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Sustainable Municipal Finance for Suthra Punjab: A Comparative Study of the Excise & Taxation Department and Municipal Committees

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ABSTRACT

Purpose: This paper presents a strategic financial model for a systematic imposition and collection of the Suthra Punjab Fee (SWMF) through use of database prepared by the Excise & Taxation Department Punjab in respect of the potential residential and non- residential taxpayers for urban immoveable property tax (UIPT).

Design/Methodology/Approach: It is observed: performance gap is attributable to institutional design instead of legal asymmetry since the two agencies possess at-least equivalent enforcement powers. It also highlights structural weaknesses of the LGs as revenue collecting agency using case study of the MC Sadiqabad and interestingly confirms this institutional disparity as systemic through expansion of the comparison across multiple urban rating areas in Punjab.

Findings: The observed performance gap is attributable to institutional design instead of legal asymmetry since the two agencies possess at least equivalent enforcement powers. The paper also highlights structural weaknesses of the LGs as revenue collecting agency using case study of the MC Sadiqabad and interestingly confirms this institutional disparity as systemic through expansion of the comparison across multiple urban rating areas in Punjab. Additionally, the author proposes an extension of the model to the rural areas on the plea that the Suthra Punjab delivers the rural areas the same civic amenities, which were earlier unavailable to rural residents.

Implications/Originality/Value: The study makes the case that the Suthra Punjab Program's long-term financial viability depends on the consistent recovery of the consolidated Property Tax, which cannot be accomplished without the E&T Department serving as the main collecting agency. This creates justification for inclusion of rural areas into rating area framework.

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1. Introduction

The Government of Punjab formulated a policy for Solid Waste Management under the "Suthra Punjab Programme" (SPP). This initiative aims to address the pressing challenges of waste management in urban and rural areas. Under this programme, the function of solid waste management was out-sourced to private companies/contractors. The financial viability of this programme was premised on recovery of SWMF from

residential & commercial units across the districts. The case of the SPP was built upon assumptions of financial projections as given below:

Table 1

Suthra Punjab Program Financial Predictions for SWMF Collection

Area	Households	HH Fee Collection (Rs.)	Commercial Entities	Commercial Fee Collection (Rs.)	Annual Fee Collection (Rs.)
Rural	11.35 M	2,269.88 M	2.00 M	599.21 M	
Urban	7.03 M	2,108.38 M	1.11 M	553.77 M	
Total	18.38 M	4,378.26 M	3.11 M	1,152.98 M/month	66,374.86 M

Source: Data was released by the Pakistan Bureau of Statistics (PBS). The following fee slabs are used: Rs. 200 for rural domestic use, Rs. 300 for rural commercial use, Rs. 300 for urban domestic use, and Rs. 500 for urban commercial use.

We need to have a clear understanding of the financial aspects of this programme as the financial cost of this programme will be too large to be borne out of the existing resources and projected incomes. The operation of this programme is hinged on collection of fees as estimated within Table 1 and the collection of fee has also been assigned to the contractor and the LGs (MCs, Zilla Council & Union Councils). Here we must point out that, in addition to the cost of "Suthra Punjab Programme", the government will continue bearing the expenditure relating to the sanitation including other functions which will remain with the LGs as before. So, the government needs effective recovery of the fees/taxes, belonging to the LGs. The government, through Suthra Punjab Programme, has renewed its focus on operational aspects of municipal functions with involvement of private sector. However, this programme, while progressive in its operational orientation, ignores a structural constraint: limited capacity of municipal inspectors or contractors for revenue recovery. The paper argues that this over-look creates a fiscal risk which may make the vision of "Suthra Punjab" increasingly difficult to achieve without recourse to perpetual grants. This is not practicable as regular feature of public finance.

2. Literature Review

2.1 Municipal Finance and Property Taxation: International Perspectives

The issues, regarding financing local government functions through own-source revenue, is well-documented in the comparative municipal finance literature:

- According to the Bird and Slack (2004) a local government needs a stable revenue base for discharging its service delivery mandates. Further, they regard the property tax as an appropriate instrument for the immobility of the tax base, administrative tractability, and alignment between service beneficiaries and tax payers. Their analysis of fiscal decentralisation across developing and transitional economies is apt and it finds that in case the local government does not have effective revenue collection capacity, service delivery deteriorates and it invariably needs uninterrupted intergovernmental grants. This pattern is palpably observable in Punjab's municipal finance experience. Bird and Slack also opine that the institutional design of collection and the rate structure are equally significant, meaning thereby that a well-designed tax, if administered poorly, will always underperform as compared to a modestly-designed tax administered by a competent agency.
- As per well discuses by Bahl and Linn (1992), in their foundational analysis of urban public finance in developing countries, point out the structural tension, ensuing persistently between the political character of local government bodies and the administrative requirements of effective tax enforcement. They remark that elected local bodies feel naturally more accountable to constituencies and thus, the elected representatives subordinate collection efficiency to political considerations. This results in chronic low-

recovery of legally-due taxes and fees. This observation is directly germane to the present paper's finding that Municipal Committees and Union Councils in Punjab have consistently underperformed as revenue-collection agencies. This is not due to administrative incapacity alone rather due to the structural misalignment between their political accountability and the discipline required for systematic fee recovery. The concept, espoused by this paper, is in consonance with Bahl and Linn's point of view: local taxes should be administered by a professional revenue agency with explicit performance requirements.

- These findings are reinforced by the World Bank's collection of research about property taxation in developing nations. According to the World Bank (2008), there are three interconnected reasons why property taxes are consistently underutilized in South Asian municipalities: incomplete and out-of-date property registrations, inadequate enforcement capabilities, and political opposition to revaluation. Administrative modernization, particularly the computerization of property registers, the consolidation of billing with other dues, and the transfer of collection to specialized agencies, has consistently produced highly effective improvements in property tax performance, according to the Bank's comparative analysis of reform experiences. The joint billing model suggested in this research and the computerized PT-I Register of the E&T Department, which was created by the Urban Unit in 2016, exactly match the reform pathway found in this literature as most likely to produce long-term revenue gains.

2.2 Pakistan-Specific Literature: UIPT Reform and Urban Finance

The literature on urban immovable property tax reform in Pakistan offers a lengthy history of institutional experimentation with the collection function. The UIPT Act of 1958, which transferred UIPT collection from Municipal Committees to the E&T Department, was a reform motivated by the realization that MCs were unable to administer the tax efficiently, as subsequent comparative performance data have fully demonstrated.

- According to Cyan et al. (2017), the E&T Department's collection model is comparatively successful in the context of Pakistani provincial taxation. They attribute its success to the combination of a computerized assessment system, legal coercive powers, and a professional cadre all of which are lacking in LG collection arrangements.
- The literature on local government taxation in Pakistan often emphasizes the discrepancy between the revenue assignment and collection capacity of local governments (LGs) under various devolution frameworks. Cheema et al. (2005) conclude in their analysis of the Local Government Ordinance 2001 framework that although the PLGO 2001 did give local government's significant taxation powers, actual revenue mobilization remained low because the administrative infrastructure for assessment and enforcement was not adequately developed. Their research indicates that this failure can be partially ascribed to the political economy of local elections, where council members are directly answerable to voters for taxing decisions, and to the absence of a professional revenue cadre inside LG institutions. These structural conditions have not been significantly changed by the PLGA 2022.
- In terms of urban finance in general, the International Growth Center (IGC, 2017) research on Pakistani Cities reveals the extreme financial strain being experienced by Punjab's secondary and tertiary urban centers, as the gap between service delivery needs and own-source income has grown significantly over the past 20 years. The inability of LG-administered revenue devices to produce steady income streams is directly responsible for this fiscal strain. The IGC research suggests that urban tax collection be assigned as stopgap arrangement to provincial agencies with established administrative competence and professional local civil service be developed for permanent administering of the LG levies. This recommendation is in line with the proposed model. The assignment of SWMF collection to the E&T Department, with proceeds credited to LGs, represents a consolidation of best practices in municipal finance rather than a departure from them. When taken as a whole, this body of literature offers solid theoretical and empirical support for the paper's main thesis.
- A number of field experimentation, undertaken in Punjab, furnish the strongest causal evidence on the connection between tax administration and collection outcomes. In a randomized evaluation of 482

property tax units, Khan, Khwaja & Olken (2016) found that performance-pay schemes for tax collectors increased revenue growth by 46-64% in comparison to control units. The gains were mainly due to a decrease in collusive under-assessment rather than increased coverage. The point, worth-mentioning, is that that merit-based postings, which allocated high-performing tax inspectors to favorite circles, increased annual tax revenue growth by 30–41%, according to a companion study (Khan, Khwaja & Olken, 2019). Together, these studies establish with experimental rigour that the identity, incentive structure and accountability of the collecting agency are the primary determinants of revenue outcomes, and that professionalization of the collection function yields substantial and measurable fiscal gains.

In view of the above, it can safely be concluded that the empirical findings, presented in this paper, confirm and extend several of these theoretical claims. The structural tension between political accountability and revenue enforcement identified by Bahl and Linn (1992) is directly observable in the Punjab data: Municipal Committees, notwithstanding their legal enforcement powers and the institutional support of the District Administration, consistently recover less than half the revenue achieved by the E&T Department against formally assessed demand on the same taxpayer base. The World Bank's (2008) prescription that the most effective improvements in collection performance emanates from consolidation of billing and transfer to specialized agencies is precisely what this paper operationalizes through the proposed consolidated Property Tax. The KKO experimental finding that professionalized tax administration raises collection by 30–64% in Punjab is corroborated by the cross-sectional evidence in Table 4, where the 32-percentage-point differential between E&T and MC recovery rates is consistent in magnitude with their randomized evaluations. The present paper extends the KKO finding from income tax collection to fee recovery, and from an experimental setting to an actionable policy proposal grounded in existing legal and institutional architecture.

3. Methodology

This study uses two primary data streams that were gathered in 2023–2024 using structured questionnaires and in-person interviews.

- The first stream focuses on LG income and expenditure statistics related to the Ab Gaon Chamkain Gay (AGCG)[1] Program. The author conducted interviews with the Bahawalpur Division's Deputy Directors Local Governments (DDLGs) and distributed structured questionnaires to the Secretaries of all Union Councils across Division as well as Assistant Directors Local Governments (ADLGs). Data included program expenditures under Ab Gaon Chamkain Gay Punjab throughout the Division, residential and business unit numbers, and AGCG Fee collection figures. In order to ensure that the results truly reflect administrative rather than estimated data, responses were taken straight from official records and registers.
- The second stream deals with Property tax and fee collection statistics. In order to gather information on Water/Sanitation Fee, UIPT Demand Register (PT-IV) & Assessment Register (PT-I) for FY 2023–2024, PT-I Register unit counts, and staff deployment records, the author administered structured questionnaires to Chief Officers of Municipal Committees and Excise & Taxation Officers in a number of districts. To verify unit numbers, E&T data was compared to the computerized PT-I & PT-IV Registers, created by the Urban Unit in 2016.

Furthermore, there are a number of methodological limitations to be aware of. In order to enable paired comparison, data was collected from districts where the author had access to official records and where both E&T and MC data were available for the same fiscal years. District selection was determined by availability rather than by chance. Convenience sampling was also partially introduced. Nonetheless, the district range from Khushab to Sadiqabad offers sufficient geographic coverage that reflects different degrees of administrative scale, economic expansion, and urbanization. By comparing E&T collection figures to the computerized PT-IV & PT-I Registers (created by the Urban Unit) and using MC figures from Recovery Registers instead of relying upon officers' estimates, the inherent risk of reporting bias, associated with self-reported data from government officials, was

reduced. The figures are presented as they were obtained from official records; the author did not modify or normalize the data. Instead of being removed from the dataset, anomalies that were found, like the Khushab MC figures, are openly noted in table notes. These limitations do not, in the author's assessment, undermine the core finding, given that the performance differential between the two institutional types is large, consistent across districts of varying characteristics, and cannot be attributed to legal or structural asymmetry between the two instruments compared.

4. Comparative Analysis: UIPT Collection versus Water & Sewerage Fee

Historically, the LGs or contractors have not been successful in collection of fees/taxes within their limits in the past. This is not a new observation rather it is borne out by the historical record. For instance, the huge amounts of water & sewerage fee can be seen across Punjab to be pending against the residents. Conversely, the collection of the property tax has been appreciable. The urban immoveable property tax is a scheduled tax of the LGs however its collection was transferred to the Excise & Taxation Department in 1958. Before that, the MCs would charge residents of urban areas a fee in shape of house tax.

Before discussion on the comparative data, it is appropriate to point out that the two levies, to be compared, operate on the same legal footing.

- Both UIPT and the Water & Sewerage Fee are scheduled taxes and fees of Municipal Committees, leviable under the Punjab Local Government Act 2022. Both are formally assessed: the UIPT against property values recorded in the PT-I Register while the Water & Sewerage Fee against demand entered in the Recovery Registers of the respective Municipal Committees, with prescribed demand notices served on individual assessees.
- Municipal Committees are not legally disadvantaged in recovering the Water & Sewerage Fee. On the contrary, the PLGA 2022 vests them with enforcement powers that are at least equivalent to, and in certain respects more extensive than, the ones available to the E&T Department for UIPT recovery.
- MCs further enjoy the institutional support of the District Administration as Deputy Commissioners and Assistant Commissioners have been functioning as statutory administrators of MCs under the Act.

The performance gap documented in the tables below cannot therefore be attributed to any legal asymmetry between the two instruments. It is mainly caused by administrative culture, institutional design, and the structural mismatch between the disciplines needed for systematic revenue recovery and the political accountability of elected local bodies. Table 2 shows a direct comparison of the E&T Department's and MC Sadiqabad's collection performance in FY 2023–2024.

Table 2

Collection and the Performance of MC Sadiqabad verse E&T Department. (FY 2023–24)

Agency	Tax / Fee	Rating Area	Demand (Rs.)	Collection (Rs.) / Recovery Rate
E&T Department	Property Tax (UIPT)	Sadiqabad Urban	57,469,911	57,816,229 (103%)
MC Sadiqabad	Water & Sewerage Fee	Sadiqabad Urban	64,774,547	31,032,089 (48%)

From Table 2, it is easy to grasp that the LGs, being political institution, have not been so successful with regard to collection of the scheduled fees/taxes. Therefore, any programme, which is based upon financial projections to be actualized by the LG or Contractor, may collapse or the government will be compelled to fund it through grants, which is not feasible as a regular feature.

Why do we need a systematic system of collection of fees? Its answer can best be illustrated through comparative analysis between property tax collected by the E&T Department within MC Sadiqabad Limits and the Ab Gaon Chamkay Gay fee collected by the LG&CD within territorial limits of the Bahawalpur Division.

Table 3

The Efficiency Comparison of LG&CD vs. E&T Department (Bahawalpur Division)

Agency	Tax / Fee	Staff Deployed	Coverage Area	Collection (Rs.)
E&T Department	Property Tax (UIPT)	3 (1 Inspector + 2 Constables)	MC Sadiqabad	57,816,229
LG&CD	Water & Sewerage Fee	360 UC Secretaries	Bahawalpur Division	56,920,101

From Table 3, it transpires as under:

a) If HR deployment is taken in view, one Excise Inspector, with two constables, for entirety of Sadiqabad, was more financially productive as compared to 360 UC Secretaries, across Bahawalpur Division, who were duly supported by the revenue field staff as well. This proves that random approach with regard to fee collection, as we witnessed in case of LG&CD and MCs, will not work.

b) The situation gets more alarming when we make holistic comparison between expenditure and income. The expenses, borne by the government for Ab Gaon Chamkay Gay within Bahawalpur Division, stood at 41,28,48,182/- against meagre recovery 5, 69, 20,101/- against no formally assessed demand. The total money, spent by the government on the ABCG Punjab program in Bahawalpur Division, was Rs. 412,848,182. This amount includes all service delivery costs, such as waste collection, transportation, labor, and equipment. Fee recovery was only Rs. 56,920,101 against this expense. The Rs. 412 million represents the cost of providing the service, not just the cost of collecting the charge, hence it should be highlighted that this ratio does not assess collection efficiency in isolation. The ratio per se is not so worthy of note rather the point, which matters, is that, regardless of the cost of service delivery, the program cannot approach financial sustainability at the recovery rates attainable through LG and contractor-based procedures. A program is inherently dependent on government subsidies if the authorized charge mechanism recovers less than 14% of its delivery costs. This reliance results directly from the collection mechanism.

This asymmetry is mostly structural rather than administrative in nature. LGs are political entities that are primarily answerable to elected officials rather than revenue targets. In contrast, the E&T Department operates as a professional tax administration with electronic assessments, established survey processes, legal coercive powers, and a collection-focused performance culture. These are not shortcomings that can be fixed by hiring more employees or providing training within the LG framework.

4.1 Comparative Recovery Performance across Districts

Here, the author adopts a cautious approach to assess if the observed differences are Sadiqabad specific or represent a larger institutional pattern. This is indispensable for testing results derived from Sadiqabad analysis. For this, collection data was made from several urban rating areas around Punjab for FY 2023–2024. Table 4 displays the findings:

Table 4

The Comparative Recovery Performance of Municipal Committees across Districts vs. E&T Department (FY 2023–24)

Agency	Tax / Fee	Rating Area	Demand (Rs.)	Collection (Rs.)	Recovery Rate
E&T Dept.	UIPT	Vehari	167,044,100	155,803,476	93%
		Khanewal	70,824,200	45,922,352	65%
		Mian Channu	50,200,300	32,109,718	64%
		Jahanian	16,772,600	10,485,718	63%
		Kabirwala	26,642,900	20,506,734	77%
		Hafizabad	68,228,589	54,676,667	80%
		Jauharabad	41,968,858	37,403,191	89%
		Khushab	30,431,545	26,740,556	88%
		Multan	768,745,710	765,414,118	100%
		Shujabad	8,631,490	8,552,993	99%
		Jalalpur Pirwala	9,435,800	9,418,663	100%
E&T Average Recovery: 83.45%					
LG&CD / MC	W&S Fee	Vehari	10,814,700	6,443,206	59%
		Khanewal	2,446,800	1,115,200	46%
		Mian Channu	2,500,000	2,200,000	88%
		Jahanian	500,000	416,800	83%
		Kabirwala	1,550,000	890,000	57%
		Hafizabad	2,420,000	651,820	27%
		Jauharabad	5,150,000	2,415,611	47%
		Khushab	129,176,060	4,611,975	4%
		Jalalpur Pirwala	26724080	10107899	38%
MC Average Recovery: 51.26%					

Source: MC records, FY 2023–2024; E&T Department records. Note: In comparison to the rating area's scale, the Khushab MC demand statistic of Rs. 129,176,060 seems unusual; the 4% recovery rate may indicate a problem with data recording and should be regarded cautiously.

The following inferences are drawn from the above data:

- With an overall recovery of roughly Rs. 1.17 billion against an assessed demand of Rs. 1.19 billion an aggregate recovery rate of roughly 98% the E&T Department attained recovery rates varying from 63% to 100% across the sampled rating zones.
- Municipal Committees, on the other hand, performed significantly worse, with sample averages of 51.26% and individual recovery rates ranging from 4% to 88%. Khushab (4%), Hafizabad (27%), Jauharabad (47%), Khanewal (46%), and Kabirwala (57%) are particularly noteworthy underperformers where significant amounts of assessed demand went unrealized.

- The better performance of the E&T Department is evident across a variety of administratively and geographically diverse urban centers rather than being limited to a single municipality. Despite significant variations in geography, taxpayer base, and administrative scale, the 32 percentage point difference in average recovery rates between the two agency types 83.45% versus 51.26% persists, indicating that variations in institutional design, enforcement powers, and administrative capacity are the main factors influencing collection outcomes.

5. Proposed Model : E&T Department as Collecting Agency for SWMF

In light of the aforementioned evidence, this paper suggests the merger of Suthra Punjab SWMF and UIPT under a single, consolidated "Property Tax," eliminating the word "Urban" from the current UIPT title. The consolidated tax is to be levied by the E&T Department using a single assessment notice and a single challan. From an enforcement standpoint, the two elements won't exist as distinct line items: the E&T Department's forceful recovery powers, which include property attachment and auction, will apply to the consolidated demand as are adopted in case of UIPT at present. To be clearer, a taxpayer cannot selectively pay one component and withhold the other. This is not a proposal to add a fee alongside a tax; it is a proposal to constitute a single unified Property Tax that absorbs the SWMF, backed by the full weight of the existing legal enforcement architecture. This model is operationally feasible for the following reasons:

- The E&T Department maintains an updated, computerised database of all residential and non-residential units in urban areas in the form of electronic PT-I Registers, compiled by the Urban Unit in 2016. This data includes ownership details, property area, location and nature of unit. There is therefore no requirement for a fresh survey of potential fee-payers within urban limits.
- The E&T Department has an established electronic assessment mechanism for property tax calculation. The SWMF slab can be added to the property tax demand according to the nature and size of the property on a single tax challan. For instance, a residential unit of 10 Marlas that now pays Rs. 1,100 annually as UIPT would receive a combined demand of Rs. 2,300 if assessed at Rs. 1,200 as SWMF, doing away with the requirement for a separate billing cycle.
- There are two ways that consolidation lowers administrative costs: Instead of generating two separate tax notices, a single one is created, and collection is handled by E&T employees who have already been deployed, saving money on human resources.
- The E&T Department already has the legal authority to collect taxes on LGs' behalf. The current legal foundation is provided by Section 3 of the Punjab Urban Immoveable Property Tax Act 1958 in conjunction with Section 102 of the PLGA 2022. Although primary legislation is not technically necessary for an initial pilot, a confirming legislative clarification or modification would be beneficial to prevent any future legal challenge.
- For UIPT earnings, the E&T Department has a well-established interagency distribution system among LGs. SWMF collections can be distributed using the same method. It would be desirable to rename the combined charge as "Property Tax" and remove the word "Urban" from the UIPT title in order to prevent nomenclature confusion.

5.1 Precedent: PTV Fee Collection through Electricity Bills

In order to collect PTV fees, the Federal Government has already implemented a similar concept by incorporating it into power bills. Before this arrangement, local contractors and inspectors collected PTV fees with little success. Without using any additional human resources, Rs. 8.109 billion was collected in FY 2020–21 after integration with electricity bills[2]. This precedent shows that adding a periodic fee to an already-existing high-compliance billing system significantly increases recovery and lowers administrative costs.

5.2 Case Study: Sadiqabad Tehsil Urban Areas

Table 5 provides a unit-by-unit analysis of all properties registered with the E&T Department within Sadiqabad Tehsil's urban borders, together with predicted SWMF projections at both flat and differentiated rates, in order to evaluate the proposed model's fiscal potential.

Table 5

E&T Property Tax vs. Projected SWMF Collection Sadiqabad Urban (Annual)

Rating Area	Residential Units	UIPT (Residential) Rs.	Commercial / Industrial Units	UIPT (Commercial) Rs.	SWMF Projection (Rs.)
SDK Urban	15,960	8,012,876	5,404	32,131,735	≥ 150 M (differentiated)

Source: E&T Department PT-I Register, Sadiqabad. Differentiated rate estimates are based on property size classification. Flat rate applied at Rs. 6,000 per commercial/industrial unit per annum and Rs. 3,600 per residential unit per annum.

The commercial and industrial rate of Rs. 6,000 per annum (Rs. 500/month) has been applied uniformly in the flat-rate projection. A differentiated rate structure calibrated to property size and commercial category would yield substantially higher revenues, conservatively projected above Rs. 150 million per annum. The cost-recovery dimension is assessed in Table 6.

Table 6

Cost vs. Projected SWMF Recovery MC Sadiqabad

Municipal Committee	One-Time Capital Cost (Rs.)	Annual Recurring Cost (HR + O&M) Rs.	SWMF Projection @ Differentiated Rates (Rs.)	Net Position
Sadiqabad	118,000,000	148,800,000	> 150,000,000	Marginally viable at best

Source: Primary data collected through questionnaires administered to Union Councils, Sadiqabad Tehsil.

The table demonstrates that even under the most optimistic projection, the margin of urban SWMF collection over annual recurring costs is negligible at the flat rate, underlining the importance of both a differentiated rate structure and a high-efficiency collection mechanism. Recovery at MC Sadiqabad's current 48% collection rate would render the programme financially unviable.

5.3 A Sensitivity Analysis of SWMF Recovery

The projections presented in Tables 5 and 6 assume that the proposed SWMF is recovered through the E&T Department's collection mechanism at near-full efficiency. A sensitivity analysis was carried out across four recovery scenarios in order to evaluate the resilience of the suggested model under less favorable circumstances: (i) the MC historical average derived from cross-district data and three E&T-based scenarios calibrated as cautious, moderate, and high. Table 7 displays the findings.

Table 7

Sensitivity Analysis of Urban SWMF Recovery Sadiqabad (Annual, Based on Projected Demand of Rs. 150 Million)

Scenario	Recovery Rate	Projected Recovery (Rs.)
MC Historical Average (baseline)	51.26%	76.9 million
Conservative E&T	70%	105.0 million
Moderate E&T	85%	127.5 million
High E&T (full recovery)	100%	≥ 150.0 million

Source: The author's predictions are based on cross-district recovery statistics, Sadiqabad Urban, and E&T PT-I Register unit counts. Table 4's MC historical average.

Even with modest assumptions, the study shows that the suggested strategy is still financially feasible. Annual collections would reach Rs. 105 million at a recovery rate of 70%, which is much lower than the E&T Department's recorded average of 83.45% across comparable rating areas. The program's financial viability would be significantly improved by recovery rates that are comparable to those already attained by the E&T Department in comparable urban areas. A structural deficit that could only be filled by ongoing government grants would result from continuing fee recovery through current LG mechanisms at historically observed rates, yielding only Rs. 76.9 million annually against a program cost structure of Rs. 148.8 million. This contrast with the MC historical average of 51.26% is especially instructive. Thus, the sensitivity analysis supports the main contention of this article, which is that the choice of collecting agency is a financial decision with significant implications for the Suthra Punjab Program's long-term survival rather than just an administrative one.

5.4 Case Study: Sadiqabad Tehsil Rural Areas

The UIPT has previously exclusively applied to urban rating areas because only urban MCs offered civic facilities and only urban inhabitants could be expected to pay for them. As a result, the E&T Department now has no operational footprint or property records in rural areas. This equation has been drastically changed by the Suthra Punjab Programme. Under the same programmatic framework, the Punjabi government now provides solid waste collection and related municipal facilities to rural communities. Rural populations now receive publicly financed services for which a corresponding levy is both warranted and constitutionally acceptable. Previously, they could not be charged for services they did not receive. The extension of the Property Tax framework to rural areas is therefore not an expansion of the tax net for its own sake; it is the fiscal corollary of a service delivery decision already made by the government. Primary data collected through questionnaires administered to the 34 Union Councils of Sadiqabad Tehsil yield the projections for rural SWMF collection presented in Table 7.

Table 8

Rural SWMF Projections Sadiqabad Tehsil (Annual)

No. of UCs	Residential Units	Commercial Units	SWMF Projection (Rs.)	Estimated Programme Cost (Rs.)
34	102,249	912	248,670,000	346,800,000

Source: Primary data collected through questionnaires administered to Union Councils, Sadiqabad Tehsil.

The projected cost shortfall of approximately Rs. 98 million in rural areas could be met from existing Zilla Council receipts from other revenue heads. However, if E&T-based collection is not instituted for rural areas, the government will have no realistic mechanism to mobilise Rs. 248 million annually and will be compelled to finance the shortfall through grants.

Extending the proposed model to rural areas would require a legislative amendment to Section 102 of the PLGA 2022 to declare entire tehsils as rating areas a provision that existed under the Punjab Local Government Ordinance 2001 and requires reinstatement. Following such an amendment, the E&T Department would conduct property surveys across rural Union Councils and prepare PT-I Registers on the model of the existing urban registers, maintained and updated under Section 9 of the UIPT Act 1958. This will require commensurate enhancement of the E&T Department's human resources survey staff, assessment officers and field inspectors the cost of which is a one-time investment that would be recovered within the first year of full rural Property Tax collection. A thorough rural property database will concurrently release property tax and other LG levies that are currently unrealized in rural regions, significantly improving the revenue base of Zilla Councils throughout Punjab. This long-term fiscal advantage goes well beyond the SWMF.

6. Legal Framework

The following legal architecture serves as the foundation for the suggested paradigm. The E&T Department has the authority to evaluate and collect UIPT on behalf of LGs within designated rating zones under Section 3 of the Punjab Urban Immoveable Property Tax Act 1958. LGs are authorized by Section 102 of the PLGA 2022 to impose scheduled taxes, such as UIPT, and, consequently, any fees that may be specified in the Act.

The UIPT demand and the SWMF, which is a scheduled fee of the LGs, may be combined on the same assessment notice and recovered using the same challan. Since the E&T Department's status as the collecting agency for LG-scheduled taxes is already established by statute, the author believes that this consolidation does not require new primary legislation. However, as a precaution, a formal change to the PLGA 2022 or a clarifying rule under the Act designating the SWMF as a co-levied charge with UIPT would increase legal certainty.

In order to simplify the extension of the tax to rural regions following the proposed revision to the rating area definition and to prevent misunderstanding in the nomenclature of the consolidated charge, the word "urban" may eventually be eliminated from the UIPT title. It would be appropriate to re-name the combined levy "Property Tax" (without the urban qualifier) to fully represent its expanded reach and make it easier to communicate with taxpayers.

7. Conclusion and Policy Recommandations

An ambitious and essential intervention in the provision of municipal services is the Suthra Punjab Programme. Its reliance on LGs and contractors for fee recovery, however, makes its financial model structurally vulnerable. These LGs have historically performed poorly in this area, in part due to administrative failures and in part due to structural unsuitability of political institutions as tax enforcement agencies.

The E&T Department provides a ready-made, legally sound, and scientifically proven substitute. The SWMF can be collected in tandem with UIPT at the lowest possible marginal cost by utilizing its current infrastructure, which includes electronic PT-I Registers, assessment procedures, collecting networks, and distribution systems. The PTV charge example shows that it is both financially and administratively beneficial to embed a scheduled fee into an already-existing high-compliance collection system.

This paper makes the following policy recommendations:

- Using the current PT-I Register as the taxpayer database, the SWMF should be collected jointly with UIPT in form of consolidated property tax by the E&TD within the existing rating areas across Punjab. The MCs could issue gazette notification with declaration that the consolidated tax be administered by the E&TD and the rates of SWMF be devised for merger. However, to optimize revenue yield and guarantee equity between small and large premises, a differentiated SWMF rate structure- that is calibrated to property size, type, and commercial categorization- should be recommended.

- The respective provisions of PLGA 2022 should be changed to designate entire tehsils as rating areas as was previously done in PLGO 2002. This would legally make extension of E&TD existing collection model to rural areas, falling in District Councils, facilitating creation of database of rural properties. As compared to recommendations listed at (i) and (ii) which are administratively executable under current legislation right away, this legislative action requires a longer implementation horizon.
- To avoid legal challenges, a confirmatory legislative clarification, either by rule or by amendment, should be passed under the PLGA 2022 to identify the SWMF as a co-levied fee under the E&T Department's current collecting mandate**.**

One potential objection, which may be raised against the proposed framework, is that giving the E&T Department collecting authority would undermine local governments' financial autonomy and encourage institutional opposition from LGs as political entities. In this behalf, it is submitted that this objection misunderstands the nature of the suggested arrangement since the current model does not change LGs' fiscal entitlements in any way: The E&T Department is responsible for collection alone as it has been for UIPT since 1958. As regards the title on proceeds of SWMF proceeds, these will indeed be credited directly to the corresponding LGs for expenditure under their own jurisdiction. LGs do not lose their statutory role, revenue, or spending discretion. The only thing, legally abdicated by them, is the role as collecting agency and the LGs have continuously underperformed as collecting agencies at significant expense to the public exchequer, as this paper's research indicates.

Instead of undermining local governments, the suggested model would put them on a stronger and more transparent financial foundation: revenue streams would be predictable, recovery rates would resemble those attained under professional tax administration, and LG expenditures would be supported by actual receipts rather than ongoing deficits augmented by government grants as can be seen from fiscal performance of LGs across Punjab. The UIPT example is relevant because LGs have met expenditures for more than 60 years from proceeds of UIPT without collecting it themselves, and there is no convincing evidence that this arrangement has undermined their institutional autonomy or character.

The Suthra Punjab Program's financial viability ultimately rests on the government's willingness to assign collection duties to an organization that has a verifiable track record of success, as opposed to continuing with the institutional arrangements whose shortcomings are well known. The suggested approach provides an economical, legally sound, and practically achievable route to that sustainability. By doing this, it supports Bahl and Linn's (1992) main argument that the main barrier to municipal fiscal health in developing nations is the structural misalignment between political accountability and revenue enforcement. It also shows that institutional design, as opposed to mere legal reform, can overcome this barrier. It further supports the experimental conclusion of Khan et al. (2016, 2019) that the most effective tool accessible to governments- looking to enhance income results from locally-assigned levies-is the professionalization of the collecting agency.

Notes:

- Ab Gaon Chamkain Gay (Punjabi/Urdu: lit. “Now the Villages Shall Shine”) was the rural sanitation and cleanliness initiative launched by the Government of Punjab in 2021, targeting solid waste management and beautification across rural Union Councils. It was subsequently consolidated within the Suthra Punjab Programme — the province-wide urban and rural solid waste management framework — with fee recovery and private contractor arrangements formalized under the latter’s operational guidelines. In this paper, “Ab Gaon Chamkain Gay” refers to programme expenditure recorded under both designations across Bahawalpur Division during the data collection period.

- PTV License Fee collections via electricity bills, Pakistan Television Corporation Annual Report, FY 2020–21. The integration was administered through PEPCO/DISCOs under the PTV Fee Rules without dedicated HR deployment for fee collection.

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Disclaimer

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