Bargain it Just

I-SAPS Institute of Social and Policy Sciences
Informing Policies, Reforming Practices

OXFAM

Domestic Resource Mobilization in Pakistan:

Exploring Avenues for Addressing Inequities

DOMESTIC RESOURCE MOBILIZATION IN PAKISTAN:
EXPLORING AVENUES FOR ADDRESSING INEQUITIES

Published by:
Institute of Social and Policy Sciences (I-SAPS)
P.O. Box: 1379, Islamabad, Pakistan
Tel: 0092-51-111739739; Fax: 0092-51-2825336
Email: info@i-saps.org; Website: www.i-saps.org; www.i-sapseducation.org

in collaboration with:
Oxfam

ISBN: 978-969-7612-15-4

Designed by:
M. Javed Sial

Contents

Acknowledgements

The Institute of Social and Policy Sciences (I-SAPS) wishes to acknowledge and thank all the people for their contributions and invaluable support. The research was led by Dr. Salman Humayun who provided the necessary research design and insightful analysis for this study. We also greatly acknowledge the research support and comments provided by Mr. Ahmad Ali, Research Fellow, I-SAPS. This study would not have been possible without the generous support of Oxfam Pakistan. We are grateful to Mr. Mohammed Qazilbash, Oxfam International Country Director (OICD), Pakistan for his vital role in supporting this research subject and the subsequent support provided throughout the course of this research. This research and publication would not have been possible without the unflinching support and encouragement provided by Mr. Zeeshan Siddique, Programme Officer Financing for Gender Justice, Oxfam in Pakistan (OiP). We truly appreciate his contribution to this research. We would also like to extend our gratitude to the Departments of Planning and Development and Finance, Government of Punjab and Government of Sindh for facilitating the research.

Acronyms

AAAA	Addis Ababa Action Agenda 2015
ADP	Annual Development Plan
BISP	Benazir Income Support Program
DFID	Department for International Development
DRM	Domestic Resource Mobilization
FDI	Foreign Domestic Investments
GNP	Gross National Product
GPE	Global Partnership for Education
GPI	Gender Parity Index
GRB	Gender Responsive Budgeting
IFI	International Financial Institutions
IMF	International Monetary Fund
I-SAPS	Institute of Social and Policy Sciences
NFC	National Finance Commission
ODA	Official Development Assistance
OZT	Octroi/Zila Tax
PFC	Provincial Finance Commission
PIFRA	Project to Improve Financial Reporting and Auditing
PRA	Punjab Revenue Authority
PSDP	Public Sector Development Program
SDGs	Sustainable Development Goals
SEMIS	Sindh Education Management Information System
SRB	Sindh Revenue Board
TMA	Tehsil/Taluka Municipal Administration
UIPT	Urban Immovable Property Tax
UNDP	United Nations Development Programme

SAP	Systems, Applications, Products in Data Processing
SAT	Standardized Assessment Test
SEMIS	Sindh Education Management Information System
SMC	School Management Committee

List of Tables

List of Figures

Executive Summary

Women empowerment through equal opportunity and effective participation in decision making provides the basis of a prospering and just society. With a population of approximately 199 million, demographically 6th largest country, Pakistan ranks abysmally in terms of gender equality. The performance on gender justice indicators is appalling. Despite being a developing country, only 22% of the women makes up to the labour force, with only 10% of the working age women from the urban areas. The disparities between men and women are conspicuous when the average monthly incomes are compared, the average monthly income of a female is merely Rs. 2,702 ($25.79) as compared to the employed male whose monthly income is to the tune of Rs. 13, 716 ($130.91). The socio economic setting has implications for women in terms of bearing a substantial burden of taxes. The inequality faced by the women and girls can be regarded as one of the leading drivers of the systemic poverty, poor economic growth, injustice and declining human development indicators. Among other socio-economic inequalities poor participation of women in decision making processes especially pertaining to resource distribution and implementation exacerbates the situation. The regressive taxation is one of the important contributors in this regard. Evidence indicates that regressive taxation imposes heavier burden on women in lower income and female headed households. A closer examination of Pakistan's economy indicates that besides other variables, the failure in provision of basic public services is spurred by the inability to introduce a fair and equitable system of taxation and mobilizing domestic resources for sustainable development.

Post 2009 world economic crisis, unpredictability of Official Development Assistance (ODA), Foreign Domestic Investments (FDI), and Diaspora remittances, the importance of Domestic Resource Mobilization (DRM) has increased manifold for the developing countries like Pakistan. The Financing for Development- Addis Ababa Action Agenda (AAAA2015), besides highlighting and obligating the governments to integrate gender considerations stressed on mobilization of appropriate domestic resources to ensure quality investments in essential public services (education, health, energy, water and sanitation). Domestic resource mobilization, especially taxation is a political process, a *process of contestation and bargaining*, determining who will pay for whose benefit. In case of Pakistan for mobilizing resources at the provincial level, political will appears to be missing particularly in terms of taxing the services sector and agriculture. The avoidance has resulted in compromising the benefits of increased economic stability, productivity and redistribution. Lack of transparency has led to the exclusion of this important subject from the arena of public debate.

Resource generation in Pakistan is essentially based on system of Taxation. Though a federal entity, the central government is empowered to levy and collect most of the direct and indirect taxes including, Custom duties, Export/Import duties, Sales tax, Federal Excise duties, Capital Value Added Tax, Wealth Tax, Personal Income, and Corporate Income Tax. The key taxes forming the provincial resource base include, Property tax, Agriculture Tax, Tax on services, Excise duty, motor vehicles tax, stamp duties. A review of the existing framework for taxation suggests that provinces to meet their expenditures are mostly relying on the share from federal government. Almost 80 percent of the provincial resource pool depends upon the federal revenue streams. At the sub-national levels, resource mobilization at the district tiers is alarmingly low, whereby most of the districts surveyed are contributing only 0.7% to 8% of resources for their budgets. Tehsil/Taluka tiers are relatively efficient in this regard. The political economy of domestic resource mobilization appears to favor the elite and puts extraordinary burden of taxation on the poor and weak segments of society. Thus making the taxation system a regressive one in which 55% of taxes are indirect and only 45% are direct taxes. The clash of various interest groups has a direct implication on mobilizing local resources at provincial tier. The interest groups lobby the policy makers for taxing "other groups first". The foremost challenge faced by the taxation system of Pakistan is the low tax-to – GDP ratio. Pakistan's tax base is quite narrow, only 0.3% of population pays income tax. There are 7 million eligible tax payers but only 0.5 million among them pay income tax. Hence, a major chunk of population remains out of the tax net. The failure to meet their revenue potential have compromised the state's pool of resources which can be utilized for addressing the educational and health challenges effecting the marginalized segments of the society and especially the women. The prevailing inequality in tax collection also exacerbates the scenario. This inequality is highly vivid in the sectoral discrepancies in tax collection. For instance Agriculture sector employs around 45% of the total workforce with a share of 22% in GDP, is contributing only 1.2% in the tax revenue.

The review of the existing system of taxation and resource generation at federal, provincial and district tiers have significant insights in context of equity and gender perspective. The availability of a sustained flow of resources is missing which is necessary to provide a sustainable fiscal space for spending more on essential services such as health, education etc. The existing system of inefficient administration of taxation at all tiers and its explicit and implicit biases are contributing towards existing inequities. In this context the existing legal and policy framework policy is deficient on a number of counts including; indirect biases in the commodity taxes which include VAT, Sales Tax and Excise duties burdens poor and women more than the affluent. As the poor, and especially women spend most or all of their income on acquiring basic commodities. The evidence suggests that though there may not be explicit gender bias in direct taxation; however, it may well be placing an unfair tax burden on poor women, especially those working in irregular employment.

Investing in the public services such as education and health enables the governments to respond to the socio-economic inequalities, redistribute the benefits and enable people to improve the quality of life. It is now a globally recognized fact that investments in education and health by the governments lead to economic growth and prosperity. The EFA Global Education Monitoring Report 2013 states that ensuring primary education to all women leads to a substantial decrease in child mortality, child marriage and reduces the maternal death by two third. The review of social sector investments in Sindh and Punjab the provinces, with most of the responsibility of the social sector, provide interesting insights. Post 7th NFC Award provincial shares increased substantially, however it appears that provincial governments are more inclined towards investing on infrastructure and high visibility projects. Expenditure on Education and Health also increased however the pattern has remained in-consistent. The development expenditure on health and education also increased at a much slower pace till 2014-15. Resources for Girls Education, was a major focus of the present study. Punjab in FY 2016-17 marked 33% of the total education budget for Girls education compared to 38% for the boys. The situation in Sindh, is not so promising, where only 19 percent of education budget in 2016-17 was earmarked for girls' education compared with 48 percent budget for boys' education. Similarly, the perstudent expenditure for girls in Sindh is to the tune of Rs. 15,792 per student in FY 2016-17 compared with the Rs. 28,526 per boy student. At the district tiers, in case of Punjab the development spending on Education and Health at District level in the selected districts shows erratic trends, it was only the last financial year when the development expenditure for these sectors jumped by over 50% in one year. The expenditure on education by various districts in the province of Sindh it is a matter of concern that Thatta, Badin, and Jacobabad, the most backward districts in the province, are spending only around 10% of their resources. When governments fail to invest in the social sector, millions of common people are deprived of accessing quality education and health services thus perpetuating the vicious cycle of poverty and disenfranchisement.

The study while taking account of the identified challenges and opportunities as well as considering the principles of equity, fairness, efficiency and social justice provides following recommendations to inform the debate on domestic resource mobilization in Pakistan which can facilitate mobilization of more and better resources at federal, provincial and local tiers:

Key Recommendations:

- *Production of Locally relevant Evidence*: Domestic Resource Mobilization (DRM) is an under researched area in context of Pakistan. It necessitates a series of efforts aiming at production of locally relevant research on Domestic Resource Mobilization
- *Production of Gender specific Knowledge on Revenue Generation:* There is a serious dearth of work which examines the revenue generation side of the budgets from equity and gender justice perspective. It is recommended that knowledge should be produced which should examine the revenue generation from gender and equity perspectives.
- *Evidence to engage with, inform and Influence Policy Processes:* Evidence generation on themes including; Gender-aware medium-term tax policy frameworks; Gender-aware tax policy appraisals; Gender-disaggregated tax burden assessments; Gender-specific tax incidence analyses; and Gender-aware revenue statement etc.
- *Policy Advocacy and Engagement*: Initiation of policy engagement with the federal and provincial governments to persuade them to ensure availability of gender-disaggregated data on tax.
- *Engagement with Public Representatives and Political Parties*: Establishing a nuanced and sustained province specific engagement with the public representatives, political parties and key stakeholders for pro-poor, gender just, equitable and progressive resource mobilization policies and actions.
- *Role of Citizen Groups*: Civil Society Organizations and citizen groups need to initiate advocacy campaigns for equitable and responsible and gender just revenue generation.

Section-I

Introduction and Context

SECTION-I

Introduction and Context

Foundations of a stable, prospering and just society cannot be laid without ensuring equality of opportunity and empowerment of women. With a population of approximately 199 million, demographically the 6th largest country, Pakistan ranks abysmally in terms of gender equality. The performance on gender justice indicators is appalling, with an overall rank of 141 out of 142 countries globally in gender gap; Pakistan stands on 141st in terms of women's economic participation, 137th on labor force participation, and 124th in share of women in key decision-making positions[1]. The inequality faced by the women and girls can be regarded as one of the leading drivers of the systemic poverty, poor economic growth, injustice and declining human development indicators. Gender equality and women empowerment are recognized as mainstay for formulating a meaningful and objective strategy for economic growth, vibrant markets, addressing the issues of health and education and guaranteeing pro-poor development. However the cultural and structural barriers have placed women and girls in Pakistan in an unfavorable position.

Like most of the traditional societies, the balance of control over economic, socio-cultural and built environment resources, assets, goods and services is highly skewed in favor of men. Among other socio-economic inequalities poor participation of women in decision making processes especially pertaining to resource distribution and implementation exacerbates the situation. Evidence indicates that regressive taxation imposes heavier burden on women in lower income and female headed households. The tax regimes which rely essentially on value added and indirect taxation negatively affect women's economic situation and gender equality. Likewise from an institutional perspective asymmetrical access to and control by women and men over decision making at all levels of society is easily discernible. Gender justice in this context cannot be considered as a marginal concern, as gender equality of opportunity and empowerment of women are recognized fundamental pillars of government's efforts for pro poor development.

[1] World Economic Forum. 2015. *Global Gender Gap Report 2014.*

The case of education and the resources being spent on the provision of it is a case in point. With 24 million out of school children Pakistan faces a huge challenge of access, the issue is compounded in case of women and girls, as the cultural beliefs and practices tend to discriminate against girls thus increasing the likelihood of attending a formal school. Responding to this challenge requires a fiscal space which seems unlikely without mobilizing the domestic resources in an effective and just manner.

A closer examination of Pakistan's economy indicates that besides other variables, the failure in provision of basic public services is spurred by the inability to introduce a fair and equitable system of taxation and mobilizing domestic resources for sustainable development. These are core governance functions and provide government with the funding required to provide for the fundamental framework for growth and economic development[2]. System of taxation also serves as a major tool to redistribute income and reduce inequality through progressive taxation[3]. There is a consensus that failure on the part of a government to effectively raise taxes and mobilize local resources not only contributes in the poor performance of economy but also restricts government to provide for the essential public services in an efficient and effective manner. In recent years the scarcity of public revenues and shrinking local resource base has affected the governments' ability to support and facilitate social progress and economic development. The situation has forced the successive governments in Pakistan to look towards external sources of support, including loans, grants and assistance for provision of basic public services such as health, education, sanitation etc. The failure of deploying local resources through taxation as a redistributive tool has also contributed significantly towards increased horizontal inequities.

Major determinants of development include provision of social protection, infrastructure and basic services such as education and health care. The sustainable development necessitates that these public services should be financed from government's resources instead of being reliant on foreign assistance, grants, or loans. The reliance on domestic resources besides reducing the debt and dependence on foreign aid enhances the policy space for the governments and feeds into strengthening democratic accountability. In the backdrop of world economic crisis in 2009, growing inconsistency in Official Development Assistance (ODA), Foreign Domestic Investments (FDI), and Diaspora remittances, the importance of Domestic Resource Mobilization (DRM) has increased manifold for the developing countries like Pakistan[4].

[2] Tax Systems are legal systems for assessing and collecting taxes. Taxes have been defined as involuntary payments to the governments by the persons who are earning taxable incomes, spending money or residing in particular jurisdiction levying the tax for the common good of the citizenry. Governments in general levy two types of taxes i.e. direct taxes and indirect taxes

[3] Murphy, R., Kapoor, S., Pak, S., Spencer, D., and Christensen, J. (2007) *Closing the floodgates, Collecting Tax to Pay for Development*, Tax Justice Network. Nairobi.

[4] "*Domestic Resources*" refer to fiscal and financial resources accruing within a domestic economy, including public sector revenue; private-corporate and household savings; corporate profits and retained earnings. Whereas mobilizing domestic resource or *Domestic Resource Mobilization (DRM)* includes; a).Increased and improved public sector (non-debt domestic) revenue mobilization; b).improved allocative efficiency of public investment and recurrent expenditures c). increased (public, private-corporate and household) savings mobilization; d). Increased and improved (i.e. more efficient) intermediation (savings into investment), and greater allocative efficiency of investment. (Adopted from Culpeper, Roy. and Bhushan, Aniket. 2008. *Domestic Resource Mobilization: A Neglected Factor in Development Strategy*. The North-South Institute, Ottawa.)

The recent international developments are also appreciative of this challenge; international community has geared its efforts towards mainstreaming the importance of tangible efforts for mobilizing domestic resources and revitalization of focus on addressing the challenge of gender inequality. Post Monterrey Consensus (2002), there has been an agreement globally to work for a renewed focus by the governments on domestic resource mobilization. The most recent international agreement in this regard has been the Addis Ababa Action Agenda 2015. The Financing for Development- Addis Ababa Action Agenda (AAAA2015), besides highlighting and obligating the governments to mobilize appropriate domestic resources to ensure quality investments in essential public services (education, health, energy, water and sanitation) integrates gender considerations in all the key action asks from the governments. Considering the gender inequality in the existing policy milieus across the governments, it obligates the governments to undertake legislation and administrative reforms to give women equal rights, and promotes gender-responsive budgeting and tracking among other measures.

It has been argued that certain conditions need to exist at the national and sub-national levels for identifying and mobilizing domestic resources in an optimum manner to meet the growing needs of delivery of social services in the developing countries. These conditions include functional inclusive institutions at all levels, fair taxation system, and equitable redistributive mechanisms for judicious allocation and expenditure of mobilized resources. As it is evident from the nature of these conditions, strenuous and sustained efforts are required by governments to make best use of the domestic avenues for resource generation. Hence, another avenue considered for resource mobilization by the developing countries has been that of foreign aid. Foreign aid with its quantity and continuity can act as a catalyst for development but still its role is limited with respect to sustenance of development initiatives[5].

Domestic Resource Mobilization (DRM) thus comes up as an important policy paradigm and it has been a subject of academic enquiry since the early twentieth century. Due to its importance and vital role in sustainable development, recently it has assumed priority on the advocacy agenda of citizen groups across the globe. Mobilization and utilization of resources is intrinsically a political process structured on "*contestation and bargaining"* over who will pay what and who will reap the benefit. States provide services in return of revenue known as tax. The bargain provides the means to a state to invest on social development including education, health and social protection[6].

Foundational work of Frank Ramsay can be cited as a good example which attempts at defining the parameters of a fair taxation system for generating revenues for a government. The debate on the nature of taxation system has been going-on ever since

[5] Oxfam. 2010. *21st Century Aid: Recognizing Success and Tackling Failure*, Briefing Paper. London. UK
[6] For more details please see: Antje Wiener. 2014. *A Theory of Contestation*. Springer. Heidelberg, Germany; Michael Coppedge, Angel Alvarez, & Claudia Maldonado. 2008. *Two Persistent Dimensions of Democracy: Contestation and Inclusiveness;* Mick Moore. 2004. "Revenues, State Formation, and the Quality of Governance in Developing Countries" in *International Political Science Review*. Vol 25, No. 3, 297–319

with the pivotal points of a) taxation according to the capacity of citizens and b) redistributive nature of taxes[7]. The developing countries with inadequate systems of taxation grapple with adherence to the above two ideas rendering allocation of resources for human development increasingly difficult.

Pakistan, still struggling with improving its human development indictors, is no exception to this phenomenon and struggles to generate resources for development against the ever increasing burdens of debt servicing and recurring expenditures on governmental establishments. It is heartening to note that Pakistan has decreased its dependence on foreign aid in the past three decades and has been focusing more on internal revenue generation[8]. As Pakistan explores the ways to mobilize local resources it will be critical that resource generation measures and tax collection policies and practices do not place undue burden on the underprivileged and the marginalized sections of the society. Women are particularly vulnerable in this regard therefore it remains critically important to focus attention on the methods being used to increase domestic revenues and on how these efforts affect women.

Within the debate over mobilization of resources, the notions of improving the delivery of social services in the face of population bulge remain a big challenge for Pakistan. With poor human development indicators, Pakistan struggles to generate and allocate required resources for improving the quality of life of its people. Education and health indicators of Pakistan are abysmally low. Allocation of 4% of the GDP for education is considered essential for developing human capital of a country but Pakistan with its financial limitations falls short of prioritizing the available resources and in identifying new avenues for resource mobilization. Pakistan's expenditure on education, an important indicator of road to development has never been up to the requirements and in real terms Pakistan has reduced spending on education from 2.6% of Gross National Product (GNP) in 1999 to 2.3% of GNP in 2010[9]. It is significant to note, that the net enrolment for girls in education have actually been falling as national investment in education fails to keep pace with the burgeoning population growth. Additionally the women's health and reproduction statistics remain very poor. At its current state, Pakistan faced with a huge challenge to achieve the Sustainable Development Goals (SDGs) especially SDG 5 which focuses on gender equality and empowerment of women and girls. Under SDG-5, Section 5.5 specifically calls for ensuring women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.

The present state of service delivery in Pakistan calls for immediate and long term measures for Domestic Resource Mobilization (DRM) and judicious expenditure of the same. The challenge of social services in Pakistan is not solely due to the inadequacy of resources, but the way public finance is planned, managed and monitored, thus beside mounting up measures for Domestic resource mobilization it will be of critical

[7] For further discussion on the topic please see J.A. Mirrlees. *An Exploration in the Theory of Optimum Income Taxation;* N. Gregory Mankiw, Mathew Weinzeirl, and Danny Yagan.*Optimal Taxation in Theory and Practice;* M. ShaheEmran, Joseph. E. Stiglitz. *On Selective Indirect Tax Reform in Developing Countries*; Michael Keen.*VAT, Tariffs, and Withholding: Border Taxes and Informality in Developing Countries*.
[8] Oxfam & I-SAPS. 2012. *Aid Effectiveness in Pakistan: A Citizen's Perspective*. Islamabad. Pakistan.
[9] Education for All: Global Monitoring Report 2012

importance to ensure tracking of financial allocation and utilization of public finances. The judicious expenditure of the resources needs effective tracking of the allocations and expenditure. These measures can not only contribute to local income growth and productivity which can help address the challenges of gender inequality through progressive taxation and provision of social safety nets for the vulnerable sections of society and especially contribute towards gender just allocation and distribution of resources. In this backdrop, analysis of existing resource base with a view to mobilize more domestic resources in a progressive and judicious manner comes as a prerequisite.

OBJECTIVE:

The present study besides mapping the socio economic inequities being faced by women in Pakistan examines system of resource generation, taxation and expenditure regimes in Pakistan to identify gaps in resource mobilization. It also highlights avenues which can inform the development process for designing a Domestic Resource Mobilization (DRM) regime which is responsive to gender justice from a distributive as well as institutional perspective. Additionally the study also underscores avenues for citizen action which can inform the process for designing a Domestic Resource Mobilization (DRM) regime which can lead to increase present allocations for public services like education from the standpoint of gender justice.

SCHEME OF PRESENTATION

The study has been divided into five sections. The first section provides a background to the study, its purpose, methodology, scheme of chapters and key limitations. The next section by way of setting the context provides a snap shot of the socio-economic inequities being faced by women in Pakistan. The third section of the study besides mapping the existing framework for domestic resource mobilization at different tiers examines the key challenges in resource mobilization and articulates key concerns from the perspective of gender equity. Fourth section of the study elaborates upon the existing state of resource mobilization and patterns of investments in the health and education sectors from Punjab and Sindh province. The last section provides key findings and policy recommendations for mobilizing resources to address inequities by investing in girls' education.

Section-II

Women in Pakistan:
A Snap Shot in Socio Economic Inequality

SECTION-II

Women in Pakistan: A Snap Shot in Socio Economic Inequality

Women in terms of socio-economic and political status have lagged behind men over past many decades. A review of social sector indicators highlights that in terms of access to education, healthcare services women are on a visibly less advantaged position. This is evident from the high maternal mortality rates and low literacy rate of women. Similarly women constitute a low percentage of the labour force and are hardly present in the decision making positions. These indicators have placed Pakistan as one of the worst performing countries from the standpoint of Gender Justice.

Gender Justice Indicators: Where Does Pakistan Rank

141	Gender Gap
141	Economic Participation
131	Labour Force Participation
124	Women in Key Decision Making

Figure 1: Gender Justice: Where Pakistan Ranks

Though with economic growth, expanding net of health and education services, diversification of markets, it was expected that the gender inequities will be narrowing; however, the imbalance has exacerbated. It is discouraging to note that country is performing abysmally on most of the indicators of gender justice, Pakistan ranks 141st on the Global Gender Gap Index, 141st on Women's Economic Participation, 131st on the share in the labour force and 124th in terms of share in the key decision making positions.

An overview of the national education sector indicates that women participation rates have not been consistent. As a result of the enrolment drives, the gross enrolment rates for girls have improved but the drop-out rates remain high, thus having an overall negative effect on the net enrolment rate of girls. The girls' net enrolment rate stands at around 50 percent, which is much lower when compared to that of the male net enrolment rate of 57 percent. The enrolment rates (GER & NER) falls much lower in the rural and semi-urban areas. The gender parity index at primary levels and overall literacy in the youth appears to be fluctuating in recent years the trend has been quite visible in the rural areas. At secondary level it has not been consistent and has been fluctuating.

Table1: Gender Parity Index (2011-12 to 2013-14)

Year	Gender Parity Index		
	Primary	Secondary	Youth Literacy (15 - 24 Years)
2011-12	0.9	0.81	0.81
2012-13	0.89	0.89	0.82
2013-14	0.88	0.84	0.8
	Source: PSLM 2014-15		

In terms of access to health services, status of women is not promising either. Having one of the highest population growth rates in the world, Pakistan has the world's third-highest number of new-born deaths (194,000 in 2010)[10]. The maternal mortality in rural areas is nearly twice as in urban areas of Pakistan i.e. 319 women out of 100,000 die due to pregnancy related complications in rural areas in contrast to 175 in urban areas[11].

Economic Empowerment:

22%

of the women are part of Labour Force

10%

Urban women are part of labour force

In terms of economic empowerment the women have poor shares as well. Despite being a developing country, according to the Labour Force Survey, only 22% of the women makes up to the labour force, with only 10% of the working age women from the urban areas. The percentage of women in active labour force in rural areas is much higher than that of

[10] Khan, AK. (2012). Newborn survival in Pakistan: a decade of change and future implications. *Health Policy and Planning*, 27 (3): iii72–iii87.

[11] Rina Saeed Khan, "*Earthly Matters: Mortal Instruments",* DAWN, [Available at: http://www.dawn.com/news/1112474]

in the urban areas.

Table2: Gender wise Labour Force Participation Rate

	Labour Force Participation Rate (10 years and above)		
	Total	Male	Female
Urban Areas	39.01	65.96	10.24
Rural Areas	49.19	69.33	28.9
Total	45.45	68.07	22.17
	Source: Labour Force Survey 2013-14		

A further examination of the labour force data indicates that of the total employed in the country, share of women is around 24%. A vast majority of these employed women i.e. 64% is concentrated in the rural areas and are working in the agriculture sector. It is also significant to note that of the employed women 38% are not paid for the services they are rendering. Furthermore, most of the women who earn do not have an absolute control over their incomes.

The percentage of self-employed women is 15% with majority of them in the agriculture sector. Whereas 31% of the men reported to be self- employed. Of the labour force none of the women was in the category of the employer as compared to 1% of the males.

Table 3: Distribution of Employment Status (as %age of total employed persons by Gender)

	Distribution of Employment Status (as %age of total employed persons by Gender)	
	Women	Men
Employer	0%	1%
Self Employed		
Agriculture	11%	17%
Non-Agriculture	4%	14%
Unoaid	38%	11%
Employee	47%	57%
	Source: Labour Force Survey 2013-14	

The disparities between men and women are conspicuous when the average monthly incomes are compared. The data shows that the average monthly income of male is significantly higher than that of women. According to Pakistan Household Income and Expenditure Survey 2013-14, the average monthly income of a female is merely Rs. 2,702 ($25.79) as compared to the employed male whose monthly income is to the tune of Rs. 13, 716 ($130.91). The significant difference is due to women's nature of jobs, status in a household- mostly the women are secondary wage earners, socio-economic settings, and mostly the women are either underemployed or are in unpaid jobs.

Figure 2: Male and Female Monthly Income Comparison

A more detailed examination of the available data on different occupation groups underscores prevalent inequities in the average monthly income of male and female labour force. The table below indicates the relative disparity between the male and female incomes in the same occupation groups.

Table4: Monthly Income Comparison by Occupations/Occupation Groups

Occupation Group	Average Monthly Income (in Pak Rupees)	
	Male	Female
Overall	13,716	2,702
Professional	34,150	12,667
Technicians/Assoc. Professionals	24,592	11,021
Clerk	18,988	12,570
Service/Shop/Sales	12,454	4,030
Skilled Agriculture/Fishery Workers	11,081	1,539
Crafts/Trade Worker	12,327	1,574
Plant and Machine Operators	12,249	3,246
Elementary Occupations	7,517	1,514
	Source: Household Income and Expenditure Survey 2013-14	

The above analysis shows that women are generally disadvantaged when compared with men. Their access to education and health services is significantly worse than men. Their sources of income are different and less rewarding. Women are more likely to be unemployed and if employed they are either underemployed or are in un-paid jobs and mostly are in the lower income bracket. The implication of the socio-economic profile of women is that they are in most cases unlikely to bear a large share of direct taxes especially the income tax. Mostly they will be falling under the indirect tax regimes. Additionally, it is obvious that the provision of equal opportunities to both men and women will have direct bearing on poverty reduction and development along with enlarging the size of economic pie. Among other socio-economic inequalities poor participation of women in decision making processes especially pertaining to resource distribution and implementation exacerbates the situation. The regressive taxation is one of the important contributors in this regard. Evidence indicates that regressive taxation imposes heavier burden on women in lower income and female headed households.

Section-III

Resource Mobilization in Pakistan: An Overview

SECTION-III

Resource Mobilization in Pakistan: An Overview

Domestic resources are considered vital instrument for financing the socio-economic drive which can spur the transformation leading to redistribution, equity, gender equality and inclusion. The Addis Ababa Action Agenda, ahead of 2030 Agenda, provided for an affirmation by the signatory states to mobilize national resources for social protection, equity and inclusive public services for all. In terms of resource mobilization taxation is the foremost instrument which a state uses to raise revenues. Thus providing for the resources through which a government can provide essential services based on the principles of principles of efficiency, equity, fairness, and social justice. The more efficient and equitable the system of taxation a state has, there is more likelihood that it will be providing key services, addressing the socio-economic ineq uities and promoting equality and inclusion.

Table5: Components of Public Revenue in Pakistan

Federal	Provincial
Income Tax	Property Tax
Wealth tax	Agriculture Tax
Capital Value Tax	Excise Duty
Sales Tax	Motor vehicles Tax
Export Duties	Stamp Duties
Custom Duties	Tax on Services
Excise Duties (excluding excise duty on gas, charged at wellhead), and	
Any other tax collected by federal government.	

Pakistan has a federal system of government, where the federating units have entrusted the responsibility of tax collection for most sectors to the Federal Government. For example, the Federal Government is empowered to levy and collect Custom duties, Export/Import duties, Sales tax, Federal Excise duties, Capital Value Added Tax, Wealth Tax, Personal Income, and Corporate Income Tax. The provinces, on the other hand, are responsible for collecting Property tax, Agriculture Tax, Tax on services, Excise duty, motor vehicles tax, stamp duties, and others[12].

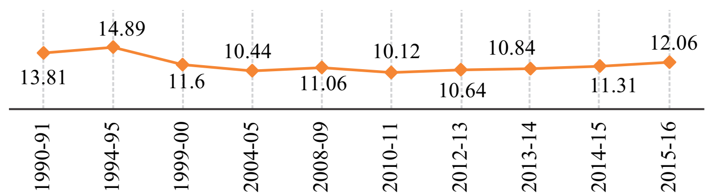
Domestic Resource Mobilization: Avenues at Federal, Provincial and Local Tiers

This sub-section maps the present avenues of domestic resource mobilization employed by different tiers of government. A brief overview of the major revenue sources of federal government, provincial government, district government, and tehsil / town municipal administration. (*List of the revenue sources for each tier has been provided at Annex-II whereas resource distribution has been given at Annex-III*)

a. Resource Mobilization at the Federal Level:

The federal taxes include direct and indirect taxes. Direct taxes include income tax along with supplementary role of wealth tax on salaries, interest on securities, income from property, income from business or professions, capital gains and income from other sources. Whereas indirect taxes mainly comprise of custom and excise duties and sales tax. Sales tax is the largest source of indirect tax[13]. Tax-to-GDP ratio is another important indicator of tapped potential of revenue generation but unfortunately this indicator has been performing poorly in Pakistan. This signifies that Pakistan has not been able to utilize its revenue raising potential, thus suffering from a serious handicap of resources which could be used for poverty reduction and narrowing the socio-economic gaps. Figure below shows the Tax to GDP Ratio since 1990-91 and it can be seen that between 2005-06, when GDP base was changed, and 2012-13 our tax collection hovered around 10%. The tax to GDP Ratio went down a little after 2009-10 when, due to inflation, the GDP (mp) went up but tax collection could not keep pace with inflation so the ratio went down. A significant drawback in Pakistan's tax collection has been its reliance on indirect taxes and surcharges on natural resources.

Figure3: Pakistan Tax to GDP Ratio (1990-91 to FY 2015-16)



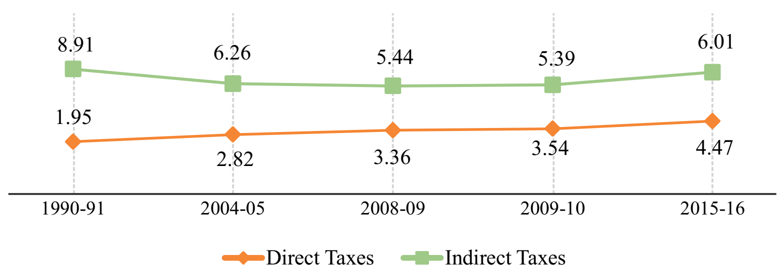
Source: Member Statistics FBR, PBS Website and Economic Surveys 2015-16, 2010-11 and 1998-99
GDP data up to 1994-95 base year 1980-81, GDP data 2004-05 base year 1999-00, GDP data onwards base year 2005-06, Current size of GDP Rs 29, 598 billion

[12] In the initial period following Pakistan's independence the ratio of revenue-related taxes, or fees like stamp duty, was significant towards the national exchequer. However, trade-related taxes, being more buoyant, soon took over with less emphasis being placed on the revenues collected by the provinces on their own. *Punjab Board of Revenue Documents*.

[13] At the time of independence sales tax was a provincial subject. Initially, sales tax on goods and its collection was entrusted to the Federal government. The subject was subsequently federalized in 1951. Wayne Thirsk. 2008. *Tax Policy in Pakistan: An Assessment of Major Taxes and Options for Reform*.

The data highlights several important points about Pakistan's tax collection system: *First*, until the mid-1990s Customs Duty used to be the single largest source of revenue collection; however, as the import substitution policies gave way to trade liberalization, the custom duties were reduced, and sales tax became the biggest source of revenue generation. Over the past twenty years, the share of custom duties (a direct tax and a major source of revenue at the federal level) in the GDP has gone down from 4.89% to 1.10%. While, at the same time, the share of sales tax-an indirect tax- has increased from 1.5% of the GDP to 3.5 % of the GDP[14]. *Secondly*, since 1988, the taxation system in Pakistan has seen a paradigm shift, with a lot of efforts being made to increase direct taxes and decrease reliance on indirect taxes. An example of these efforts is seen in the tax authorities' attempt to expand the tax net and increase the number of people who pay direct taxes[15]. Direct taxes, like income tax, have steadily increased and their contribution to the total revenue collection has gone up from 1.95% of GDP in 1990-91 to 4.4% in 2015-16. *Thirdly*, the increase in Direct taxes initially resulted in a decline in the share of indirect taxes; however, with the elimination of SROs and increase in Economic Growth, indirect taxes are showing an increase and the trend is likely to continue in future.

Figure4: Direct and Indirect Taxes as %age share of GDP



b. Revenue Generation and Mobilization at Provincial Level: A Case of Transfer Dependency:

A Case of Transfer Dependency

80%

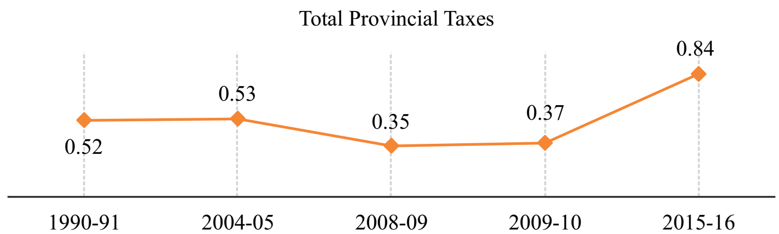
Provinces' Dependence on Federal Government for Revenue Generation

Tax collection at the sub-national level needs to contribute significantly if the revenue base is to be widened. According to economists' suggestions, the Sub National governments should have 60% dependence on Federal Governments but in Pakistan this dependence is over 80%. Pakistan, therefore, is often termed as the "*transfer dependency case*" where local revenues can finance barely 10-12% of their expenditures. Besides increasing dependency on the federal revenue streams, it restricts the fiscal space for the provinces to spend on public goods and essential services like education and health.

[14] Aisha Ghous Pasha. 2010. "Can Pakistan Go Out of Low Tax to GDP Trap". *The Lahore Journal of Economics*. 15: SE: pp. 171-185.
[15] IMF-Japan High Level Tax Conference for Asian and Pacific Countries 2012, Presentation by Member Inland Revenue FBR

The provincial tax collection, which had historically been around 0.5%, and in fact went down to 0.35% during 2008-11 periods, has posted strong growth. In 2012-13, the provincial tax collection jumped to 0.67% of GDP; which was due to collection of Sales tax on services by the provinces. However, the initial impact of this tax on provincial tax collection has now subsided; and provincial tax collection is unlikely to have exponential growth unless some buoyant heads of tax collection are discovered. Despite an increase in the direct taxes, the 'withholding nature' i.e. non-identification of loopholes in the tax and low share of the provinces in revenue generation have been criticized by the international entities.

Figure5: Provincial Tax share in GDP (1990-91 to 2015-16)



Weak revenue generation of provinces has made them dependent on the center for both their current and developmental expenditures. Avenues like agriculture income tax, sales tax on services and property tax have immense potential to add to the revenue of provinces. It is noteworthy that Sindh Revenue Board (SRB) performed well in efficiently collecting tax on services as most of the services taxed were originating from Karachi's Sea Port and financial head-offices of large companies are also situated in Karachi. SRB collected Rs 25 billion in the first year i.e. 2011 -12 and projected the figure of Rs 33.48 billion for 2012-13. However, in case of Punjab sterner efforts will be required.

For Punjab with a total cultivated area 12,597 thousand hectares (2009-10)[16] , agriculture can be a significant avenue of taxation which employs a work force of 22,920,000 individuals (both male and female) in the rural areas[17]. Non-imposition of income tax on agriculture has long been debated and attributed to the constraints of political economy whereby feudal lobbies and the policy makers hamper the levy of this tax. Moreover, the Finance Act, 2012-13 of the Punjab government introduced two new taxes i.e. *Farm House Tax* and *Education Cess*[18]. Just like the sales tax on services, other than creation of Punjab Revenue Authority under the Punjab Revenue Authority Act 2012 for sales tax, requisite framework for administration of these taxes was not developed and collection under the heads was negligible. The Provincial own source generation, as discussed earlier, has been far below the real potential of these provinces.

[16] Punjab Development Statistics 2012
[17] Federal Bureau of Statistics, Government of Pakistan
[18] Education Cess was imposed on social clubs which had an individual membership fee above Rs 200,000. But, irrespective of the membership fee, it was uniformly imposed on all clubs.

Table6: Ratio of Provincial Tax Collection to Federal Transfers

Year	Punjab			Sindh		
	Federal Transfers	Own Source	Revenue	Federal Transfers	Own Source	Revenue
2009-10	325.06	36.84	11.33%	197.48	21.56	10.91%
2010-11	460.80	75.31	16.34%	285.27	27.52	9.64%
2011-12	518.33	80.86	15.6%	291.42	60.46	20.74%
2012-13	569.31	90.48	17.48%	333.75	68.40	20.49%
2013-14	646.26	111.80	17.3%	391.81	82.08	20.95%
2014-15	726.88	114.0	15.7%	414.97	95.88	23.10%
2015-16	901.45	149.87	16.62%	494.32	123.00	24.88%

Domestic resource mobilization, especially taxation is a political process, a *process of contestation and bargaining*, determining who will pay for whose benefit. In case of Pakistan for mobilizing resources at the provincial level, political will appears to be missing particularly in terms of taxing the services sector and agriculture. The avoidance has resulted in compromising the benefits of increased economic stability, productivity and redistribution. Lack of transparency has led to the exclusion of this important subject from the arena of public debate.

TAX THE OTHER FIRST!

“The clash of various interest groups has a direct implication on mobilizing local resources. The interest groups lobby the policy makers for taxing “other groups first”.”

The unequal power relations and government policies have has led to the dominance of the elite groups and lobbies of various sectors who engage with the government on a single point agenda i.e. *Tax the other Sector First.* The lack of efforts in identification of and mobilization of revenue resources by Provinces has a direct bearing on the range and quality of services provided by the provincial governments.

c. Revenue Generation and Mobilization at District Tier

The Local Government Ordinance 2001 (LGO 2001) significantly altered the governance landscape of Pakistan with respect to local governments and for the first time in its history political, administrative and financial powers were devolved to the local governments. The three tier local government system created by LGO 2001 comprised of district governments, tehsil / town administrations, and union council

Low Resource Mobilization at District Tier

Resource Mobilization by the districts has been alarmingly low. For instance the District Governments of Lahore, Faisalabad, and Chiniot could only generate **8%, 3.6%,** and **0.7%** of their respective budgets from their own resources.

Administration, each having powers to levy taxes according to their areas of responsibility. Prior to 1999 almost all the local governments used to raise more than 90% of their revenues under the heads of Octroi/Zila Tax and Tax on Transfer of Immovable Property. In 1999, however, the Federal government decided to abolish the Octroi/Zila Tax and promised to provide this amount to the local governments from the Sales Tax which had been levied on these goods. This may be taken as a point of departure from the notion of '*Domestic Resource Mobilization*' whereby the provincial government stepped in to take advantage of the local sources the revenue of which could have been utilized at the local level. The total self-collection by the District Governments in Punjab in 2011-12 was barely 1.83%. Therefore, in order to make them functional over 98% of their finances were provided by the provincial government.

It has been noted that District Governments of Punjab have been dependent on the transfers under the Provincial Finance Commission (PFC) Award as City District Government Lahore generated only 8% of its budget, City District Government Faisalabad raised 3.6%, and District Government Chiniot generated 0.7% through domestic resources. It is argued that the tax base at local level is inelastic and the governments confine themselves to adhering to the existing mechanisms of tax collection and population under the tax net.

d. Taxation at Tehsil / Town Tier

Local government system introduced after LGO 2001 placed unprecedented responsibilities on the shoulders of tehsils / towns with the inclusion of areas like town / tehsil planning and infrastructure development. Major sources of revenue for Tehsil / Town Municipal Administrations (TMAs) turned out to be fee for cattle fairs, commercialization, tax on transfer of immovable property and property tax on the annual rental value of buildings and lands[19].

> **Tehsil A More Efficient Tier:**
> TMAs of Punjab proved more efficient at mobilizing their resources as compared to the District Governments. The District Governments were able to raise only 1.8% of the total revenue whereas the TMAs contributed 34% to the total revenue from their domestic resources.

The situation of revenues for towns / tehsils varies with respect to the magnitude of avenues available for domestic resource mobilization. For example rate of tax on Urban Immovable Property (UIPT) would largely vary depending upon the value of the property in different tehsils and towns and also because of the non-revision of rates according to the hike in market price of property. In this context, it comes as no surprise that Data Ganj Baksh Town of City District Government Lahore received Rs. 41,024,460 under the head of UIPT out of a total revenue of Rs. 241,687,200/ whereas

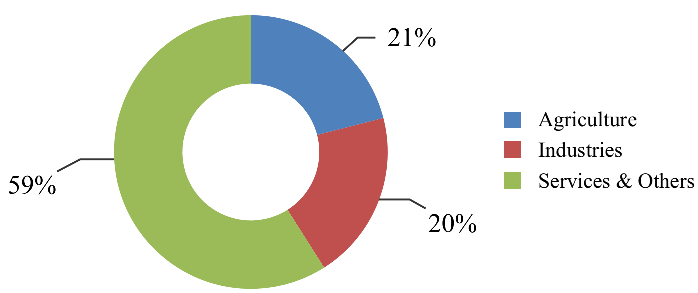
[19] Tax on transfer of immovable property is levied each time a sale is carried out whereas Urban Immovable Property Tax (UIPT) is an annually recurring tax collected by the provincial Excise and Taxation Department which is distributed amongst the TMAs after 15% deduction by the provincial government.

Tehsil Municipal Administration Jahanian of district Khanewal was able to gather only Rs. 1,871,546/ (11%) out of a total revenue of 16,846,846/[20]. Likewise is the situation in case of other major sources of revenue generation for towns/tehsils. Another important head worthy of analysis in this regard is that of Cattle markets. It has been observed that common practice of auction of cattle markets does not conform to the principles of transparency and accountability. Therefore, just like UIPT, the need is there for greater transparency and participation of citizens in the auction process of cattle markets. Moreover in order to ensure the effectiveness of utilization of resources it is of vital importance to track the public finance resources. The foremost manifestation of Pakistan' flawed taxation system is low Tax to GDP ratio.

Domestic Resource Mobilization: Some challenges

Pakistan faces host of obstacles to mobilize the quantity and quality of local resources. Foremost, is the challenge of a narrow tax base, an efficient tax system needs a broad base for taxation. However, Pakistan's tax base is quite narrow, only 0.3% of population pays income tax. There are 7 million eligible tax payers but only 0.5 million among them pay income tax. Hence, a major chunk of population remains out of the tax net. It is further augmented by the existence of large undocumented section of economy which is estimated to be 40% of the documented economy. It not only reduces the tax revenues of government but also contributes towards social inequities. The prevailing inequality in tax collection also exacerbates the scenario. This inequality is highly vivid in the sectoral discrepancies in tax collection. The following table shows the share of various sectors in GDP and their respective share in tax revenues.

Figure 6: Sectoral Share as Percentage of GDP

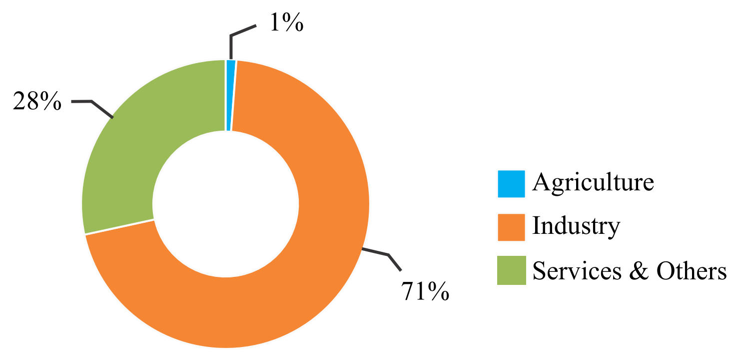


Under an equitable and rational system, all the sectors contribute towards the national exchequer. An overview of the share of different sectors in tax revenue as compared to their share in the GDP highlights a disproportionate picture. For instance Agriculture sector employs around 45% of the total workforce with a share of 22% in GDP, is contributing only 1.2% in the tax revenue. The industrial sector contributes approximately the similar percentage i.e. 20.30% in GDP however its contribution to the tax revenue stands at 71%. Services sector has mushroomed in recent years and

[20] Data of Data Ganj Baksh Town and TMA Jahanian for year 2008-2009

with 59% share in the GDP its contribution stands at merely 28%. The sectors enjoying the exemptions are failing to transfer the benefits to the citizens. The pervasiveness of exemptions to various sectors especially the agriculture and service sector is one of the key reasons contributing to low Tax to GDP ratio. During the financial year 2015-16, Government of Pakistan gave exemptions to the tune of Rs394.5 billion.

Figure 7: Sectoral Share in Tax Revenue



As noted earlier, mobilization of resources especially taxation is a political process, whereby services are traded for revenues. The process is however influenced by a number of variables ranging from elite's bargaining power and ability to drive the tax reforms, governance of revenue collection and structural determinants such as per-capita income, urbanization, international trade etc. The political economy of domestic resource mobilization appears to favor the elite and puts extraordinary burden of taxation on the poor and weak segments of society. Thus making the taxation system a regressive one in which 55% of taxes are indirect and only 45% are direct taxes. Similarly, the inefficient governance structures of tax administration remain unable to collect taxes from the eligible tax payers.

Another significant challenge to domestic resource mobilization is the entanglement of state in a vicious cycle of fragile public service delivery and low tax revenues. The low tax revenues lead to limited fiscal space leading to deficient public service delivery which in turn affects the revenue-services-revenue bargain. This situation gravely affects the income distribution and gender equality, especially the poorer people and women. The narrowing of resource base negatively affects the state's ability to provide essential services thus having serious consequences for the vulnerable segments of society especially the women and the marginalized.

Resource Mobilization in Pakistan: Some Concerns from Equity and Gender Perspective

The review of the existing system of taxation and resource generation at federal, provincial and district tiers have significant insights in context of equity and gender perspective. The foregoing review establishes that the domestic resource mobilization is particularly important in the context of addressing challenges related to gender and equity. The earmarking of own resources by governments signifies their commitment to achieve gender equality. Additionally, only the efficient resource generation locally can ensure sustenance of policies and actions by governments aimed at addressing the existing inequities. The availability of a sustained flow of resources is necessary to provide a sustainable fiscal space for spending more on essential services such as health, education etc.

The existing system of inefficient administration of taxation at all tiers and its explicit and implicit biases are contributing towards existing inequities. In this context the existing legal and policy framework policy is deficient on a number of counts including the following:

a. The evidence suggests that though there may not be explicit gender bias in direct taxation; however, it may well be placing an unfair tax burden on poor women, especially those working in irregular employment;
b. Besides the implicit gender bias in the direct taxes, the commodity taxes which include VAT, Sales Tax and Excise duties burdens poor and women more than the affluent. As the poor, and especially women spend most or all of their income on acquiring basic commodities.
c. These set of taxes by altering/increasing the prices of basic food items and daily use commodities affect the individual and household abilities to purchase. Women, as established in a number of research studies (reference), tend to consume commodities and services that benefit family nutrition, health, and education[21];
d. Most importantly, the federal and provincial governments do not collect the sex-disaggregated data that is fundamental for tax incidence analysis. The non-availability of gender-disaggregated fiscal data presents a serious hindrance to examine the impacts of different types of taxes and potential tax reforms on males and females.
e. Women's work in the unpaid care economy (domestic, social reproduction or reproductive economy) remains undocumented in Pakistan having significant implications[22]. Additionally, the existing legal and policy framework fails to recognize the value of unpaid care-giving services and lacks procedures for offering exemptions to contribute towards unpaid care work;
f. The existing legal and policy framework for resource generation also fails to address the urban and rural divide particularly the large informal sector which

[21] For Instance Please see; Elson, Diane. 1999. "Labour markets as gendered institutions: equality, efficiency and empowerment issues", *World Development* 27(3): 611–627; Palmer, Ingrid (1995). "Public finance from a gender perspective", *World Development* 23(11): 1981–86 & Kathleen Barnett and Caren Grown. 2004. *Gender Impacts of Government Revenue Collection: The Case of Taxation*. Commonwealth Economic Paper Series. London SW1Y 5HX, United Kingdom

[22] *Unpaid Care Work* includes all non-remunerated work activities, in case of women it particularly refers to work which includes looking after and educating children, looking after older family members, caring for the sick, preparing food, cleaning, and collecting water and fuel. Please see; Gaëlle Ferrant, Luca Maria Pesando and Keiko Nowacka. 2014. *Unpaid Care Work: The missing link in the analysis of gender gaps in labour outcomes*. OECD Development Centre. Rania Antonopoulos. 2009. *The unpaid care work - paid work connection.* Working Paper No. 86. Policy Integration and Statistics Department – ILO. Geneva; & IDRC. 2013. *Women's Economic Empowerment and the Care Economy: A Scoping Study Of The Literature*

employs majority of women. The urban women get the benefits in form of better public service delivery and infrastructure in urban areas whereas the rural women, although pays the same amount of tax in form of indirect taxes, do not get anything in return.

The taxation system of Pakistan is faced with multiple challenges, foremost being the low tax-to – GDP ratio. The failure to meet their revenue potential have compromised the state's pool of resources which can be utilized for addressing the educational and health challenges effecting the marginalized segments of the society and especially the women. The situation becomes more complex due to the inability of the provincial, district and sub-district governments to collect the existing taxes effectively and to mobilize additional resources which can be used to fund the social sector requirements of a given area. The federal government has embarked on tax reforms aimed at widening the tax net and addressing the issues in tax collection. However the provincial governments have yet to initiate any effective measures in this regard which can bolster their tax collection and can contribute towards substantive policy actions which can address the existing inequities.

Section-IV

Domestic Resources for Addressing Inequities: Investing in Education and Health

SECTION-IV

Domestic Resources for Addressing Inequities: Investing in Education and Health

Investing in the public services such as education and health enables the governments to respond to the socio-economic inequalities and enable people to improve the quality of life. It is now a globally recognized fact that investments in education and health by the governments lead to economic growth and prosperity. UNESCO data has established that educated women are more likely to know their rights and ability to claim those[23]. The EFA Global Education Monitoring Report 2013 states that ensuring primary education to all women leads to a substantial decrease in child mortality, child marriage and reduces the maternal death by two third[24]. Thus investing in women education is financing the future in real terms. However, in order to invest in social sector the governments need a wider resource base, which entails effective, progressive and just taxation system. This section examines the resource mobilization and investments in health and education sector by Punjab and Sindh Provinces.

Local Service Delivery and Diminishing Role of Federal Government

Prior to 7th NFC Award Federal Government used to undertake 74% of the total development activity in the country and the provinces. However post- 7th NFC Award in 2010-11, the share of Federal Government in Public Sector Development Program decreased to mere 40%.

Investing in the Social Sector: Shifting Priorities

Basic public services especially health and education in a developing country like Pakistan, require continued and progressive generation and allocation of resources for developing the human capital. The financial condition of

[23] Please see, UNESCO. 2002. *Financing Education—Investments and Returns, Analysis of the World Education Indicators*: United Nations Educational, Scientific and Cultural Organization. Paris; UN Statistics Division. 2000. *The World's Women: Trends and Statistics. UNESCO. 2006. "Why Literacy Matters" Chapter 5, in Education for All-Global Monitoring Report.* United Nations Educational, Scientific and Cultural Organization. Paris.

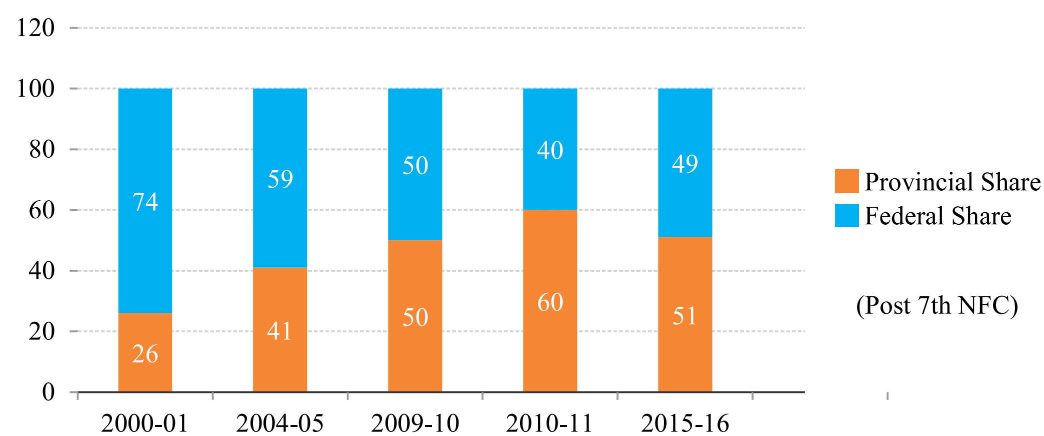
[24] UNESCO. 2013. *Education Transforms Lives: EFA Global Monitoring Report*. Paris.

provinces and local governments clearly demonstrates the underutilization of available avenues for resource generation. In the context of Domestic Resource Mobilization the present section maps the situation of service delivery in Pakistan with respect to the role of provinces in the post 18th amendment scenario, and the role of local governments in the aftermath of devolution in 2001 and the case of Punjab after the enactment of Punjab Local Government Act 2013.

18th Amendment to the constitution has significantly altered the relations of federation and the provinces. Under the framework provided by the 18th amendment, most of the social services like education, health, rural development etc. have become part of the legislative and executive jurisdiction of the provinces. In the context of education sector it would be important to look at the financial situation of provinces in the pre and post 7th NFC Award scenario. In 2000-01 Federal Government used to undertake 74% of the total development activity in the country and the provinces used to look towards the Federal Government for financing of major infrastructure projects. However Post 7th NFC Award in 2010-11, the share of Federal Government in Public Sector Development Program decreased to mere 40%.While that of the four provinces combined increased to 60% of the total development outlay in the country.

The shift in focus of developmental activities can be judged from the fact that Sindh in 2001-02 had an ADP of Rs. 7 billion which had increased to Rs. 111 billion in 2011-12. Similarly, the education budget of Sindh prior to 7th NFC Award was Rs. 17.5 billion of which Rs. 5.79 or 33% was salary component and 11.79 was non salary component. In 2011-12 the total size of budget increased to Rs. 30.5 billion which shows an increase of 71% of which salary component was Rs. 15.55 billion or 51% while non- salary component which includes development outlay went up to Rs14.94 billion or 49%. It is significant to note that major increase was absorbed in Salaries the increase in salary component was to the tune of 167% whereas the non-salary component increased merely 26%.

Figure 8: Paradigm Shift in Development Responsibility



In case of Punjab, the size of Annual Development Plan (ADP) increased manifolds and reached Rs. 200 billion in 2011-12, which was 66% of the Federal Public Sector Development Program (PSDP). The increase in the fiscal space available to provinces for the development projects was however not utilized in an optimum manner. The initial years after the 7th NFC Award saw initiation of projects by the provinces, which were questioned widely. *Sasti Roti* (Economical Bread) Project of Punjab and provision of Reverse Osmosis Plants in rural areas of Sindh are just a few of the projects that raised the issue of planning and capacity constraints of the provincial governments.

At this point, it is also pertinent to mention that the Government of Pakistan has given an undertaking to the IFIs about expansion in its coverage of social service sector programs like the Benazir Income Support Program (BISP); and has increased the monthly stipend and the number of beneficiary families under it. Furthermore, the Federal Government has indicated to the IMF that, in order to improve gender equality in education and raise labor force participation among women. The government has also committed to formulate policies and fiscal arrangements to better incorporate gender equality by conducting gender-disaggregated analyses and adopting gender-responsive budgeting[25].

> *Tax collection efforts by the provinces are highly insufficient as the combined share of four provinces is less than 0.5% of GDP.*

The current scenario highlights that besides the increased outlay of provincial budgets the provinces have not been keen on expanding their tax collection effort, and the combined share of four provinces is less than 0.5% of GDP. The tax collection effort by the district governments is even worse. As shown earlier, District Governments in Punjab generate less than 2% of their budget on their own, while TMAs generate 33% of income from their own sources. Therefore, vertical interdependence of governments has stalled any improvements in service delivery.

The current scenario highlights that besides the increased outlay of provincial budgets the provinces have not been keen on expanding their tax collection effort, and the combined share of four provinces is less than 0.5% of GDP. The tax collection effort by the district governments is even worse. As shown earlier, District Governments in Punjab generate less than 2% of their budget on their own, while TMAs generate 33% of income from their own sources. Therefore, vertical interdependence of governments has stalled any improvements in service delivery.

Provincial Investments in Education and Health: Case of Sindh and Punjab

Provincial ADPs provide the outlay of the social sector investments in a given financial year. The resources for financing the ADPs remain a critical factor and hinges upon an

[25] http://www.imf.org/external/pubs/ft/scr/2016/cr16207.pdf Page 44 para 21

effective mobilization of local resources. In this context the review of the provincial ADPs provide significant inferences. The table below lists the budgeted figures of Provincial ADPs for FY 2015-16. Despite the increase in provincial tax collection, none of the four provinces is raising enough revenues to finance its Annual Development Program from its own source revenues. For example, the province of Punjab collected approximately Rs 150 billion but its budgeted ADP was Rs. 400 billion. Similarly, Sindh raised Rs 123 billion from taxes but its budgeted ADP was Rs. 144 billion. Meanwhile, KPK raised only Rs. 13 billion yet budgeted its ADP at Rs. 175 billion. Lastly, the province of Balochistan collected taxes worth Rs 4.3 billion but the size of its ADP was Rs 54.5 billion. These figures show that Sindh is closest, of all the provinces, in terms of financing its ADP from its source. As for the other three provinces, the size of their Annual Development Programs is much bigger than their own source revenue generation.

Table8: PSDP and ADPs: Budget 2015-16 (Million Rs)

Province	Provincial Resources (Billion Rs.)	Development Budget 2015-16 (Billion Rs.)
Sindh	123	142.00
Punjab	150	400.00
Khyber Pakhtunkhwa	13	174.884
Balochistan	4.3	54.505
Federal PSDP		742

The analysis suggests that the flow of funds to the provinces registered a sharp jump but now that phase has subsided. Moreover, provincial tax collection has almost doubled since 2011-12 (in a short span of 5 years) in which Sales Tax on Services has played an important role. The impact of this tax has, however, subsided and this tax, after showing exponential growth in first couple of years, is also showing normal growth. Lastly, the provinces' share in the total size of the PSDP is now 51%; as opposed to the 60% observed in 2010-11.

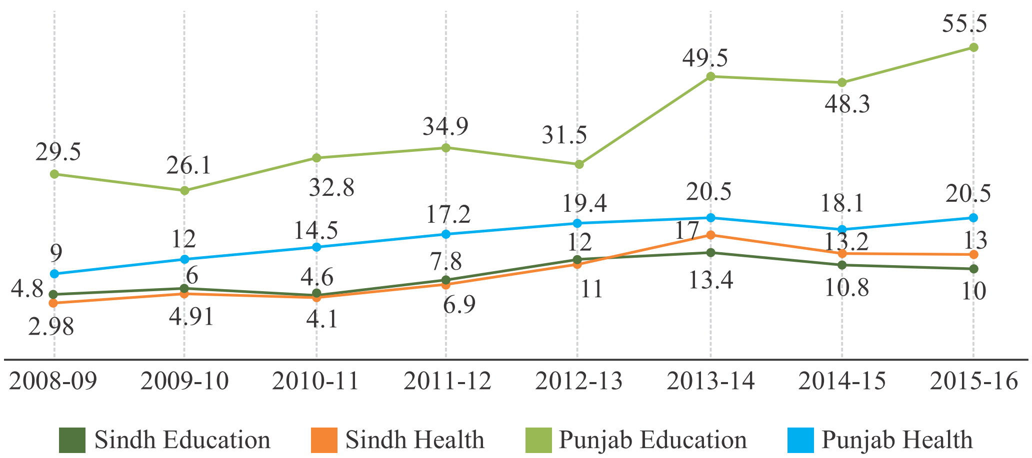
It would be important to understand how these changes have affected the allocations for the social sector, especially, health and education sector. First, in both the provinces of Sindh and Punjab, it is obvious that the sudden flow of funds led to increase in ADP for education and health; but for the last three years, the increase in allocations is around 10% or less. Secondly, the allocations for education and health by the Sindh province since 2008-09 show that either the province does not have funds to spend on these sectors, or that these

Skewed Priorities: *Education & Health or More Visibility*

The provincial governments instead of more investment in social sector, are more inclined towards investing in mega projects like Metro Bus, Highways, Reverse Osmosis Plants etc. Mega projects afford them more visibility and potentially more chances in the next elections.

sectors appear low in priority of the government. Despite the education and health challenge being faced by the provinces of Punjab and Sindh, the investments on education and health have remained inconsistent. The investments on education and health spiked in both provinces in the financial year 2013-14, later declined in the next financial year, followed by slim increases.

Figure 9: Punjab and Sindh Allocations for Health and Education FY 2008-9 to FY 2015-16 ***(Billion Rs)***



The additional flows resulting from the 7th NFC Award came with additional responsibilities for departments devolved after the 18th Amendment, and a major share of additional funds was diverted towards administrative expenditure. The evidence from the field suggests that the provincial governments are more inclined towards investing in special initiatives and mega projects like Reverse Osmosis Plants, Metro Bus, Orange train, etc. as these projects have greater visibility. The investments in education and health whereas provide delayed dividends, thus are not on the priority agenda of the provincial governments[26].

Investing in Girls Education: Evidence from Punjab and Sindh

A review of provincial data indicates that the gender parity in enrolment in Punjab has improved by 3 percent during the last three years, however in case of Sindh has declined by same percentage in the case of Sindh. In case of Punjab 33% of the total education budget has been allocated for Girls education in FY 2016-17 compared to 38% earmarked for the boys. In Sindh however the situation is not so promising, where only 19 percent of education budget in 2016-17 was earmarked for girls' education compared with 48 percent budget for boys' education. In terms of development expenditure, significant share in Punjab and Sindh is gender neutral. In case of Punjab, 96 percent and 78 percent of the budget is gender neutral in the case of Sindh.

[26] Interview with Mr. Muhammad Waseem, Additional Chief Secretary Planning and Development, Government of Sindh and Interview with Mr. Ali Tahir, former Secretary Planning and Development and Secretary Finance, Government of Punjab.

Nonetheless, there are visible disparities in the remaining portion of development budget in case of Sindh where the major portion of the remaining 22% has been allocated for boys' education.

Though the girls constitute 39% of the total enrolled students at primary and secondary levels in Sindh, there are visible inequities in terms of per-student expenditure. The per-student expenditure for Girls stands at Rs. 15,792 per student in FY 2016-17 compared with the Rs. 28,526 per boy student. In case of Punjab, girls share in enrolment at primary and secondary level stands at 48 percent, and the resources allocated for them are marginally higher than that of boys. The per- student spending for girls in case of Punjab is Rs. 16,774 compared to Rs. 16,500 for the boys.

Boys Education-Sindh

- 69%: Share in Enrollment
- 48% of the total Education Budget
- Rs. 28,526: Per Student Expenditure

Girls Education-Sindh

- 31%: Share in Enrollment
- 19% of the total Education Budget for Girls
- Rs. 15,792: Per Student Expenditure

Resource Mobilization and Service Delivery at Local Levels:

The abolition of the office of District Nazim in 2009 slowed down the developmental effort at the District Level in more than one ways. Firstly with the abolition of the Office of District Nazim ended the era of Single Line transfers which had enabled District Nazims to prioritize the development expenditure according to local needs. Secondly by taking Revenue Department's salaries and other expenditure out of Account IV and decreasing the releases under the Account IV the Provincial Governments have effectively taken back the control of Development activity at District level. Thirdly, and probably most importantly, it took away the incentive of increasing the resource generation at the District level[27]. The above observations are supported by the figures of Revenue Generation and Development Expenditure of our sample districts of Sindh and Punjab.

Table 9: District Nawabshah-Revenue Generation and Development Expenditure (2007-8 to 2015-16)

FY	Education				Health	
	Total Budget	Own Source Collection	Development	Non-Development	Development	Non-Development
2007-08	256.73	19.44	20.00	186.99	14.47	191.04
2011-12	324.05	29.23	14.9	610.69	94.21	428.79
2015-16	468.24	27.76	19.5	550.95	42	597.13

27 Interview with Mr. Muhammad Aslam Kamboh Secretary Local Government Punjab

The figures for District Nawabshah show that the development expenditure on Education and Health registered a decline after the abolition of District Government system. The revenue generation figures also reflect a similar pattern. Although the development expenditure and own source revenue collection has picked up but the increase in these figures is far less than the rate at which Provincial Budgets have increased over the period.

Table10: District Faisalabad-Revenue Generation and Development Expenditure

Year	Education			Health	
	Net Release	Development	Non-Development	Development	Non-Development
2011-12	10,545.21	300.25	7,801.55	56.01	1,289.28
2012-13	12,985.60	373.47	9,381.69	104.22	1,813.27
2013-14	14,490.49	375.98	9,750.82	86.22	1,862.10
2014-15	15,844.80	688.14	10,195.12	40.38	2,113.67
2015-16	15,081.72	1,265.77	11,202.13	83.17	2,170.55

Table11: District Okara: Revenue Generation and Development Expenditure

Year	Education			Health	
	Net Release	Development	Non-Development	Development	Non-Development
2011-12	4,557.78	3.83	3,348.23	16.02	793.74
2012-13	5,560.56	38.81	4,105.21	171.9	998.43
2013-14	6,340.42	54.42	4,361.41	14.34	1,155.67
2014-15	7,038.80	18.09	3,461.91	6.43	778.98
2015-16	6,796.57	143.99	5,076.52	84.16	1,358.78

The Figures for Faisalabad and Okara show that the provincial transfers have increased by about 50% in each case. Similarly the development expenditure on health and education also increased at a much slower pace till 2014-15. It was only the last financial year when the development expenditure for these sectors jumped by over 50% in one year. As regards own source revenue generation the Secretary Local Government observed that the revenue generation for most districts, especially at Tehsil level, in Punjab slowed down after 2009 and the Provincial Government is making efforts to increase it.

In context of service delivery, the case of education provides meaningful insights. Districts were made the sole doorstep of education service delivery by the Local Government Ordinance 2001 whereas 'committee schools' run at the Tehsil level formed a major service delivery component in the pre-2001 system. Since the districts could not make effective use of their revenue generation avenues, the constrained own source revenue base of districts made them heavily reliant on the provinces for their funds. Therefore, the expected role of districts in improvement of education delivery could not be materialized over the past decade.

The table below shows the expenditure on education by various districts in the province of Sindh. It is a matter of concern that Thatta, Badin, and Jacobabad, the most backward districts in the province, spend around 10% of the receipts under PFC. Most of the expenditures on education are for salaries, leaving very limited funds for other expenses. Moreover the utilization patterns do not reflect any preference for responding to equity demands, especially from the perspective of girls' education and translation of policy priorities of Girls Education in to a priority at the point of delivery.

Table 12: Expenditure on Education by Local Governments- Case of Sindh

Expenditure on Education as % of Receipts[28]

FY 2010-11	Receipts Under PFC	Exp. On Education	Exp. As % Receipts
Karachi	14,594.6	4,741.103	32.49
Sukkar	2,527.8	435.536	17.23
Khairpur	4,136.9	441.666	10.68
Nawabshah	2,222.5	757.054	34.06
Jacobabad	2,065.7	182.7600	8.85
Badin	2,323.2	199.624	8.59
Thatta	2,762.8	381.826	13.82

One avenue of resources has been foreign aid but it constitutes a small proportion of overall education expenditure and has invited great deal of criticism from the civil society on account of various reasons[29]. This situation necessitates a renewed focus of resource mobilization to be steered towards domestic resources for improved service delivery at local tiers.

Spending on Education as %age of total Revenue by Districts:

Badin 8.6%
Jacobabad......................... 9%
Khairpur 11%
Thatta 14%

The analysis highlights that the provinces, with most of the responsibility of the social sector, need additional funds to improve service delivery; especially for education and health. The IFIs appear to have formed an opinion that the provinces have more money than they need, and that they should be more active in revenue generation; and the requirement of the IMF that the provinces

[28] Finance Department Government of Sindh
[29] Aid Effectiveness: A Citizen's Perspective 2012; Oxfam and ISAPS publication

maintain surplus reinforces this observation. Moreover, the discussions with representatives of provincial governments and the analysis of the allocations for health and education, suggests that the provinces are attaching higher priority to mega projects and “big ticket items” for political reasons. Education and Health, though important, are unlikely to showcase the progress; and, hence, these sectors continue to be the second priority for the governments.

The Provincial Governments, therefore, not only need additional revenues to fund development projects in the social sectors but also prioritize these sectors. The FBR has shown a 20% growth in its tax collection during the last two years, owing to which the provinces also got 20% more funds from the Federal Divisible Pool. However, if the provinces become complacent, which appears to be the case, the optimism created by this sudden jump in development activity, observed in 2011-12, will be lost. The provinces should, therefore, identify some of the taxes which have the potential to generate revenues in a short period of time, and can continue on sustained basis. As shown by the analysis of all major taxes for the Sindh and Punjab provinces, Sales Tax on Services, Capital gain tax on property, and Infrastructure Cess (in the case of Sindh) have the potential to grow exponentially. Moreover, Tax on Agricultural income is one tax which has the maximum potential to grow in a short period of time, as the entire required infrastructure is already available. Unfortunately, though, there is no political will to enforce this tax; and, hence, it may be difficult to tap this source.

When governments fail to invest in the social sector, millions of common people are deprived of accessing quality education and health services thus perpetuating the vicious cycle of poverty and disenfranchisement. In case of Pakistan women are the worst hit in this regard, thus it remains of critical importance to conduct gender dis-aggregated analysis and measures for ensuring gender just allocations and expenditure on the social sector. In the past programs like Punjab Female Stipend Program proved successful in decreasing female dropout at secondary level. There is a growing need to ensure that Gender is the main cross cutting themes in important projects especially in education and health sectors.

Section-V

Mobilizing Domestic Resources to Address Inequities: Recommendations and Way forward

SECTION-V

Key Findings, Conclusions, and Looking Ahead

Mobilization of domestic resources is fundamental for socio economic growth, human welfare and sustainable development. Along with it has with implications for the marginalized section of the society in general and for women in particular. With increase in population the demand for social services, especially health and education is increasing rapidly, to which Pakistan's resource constrained system is unable to respond accordingly. As discussed in the previous sections, women in Pakistan are in a more disadvantaged position due to the structural barriers such as lack of ability to influence decisions, lack of influence in resource allocation and defining expenditure priorities, lack of access to information etc. The study shows that women's access to education and health services is significantly limited girls' net enrolment rate stands at around 50 percent as compared to that of the male net enrolment rate of 57 percent. Despite being a developing country, only 22% of the women makes up to the labour force, with only 10% of the working age women from the urban areas. A vast majority of these employed women i.e. 64% is concentrated in the rural areas and are working in the agriculture sector. It is also significant that 38% of the women are not paid for their services. According to Pakistan Household Income and Expenditure Survey 2013-14, the average monthly income of a female is merely Rs. 2,702 ($25.79) compared to the employed male earning Rs. 13, 716 ($130.91).Women are more likely to be unemployed and if employed they are either underemployed or are in un-paid jobs and mostly are in the lower income bracket. In this backdrop, relatively limited and non-functional resource base needs immediate attention.

Pakistan's resource base is quite narrow with only 0.3% of the population paying income tax. From a total of 7 million eligible tax payers only 0.5 million are among tax payers. The horizontal inequities are adding to the burden and shrinking tax base. For instance, Agriculture sector employs around 45% of the total workforce with a share of 22% in GDP but contributes only 1.2% in the tax revenue. The prevalence of exemptions is another significant feature, during the FY 2015-16 Government of Pakistan gave exemptions to the tune of Rs394.5 billion. Since 1988, the taxation system in Pakistan has seen a paradigm shift whereby, direct taxes have steadily increased and their contribution to the total revenue collection has gone up from 1.95% of GDP in 1990-91 to 4.4% in 2015-16. At the provincial tier, the revenue collection has historically been around 0.5%, and even went down to 0.35% during 2008-2011. Due to provincial sales tax collections, the provincial share increased to 0.67% of GDP in 2012-13. A more effective effort is still required. Resource Mobilization at the district tier has been quite low. In case of Punjab the District Governments of Lahore, Faisalabad, and Chiniot could only generate 8%, 3.6%, and 0.7% of their respective budgets. Tehsil Municipal Administrations have been more efficient and contributed 34% to the total revenue from their own resources. The existing system of inefficient administration of taxation at all tiers and its explicit and implicit biases are contributing towards social inequities. This becomes more significant in terms of gender as the evidence suggests that though there may not be explicit gender bias in direct taxation; however, it may well be placing an unfair tax burden on poor women, especially those working in irregular employment. Additionally, besides the implicit gender bias in the direct taxes, the indirect taxes such as VAT, Sales Tax and Excise duties burdens poor and women more than the affluent. Reason being the poor and especially women spend most or all of their income on acquiring food items, education or health services. These set of taxes by altering/increasing the prices of basic food items and daily use commodities affect the individual and household abilities to purchase. 18th Amendment devolved most of the subjects, such as education, health, rural development etc. to the exclusive provincial mandate. Additionally the 7th NFC Award substantially increased the provincial shares in the revenues. This spurred increase in allocation of resources for social sectors. It is heartening to note that the provinces are investing more on education; however there are still some areas which require a renewed focus by the relevant governments. In terms of investing in girls' education in FY 2016-17 33% of total education budget of Punjab was earmarked for Girls education compared to 38% for the boys. In the current financial year Sindh allocated only 19 percent of education budget for girls' education compared with 48 percent budget for boys' education. The per-student expenditure for Girls in Sind is Rs. 15,792 compared with the Rs. 28,526 per boy student.

The key challenges highlighted in the study signify another critical dimension of the resource mobilization, i.e., the political nature thereof. The political dynamics of resource mobilization and the challenges of governance in terms of implementing the financing policies stand out as the foremost policy questions. At large, mobilizing resources or increasing the resource base, especially through levying taxes and duties, enables the state to provide its citizens with economic stability, provision of essential services, and benefits of redistribution. However, the mobilization and utilization of resources is essentially a political process which is structured on "*contestation and bargaining*" over who will pay what and who will reap the benefit. The process is highly dependent on elite groups' bargaining power and ability to influence the process. International and national evidence suggests that this process, driven by the power relations, policies and institutions, seldom supports the underprivileged and especially the women. The allocation of resources is further diluted by the inability of institutions to deliver services, weak absorptive capacities, spoils system, and rent seeking practices. In this context, the challenge is exacerbated in case of Pakistan, as the state is trapped in a vicious cycle of fragile public-service delivery and low tax revenues. The low tax revenues limit the fiscal space leading to deficient public-service delivery, which, in turn, affects the revenue-services-revenue bargain. The narrowing of resource base negatively affects the state's ability to provide essential services, thus having serious consequences for the vulnerable segments of society, especially the women and the marginalized.

Resource generation, allocation and expenditure policies have a key role in the redistribution of income and wealth in society. In terms of gender justice, taxation policy and measures to mobilize resources can be instrumental in addressing the challenges of income and wealth inequalities. Taxes constitute the building block of the public resource which is required to ensure the provision of public goods; however the tax performance at federal, provincial, and district levels has not been satisfactory. As discussed earlier, the tax-GDP ratio has fallen from 17% to around 9% in last decade, whereas there has been a constant increase in the public expenditure leading to growing budget deficits. The deficits have affected the quality of public services negatively as well, thus perpetuating the social inequities and gender disparities.

In context of education service delivery, Pakistan at the moment is facing a serious challenge with approximately 24 million out of school children of whom majority are girls, huge backlog on provision of missing facilities in Schools, and declining quality of education. Similarly, Pakistan has the world's third-highest number of new-born deaths (194,000 in 2010). The maternal mortality in rural areas is nearly twice as in urban areas of Pakistan i.e. 319 women out of 100,000 die due to pregnancy related complications in rural areas in contrast to 175 in urban areas. Responding to these challenges require a fiscal space which seems unlikely without mobilizing the domestic resources. Gender just allocation and utilization of resources will however remain essential as gender equality of opportunity and empowering the women are the key components to address the challenge of poverty and trigger the economic growth.

An effective, equitable, just, progressive and redistributive taxation system is the corner stone for domestic resource mobilization which can adequately address the huge challenges of effective service delivery of education. The system for resource mobilization in Pakistan essentially hinges on the tax system, which at the moment is still in process of improving its efficiency. Along with, there are serious equity and transparency concerns. The identified challenges can be addressed if the revenue generation and expenditure is targeted to ensure sustainable stream of revenues which can warrant the transformative impact on redistribution, gender equality, and inclusion and are based on the principles of equity, fairness, efficiency and social justice. The study while taking account of the identified challenges and opportunities provides following recommendations are aimed at informing the debate on domestic resource mobilization in Pakistan to facilitate mobilization of more and better resources at federal, provincial and local tiers.

Recommendations:

A diverse set of actions is required to contribute toward mobilization of domestic resources for guaranteeing distributive justice, gender equity, fairness and efficiency in service delivery. An effective, equitable, just, progressive and redistributive taxation system is the corner stone for domestic resource mobilization which can adequately address the huge challenges of effective service delivery of education. The system for resource mobilization in Pakistan essentially hinges on the tax system, which at the moment is still in process of improving its efficiency. Along with this there are serious equity and transparency concerns. The identified challenges can be addressed if the revenue generation and expenditure is targeted to ensure sustainable stream of revenues which can warrant the transformative impact on redistribution, gender equality, and inclusion and are based on the principles of equity, fairness, efficiency and social justice. The study while taking account of the identified challenges and opportunities provides following recommendations aimed at informing the debate on domestic resource mobilization in Pakistan to facilitate mobilization of more and better resources at federal, provincial and local tiers:

Production of Locally relevant Evidence: Domestic Resource Mobilization (DRM) is an area which is under researched in context of Pakistan; correspondingly, it also does not figure prominently in the development discourse in the country. It necessitates a series of efforts aiming at production of DRM focused locally relevant research.

- *Production of Gender specific Knowledge on Revenue Generation:* In recent years there has been substantial work on the analysis of federal, provincial and district budgets from a gender perspective. However there is a serious dearth of work which examines the revenue generation side of the budgets. It is recommended that evidence based knowledge should be produced which should examine the revenue generation from gender and equity perspectives.

- *Evidence to engage with, inform and Influence Policy Processes:* It is important to produce specific evidence which can help inform and influence the policy making process from the standpoint of equity and gender justice. It is proposed that it may include knowledge production on Gender-aware medium-term tax policy frameworks; Gender-aware tax policy appraisals; Gender-disaggregated tax burden assessments; Gender-specific tax incidence analyses; and Gender-aware revenue statement etc.

- *Policy Advocacy and Engagement with Governments*: The federal and provincial governments do not collect gender-disaggregated data on tax. It will be important to initiate Policy engagement with the federal and provincial governments to persuade them to ensure availability of gender-disaggregated data on tax. The gender disaggregated tax data will be fundamental for tax incidence analysis to generate actionable policy asks.

- *Engagement with Public Representatives and Political Parties:* Considering the political dimension of resource mobilization it will be vital to initiate a nuanced province specific engagement with the public representatives, political parties and key stakeholders. The political engagement and advocacy will be form the cornerstone of future course of action for citizen groups lobbying for pro-poor, gender just, equitable and progressive resource mobilization policies.

- *Citizen Groups*: Civil Society Organizations and citizen groups need to advocate for responsible and gender just taxation where it is obligatory for the government to share record of each penny spent from the public money. Citizen groups need to initiate advocacy campaigns with the aim of educating people about the importance of gender equality of opportunity and women's empowerment, responsibilities to pay taxes and how it will increase the accountability of the governments.

References

References

1. Aisha Ghous Pasha. 2010. "Can Pakistan Go Out of Low Tax to GDP Trap". *The Lahore Journal of Economics*. 15: SE: pp. 171-185.
2. Culpeper, Roy. and Bhushan, Aniket. 2008. *Domestic Resource Mobilization: A Neglected Factor in Development Strategy*. The North-South Institute, Ottawa.
3. Education for All: Global Monitoring Report 2012
4. Elson, Diane. 1999. "Labour markets as gendered institutions: equality, efficiency and empowerment issues", *World Development* 27(3): 611–627
5. Federal Bureau of Statistics, Government of Pakistan
6. Gaëlle Ferrant, Luca Maria Pesando and Keiko Nowacka. 2014. *Unpaid Care Work: The missing link in the analysis of gender gaps in labour outcomes*. OECD Development Centre.
7. IDRC. 2013. *Women's Economic Empowerment and the Care Economy: A Scoping Study Of The Literature*
8. IMF. 2016. *Pakistan: Eleventh Review under the Extended Arrangement and Request for Modification of Performance Criteria and Extension of the Extended Arrangement.* IMF Country Report No.16/207. International Monetary Fund .Washington, D.C.
9. IMF-Japan High Level Tax Conference for Asian and Pacific Countries 2012, Presentation by Member Inland Revenue FBR
10. J.A. Mirrlees. *An Exploration in the Theory of Optimum Income Taxation*
11. Kathleen Barnett and Caren Grown. 2004. *Gender Impacts of Government Revenue Collection: The Case of Taxation*. Commonwealth Economic Paper Series. London SW1Y 5HX, United Kingdom
12. Khan, AK. (2012). Newborn survival in Pakistan: a decade of change and future implications. *Health Policy and Planning*, 27 (3): iii72–iii87.
13. M. ShaheEmran, Joseph. E. Stiglitz. *On Selective Indirect Tax Reform in Developing Countries*
14. Michael Keen.*VAT, Tariffs, and Withholding: Border Taxes and Informality in Developing Countries*.
15. Murphy, R., Kapoor, S., Pak, S., Spencer, D., and Christensen, J. (2007) *Closing the floodgates, Collecting Tax to Pay for Development*, Tax Justice Network. Nairobi.
16. N. Gregory Mankiw, Mathew Weinzeirl, and Danny Yagan.*Optimal Taxation in Theory and Practice;*
17. Oxfam & I-SAPS. 2012. *Aid Effectiveness in Pakistan: A Citizen's Perspective*. Islamabad. Pakistan.
18. Oxfam. 2010. *21st Century Aid: Recognizing Success and Tackling Failure*, Briefing Paper. London. UK
19. Palmer, Ingrid. 1995. "Public finance from a gender perspective", *World Development* 23(11): 1981–86 &

20. Pasha, Hafeez. 2011.*Review of Macro fiscal Framework 2011*. Planning Commission of Pakistan.

21. *Punjab Board of Revenue Documents*.

22. Punjab Development Statistics 2012

23. Rania Antonopoulos. 2009. *The unpaid care work - paid work connection.* Working Paper No. 86. Policy Integration and Statistics Department – ILO. Geneva;

24. Rina Saeed Khan, "*Earthly Matters: Mortal Instruments",* DAWN, [Available at: http://www.dawn.com/news/1112474]

25. UNESCO. 2013. *Education Transforms Lives: EFA Global Monitoring Report*. Paris.

26. Wayne Thirsk. 2008. *Tax Policy in Pakistan: An Assessment of Major Taxes and Options for Reform*.

27. World Economic Forum. 2015. *Global Gender Gap Report 2014*.

ISBN: 978-969-7612-15-4

Institute of Social and Policy Sciences

Informing Policies, Reforming Practices

Institute of Social and Policy Sciences (I-SAPS)
P.O.Box: 1379, Islamabad, Pakistan
UAN: 0092-51-111739739; Fax: 0092-51-2825336
E-mail: info@i-saps.org; Website: www.i-saps.org