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**Decentralization in Pakistan**

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Table of Contents

[1 Pakistan Case Study 4](#_Toc437253023)

[1.1 Underlying political economy context/drivers of decentralization 4](#_Toc437253024)

[1.2 Decentralization policy 5](#_Toc437253025)

[1.3 Basic structures, actors and mechanisms 5](#_Toc437253026)

[1.4 Decentralization outcomes 7](#_Toc437253027)

[1.5 The evolution of decentralization and local government performance 8](#_Toc437253028)

# Pakistan Case Study

In Asia, as in many other regions of the world, decentralization occurs in countries of all sizes and in highly diverse contexts. A few countries are large and have substantial and heterogeneous populations, while others are much smaller in area and have populations lower in number and less varied in composition. Some countries have attained middle income status, while others remain poor. A number of countries have some history of decentralization and democratization, while others have had little previous experience.

Despite the great variety, many Asian countries have chosen to pursue some form of decentralization. The way decentralization is structured and functions, however, is as diverse as the countries themselves, and not always in systematic ways. This variety results from considerable differences in country characteristics, histories and various political economy drivers that shape the dynamics underlying how public governance is managed.

In order to better understand decentralization in Asia, EC DEVCO B2 prepared a set of short case studies--on Bangladesh, Bhutan, Cambodia, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka, Vietnam and Yemen. This note presents the case of Pakistan.

Pakistan reconstituted itself as federal republic in 2010 with the promulgation of the 18th amendment of the constitution. This amendment reversed some changes to the constitution by various governments over the years. It resulted in the establishment of four federal states or provinces. Local governments were dissolved with the expiration of the 17th amendment of the constitution, and the responsibility for local governments was transferred to the provinces. The change in legal basis for local governments creates challenges and opportunities for improved service delivery, local participation and local development. In addition, Pakistan has been undergoing rapid urbanization due to population growth and increased rural-urban migration. This has created further constraints and pressures on service delivery in urban areas (Kugelman 2013). The direction that each province takes with their local governments will be key in determining the success of constitutional democracy in Pakistan.

## Underlying political economy context/drivers of decentralization

Local governments have existed in Pakistan since the turn of the 20th century and have been legitimized through various local government ordinances. Politics in Pakistan has cycled between military regimes and civilian governments. The most important local government ordinances to date have been introduced during military regimes; the 1979 Local Government Ordinance was introduced under General Zia ul-Haq and the 2001 Local Government Ordinance under President Musharaff.

The main driver for decentralization in these instances was to enable the military regimes to build a local support base that was an alternative to local democratic parties. During civilian governments, political parties often viewed local government officials as competition for power and therefore local government systems were never strengthened under these governments (Cheema et al 2014).

Today, Pakistan is a federal republic as reestablished through the 18th constitutional amendment. Under this amendment, local governments are entities under the provinces. Provinces are responsible for local government legislation, including tax and expenditure assignments, however they do retain the right to intervene in local administration. The constitution also mandates that the provinces schedule local government elections. There have been no local elections held since 2008 with the exception of Balochistan in 2013 (Democracy Reporting International 2014). Local government legislation is different in all four provinces, and therefore there is a patchwork of institutions consisting of local governments, deconcentrated administrative units and the provincial governments who are involved in local service delivery, local development and increasing local participation (Mezzera et al 2010).

The Devolution Trust for Community Development, which regularly conducts social audits on local government outcomes, have reported that since Pakistan became a federal republic “some kind of local government or local processes are in place, but it cannot be said that there are fully functioning local governments on the ground delivering regular services to the public” (Khalid et al 2012).

## Decentralization policy

Articles 32 and 140-A of the constitution broadly promote local government. Article 32 (under the heading "Promotion of local government institutions." indicates that "The state shall encourage local government institutions composed of elected representatives of the areas concerned and in such institutions special representation will be given to peasants, workers and women.’ Article 140-A under the heading "Local government" states that "Each province shall, by law, establish a local government system and devolve political, administrative and financial responsibility and authority to the elected representatives of the local governments."

Since the reconstitution of provincial powers through the 18th Amendment of the constitution, provincial governments have adopted legislation from the 1979 or 2001 Local Government Ordinances or have adopted a hybrid of both ordinances (CLGF 2013). This means that local government legislation varies by province, so that making comparisons across provinces can be challenging.

## Basic structures, actors and mechanisms

The four federal provinces each have three tiers of local government: District and City District Governments (DDGs), Tehsil Municipal Administrations (TMAs), and Union Councils (UCs). These local governments are government by an elected council, headed by an elected mayor or nazim. The local governments are supported by administrative units that also follow the same structure; district government administrations, tehsil/town municipal administrations and union administrations.

The Local Government Ordinances define local government service responsibilities by level of government. The legislation also mandates that these local governments are integrated through bottom-up planning and practice certain functional assignments around service monitoring and electoral arrangements. District and city governments are in charge of education, health, agriculture and other service areas related to community development at the district level. They are also permitted to decentralize the provision of any service to a lower level of government. Tehsils are responsible for a range of municipal services, such as water and sanitation, urban roads, the fire service and town planning functions. Union councils are generally responsible for more community-based activities (CLGF 2013).

During the establishment of local governments through the Local Governance Ordinances, administrative units were also set up to match the local government structures. The district administration is headed by the District Co-ordination Officers (DCOs). They head 12 groups or service areas. The staff at the district level are hired and are paid by the provincial and national level governments accordingly. They are supposed to report to the Nazim or head of the local government (Pracha 2003).

In practice, there have been managerial conflicts between local government and the local administrative units, which has resulted in poor intra-jurisdictional service delivery coordination. This was particularly prevalent in the water and sanitation service delivery; the Public Health and Engineering Department (PHED) was initially responsible for water and sanitation and this then fell under the jurisdiction of the TMAs. In the North West Frontier Province (NWFP), this resulted in a "turf war" due to the lack of trust and perceptions of poor capabilities on part of the PHED. In the end the two agencies split the responsibilities, the TMAs controlled the water supply in the urban areas while the PHED serviced the remaining rural areas in the district (ADB 2005). Here the PHED’s tried to re-centralize control rather that work to build coordination and support amongst the different institutions. This also results in a blurring of accountability (Arshad 2003). These types of “turf wars” were also reported in Punjab.

Managerial issues have also arisen within local government and administrative institutions due to staff absenteeism. This occurs more in remote areas but is attributed to poor supervision and lack of disciplinary action. Local providers in health and education sectors have been seen to accept supplies for services in-kind instead of monetary support. These supplies often did not meet the needs of the local population (ADB 2005). More information on service delivery outcomes is provided below.

At the provincial level, the Provincial Finance Commission (PFC) allocates revenues from central government transfers, provincial tax and non-tax sources to local governments in the form of internal grants. These grants are meant to make up for local government revenues and also ensure that there is equitable expenditure spend across the province (Bahl et al 2009). In practice, data shows that local governments are highly dependent on the provincial governments for transfers. In the fiscal year 2010-2011, only 5 percent of revenue receipts came from local government transfers (World Bank 2012). The local government revenue share was only 5% of the national revenue share in 1995. This dropped to 1% in 2005 and has remained at 1% (Mukthar et al 2010).

The districts, tehsils and unions have different revenue sources and have different levels of control over their revenue instruments. District councils are allowed to levy fees and taxes on education, health, land, license fees and tolls on roads. Tehsils councils are allowed to collect taxes on property and property sales and transfers, certain services, advertisements in public places like markets and cinemas and other small public works fees (Bahl et al 2009). These revenue instruments do not amount to large own source revenues. Lahore’s own source revenue amounts to 5% and comes almost entirely from services fees and licenses (World Bank 2012). Local government dependency on transfers means that they are restricted in the type of capital projects they can invest in, and they are unable to raise enough own source revenue to operate and maintain the infrastructure.

There is another institutional issue with local government revenues centering on tax and fees administration and collection. Polices around taxation, including levels of taxation and types of taxes are largely mandated by the provincial government. In Punjab, the local government has to collect an urban immovable property tax (UIPT), whose tax rate and base are set by the provincial government. The amount collected hardly adds up to 10% of the total own sources revenue for the TMA (World Bank 2006). Some provinces mandate revenue sharing of certain taxes; the state of Punjab and the NWFP require revenue sharing of property tax between city councils and TMAs (Bahl et al. 2008)

On accountability structures, the LGO of 2001 mandates that local government elections should be held every four years. The last countrywide local government elections, however, were held in 2008, raising concerns about the provisions for adequate downward accountability. While Balochistan did hold an election in 2013, the Provincial Election Authorities of the remaining provinces continue to postpone local elections. The Election Commission of Pakistan has now stepped in and released a schedule of local government elections in the remaining provinces to be held from May to November 2015 (Butt, 2015). There are some official provisions for citizen participation, but it is not clear how much they are used. Only Punjab has instituted broad mechanisms for citizen feedback.

## Decentralization outcomes

Local service delivery has existed in some form since Pakistan’s independence in 1948. As noted above, decentralization of power to local bodies took place through the LGO in 2001 and was revoked in 2010 and power was shifted to the provinces. Currently local governments exist in law but there have been no local elections since 2008 (except for Balochistan) and therefore local service delivery has been administered mainly through a mix of elected and administrative units. It is difficult to attribute decentralization outcomes to the 2010 devolution, as there are some institutional structures that continue to remain since the 2001 local government devolution. In addition to this, establishing a baseline for the quality and distribution of service provision in each province has proven to be difficult.

Using the 2001 decentralization legislation as a baseline, there are two public services provided by local governments that have shown remarkable improvement in the last decade; they are sewerage and sanitation and the provision of electricity. However there are vast regional differences, with the provinces of Punjab and Sindh showing greater access and satisfaction with sanitation and sewerage facilities than the NWFP and Balochistan. Since 2001, almost 97% of households in Pakistan have gained access to electricity, but satisfaction levels with the service provided have decreased steadily since 2009 due to the mismanagement of supplies and a decrease in the availability of services. The energy crisis currently plaguing Pakistan is a national issue, and unlikely to be addressed by local governments (Khalid et al 2012).

An empirical study on the impact of decentralization reforms on service delivery has found some positive results; there have been substantial increases in the provision of water canals and school facilities (Aslam et al 2011). In addition the study found that there have been significant increases in the provision of street paving and sewer lines. These existence of these services is proportional to the size of the population. The provision of water canals and school facilities is not related to the size of the population and expansion seems to be a direct result of decentralization. The study also looked at the influence of Rural Support Programs (RSP), there was no statically significant relationship between any of these services and RSPs except for water canals. RSP activities, however, were found to substitute for local government provision of water canals (Aslam et al 2011).

In 2008, a study looking at service provision at the rural level found that decentralization had indeed increased provision of local services, like drain pipes, in areas that were not previously serviced. The study also found that villages where the union council leader was a resident were far more likely to have access to services. In addition to this, services were more likely to be made available to the majority ethnic group of particular villages (Cheema et al 2008). These findings indicate that while decentralization has increased access to services, the distribution of these services remains influenced by political considerations.

A qualitative survey on state provided healthcare services at the union level indicated that poor quality healthcare services has persisted even after the decentralization of this service in 2001. The public health care service is poorly funded and union-level facilities have a shortage of doctors, medicines and there are large distances between facilities (Cheema et al, 2007). This has resulted in villagers turning to poor quality private sector health care services (Cockcroft et al, 2005)

As noted above, provincial government are mandated by the constitution to conduct local government elections. So far only the province of Balochistan has conducted recent local government elections (in December 2013). The remaining provinces have been scheduled to conduct elections but continue to postpone them. The elections in Balochistan, however, were characterized by a high level of invalid ballots (38%) and some areas had very low voter turnout. Awaran for example had a voter turnout of 1.18%, although Awaran lost a lot of infrastructure in the 2013 earthquake. There were reports of violence at election centers, and this could have resulted in lower voter turnout. Local government laws in Balochistan also mandated for the inclusion of at least one women, one to two ethnic minorities and a number of rural representatives in the elected councils but there has been no empirical study conducted to understand whether these local councils have been compliant with the representation quotas (DRI 2014).

Pakistan has had some successes in its downward accountability by soliciting public opinion in project planning. This is facilitated through the LGO mandated Citizen Community Boards (CCBs). The LGO mandates that 25% of the local government budget that is earmarked for local development be programmed by the CCBs. The CCBs must also raise 20% of the project costs. There is no available empirical evidence to date as to whether local governments have achieved this 25% target and whether CCBs actually contribute to the project selection. There are some other factors that might impact the quality and extent of CCB participation and this could include CCB leadership, literacy rates, commuting distances and whether or not a NGO assists the CBO in putting together a proposal (Kurosaki, 2006).

A survey study conducted on analyzing the effects of decentralization on Pakistani women was statistically insignificant. Survey results did indicate that political instability and existing cultural norms also affected women’s access to services and participation in local government. The existence of a democratic government did generate more benefits for women at the local level than when martial law is in place (Stojkova 2008).

## The evolution of decentralization and local government performance

Decentralization in Pakistan has undergone political and administrative changes to create more responsive subnational governments that can better provide public goods and services. The current legal framework has been established through the 18th Constitutional Amendment and the LGO 2001. The intergovernmental/decentralized system is a mix of institutions responsible for service delivery including local governments, deconcentration administrative units and the provincial government. Interventions by the national and provincial governments over the past decade and a half have created de facto institutional arrangements that limit local powers and would require time and resources to overcome. Near absolute revenue authority lies with the national level, and provinces can modify local government ordinances without consequences. The system as it exists strongly concentrates power within national and provincial government.

For more meaningful local decentralization to occur in Pakistan, there would have to be some consideration of how to allow greater local autonomy and increase fiscal decentralization. This can only be undertaken if there is a proper review and understanding of local government politics, institutional structures and capacities in each province. Establishing a baseline in each province, using the same metrics, would be helpful to determining how the provincial local government legislation has functioned and what the feasible options might be to increasing the role of local governments and regularizing local elections.

Attitudes amongst political parties and central and provincial governments toward local governments seem resistant to change. In some circles, local governments appear to be considered as a vestige of military rule rather than as a potential mechanism to help strengthen Pakistan’s federal system. There have been suggestions that a more productive role for local governments could emerge if mainstream political parties would participate more actively in local democracy. Local government institutions in turn could help broaden the political base of active supporters, and therefore strengthen the party at all levels (Cheema et al 2014).

As the Election Commission of Pakistan has announced a schedule for local government elections in the three provinces that have not recently conducted them, there may an opportunity to bring local governments into the fold of main stream politics and therefore increase their importance as vehicles of a democratic state. Of course, much also needs to be done to strengthen capacity for delivering development and service deliver, but political, fiscal and administrative mechanisms would need to work together for this to occur.

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