

Budget Analysis of Water and Sanitation Agency, Gujranwala

Equity and Inclusion Perspective



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Foreword

Punjab Urban Resource Center (PURC) undertakes research on various agencies of urban services and their development projects. The citizens, community activists, students, government agencies, and NGOs use PURC research findings to support the inclusion of urban poor in the urban planning and development. Besides research, PURC also undertakes advocacy with urban planners, government agencies and political actors to include the urban poor in designing and implementing urban development projects.

In 2009, WaterAid Pakistan supported PURC in a study on the development budget of the Water and Sanitation Agency, Lahore. As a result, a report was prepared and shared with many people—academia, NGOs, students, and labor unions. The study was an important step in PURC’s research and advocacy work. PURC friends and associates appreciated the study.

Encouraged by their response and considering the significance of public finance, PURC decided to undertake a study of WASA –Gujranwala. The purpose of this study was to explore how the designing and implementing of the WASA-G’s budget can be done in more useful ways. The study went well. Besides studying the reports of the WASA G, PURC involved NGOs, citizens and community activists, and WASA officials in WASA’s budget analysis work. During the course of study, we met political leaders and planning officers of the City District Government Gujranwala. Our meetings remained highly valuable. This report contains our findings of documentary analyses and interviews. We hope this report is useful for the official of WASA-G.

We are very thankful to a number of people: Atif Hasan, Amir Butt, Iqbal Haider Butt, Abeeha Islam, Ammar Malik, Bargad Organization-Gujranwala, Sohail Nazir and Mustafa Talpur from WaterAid Pakistan. They contributed to the conduct of study and its completion.

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Introduction



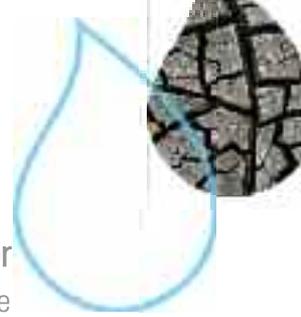
This study of the budget of Water and Sanitation Agency (WASA), Gujranwala (hereafter referred to as WASA-G) has been conducted in the framework of public finance using the principles of equity and inclusion. It strives to understand the functioning and the problems in the budget and the budget planning, allocation and use by WASA-G. It also studies the budget sensitivity towards the very important concepts of equity and inclusion and the provision of water and sanitation services on these principles to the urban population of Gujranwala. Our purpose is not only to identify the limitations in the budget of WASA-G but to also generate awareness amongst the users and the providers of

the budgetary issues. On the basis of our findings, we hope to bring WASA-G and citizens closer to improve budgetary allocations following the principles of equity and inclusion.

Before we proceed, it is important to understand the concept of public finance. Public finance is a reflection of a government's or government agencies priorities of planning and implementation. In fact, patterns of public finance determine the course of government-led development. Thereby, financial planning and allocation, which are among the central functions of public finance, are useful tools to identify problems and opportunities in a public sector. The budget is the most important economic and political tool available to promote development among various instruments of public finance. Since all of the goods and services needed for development may not be produced by the private sector, some members of the society, usually the poor are unable to access these goods and services. As a result, the governments intervene in markets through budgets to ensure equitable distribution of resources. We are analyzing budget of WASA-G to develop its in-depth understanding and seek ways to make it more inclusive and equitable.

We know that safe drinking water and sanitation services are viewed as the basic necessities of life and hence their provision a foundation for development. However, Pakistan in line with the other developing countries lags far behind in the goal of the provision of safe water and sanitation services to all. Although, under the Millennium Development Goals (MDGs), Pakistan has pledged to make available safe drinking water and sanitation services to all of its citizens by 2025, the promise is far from being met.

The provision of safe drinking water and sanitation facilities although may not be on the priority list of our already burdened and inept government is absolutely crucial for the improvement of both the living standards and development indicators in Pakistan. The water and sanitation sector has been ignored by the successive governments as the allocation in this



sector remains as low as 0.25 percent of the Gross Domestic Product (GDP)². It is a common knowledge that amongst pressing issues of economic development, national security and extremism, most people do not consider the provision of safe water and sanitation facilities a priority. However, it needs to be understood that the water and sanitation issues lead to a number of menaces such as health hazards and may also lead to a greater socio-economic divide. Hence clean drinking water would not only ensure a cleaner, healthier Pakistan; it would eventually lead to an equitable and just Pakistan.

Of the major issues that inflict Pakistan, inequity and exclusion are the most pressing. Inequity refers to the gap between the haves and the have-nots in the society and exclusion refers to the process of not being included on the basis of being characterized in a certain way³. The excluded people generally include the socially and economically marginalized which majorly include women, children, people of certain castes, faiths and ethnicities, older people, pregnant women, people with disabilities or living with chronic illnesses, and geographically marginalized populations in remote areas, as well as those living in areas where it is difficult to construct basic toilets, due to high water tables, sandy soils or hard rocks⁴.

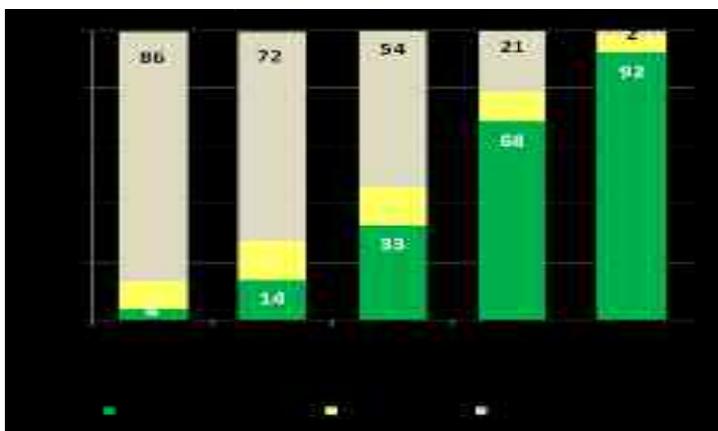
Therefore the equity and inclusion perspective suggests that the distribution of goods and services ought to be equitable and inclusive; the former implying that the distribution of goods and services should be fair and just and the later referring to the inclusion of all members of society in the planning, development and implementation process.

Figure 1 provides a snap shot of the water and sanitation provision percentage for a number of South Asian countries. The graph, ranging from the poorest to the richest, tells that although all the governments in South Asia, including that of Pakistan has voted in favor of a 2010 United Nations General Assembly Resolution declaring sanitation a basic human right, yet the South Asian governments favor the richer segments of the population in provision of water and sanitation facilities.

As the graph shows, the poorest of the people are excluded from the provision of safe drinking water and sanitation facilities. Thereby, the issues of inequity and exclusion may not be solved until our government recognizes that people are different and hence have varied needs and these needs should be addressed accordingly. Moreover, we need to realize that development for the already developed would not help improve living conditions in Pakistan and therefore, to cover some ground, the planning and allocation of resources should

concentrate on those who have been deprived of these basic facilities. In so doing, the government and the non-governmental organizations would be successful in eradicating a number of health issues and poverty. This research is the second of a series of researches we plan to conduct on water and sanitation budgets. Earlier in 2009 we analyzed the budget of WASA Lahore. These studies provide us useful insights in improving our advocacy efforts geared at making the development equitable and inclusive.

Figure 1: Water and Sanitation Provision in South Asia





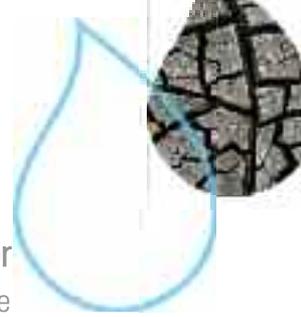
WASA Gujranwala: An Overview



to provide sanitation and water supply. The GDA is made by two parts: urban development and WASA. WASA-G was established in established in November 1997 as an autonomous body.

In the early decades of Pakistan, Gujranwala Improvement Trust was entrusted with providing urban services. Later, the water supply was handed over to the Public Health Engineering Department for some time. Water supply was also handed over to the Gujranwala Municipal Corporation (GMC). It became gradually difficult for the GMC to look after the provision of water and sanitation as it had to perform a number of other municipal functions. The growing urban population necessitated the establishment of GDA in 1989. Then it had seven or eight staff members with Commissioner Gujranwala as its head. The GDA took three to four years to become functional. Later, it got its own Director General. In 1997, Chief Minister, Punjab, Mian Shehbaz Sharif visited Gujranwala. At that time, Iftikhar Ahmad Khan was serving as Director General, GDA. Shehbaz Sharif asked Iftikhar to develop housing schemes. However, the people of Gujranwala asked Shehbaz to provide them sewerage instead of housing. Shehbaz, responding to the citizens, approved the establishment of WASA in Gujranwala with Iftikhar as its first Managing Director. The WASA-G started work without any financial resources. The GMC had some 1600-1700 sanitary workers at that time and it handed over 107 sewer men to WASA out of its sanitary workers. WASA took over disposal of the GMC. The GMC paid six months salary and electricity charges to the WASA in 1997. In fact, the GMC had many heads of income, which were included in its budget. WASA-G, in contrast, had only water and sanitation services which could not bring good income. Under 1976 Act, WASA governing body was nominated by the government of Punjab. All correspondence with the government was done through Minister of

WASA-G is a part of the Gujranwala Development Authority (GDA). The GDA was established in 1989 under section 4 of the Development of Cities Act, 1976 on the model of Lahore Development Authority (LDA). Like LDA, the GDA was established to undertake urban planning and development in Gujranwala. Besides preparing annual development plans, town planning and housing, the GDA is also responsible



Housing. However, PLGO, 2001 conferred the position of GDA head upon district Nazim. Since elections have not been held by the provincial government to the office of Nazim, the district coordination officer has been appointed as administrator of GDA.

The decision to establish WASA-G was aimed at improving the delivery of water and sanitation services through an autonomous and self-sufficient mechanism. This research revealed that although the decision was well thought of, WASA-G is now faced with severe operational difficulties and lack of funding. According to Ijaz Ahmad and Ihsan Ullah Bajwa, the GDA did not have even one planner in 2004⁵. The WASA-G has also been facing the similar issues since its establishment.

WASA-G is only able to cater to a thirty-two percent of the 1.7 million population⁶. The remaining population obtains their water supply from non-piped sources, majorly from private shallow wells.

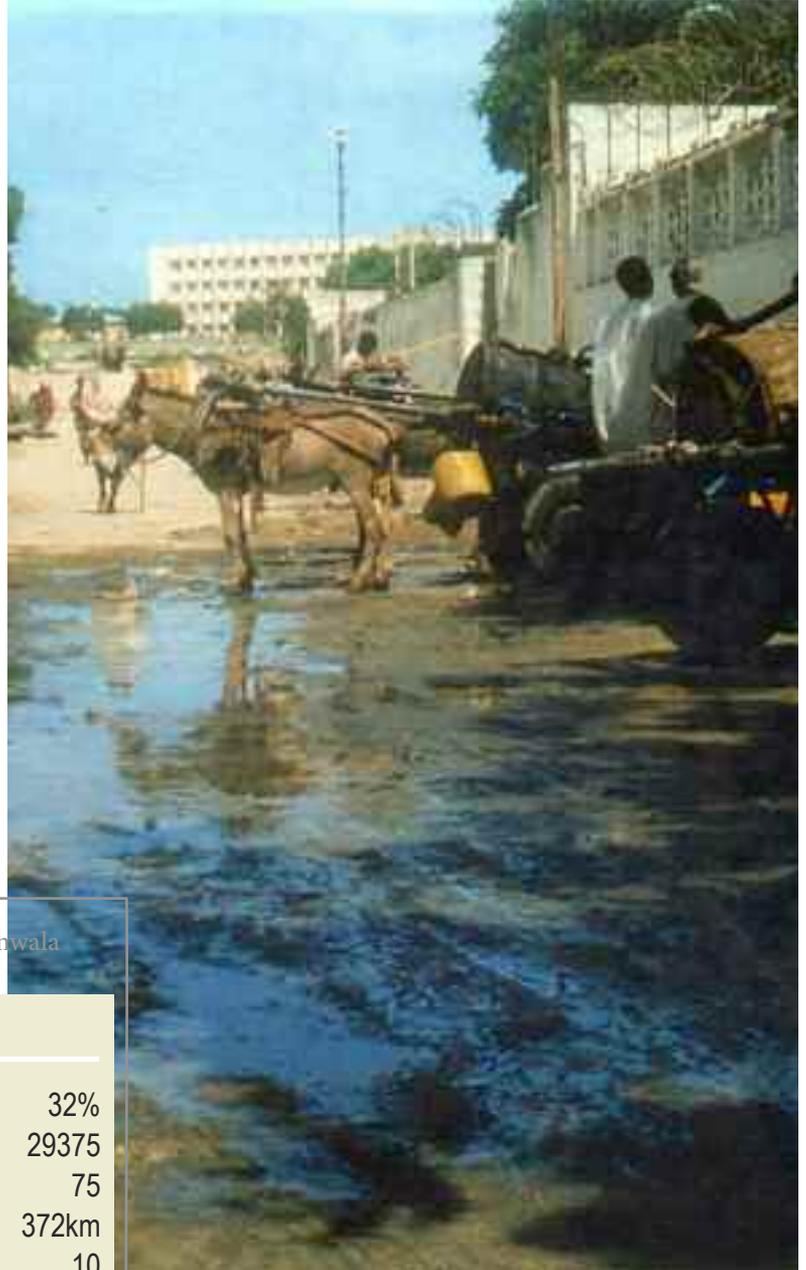


Table 1: Water Supply Coverage of WASA Gujranwala

Water Supply Coverage	
Coverage	32%
Connections	29375
Tube Wells	75
Distribution Lines (3"-24")	372km
Overhead Reservoirs	10

Table 1 shows the present status of water supply coverage of WASA Gujranwala⁷.

The sewerage coverage in the city fares much better than water supply as 60% of the population has access to the sewerage service. Table 2 provides a snapshot view of the current sewerage status in Gujranwala⁸.

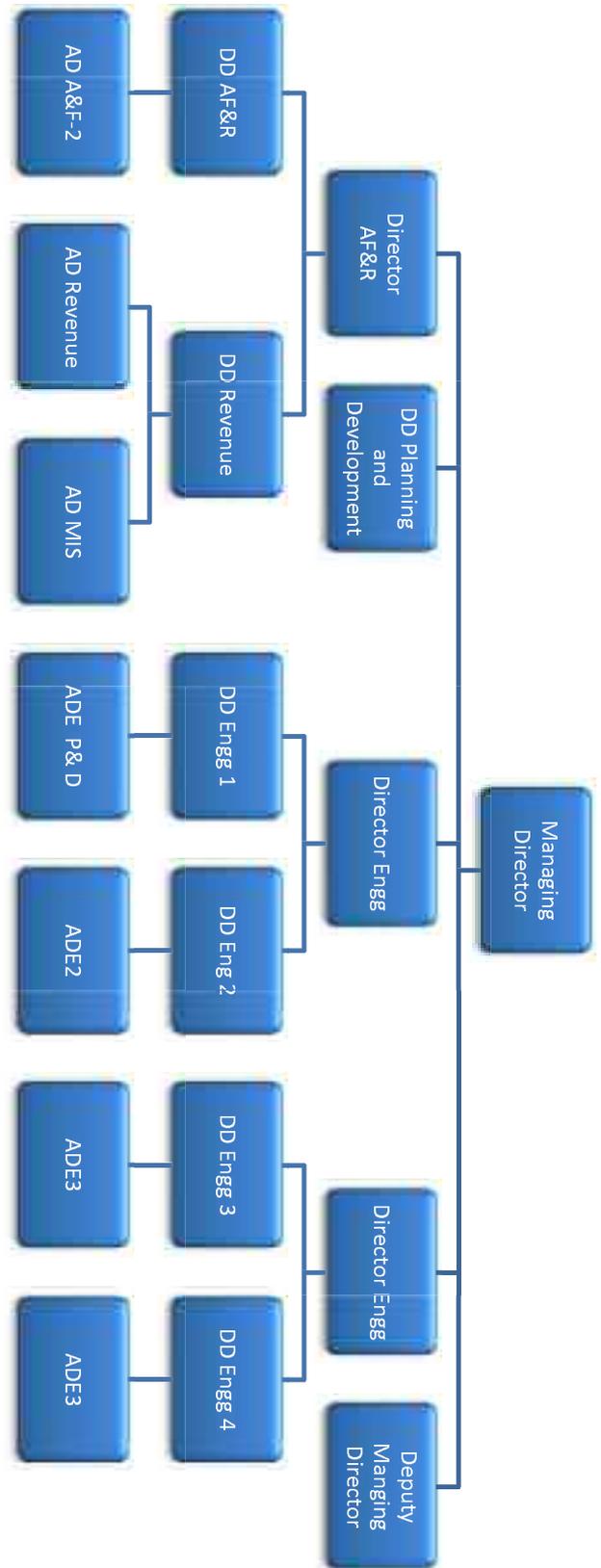
Table 2: Sewerage Coverage of WASA Gujranwala

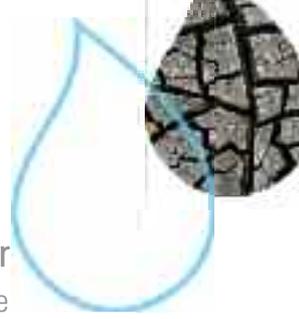
Sewerage Coverage	
Coverage	60%
Connections	126611
Disposal/Lift Stations	19
Trunk Sewer Lines (24"-60")	350
Nalluh/Drains	64km



Organogram

The organogram of WASA shows the organizational structure of WASA. WASA Gujranwala is headed by the Managing Director, the top authority. It has four departments namely Planning and Development, which are headed by their Directors who are directly answerable to both the Deputy Director and the Managing Director. The department heads each have Deputy Directors reporting to them who head their respective Assistant Directors.





Literature Review

The Literature on budget of WASA-G is not in abundant supply. The large part of what has been written on WASA-G explores the problems of water quality and provisions in Pakistan. Considering this, we have provided illustrations from international experiences of water and sanitation services also. WaterAid Nepal's study *Advocating for Water and Sanitation for All and Forever* is one of the best examples of inclusive water services. This study views the Federation of Drinking Water and Sanitation Users Nepal (FDWSUN) as a highly successful venture. The FDWSUN, in collaboration with the Government of Nepal and the local NGO's, donors and civil society, is advocating the issues of the provision of the water and sanitation facilities. WaterAid views the FDWSUN as a model for a consolidated effort to combat water and sanitation issues across Nepal. It lays stress on the importance of a number of principles that mainly include enhancing equity and inclusion of woman and children as they are the most affected by the lack of sanitation and availability of clean drinking water, enhancing accountability, responsiveness and transparency in the working for the provision of water and sanitation services.

A comprehensive outlook of the water and sanitation policies and the depleting state of drinking water in Pakistan has been provided by Maliha H. Hussian in her paper *Background Paper on Drinking Water and Supply Policy* in 2005. Maliha comprehensively tells that the water and sanitation issues stem from the lack of policy development and consistency and have worsened due to infrastructural and managerial incompetence. According to a survey quoted by Maliha, the state of drinking water in 21 major cities of Pakistan is not up to the mark. The survey reveals that majority of the water is consumed on the basis of it being odor free and clear, although lab tests reveal it is unfit for human consumption.

In a sector heavily weighed down by deficit,



the prevalence of urban water subsidies is astounding. Maliha's findings highlight the incidence of inequitable distribution of water resources and funds, as only the affluent are able to benefit from the decision and the marginalized in the urban areas are unable to benefit from the resolution as they lack access to metered water. Maliha argues that Pakistani government not only needs to ensure equitable distribution of services, it should also look into ensuring the implementation of the Local Government Ordinance, 2001 that promises to focus on the development of water resources in the rural areas.

Urban Unit in the Planning and Development Department, Government of Punjab, Lahore has undertaken a number of studies on urban water supply in Punjab. One of its studies, *Economic Regulation of Urban Water & Sanitation Services* completed in 2007 stresses on regulating the supply of water. It means that the service providers, both private and public, should be regulated to ensure the provision of quality services and to keep a check on overcharging and under-delivering. The major causes of poor performance of water sector identified in the paper include leaking pipes, poor water quality, coverage, maintenance and operational practices, poorly defined and enforced standards, inadequate water pressure, lack of clear policies, high costs



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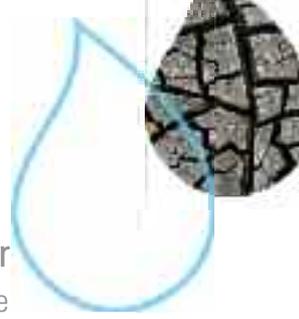
and extremely low rates of recovery. The reasons identified would enable us to gauge the problems faced by WASA-G.

Urban Unit's another study with the title Assessment of Legal and Regulatory Framework for Urban Land Development and Management in Five Major Cities of Punjab analyzes legal framework of water and sanitation services. It has been written with an emphasis to regulate urban development as to ensure equitable distribution of resources by defining clear development and administrative rules for the concerning bodies.

The paper does so by laying down rules and by defining operational jurisdiction for the development authorities. The paper clearly states that under the under Section 53 of the Punjab Local Government Ordinance, 2001 and Punjab Tehsil/Town Municipal Administration (TMA) Rules of Business 2002, water supply, sewerage and sewerage treatment, storm water drainage, sanitation and solid waste collection are TMA subjects. Therefore, the Town Officer (Infrastructure & Services) is directly responsible for water, sewerage, drainage, sanitation, roads and related areas development in the Towns. It further tells that under section 10 (2) of the Lahore Development Authority Act 1975, WASA Lahore is responsible to perform all functions and exercise all powers of the authority with regard to water supply, sewerage and drainage in Lahore. The LDA is also responsible for collection rates, fees and charges of water supply, sewerage and drainage. Since WASA-G has been developed on the lines of WASA-Lahore, the WASA-G has similar responsibilities.

Although lacking in some aspects, we have mentioned in this study, the paper not only identifies the actors responsible for water and sanitation development in the area, it also tells about various public agencies responsible for the implementation and completion of water and sanitation schemes. Therefore, the crucial responsibility identification would help us determine the cause of and those responsible for implementation discrepancies and fallacies. Moreover, as the paper only defines legal jurisdictions, it does not identify implementation loopholes and ambiguities in the official policies of water and sanitation. The paper also provides no recommendations to improve the already formed policy structure to enable to become more efficient and workable.

Urban Unit's study Reforms of Gujranwala Water and Sanitation Agency is highly relevant to our budget study of WASA-G as it highlights the problems faced by WASA-G. The various issues highlighted include limited coverage and poor



levels of service, impact on public health, the causes of poor service, lack of autonomy and the problem of underinvestment and lack of funds and poor infrastructure and operations. Urban Unit provides vital information in the form of tables and charts that help us clarify our research questions. Urban Unit tells that government of Punjab is looking to transform the working of WASA-G by resolving the above mentioned issues and by developing an independent authority that would cater to water and sanitation services.

World Bank's Urban Water Supply and Sewerage Reform Strategy mainly focuses on the concerns of water and the reasons of the issues faced by the water sector of the eight major cities in Punjab. A major finding of the paper is that there are virtually no metered connections present in the eight cities. Moreover, with the exception of Sialkot, the existing domestic tariff structure is based on property size; the tariff increases as the property size does. However Gujranwala, Bahawalpur and D. G. Khan support an equal flat rate for all connections. Furthermore, the situation becomes worse as the billing structures reveal that the bills are not always collected on a monthly basis, with the collection ratios ranging between 86- 18%.

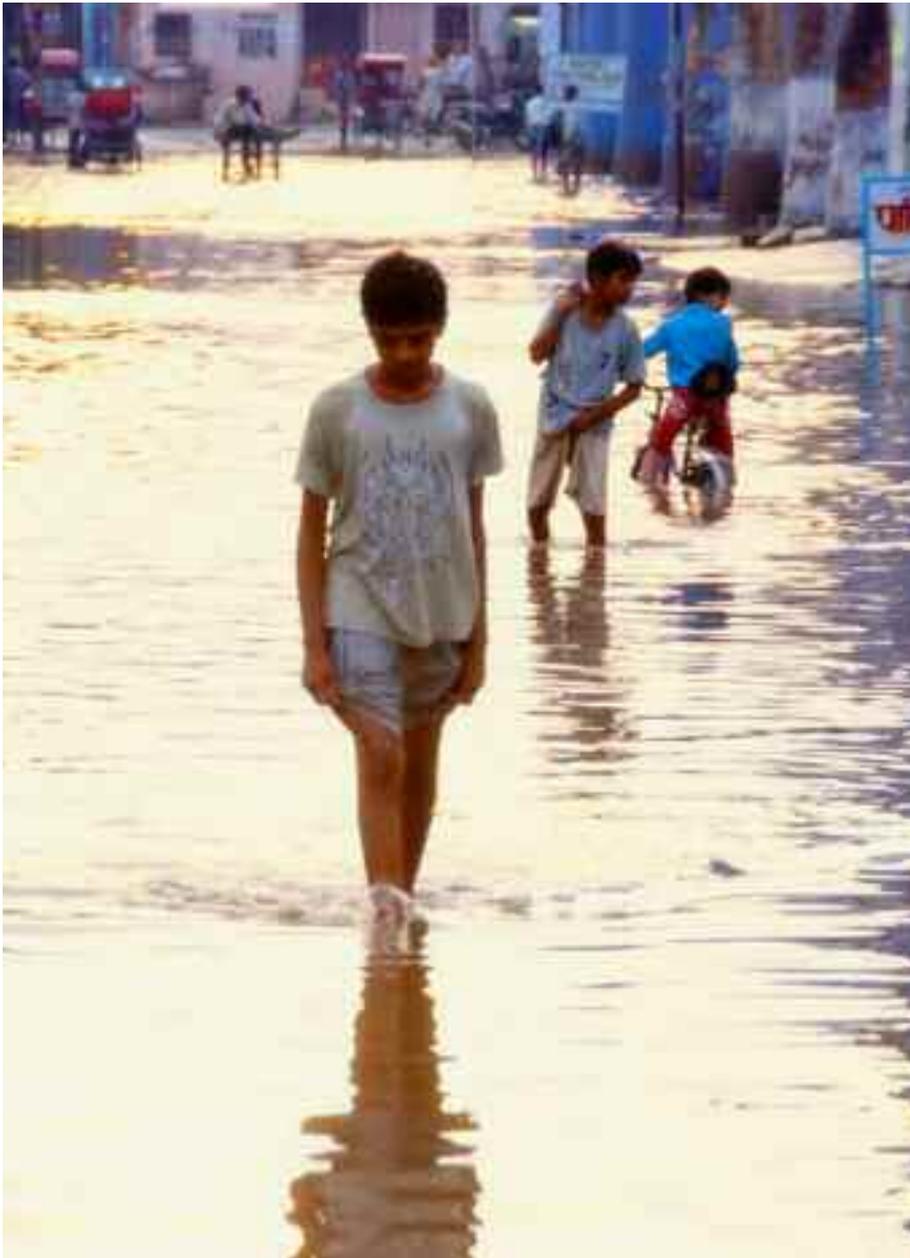
An in-depth analysis of the literature exposed that none of the studies conducted on WASAs had taken into consideration the budget and the budgetary implications on WASA-G. Astoundingly, although these documents talk of the operational and policy failures, they do not shed light on the implications of the most important component of WASA-G: the financial budget. Thereby, although these documents are able to identify operational setbacks, they failed to categorize the planning and allocation techniques and fallacies of the budget. Moreover, these documents, categorically repetitive in nature, failed to illustrate that the WASA-G lacked both financial and operational autonomy and hence were unable to influence the budgetary process. Therefore, although the documents were able to identify the operational



ineptness of WASA-G, they failed to identify the core of the issue, which is the lack of a sound and planned budget. Furthermore, although a number of documents, especially those published/released by WASA-G have written about the issues faced by it, none of the researches have looked to incorporate these concerns in the budget. Therefore, this study would look to fill that gap by analyzing the budget of WASA-G and would also look to do an equity and inclusion analysis on the budget.



Issues of Public Finance in Pakistan



study and understand public finance.

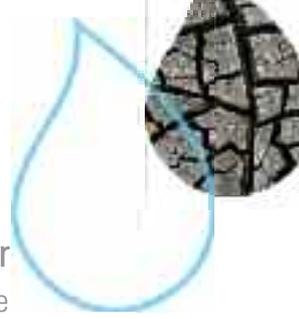
Ever since independence, Pakistan has suffered major budget balancing issues¹¹. These issues have majorly stemmed from raising expenditures, stagnant revenues, mounting budget deficits and excessive reliance on increasingly costly external and internal borrowing. Therefore, the fiscal budgets of the government of Pakistan have been growing at a regressive rate. Moreover, the past years have witnessed that the composition of the fiscal budget has begun to weigh heavily towards the current expenditure side rather than the development side. Thereby, together with debt financing and inclination of the public sector to invest in the current expenditure, this trend poses a serious threat to the current and future state of development in the country.

Moreover, the problems have been escalated by a narrow tax base and extensively high defense budgets. A narrow tax base and high tax rates have led to higher tax burdens on the tax net. Resultantly these policies have caused tax evasion and corruption. Additionally, the sanctioning of enormous defense budgets seizes a large proportion of the total budget, thereby leaving a smaller proportion of the fiscal budget to be spent on

Public finance is the study of public income and expenditure of the federal, provincial and local governments⁹. However, over the years, the definition of public finance has evolved to not only include public debt and problems of the fiscal administration and policy¹⁰. Hence, the fiscal budget is the numerical representation of public finance and therefore to understand the structure of the budget, it is imperative to closely

development schemes.

Therefore, the above analysis of public finance coincides with that of the state of federal, provincial, local and departmental budgets of Pakistan as they too are inflicted with major budget deficits and looming debts. Furthermore, analogous to a narrow tax base and evasion, the public departments face up to unregistered users and defaulters.



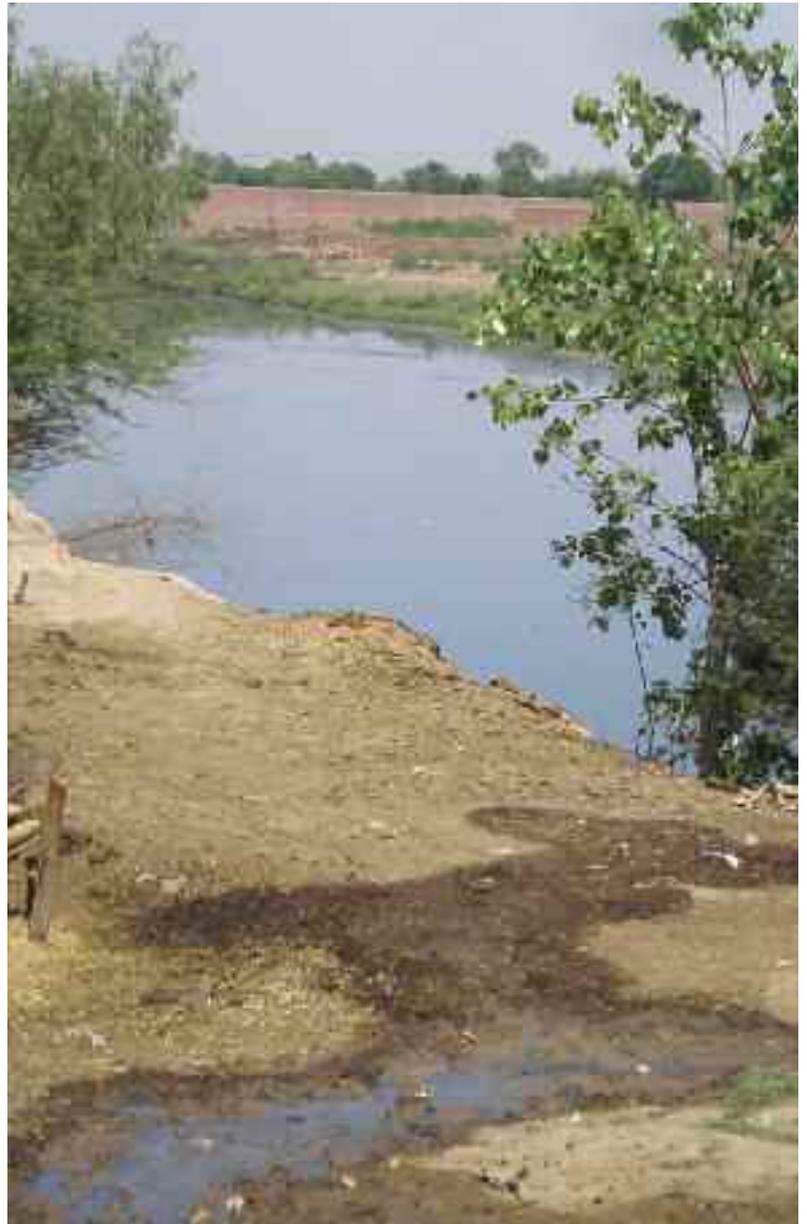
Analysis of the Actual Budget

The budget by definition is the annual financial statement outlining the expected revenues and expenditures of a government of any level for the coming year¹². According to this definition, the budget also reports the actual revenue and expenditures during the previous financial year and is usually formulated in accordance with the following objectives:

- The satisfaction of public requirements
- The redistribution of income and wealth
- Judicious distribution of resources between various units or regions of the state to achieve the target of equity and inclusion
- Promotion of economic activities
- The maintenance of full employment¹³

With respect to the local governmental departments such as WASA-G, the above objectives are of great significance. The fiscal budget should directly look to fulfill the first objective by addressing and resolving the unavailability of clean drinking water and sanitation problems faced by the local residents of Gujranwala. Moreover, WASA-G need to prioritize the provision of services in an equitable and inclusive way as to ensure that consumers from all sorts of socio-economic backgrounds are included in the development process and that their grievances are given priority. The WASA-G also needs to facilitate the process of distribution of safe drinking water and sewerage facilities equitably. This may be done by levying progressive water and sanitation distribution rates as such measures would help ensure an equitable distribution of resources and consequently would help improve the standard of living.

Thereby, the budget prepared by the WASA-G should look to be progressive on the revenue side and regressive on the expenditure side. The statement thus implicates that in the case of revenue, the collection should be ensured on the pretense that all the groups and individuals support the public budget in accordance with their ability to pay. Furthermore, a regressive



expenditure side would ensure that all the consumers in the society are able to benefit from the provision of water and sanitation without taking into consideration the dues paid for the services availed. Thus, through this process the department would be able to ensure equitable distribution of water and sanitation services. The fiscal budget for WASA-G would therefore be scrutinized keeping in mind the above mentioned objectives.



The Budget Cycle



The Punjab Local Government Ordinance (PLGO), 2001 was promulgated to reconstruct and regulate the local governments. The PLGO, 2001 not only laid parameters for the working of the local governments but also provided to streamline the working of the governmental agencies. Hence the budget planning process was laid down as follows:

- I. Issuance of the call letter on the 1st of September to all relevant departments as to initiate the development of the budgetary cycle.
- II. The departments would then prepare their budget estimates for the respective projects. These proposals are to be called in latest by the 1st of March.
- III. The collective budget proposals are then sent to the Executive District Officer (EDO) at the City District Government Office.
- IV. It is the responsibility of the EDO to consolidate the statements and conduct a cost-

benefit analysis by checking, scrutinizing and analyzing the costs and benefits of the proposed projects.

V. The Citizen Community Boards (CCBs) would also be requested to submit their proposed development schemes to the EDO. These schemes are to be evaluated on the above mentioned methods and hence eventually are to be prioritized for inclusion in the provincial Annual Development Plan (ADP) keeping in view the need of the communities.

VI. The EDO is to finalize the statement of expenditures and the draft budget for the next year is then to be sent to the Budget and District Development Committee for finalization.

VII. The drafted budget is then to be presented to the District Council for approval.

VIII. The approved budget estimates are then to be sent to the Provincial Government for their input and approval. Similarly, the input of the general public is also to be sought. The process is to be completed in the month of June.

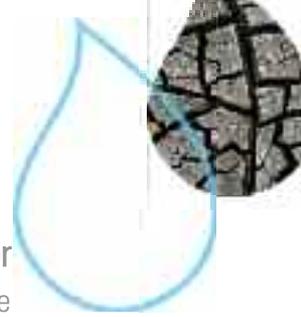
IX. During the course of June, the Budget and Development Committee is to make all necessary amendments and revisions in lieu of the input received from the provincial government and the general public.

X. The final budget is then to be presented to the council on the basis of the estimates of transfer from the provincial government.

XI. The council is to subsequently discuss the budget and approve it.

XII. On approval of the budget the concerned offices are to be contacted and the process of release of both development and non-development finance is to start.

The PLGO, 2001 thus formulated the above directives to ensure transparent and impartial transfer of resources by including a number of actors in the planning process to eliminate the possibility of bias. However, research proved that although the governmental agencies claim to follow the above parameters, deviations existed. These differences have been further elaborated upon in the following sections.



An Analysis of the Sources of Revenue

Sub-headed as development and non-development receipts and expenditures, the budget of WASA-G is recurrently in a deficient. The development receipts and expenditures are majorly cited under the on-going and new water and sanitation schemes. The non-development expenditures, usually fixed in nature, mainly comprise of the electricity charges, wages and operational and maintenance expenses.

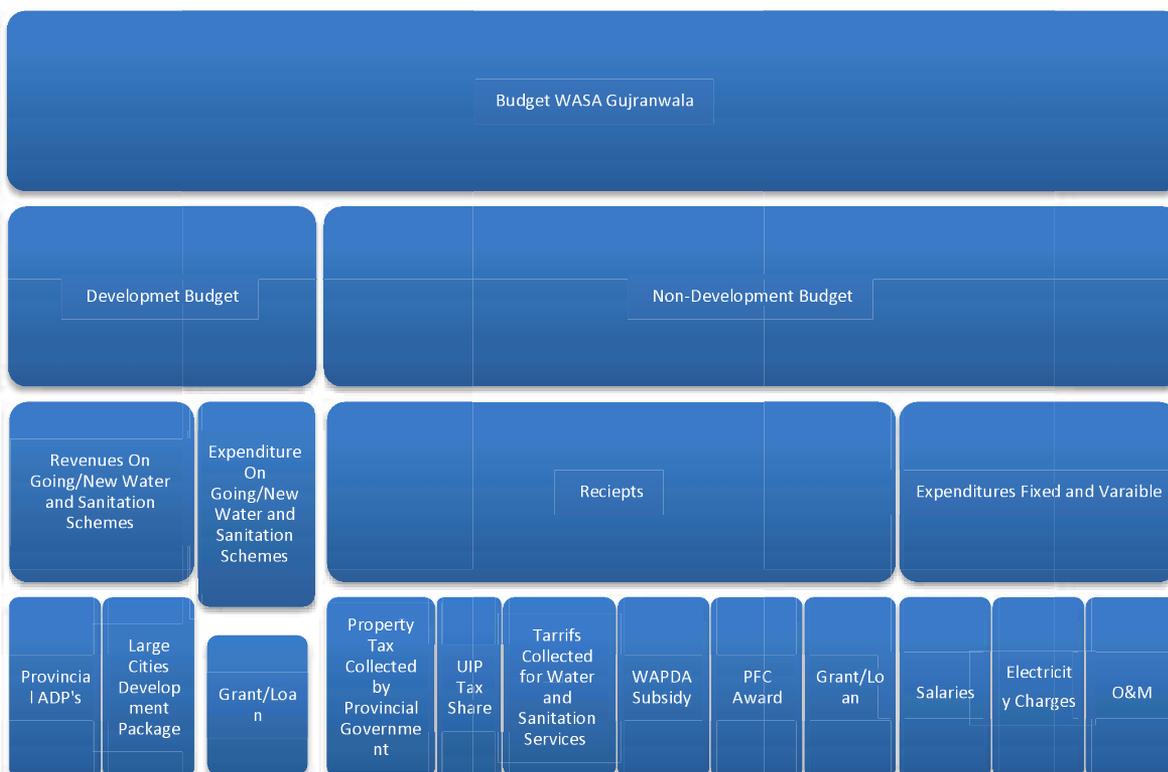
The figure is an illustration of the financing and spending pattern of the yearly budget for WASA-G.

The revenue for the WASA-G is generated through the following sources: capital funding from the provincial government via the city district government of Gujranwala, tariff based revenue collection and sustainability fund subsidy. Moreover, under the Development of Cities Act, 1976, the regulator is expected to set prices in such a way that the plan is progressive

and enables WASA-G to meet its expenditures.

However, the financial portrait of WASA-G depicts a reasonably faint picture. Due to inability of the WASA-G to generate revenue, a majority of its budget is externally funded. The provincial ADP's, development packages, subsidies, loans/grants, urban immovable property tax (UITP), property taxes, tariffs and provincial finance commission (PFC) awards are the major sources of funding for WASA-G. Of these, a majority of the sources that mainly include grants/loans, provincial ADP's, subsidies and PFC awards are external sources of funding. As WASA-G is a provincial subject, it is usually funded by the government of Punjab. In particular, a major portion of the development budget is funded by the government of Punjab. As a greater part of these funds is politically motivated, these finances increase the influence of the provincial government on WASA-G. The

Figure 2: WASA Gujranwala Budget





Budget Analysis of Water and Sanitation Agency, Gujranwala

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provincial funding is one of the reasons that WASA-G is unable to make autonomous decisions. While the WASA-G intends to improve the provision of service by expanding the revenue and the operational base, the provincial government exerts influence on the working of the department by barring it from raising the tariff rates.

Moreover, as these resources are aimed at

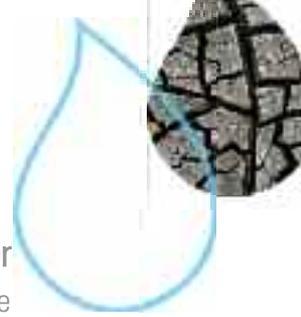
expected PKR 142.807 for the year 2010-11; with the deficit for the latter year increasing by an enormous 41.3 percent. The vast increase may be traced back to the differentials in the budget. The figures show that although the receipts from the year 2009-10 increased by 76.5 percent, the external funding decreased by 53.315 percent. Moreover, the increase in the sources of funds was offset by an increase in the salaries by 42.7

Table 3: WASA Gujranwala Budget 2010-2011

BUDGET FOR THE YEAR 2010-11					
RECEIPTS			EXPENDITURES		
NON-DEVELOPMENT			NON-DEVELOPMENT		
YEAR	2009-10	2010-11	YEAR	2009-10	2010-11
OPENING BALANCE	9.0006	8.271	SALARIES	72.217	126.008
OWN SOURCE RECEIPTS	28.805	122.700	NON-SALARIES	130.490	182.482
OTHER SOURCE RECEIPTS	173.167	80.843	LIABILITIES		46.131
TOTAL	210.978	211.814	TOTAL	202.707	354.621
			CLOSING BALANCE	8.271	
DEVELOPMENT			DEVELOPMENT		
OPENING BALANCE	18.063	10.464	ADP SCHEMES	338.560	326.027
ADP GRANT	348.990	326.027	DISTT SCHEMES	7.599	10.464
			FUNDS LAPSED	10.430	
TOTAL	367.053	336.491	TOTAL	356.296	336.491
			CLOSING BALANCE	10.464	
TOTAL RECEIPTS	578.031	548.305	TOTAL EXPENDITURES	559.296	691.112
			CLOSING BALANCE	18.735	

funding specific development schemes, WASA-G is limited in its functioning. Therefore, the lack of internally generated funds not only creates funding problems for the department, it has also led to numerous functional and operational problems. Table 3 is a budget extract of the balance sheets for the years 2009-2011. The receipts and expenditures of the budget have been divided into development and non-development. The table shows that the budget for both the years was running in a deficit; PKR 83.862 for 2009-10 and an

percent. Additionally, the right side of the balance sheet was also weighed down by a liability figure of Rupees 46.131 million. Therefore, the increase in the budget deficit for the year 2010-11 may be attributed to the increase in the non-development expenditure. All in all, it may be observed that the budget for the year 2010-11 was mulled over by the non-development budget expenditure which increased the by a whopping 41.3 percent, hence increasing the deficit by a considerable margin.



A Comparative Analysis of the Development and Non-development Expenditures

Table 3: WASA Gujranwala Budget 2010-2011

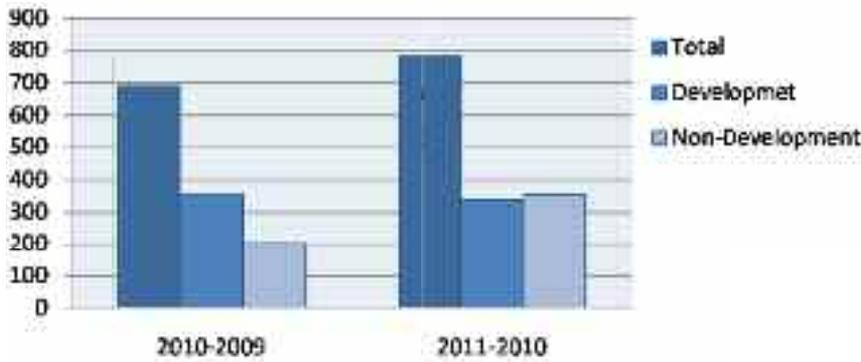


Figure 4: Comparison of the Current, Development and Non-Development Budget

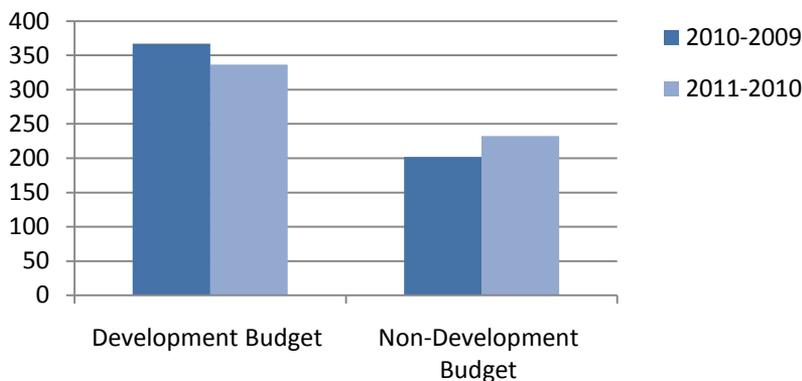
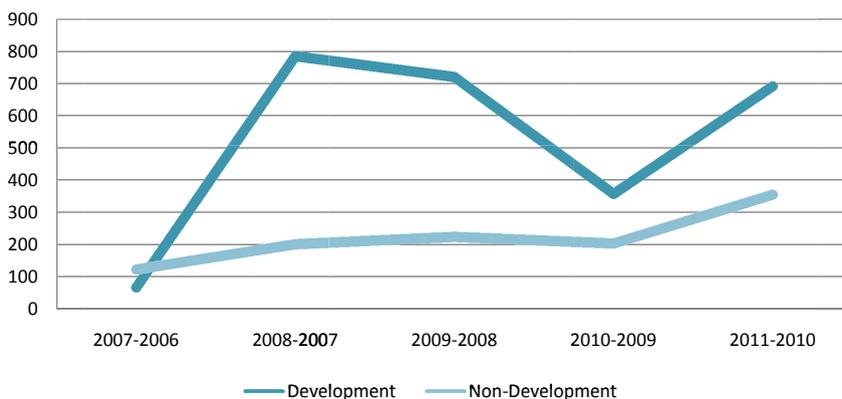


Figure 5: A Comparative Analysis of Yearly Budget

A Comparative Analysis



A comparison of the current and previous year's development and non-development budget varied considerably. It may be seen that the development budget in comparison to the non-development budget boosts a bigger number for both years, the current fiscal budget has seen a 9.08 percent decrease and the non-development budget is expected to increase by 42.8 percent. The development budget decrease may be attributed to the completion and thereby closure of a number of water and sanitation schemes that were provisioned under the Annual Development Plan (ADP) for 2009-10.

An increase in the non-development budget, in comparison to the development budget signals the WASA-G intent to focus more on the payment of non-development expenses rather than initiation of development schemes.



Budget Analysis of Water and Sanitation Agency, Gujranwala

Equity and Inclusion Perspective

The Figure 4 depicts the development and non-development budgets over the years. As it may be seen, the development budget illustrates unstable trends over the years whilst the non-development budgets over the years exhibited sluggish growth.

It is particularly important to note that the year 2006-2007 and 2007-2008 saw a massive increase in the amount allocated and spend on the development schemes. Incidentally, it was around 2007-2008 that the Government of General Pervez Mushrraf gave way to the newly elected coalition government. Thereby, the massive influx of development funds, and the newly formalized schemes may be attributed to either political vote bank collection or the government was better at allocating funds.

The year 2008-2009 saw a major dip in the development budget. Of the many reasons, one may be attributed to the abolition of the Community Uplift Program, which had guaranteed an influx of Rupees 8.6 million to the development budget figure.

Development Expenditure

Detail Of Provincial Development Budget Expenditure Under The Provincial Adp (Both New And Old Schemes)

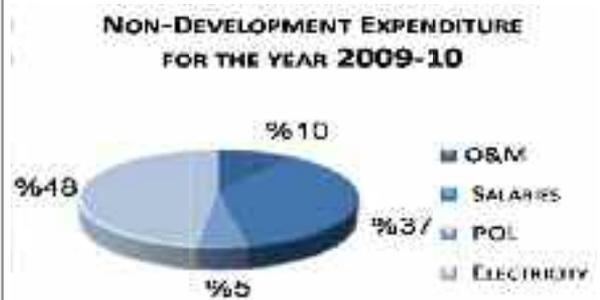
Year	2009-10	2010-11
Water	82.16	0.000
Storm Water Drains	7.00	0.000
Sanitation	259.83	326.03
Total	384.99	326.03

Under the provincial ADP, the Government of Punjab funded a number of water and sanitation schemes. Table 4 leads us to a number of astounding insights. Firstly, in comparison to the previous year, in which the ADP figure for water stood at Rupees 90.663 million; in the year 2010-11, no water schemes have been funded for Gujranwala. Moreover, the budget estimates also fail to account for storm water drains, a prerequisite which may lead to considerable

infrastructural damage during the monsoon season. However, the sanitation budget for the year 2010-11 is expected to see an increase of 20 percent in comparison to the previous fiscal year.

Non-Development Expenses

Figure 6: Non-Development Expenditure for the Year 2009-10

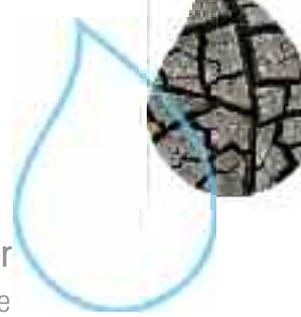


The non-development expenses over the years have majorly been dominated by salaries, electricity charges and operational and maintenance costs. The graph below demonstrates that of the total PKR 202.707 million, 48% of the expenses were incurred paying for the electricity charges whilst the salaries accounted for thirty-seven percent of the non-development expenditure. However, the year 2010-11 saw the non-development budget figure increase to 354.621 million, with the salaries figure escalating to 126.008.

Figure 7: Non-Development Expenditure for the Year 2010-11

NON-DEVELOPMENT EXPENDITURE FOR THE YEAR 2010-11





The expenditure trend analysis for the last three years shows that the electricity charges, until 2009-10, dominated the non-development expenses. However, the year 2009-10 saw the salary expenditure take a toll on the electricity expenditure as it increased by 42.7 percent as the 2009-10 provincial budgets regulated a fifty-percent increase in the basic salaries of employees.

Budget Deficit and Financing

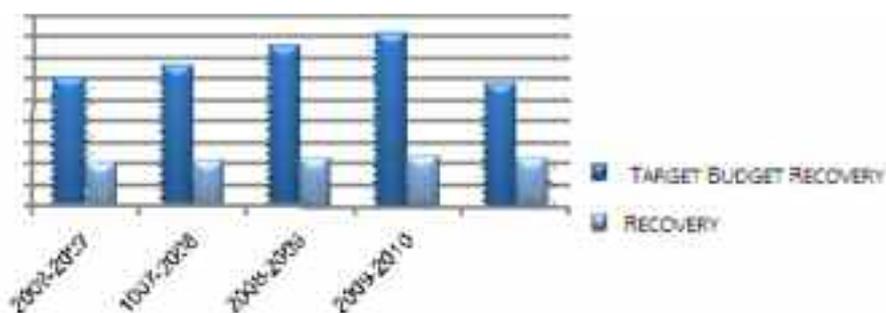


Budget deficit and thereby financing for the last five fiscal years has consistently increased to a considerable level. The budget deficit for the year 2009-2010 was the largest at Rupees 83.863 million, with the lowest recovery ratio of 28%. There are number of reasons due to which WASA-G has been unable to generate adequate revenue. Fore mostly, although WASA-G has extremely low water and sanitation charges, it is unable to collect water and sanitation dues from its customers. WASA-G has an exceptionally low recovery ratio, an average of 32% each year. Moreover, the reluctance of the government of Punjab to allow tariff increases has also been a major reason hampering the recovery ratios. Since 2004, the WASA-G has been outlawed to increase tariffs. It was also brought to our knowledge that the a number of major industrial,

commercial and domestic users are WASA defaulters but due to lack of authority vested to the department, WASA Gujranwala has been unable to take credible action.

The Figure 9 depicts the target recovery to the actual recovery over the years. The actual recoveries, at an average of 22 percent, were majorly insignificant in comparison to the targeted recoveries. Furthermore, it was astounding to note that figures for the year 2010-2011 show that the hundred percent recovery revenue amounts to Rupees 7 million, a mere two percent of the total expenditures incurred by the department. Hence, a hundred percent recovery may not be enough for the department to achieve its goal of becoming self-sufficient. Thereby, the WASA-G is heavily indebted as it has to borrow both internally and externally to finance its operations. The recovery graph shown in figure 10 illustrates, over the years, a positive slope for the recovery of dues up to the year 2009-10. A positive slope thereby implicates that the revenues collected over the years had been increasing steadily. However, the fiscal year 2009-10 and the preceding months witnessed a considerable dip in the recovery of revenues. The recovery graph shown in figure 10 illustrates, over the years, a positive slope for the recovery of dues up to the year 2009-10. A positive slope thereby implicates that the revenues collected over the years had been increasing steadily. However, the fiscal year 2009-10 and the preceding months witnessed a considerable dip in the recovery of revenues.

Figure 8: Budget Deficit And Financing For The Last Five Fiscal Years





Equity and Inclusion



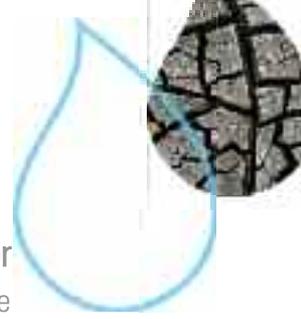
The development mantra advocates that true progress may only be possible when all the users parties are catered to in a fair and just manner. Thereby, access to clean drinking water and safe sanitation facilities to all is argued to be the basic right of human beings and thus the equity and inclusion theory stems from this notion. Equity is referred to the fair and just distribution of resources whilst inclusion is the process of including those previously neglected or disregarded in the decision making process. Inequity in the distribution of goods and services is usually the reflection of injustice found in society. Thereby, the inequity in the water, sanitation and hygiene (WASH) sector is also a reflection of our social values where usually the affluent members of society have guaranteed access to these services while the poor are deprived even the basic of most facilities.

Inequality in the distribution of services majorly stems from the lack of planning in the development process. Thereby, the course of research revealed that a majority of the water and sanitation development work that had been previously done had not been planned following the principles of equity and inclusion. The water and sanitation schemes had been majorly executed following the whims of either the WASA-G authorities or the Members of Provincial Assemblies (MPAs) or the

Members of National Assemblies (MNAs), who majorly contributed, and to date contribute, to the funding of these schemes. Moreover, further research uncovered that the progress of water and sanitation schemes had been mainly dictated by political motives, most of which majorly revolved around the vote collection.

The inequitable distribution of water resources was also brought about by political instability as frequently changing governments saw new elected representatives or political administrators with manifested political agendas. Thus, to establish their right, these political actors abandoned water and sanitation schemes initiated by previous governments and took on newly planned ones. In doing so, the planning and execution of water and sanitation schemes thus became haphazard and as the development of these schemes had been politically motivated, the aspects of equity and inclusion were conveniently ignored. Therefore, the analysis indicates that as the development was being completed in an unscientific manner, the development of water and sanitation schemes resulted in being inequitable. Annexure exhibits a snapshot of the water and sanitation situation in Gujranwala. The red boundary marks the City District limits in which WASA-G is operative. Whilst the water and sanitation services over the previous years had been found to be inequitable, these services were also not characterized as inclusive. The reason being that consultation with the users was never sought.

Rather, consultations with influential people of the city were sometimes undertaken. Resultantly, although the water and sanitation network of the Gujranwala city saw improvement, the development and progress failed to address the water and sanitation issues of the poor communities. Therefore in view of the above grievance, the Government of Punjab, under the PLGO 2001 promulgated the establishment of the Citizen Community Boards (CCBs). The PLGO 2001, under chapter 10, Section 98 states: In every local area groups of non elected citizens may, through voluntary, proactive and self help initiatives, set up



any number of Citizen Community Boards. Such Citizen Community Boards shall be set up for the purposes of, inter alia, energizing the community for development and improvement in service delivery, development and management of a new or existing public facility, identification of development and municipal needs, mobilization of stakeholders for community involvement in the improvement and maintenance of facilities, welfare of the handicapped, destitute, widows and families in extreme poverty, establishment of farming, marketing and consumers cooperatives and reinforcing the capacity of a special Monitoring Committee at the behest of the concerned Council; provided that grants shall be available subject to the provisions of section 119.

The purpose of establishing the CCBs, as stated above, was to provide the communities with a platform to address their local development concerns. In essence the CCB's were aimed to raise community awareness through project based cost sharing support from the local government¹⁵, hence enabling the locals to jointly fund a portion of their local development projects that they had designed to their preference. This process was designed such as to guarantee both community satisfaction and ownership. Although this program was very well conceived, our research discovered that the implementation process witnessed a few hiccups. Majorly, we found that due to lack of both institutional awareness and information dissemination, the communities were unaware of the existence of this clause in the PLGO 2001.

Moreover, research uncovered that where the local community members were aware; there were a number of other issues that they had to face. It was found that the TMAs' preferred funding larger projects over smaller ones. Thereby, the TMA officers were found to have a rather discouraging attitude towards smaller CCB projects that looked to initiate projects at their local street levels, such as establishing a local street disposal lines. A TMA officer revealed that they preferred to fund bigger projects that looked to have greater social development impact such as a water disposal station

rather than look to fund smaller development schemes. Therefore, this attitude not only discouraged development, it worked meticulously to widen the already enormous gap between WASA-G and the people.

Furthermore, research uncovered that where development schemes under the CCB's were approved, numerous and unnecessary delays in the payment process for these schemes disheartened and demoralized the community members. Research also uncovered that a major hindrance in the development process was the presence of unfair and unjust practices. Research uncovered that in opposition to the spirit of the CCB's, a number of projects, which although claimed to be organized under the CCB banner, were being run by other organizations and individuals.

Moreover, another observation regarding the CCB's was that although they are a positive step towards inclusion, the program was unable to formulate a mechanism that would ensure the participation and influence of the most deprived and neglected members of the society that majorly include women, children, the handicapped and religious minorities. The purpose of highlighting this issue is that previous researches have proved that these members of society are the worst affected due to water and sanitation issues and thereby, the assurance of their inclusion in the decision making process would enable the development process to become both equitable and inclusive.

Therefore, although the CCBs had been conceived keeping in mind the best interest of the communities, the Punjab government at large and the WASA-G specifically need to work together to generate awareness amongst the communities as to enable them to put this program to use. Secondly, there is a dire need to keep a check on the working of this development program as to ensure that the funding through the CCBs is being rightfully utilized. WASA-G also needs to ensure that the development being planned in the future is done so in a systematic manner as to ensure that the issues of the low lying and the neglected areas are also addressed as to guarantee equitable and just distribution of services.



Findings of the Consultations



- The city needs a total of 120 tube wells to fulfill the city requirements whereas currently WASA has 75 operating tube wells
- The total disposal generation of the city is 195 MGD's whereas the existing capacity is 115.45 MGD's.

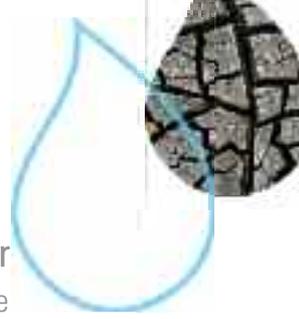
WASA-G need to

- install a new pumping machine to increase the capacity.
- improve its planning of development schemes
- There is an urgent need to replacement the old/choked sewers
- There is an urgent need to replacement old/rusty water supply pipes
- buy operational machinery on immediate basis
- WASA-G faces serious shortage of skilled staff. For example, there is no post of information technology expert, which hinders the maintenance of records
- recover huge arrears from its consumers
- Since the electricity charges are very high, WASA-G needs to think of alternative electricity producing ideas
- allocate operational and maintenance funds on rational basis
- More autonomy should be given to WASA-G by the government of Punjab

We held consultations with WASA-G officials, NGOs and communities in the framework of equity and inclusion. These consultations revealed that there are a number of challenges that the WASA-Gujranwala is facing. These majorly include:

- The total city water supply requirement is 105 Million Gallons per Day (MGD) whereas the existing capacity of WASA-G is 29.29 MGD

- Immediate measures need to be taken to increase the number of water metering
- Immediate measures need to be taken to increase tariff rates which are low and regressive currently
- install measures to stop very high rates of residential and industrial water theft
- install an effective system to combat monsoon water



Initiatives by WASA-G

The Managing Director (MD) of WASA-G has initiated a number of initiatives recently to improve service delivery in water and sanitation. These initiatives have both budgetary and operational and managerial implications.

Budgetary implications

Realizing the burden that the salaries have on the annual budget of WASA-G, a large number of daily wagers were laid off. Moreover, WASA conducted a survey to identify illegal water connections and was successful in registering 23,000 new users. Under the instruction of MD, WASA-G has planned to conduct a survey to identify unregistered and illegal industrial connections. Furthermore, as bill delivery and collection are major problems faced by WASA-G, the management has devised a plan to distribute and collect bills to 23 union councils through a pair of WASA employees in each union council. This would ensure the timely and accurate recovery of water collection dues. The management has also strengthened water coverage, dues collection and scheme development. The MD has appointed these duties to sub-engineers, deputy directors and has vowed to keep a check himself. These measures would have positive budgetary implications as these would work towards increasing the revenue base and hence making the department self sufficient.

Operational and Managerial Implications

The management of WASA-G has decided to divide the city into three major water zones. It plans to implement the following initiatives in the areas:

- 24/7 availability of water
- Identify unregistered and illegal water connections in the area
- Formulate a committee in each area as to address the grievances of the local residents and to ensure complete consumer satisfaction.

WASA-G plans to further separate domestic and industrial connections as to ensure recovery



of water tariff effectively. Moreover, in an initiative to encourage and motivate its employees, WASA-G offered a cash prize and an award to the employee who was able to generate the highest recovery. The MD also proposed inclusion of the citizens in the planning and implementation process as to establish WASA-G as a reliable service provider amongst them. In this spirit, WASA-G has also established a compliant cell which is accessible to all of its customers.



Conclusion and Recommendations



In lieu of the aforementioned findings of the research, WASA-G needs to improve its working on a number of levels as to ensure an equitable and inclusive budget and an efficient and transparent delivery of service.

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Sources of Revenue

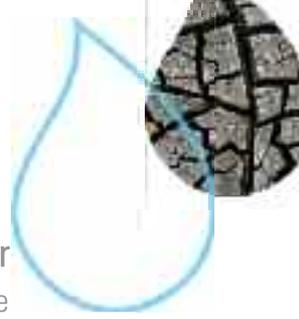
The course of research established that WASA-G had over the years been unable to meet their

expenses and thus had been operating in a deficit. However, for the budget to become a constructive document, it is essential for WASA-G to become a self sufficient organization. Therefore, WASA-G should look to augment revenue generation by increasing both their consumer base and the water tariff rates. However, these decisions may only be brought about by earning the trust and respect of the consumers through impeccable service provision.

Moreover, it is important for the provincial government to realize that although WASA-G is an autonomous body but it is unable to generate adequate funds as to be able to support their operations and initiate water and sanitation projects. Hence, rather than annually financing the budget deficit of WASA-G, the Punjab government should look to allocate a certain amount in the provincial budget for it. Furthermore, the provincial finance commission (PFC) should also look into building a system that could ensure transparent and efficient releases of funds as to smoothen the working of WASA-G.

Development Budget

Research revealed that the development plans for WASA-G were non-existing given that it was unable to generate adequate funds to finance development plans. Moreover, the budget utilization of the previous years and interviews conducted revealed that as WASA-G was unable to generate sufficient funds to meet its non-development expenses, consequently the development budget was cut to fulfill the gap. Furthermore, although a master plan for the development of water and sanitation services has been formulated by WASA-G; it has been unable to execute this plan due to lack of funds as it looks to finance the development budget through the provincial government funds. Thereby, for WASA-G to be able to plan and execute their development projects, it is imperative for it to widen their revenue base.



Budget Making Process

Although, the budget making process has been carefully designed in a cohesive manner, research found that there were a number of implementation hitches. Therefore, WASA-G should look to follow marked budgetary processes as to improve the working and credibility of its services. Moreover, the WASA-G should develop very strict monitoring processes that ensure no deviations from the system.

Future Outlook

WASA-G is faced with numerous challenges; however, it is tremendously important for researchers, advocacy organizations and policy makers to understand the importance and implications of the budget planning and implementation process. There is a dire need for independent researches to be conducted on the subject. The studies conducted need focus on identifying the gaps that exist in the budget planning and implementation processes. The studies also need to be conducted to identify the causes of the budget failures.

Furthermore, WASA-G should be able to support independent monitoring and audit committees which are able to ensure the systematic and transparent dissemination and utilization of funds and resources. Moreover, there is a dire need for all the concerned parties, that is, the citizens, WASA's, the local governments, the provincial governments, non-governmental organizations and advocacy organizations to realize that the water, hygiene and sanitation (WASH) sector is one of the most neglected of the social development sectors and need to get together and work to improve this sector.

WASA-G needs to open up the budgetary documents to the public and the civil society as to enable them to elaborate on these documents and voice their concerns. The consultation process would tremendously help improve the workings of WASA-G. As private water pumps and illegal WASA connections are major sources of water supply in Gujranwala, WASA-G should



concentrate on water metering as this would not only help generate revenue. Such a measure would also be able to curtail the wastage of a valuable resource.

This may be done by starting awareness generation campaigns that look to inform consumers about the importance of water conservation and bill payment. Therefore, through budget restructuring, consultation and dialogue WASA-G can become a self sufficient WASA with the mission of efficient service delivery to its consumers.

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End Notes:

- 1 Atif Hassan, *Budget Analysis of Local Governments in Punjab*, 2009
- 2 Atif Hassan, *Budget Analysis of Local Governments in Punjab*, 2009
- 3 UNICEF and Water Aid, *Equity and Inclusion in Sanitation and Hygiene in South Asia, A Regional Synopsis Paper*
- 4 UNICEF and Water Aid, *Equity and Inclusion in Sanitation and Hygiene in South Asia, A Regional Synopsis Paper*
- 5 Ijaz Ahmad and Ihsan Ullah Bajwa, "Growing Need for Planners in Pakistan," 2004
- 6 WASA Gujranwala 2011
- 7 WASA Gujranwala 2011
- 8 WASA Gujranwala 2011
- 9 *The Economics of Public Finance*' Alan S. Blinder
- 10 *The Economics of Public Finance*' Alan S. Blinde
- 11
- 12 *Budget Analysis of Local Governments in Punjab*, Atif Hassan, Water Aid Pakistan
- 13 *Local Government Finance, Some Political Aspects: A Case Study of Punjab*, Ayaz Muhammad
- 14
- 15 PLO 2001, pg 61, section 100 (2)

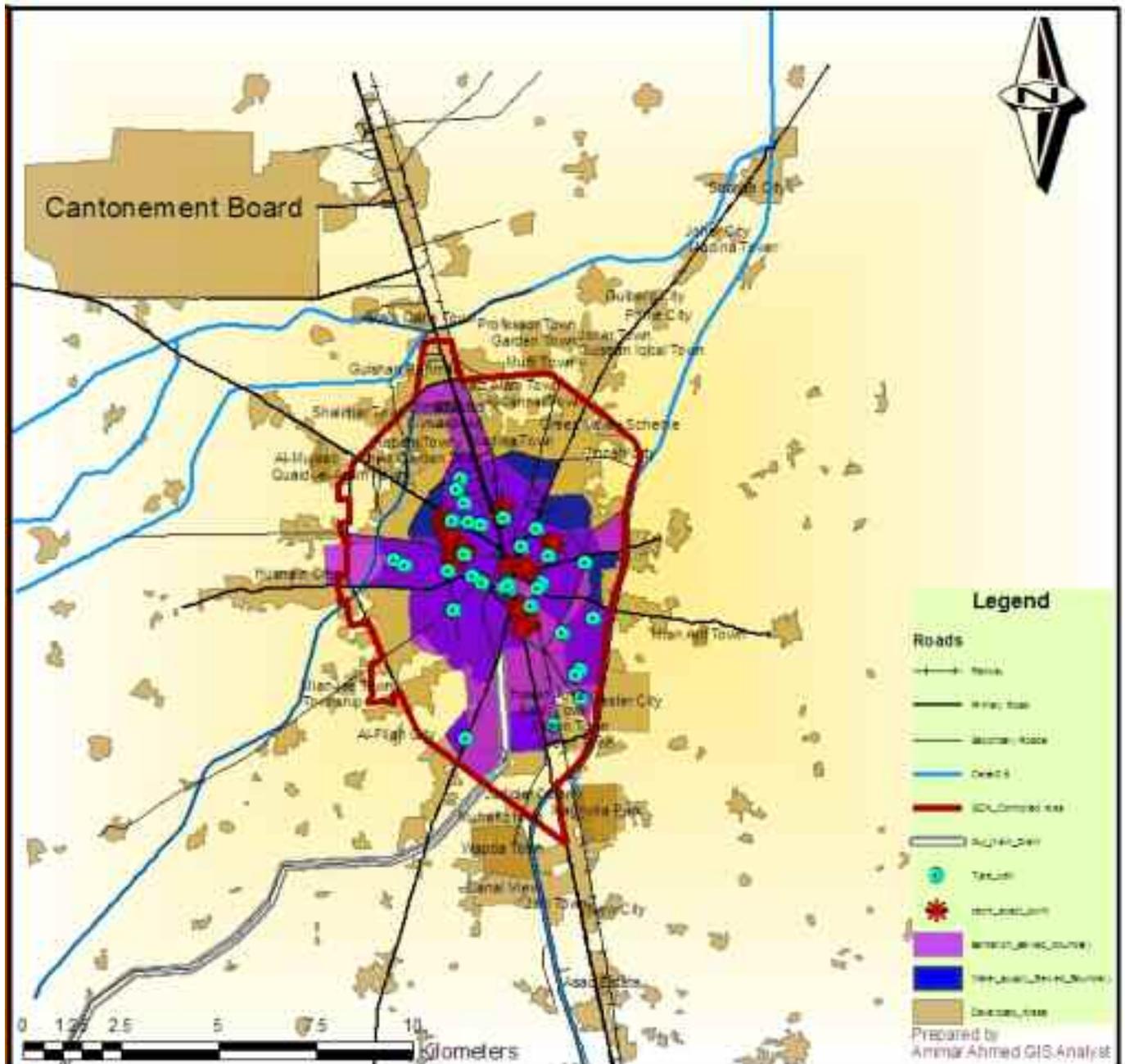
List of Budget Documents

Annual Budget Reports for WASA Gujranwala (Hard Copies)

- 2006-2007
- 2007-2008
- 2008-2009
- 2009-2010
- 2010-2011

City District Budget 2010-2011

Water and sanitation coverage of city of Gujranwala



PURC

Punjab Urban Resource Centre (PURC) was established in October 2001 by a group of individuals comprising development professionals, community activists, architects, sociologists and teachers. In general, urban development planning in Pakistan is top down and takes place without consultation with interest groups, especially poor communities. For this reason, development is often non-representative and unable to effectively meet the needs of the citizens. PURC seeks the involvement of citizens and communities in the planning and decision-making process in order to make development more responsive to the needs of people. Through research, PURC attempts to understand urban and development-related issues, and with advocacy influences these in the light of a pro-poor approach.

The objectives of PURC include promoting dialogue between the broad range of urban actors, advocating for the participation of citizens and academia in all stages of development, encouraging transparency and accountability of government and private bodies in the development, planning, and policy making processes, and eventually providing alternatives to projects which are likely to have adverse environmental, social, technical or economic effects on the city and its vulnerable communities. PURC's current activities include issue-based information collection, research, documentation and publication, discussion forums, networking and liaison with the actors of the urban development process, publications, and monthly newsletter Urban News.



WaterAid is an international NGO formed to transform lives by improving access to safe water, hygiene and sanitation in the world's poorest communities. WaterAid envisions a world where everyone has access to safe water and sanitation. The organization works with partners and influence decision-makers to maximize efforts to enable the world's poorest people to gain access to safe water and sanitation coupled with improved hygiene and resultantly uplifting their health, education and livelihoods. The organization works with local partners, who understand local issues, and provide them with the skills and support to help communities set up and manage practical and sustainable projects that meet their real needs. The organization also influences policy makers and implementers to form viable policies and institutional frameworks to meet the actual needs of the target groups. It focuses on collaboration of various stakeholders to get engage into the sustainable, innovative, relevant and effective interventions.

WaterAid used to supervise Pakistan from its regional offices prior to year 2004 when it opened its country office in Islamabad. The primary aim of establishing its country office was to facilitate its partners more directly. WaterAid Pakistan (WAP) works with number of its partner organization in three provinces (Punjab, KPK and Sindh).

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Dharampura, Lahore