from the second quarter (September) of each financial year. The Finance Division (under the federal Ministry of Finance) and Planning Commission (under federal Ministry of Planning, Development and Reforms) are the key actors in proposing the planning and budgeting priorities for the country. The proposals from both entities are reviewed and processed through a multi-tier scrutiny process and submitted as *Finance Bill* for final approval to the National Assembly in accordance with Article 120 of the Constitution. Once debated and approved by the Assembly, and signed by the Head of Government (Prime Minister), the *Finance Bill* becomes the *Finance Act* for the fiscal year.

Similarly, at the provincial level the formal approval of provincial annual budget, on the same pattern of national budget, is taken from respective provincial assemblies as finance bills. The P&D Department /Board is responsible for streamlining the development agenda and creating coordination among departments, agencies and key stakeholders. The main role of P&D Departments/Board is formulation of the provincial government vision, policies and strategies for economic development in consultation with all stakeholders keeping in view the National Economic Council's (NEC's) guidelines. Besides, it also leads on the development of Annual Development Programs (ADPs) and Public Sector Development Programs (PSDPs) with three to five years Medium Term Development Framework with resource allocations and re-appropriation where needed. While performing its functions the P&D closely coordinates with the Finance Department regarding formulation, determination and approval of the ADPs with respective departments.

The process of formulation of the ADP follows the medium-term perspective called Medium Term Development Framework(MTDF), with the objectives of ensuring predictability for the flow of funds and the ability to plan keeping a long-term horizon in view, while realizing fiscal discipline and allocation and operational efficiencies. In line with the MTDF, the ADP comprises of a portfolio of development schemes for the next year and projections for the two subsequent financial years in the prescribed format. Line departments are required to submit a write-up on the department/sector's vision, objectives/policy and strategic interventions to be achieved in the next two–three years.

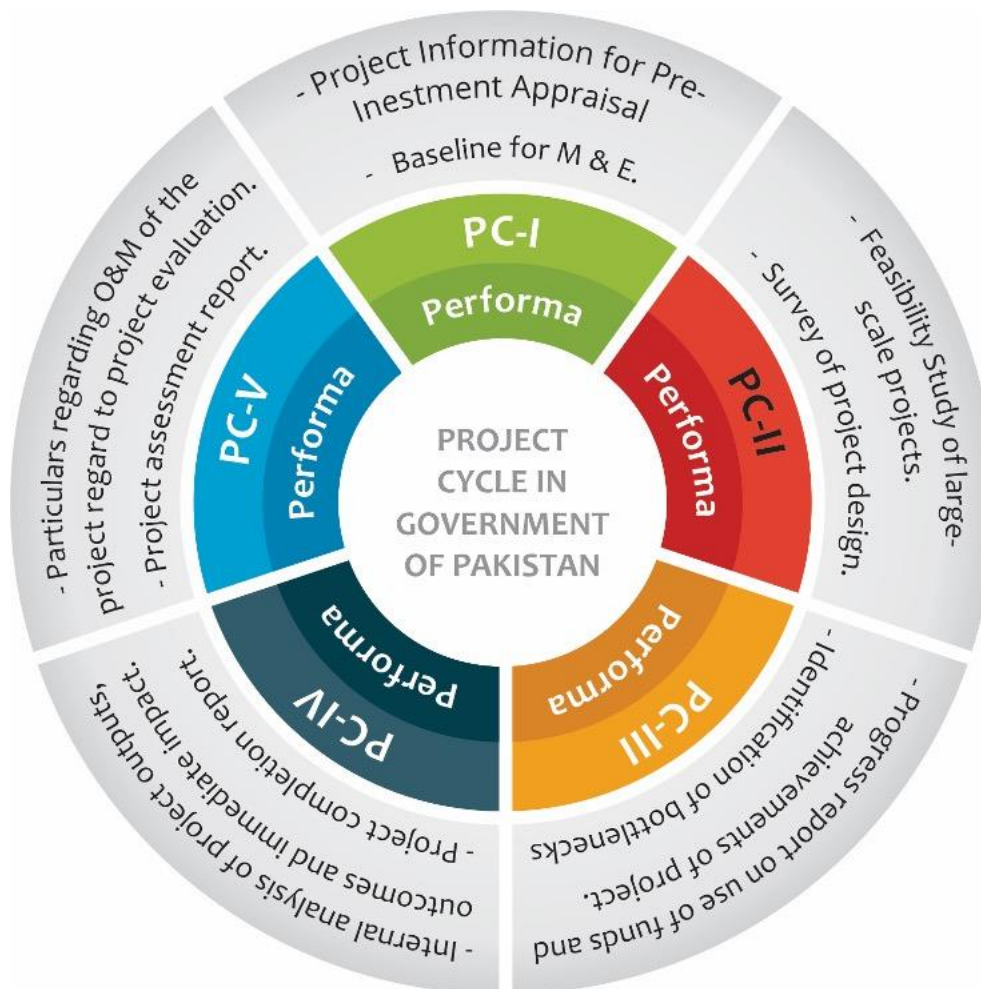
Figure 1: Outline of Budget Process in Pakistan



The normal process for allocation of resources to public sector projects is carried out through an Annual Development Program (ADP). Every year, the Finance Department and Planning and Development Department issue a Budget Call Circular (BCC) requesting for updates on

ongoing schemes and new schemes. Relevant government officers at district, divisional or provincial levels identify needs and develop project proposals on templates called PC-I (Project Cycle-1). The PC-I forms undergo a rigorous review process, first at departmental level, followed by review at Planning and Development Department (P&DD) before it is submitted for a formal approval process. Once a PC-I is approved, the new scheme/project is added to the Annual Development Program (ADP), which serves as the main programme/project/ scheme implementing instrument. Schemes are categorized as ‘New’, ‘Ongoing’ or ‘Completed’. This document, commonly known as ADP, includes all those programs and projects that are duly approved and funded. More recently, the concept of the Medium-Term Development Framework (MTDF) has evolved to develop a long-term perspective for planning, which consists of plans for the next three years:

Figure 2 Project Cycle of Government of Pakistan



APPROACH AND METHODOLOGY

An analysis of public sector budgetary allocation and expenditures for last three years specifically to water and sanitation was conducted for federal government and each province to determine the trends and patterns. The data was obtained from primary and secondary sources.

In Pakistan, the Federal Ministry of Finance prepares an annual Poverty Reduction Strategy Papers (PRSP) Progress report. The report provides information about public sector expenditure incurred on different sectors including water and sanitation. The report is compiled with the support of PIFRA (Project to Improve Financial Reporting and Auditing), which is an initiative of Ministry of Finance of Government of Pakistan to increase accuracy, completeness, reliability of intra-year and year-end Government financial reports at the national, provincial and district levels. The PIFRA also strives to bring audit practices in line with international best practices. The PRSP annual progress report reflects environment, drinking water and sanitation as one unit. The report provides overall cumulative sector expenditures incurred at the provincial (under account 01) and district (under account 04) levels for a specific period of time. The following codes are added to reflect the status of environment, water and sanitation.

- 051- Waste Management
- 052- Waste Water Management
- 053- Pollution Abatement
- 054- R&D Environment
- 055- Administration Expenditures
- 056- Others
- 063- Drinking Water and Sanitation

Hence, the information against these codes has been collected from the federal and provincial budgets, programs and expenditures.

FEDERAL AND PROVINCIAL BUDGETS

The federal and provincial budgets for last three financial years were reviewed, and analyzed by extracting necessary information. The annual budget statements for development and non-development along with a comprehensive review of annual development programs (ADPs)/plans and medium term development frameworks followed by the white papers and progress reports prepared by the provinces, an analysis of water and sanitation budget and expenditures was done for the last three to five years depending upon the availability of data. This information has been collated for four provinces of Pakistan to know the overall allocations and budget

OVERALL ANALYSIS BUDGET 2019-2020

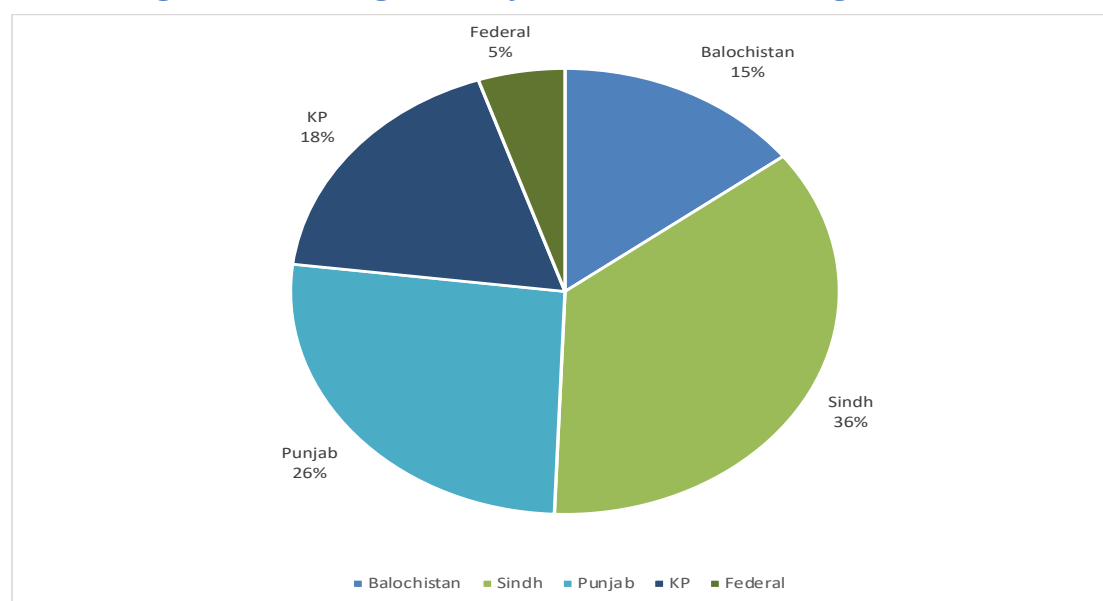
The budgetary allocations for Water, Sanitation and Hygiene in 2019-2020 (including federal and provincial budgets) are PKR 157.258 billion. There is an allocation of PKR 123,611 billion under development expenditures and PKR 33,648 under current expenditures. The provincial breakup of WASH budget for 2019-2020 are given in Table-1

Table 01: Overall Budget for WASH FY 2019-20 in PKR Million

Province	Current	Development	Total
Balochistan	5,970	17,053	23,023
Sindh	8,849	47,732	56,581
Punjab	10,071	31,334	41,405
KP	8,287	19,913	28,200
Federal	470	7,579	8,049
Pakistan	33,648	123,611	157,258

The Government of Pakistan launched Clean Green Pakistan in October 2018 which created an impetus for more resource allocation to water and sanitation services in the country, and this is visible in allocations of 2019-2020. This is also augmented with special emphasis by apex judiciary of Pakistan which created a high-level water commission in Sindh province that triggered allocations for WASH. There is an increase of 50% in WASH budgetary allocations for 2019-20 as compared to 2018-19

Figure 3: Percentage Share of Provinces in WASH Budget 2019-20



An overview of overall WASH allocations for 2019-2020 in Pakistan reveals that major allocations have been made in Sindh province (36%) followed by Punjab (26%), Khyber Pakhtunkhwa¹ (18%) and Balochistan (15%).

Table 02: Per Capita WASH Allocation in 2019-2020

Region	Population in PKR Million	Allocation in PKR Million	PKR Per Capita
Balochistan	12.3	23,023	1,872
Punjab	111.5	41,405	371
KP	31.4	28,200	898
Federal	8.7	8,049	925
Sindh	48.9	56,581	1,157
Pakistan- Overall	212.8	157,258	739

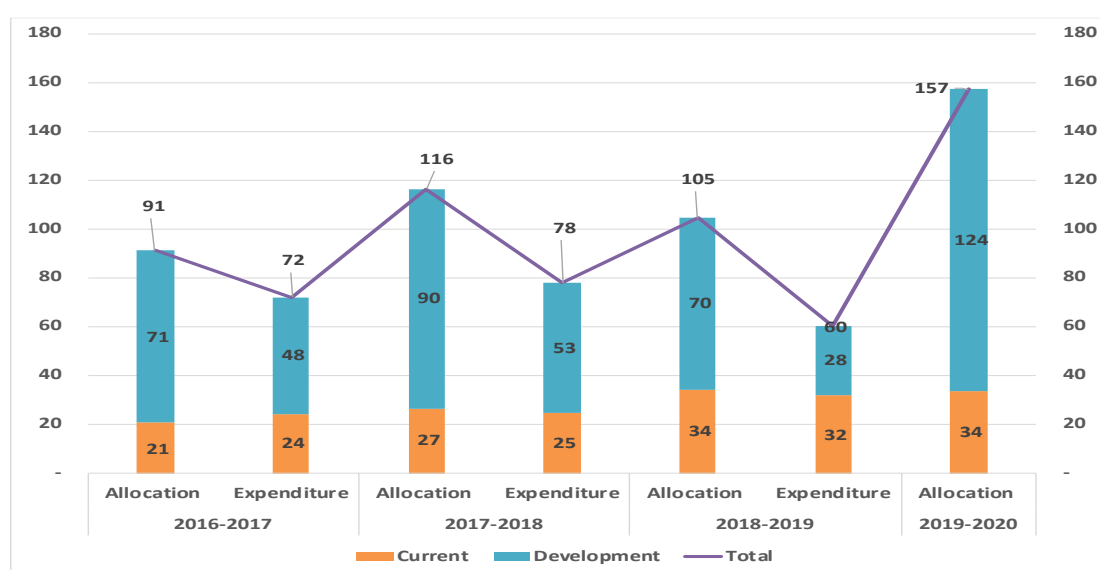
The per capita WASH allocation in 2019-20 budget is PKR 739. This is the highest in Balochistan with PKR 1,872 followed by Sindh with PKR 1,157. This the lowest in Punjab province with PKR 371 per capita. Details of all provinces is given above table.

¹ In Khyber Pakhtunkhwa province, 30% of local government funds are meant for WASH, calculated these as PKR 14 billion and added under 2019-20 allocations of KP.

WASH BUDGET AND EXPENDITURES FROM 2016-17 TO 2019-2020

A review of the budget documents showed an upwards trend of WASH allocations from 2016-2017, except for 2018-2019 where there was a downward slide. There is an increase of 57% budgetary allocations for WASH in 2019-20 compared to 2016-2017

Figure 4: Trends of Allocations and Spending in PKR Billion



The budget utilization showed a downward trend since last three years. In 2018-19, overall utilization is 59% while it was 69% in 2017-18 and 79% in 2016-17. For last two years, the utilization of current budget is more than 92%. However, utilization of development budget was only 40% in 2018-2019 and 59% in 2017-18. This depicts lack of appropriate planning and availability of necessary human resources/skill sets to carry on the activities under development.

Table 03: Allocations, Expenditures and Utilization of Public Sector WASH

Description	2016-2017	2017-2018	2018-2019	2019-2020
Alllocations in PKR Million	91,027	116,449	104,528	157,258
Expenditures in PKR Million	72,031	80,200	61,827	
Overall WASH Budget Utilization Rates-%	79%	69%	59%	
Current Budget Utilization Rates- %	104%	92%	92%	
Development Budget Utilization Rates-%	67%	59%	40%	

WASH BUDGET AND EXPENDITURES 2018-2019

A review of the 2018-19 budgetary allocations and expenditures revealed that highest level of spending was reported by KP province followed by Federal (84%), Balochistan (66%), Punjab (57%) and Sindh (45%) respectively. The budgetary allocations versus expenditures for each provinces of Pakistan are provided in **Table**.

Table 04: Budget and Expenditures 2018-2019

Provinces/ Region	Budget 2018-2019			Expenditures 2018-2019			Variance -%
	Current	Development	Total	Current	Development	Total	
Balochistan	5,408	8,952	14,360	3,342	6,202	9,544	66%
Sindh	7,871	34,971	42,842	6,592	12,767	19,359	45%
Punjab	13,754	21,700	35,454	7,513	12,810	20,323	57%
KP	5,878	3,873	9,751	4,238	6,577	10,815	111%
Federal	1,260	861	2,121	620	1,166	1,786	84%
Total	34,171	70,357	104,528	22,305	39,522	61,827	59%

WASH PER CAPITA ALLOCATIONS AND SPENDING 2018-2019

The per capita WASH allocation in Pakistan during 2018-2019 was PKR 491. This was the highest in Balochistan with Rs 1,167 and the lowest in Federal with PKR 244.

The per WASH expenditure in 2018-2019 in Pakistan was PKR 291. This is the highest in the Balochistan with PKR 776 followed by Sindh with PKR 396. This the lowest in Punjab with PKR 182. The per capita WASH allocation and spending for provinces and federal are given in Table.

Table 05: Per Capita WASH Allocation and Spending in 2018-2019

Region	Population Million	Allocation Million	Rs Per Capita - Allocation	Spending Million	Rs Per Capita- Spending
Balochistan	12.3	14360	1167	9544	776
Punjab	111.5	35454	318	20,323	182
KP	31.4	9751	311	10,815	344
Federal	8.7	2121	244	1,786	205
Sindh	48.9	42,842	876	19,359	396
Pakistan- Overall	212.8	104528	491	61,827	291

WASH SPENDING AS PART OF PRSP EXPENDITURES

The share of WASH expenditures in overall government spending on socio-economic development called Poverty Reduction Strategy Papers (PRSP) during 2018-2019 is about 2%. This is the lowest at the federal level as water and sanitation is devolved subject of the provinces. The highest spending for WASH, as share of PRSP, is in Balochistan with 5.69% followed by Sindh with 3.86% and 3.07% in KP. The share of Punjab is 1.91%.

Table 06: WASH Share in PRSP Expenditures 2018-2019

Region	Allocations in PKR Million	Expenditures in PKR Million	PRSP Expenditures in PKR Million	Percentage of PRSP
Balochistan	14360	9544	167,660	5.69%
Punjab	35454	20,323	1,061,599	1.91%
KP	9751	10,815	352,097	3.07%
Federal	2121	1,786	1,016,893	0.18%
Sindh	42,842	19,359	501,053	3.86%
Pakistan- Overall	104528	61,827	3,099,302	1.99%

The trends of provincial budgets and expenditures for WASH are provide in Figure 05 to Figure 08.

Figure 5: Punjab WASH Budget and Expenditures- 2017 to 2020

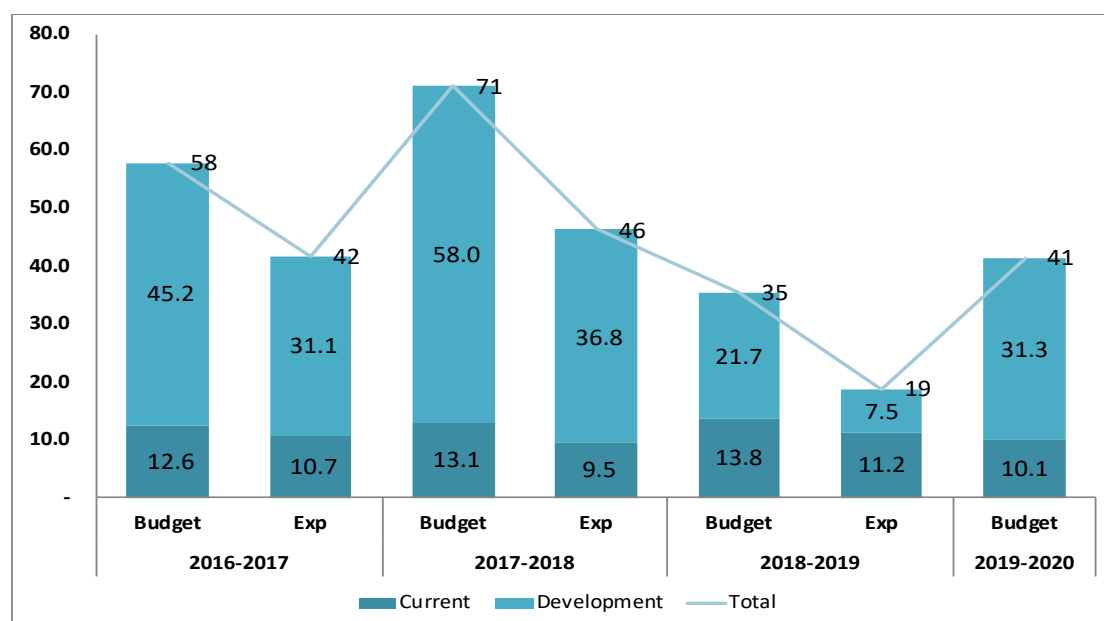


Figure 6: Sindh WASH Budget and Expenditures

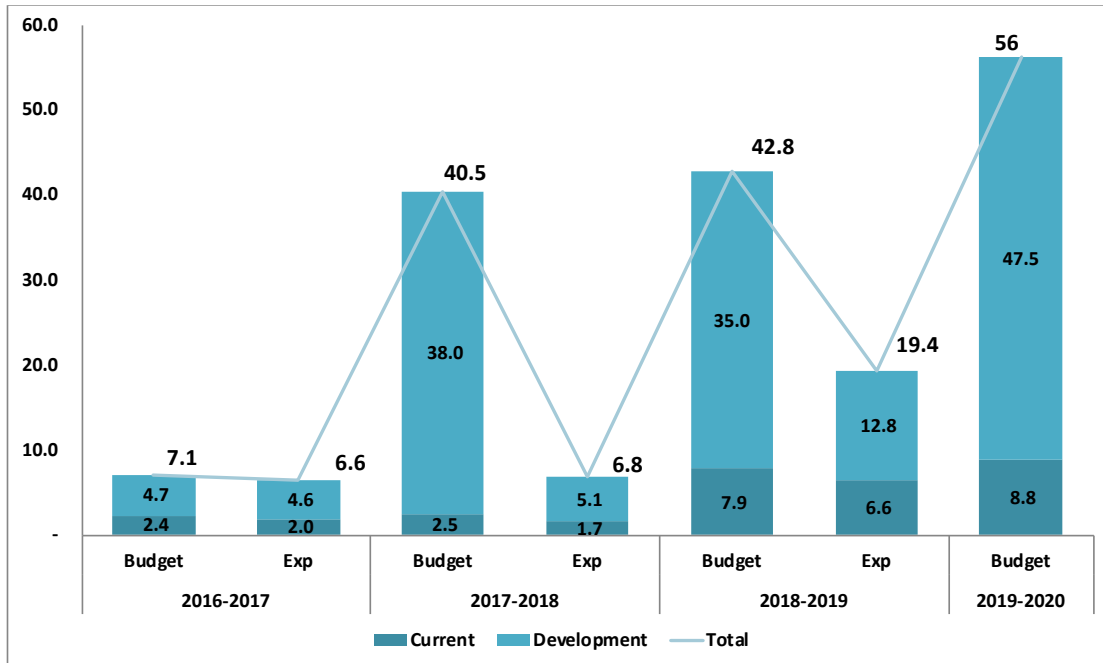


Figure 7: KP WASH Budget and Expenditures

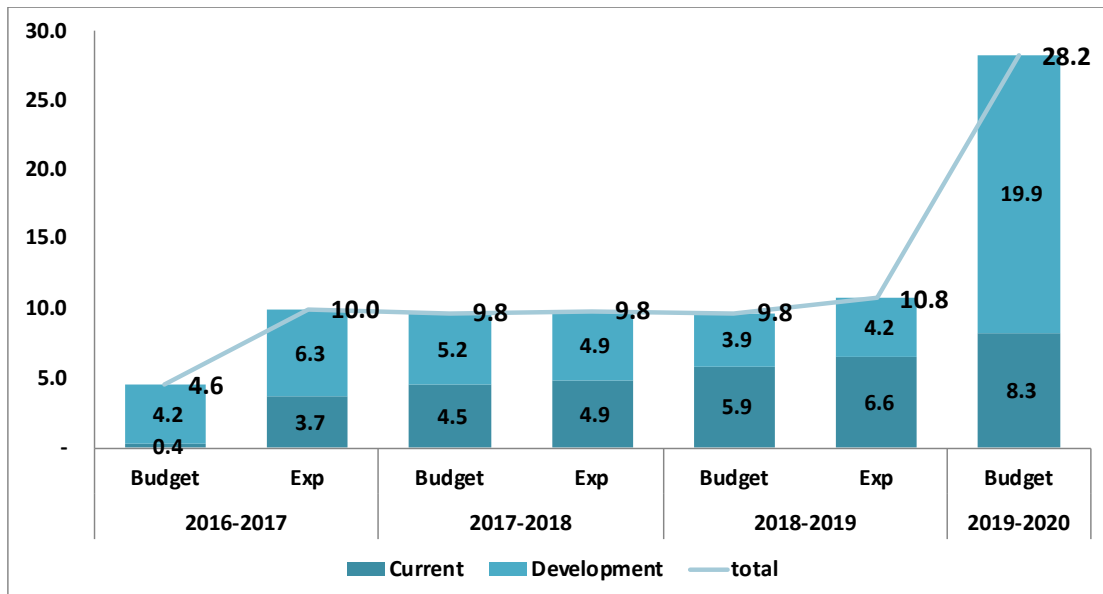
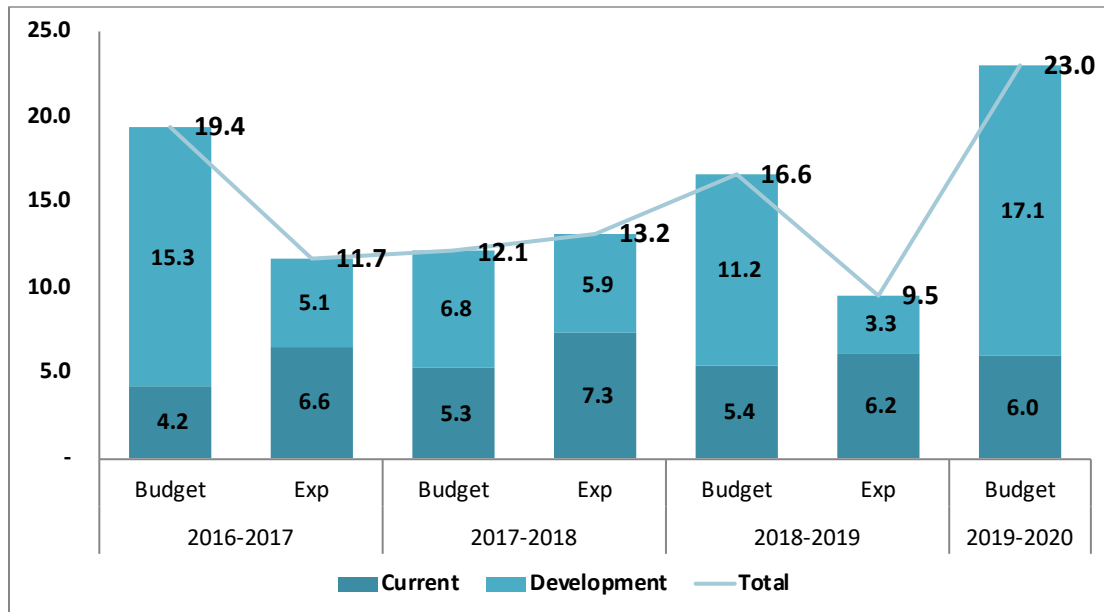


Figure 8: Balochistan WASH Budget and Expenditures



SUSTAINABLE DEVELOPMENT TARGETS FOR PAKISTAN

The perspective and requirements of WASH financial investment have changed with Pakistan's endorsements for indicators of Safely Managed Drinking Water and Sanitation under Sustainable Development Goals (SDGs). By using the SDG costing tools developed by **World Bank and UNICEF**, Pakistan has calculated its annual investment needs for WASH Sector. Below calculations are based on current coverage of safely managed water is 36%, and it is zero for safely managed sanitation.

Table 08: Annual Financial Needs for Safely Managed Water & Sanitation Services

PKRs Million

#	Description	Urban		Rural		Total
		Water	Sanitation	Water	Sanitation	Total
1	New Services: Basic Access	13,968	12,797	8,595	28,543	63,883
2	New Services: Safely Managed	62,630	48,904	113,736	123,099	348,369
3	Sustaining existing services: Basic Access	16,635	11,100	11,110	20,735	59,580
4	Sustaining existing services: Safely Managed	36,229	11,100	33,461	20,735	101,525
5	Overall Financing Needs	98,849	60,004	147,197	143,834	449,894

Based on SDG costing tool, it is estimated that Pakistan needs PKR 450 billion annually to meet SDG targets by 2030. Presently, Pakistan is spending PKR 61 billion annually through public sector while overall layout of the sector is PKR 157 billion. However, it is under-reported as many of the departments, providing water and sanitation services as integral component of their interventions, do not report their spending's like school education, health, housing, works and communication, irrigation, etc. Moreover, many initiatives of local government are not appropriately coded as per public financing reporting system of Pakistan. As per census of 2017, the population of Pakistan is 207.77 million, which is expected to become 282.81 million by 2030. While using the baseline of figures of 2016 for 2017-2018, Pakistan needs around PKR 449 billion annually as shown in the below table while taking the baseline of 36% for safe water and no coverage for safe sanitation.

CONCLUSION AND LEARNING

1. It is also recognized that government priorities are often driven by the political agenda, derived from political party manifestos, and advocacy of the international and national partners based on research and evidence. This is evident from the institutionalization of PATS and multi-nutrition strategies under annual development programs of Government of Punjab, and similarly many aspects of SDGs are being added in Pakistan. Significant increases in budgetary allocation of WASH in both rural and urban areas showed that advocacy efforts with politicians and decision makers have been proving effective. Currently, the political representatives elected on both the national and provincial levels play a key role in identification of WASH related priorities of their areas. However, the process is still not fully supported by carrying out comprehensive need assessments. This approach often negates inclusive and equitable distribution of resources, which is also evident from the coverage, access and financial data.
2. All local government tiers prepare and implement development programs through their own budget. In addition, autonomous bodies like Development Authorities, Public Limited Companies, etc., which emerged over time to cater for specific development needs of relevant sectors also develop their own budget with approval from respective department or P&D. These development authorities have streamlined their own procedures for preparation, approval and implementation of their programs. All these autonomous bodies are carrying out small and big development projects, which are not fully reflected in the ADP. Similarly, the funds spent by NGOs for development processes are not reflected in the provincial budgets.
3. The PRSP reports of the province and federal government only captures the spending's of Water Supply and Sanitation that are booked to agreed codes i.e. 063, 052, 053, 054, 055 and 056. Within these codes, there is an overlapping especially 063 that reflect both drinking water and sanitation. Hence, it is challenging to differentiate the spending or allocation separately for water and sanitation.
4. Both the Public Health Engineering Department and Local Government departments lead on the drinking water and basic sanitation budgets in the provinces. However, the budget allocated to Local Governments for drinking water and sanitation is not reflected in the PRSP reports as those are reflected as grants to the district governments except for Sindh and KP provinces where allocations for drinking water and sanitation are also part of ADPs led by Local Governments. This result either over or under reporting of expenditures made on the water supply and sanitation.
5. The current financial reporting for drinking water and sanitation is not accessible to the public at large on periodic basis especially district level spending. In recent past, an experiment has been made to test the viability and scalability of real time spending and tracking of the ADP budgets. This should be expanded to all provinces of Pakistan and should be made accessible to the public at large.
6. There is lack of a comprehensive and accurate mechanism to document the revenue collected under the provision of drinking water and sanitation services either as user free

or surcharge. A part of this revenue may be spending on water and sanitation services but cannot be ascertained at this stage. However, all metropolitan cities of Pakistan have water and sanitation utilities/ companies that collect the revenue from the consumers. Due to low fee/ charges of WASH services, the provincial and district governments award subsidies to these utilities to meet their deficit and run the operations.

7. There is a need for redefining water and sanitation financial codes and reporting processes at the district and provincial levels. Many of the allocations made for drinking water and sanitation are made under irrigation, rural development, urban development, environment, etc. Hence, in some instances, the allocations and spending made under these different heads are not captured in the overall analysis. Thus, data for drinking water and sanitation is being under-reported.

Annexure:

BUDGETING

Budget: A budget describes an amount of money that an organization plans to raise and spend for a set purpose over a given period of time.” Budget is a document that translates product activities plans into financial records. It is a Financial/Quantitative statement prepared and approved prior to define the period of time, for the purpose of attaining in a given objectives.

Budget Policy is a formal position taken by a government to support the implementation if its financial goals. The budget policy would provide guidance to financial managers and functional heads as to how to go about compiling the expenditures and revenue estimates that will fund the service delivery activities.

ROLE OF A BUDGET

Policymaking: Identifying how to allocate resources between major outputs in terms of services and infrastructure and in determining what can be achieved. It established service priorities but also inform about how required expenditures would be covered from revenues and reserves.

Legal: Giving authority for collection and spending of money and to prescribe exactly how that may be spent. It determines level of revenue generations through different sources and legal authorization for expenditures during the budget period.

Management: Allocation of resources to particular services and functions to obtain inputs required to achieve the outputs. It determines level of efforts required for different activities and how that will be paid and assessed.

WHY BUDGET MANAGEMENT

- **Better Planning and controlling:** will provide comparative data on estimated figures and actual figures. This information should be used to improve planning. Similarly the budget will demonstrate the validity of performance targets, as shown in the budget.
- **Management of Objectives:** information available from improved budgeting should be utilized to identify key objectives to facilitate improved management of objectives. This will optimize efforts towards achieving policies and goals.
- **Co-ordination:** the budget will be utilized to promote better coordination of ongoing works among different department and sections with in departments.
- **Performance evaluation:** the most important result of the improved budget will be availability of information useful for performance measurement and evaluation. A local government should use such information extensive to measure performance and fix accountability for the performance.

- **Representation of full costs and cost reduction:** the information resulting from the reformed budget will provide accurate cost data. It can be used to imbue the discipline of using cost data in decision-making thus reducing costs.
- **Effective Training:** the resultant information of the improved budget system will be accurate, consistent, and transparent. It can be used for effective reporting that will create credibility about the municipality among the citizens.

Annexure:

WASH BUDGET AS PER CODES

Summarized Pakistan WASH Budget 2017-2018, 2018-2019 and 2019-2020

Sr. #	Budget Head	Budget Code	Budget- PKRs Million		
			2017-18	2018-19	2019-20
A	Current Revenue				
A-1	Waste Management				
A-2	Waste Water Management	052	-	-	-
A-3	Pollution Abatement	053	1,283	1,380	420
A-4	R&D Environment	054	1,163	1,510	1,544
A-5	Administration Expenditures	055	-	-	-
A-6	Others	056	545	491	725
A-7	Water Supply	063	23,656	30,790	30,959
	Sub-Total Current Revenue Budget		26,647	34,171	33,648
B	Development Capital				
B-1	Waste Management	051		8,574	11,840
B-2	Waste Water Management	052	5,160	3,625	5,829
B-3	Pollution Abatement	053	57	446	84
B-4	R&D Environment	054			
B-5	Administration Expenditures	055	1,755	2,003	8,861
B-6	Others	056		300	
B-7	Water Supply	063	70,319	29,658	41,995
	Special Initiatives, Urban Development, etc.		12,500	25,571	55,002
	Sub-Total Development Budget		89,791	70,357	123,611
	Grand Total		116,439	104,528	157,259