

Islamic Republic of Pakistan

(ناتسکاپ نیروهمچ یمالسا)



Capital: Islamabad

Inhabitants: 153.450.000 (2006)

Area: 796.000 km² (2006)

1. Introduction



Pakistan gained independence in 1947 and is a federation. With a population of 153.45 million¹ and an area of 0.796 million square kilometres² it comprises four provinces, two federal areas, seven tribal agencies and one semi-autonomous region. The provinces are unevenly balanced with Punjab residence for 55 percent of the population and Balochistan, 45 percent of the area, home to five percent of the nation.

Local government origins can be traced back to the time of Mughal kings who drew up an administrative structure in the region comprising Pakistan and neighbouring countries during the sixteenth and seventeenth centuries. In its modern form it came into being during the British colonial era in the late nineteenth and early twentieth centuries. Since independence Pakistan has experimented with local government systems, with varying

features, introducing newer forms in 1962, 1979 and 2001. Each round has been characterized with high pitched announcement of intentions later floundering on the realities of politics. Each round has increasingly moved toward democratic local governments.

Decentralization has been on the political anvil of the nation for long, sometime actively under consideration, at other times just being used as a political slogan. With the roots of the concepts in the pre-colonial and colonial time periods, most significant decentralization reform and assignment of functions to sub-national governments have been carried out in 1973 and 2001. The former was a political resettlement in favour of the provinces, with their roles and functions enshrined in the constitution. This paper focuses on local governments.

2. Territorial Organization

a) Government tiers and their nature

Sub-national government in Pakistan comprises four provincial governments, and below them a three tier local government³. In the Pakistani lexicon, local government generally refers to the sub-provincial governments alone. Table 1

¹ NIPS 2006

² MoF 2006

³ The federal areas have a comparable structure in most cases.



(p.2) summarizes the number of local governments in their various categories.

Local governments vary across various regions but they are quite similar in their basic structure in all the four provinces: at the upper most tier, large metropolitan areas are called City Districts whilst the remaining districts, with predominantly rural population, are managed by ordinary district governments. Each district jurisdiction is further divided into Tehsil or Town Municipal Administration, TMA, (town is the term employed for the second level local governments in City Districts; their functions are slightly different than the Tehsil Municipal Administrations). At the lowest tier are the union administrations with an average population of fifteen to twenty five thousand each.

Local governments are legally and politically subordinate to the province, with the latter controlling finances, elections, civil service appointments and policy.

b) Financial indicator:

Pakistan's fiscal architecture vests most of the taxation powers with the centre. Income tax, sales taxes, excise and customs are collected by the federal

government, provinces collect minor taxes. Property tax, an erstwhile provincial tax, has been assigned to local governments after 2001. The assignment of property tax to local governments however remains largely in name only. Tax administration is oddly split between provincial and local governments and largely works under the former.

Credible sub-provincial data on taxation and expenditure has not been formulated yet. Different estimates are available. According to some estimates, 4.8 percent of national revenue is collected by sub-national governments and whilst they carry out 29.9 % expenditure⁴. In 1999-2000, the federal share in total national revenues was 90% whilst the share in expenditure was 70%; the sub-national expenditures comprised only 30%⁵. Table 2 (next page) depicts the provincial dependence on federal transfers.

Local governments are dependent on intergovernmental transfers. The extent of this dependency can be measured from the fact that hardly any local government can survive without provincial transfers. According to a 2001 estimate⁶ most local governments derive 80 to 98 percent of

Table 1: Local Governments in Pakistan

<i>Province/regions</i>	<i>Districts/City Districts</i>	<i>Tehsils/Towns</i>	<i>Union Councils</i>
Punjab	35	144	3464
Sindh	23	121	1108
North-West Frontier Province	24	54	986
Balochistan	28	77	567
Capital Territory	1		
Totals	111	396	6125

⁴ Bahl 2005

⁵ ADB/DfID/WB 2003

⁶ ADB 2001



their revenue from provincial transfers. Another study⁷ found that most local governments financed current as well as development expenditures from intergovernmental transfers.

A substantial share of provincial revenues passes on to local governments as transfers. The following table shows the variations as well as the general trend amongst the four provinces:

The capital city, Islamabad, operates under a different legal regime. It does not have an elected local government but works

with a deconcentrated arrangement. Municipal matters are managed by a development agency. The provincial capital and other major cities are called City Districts and have local governments with mandates different from ordinary districts. In terms of taxation powers the City Districts do not materially differ from ordinary districts.

An important feature of the 2001 reform was major territorial readjustment at the TMA level. Earlier the municipal local governments were responsible for urban jurisdictions alone; rural areas in each

Table 2: Table 2 Provincial Consolidated Revenues

<i>FY 2002/3</i>	<i>Baluchistan</i>	<i>NWFP</i>	<i>Punjab</i>	<i>Sindh</i>	<i>Total</i>
Current Revenues	Percentages				
Federal Receipts*	94.5	73.9	82.9	68.0	78.2
Provincial Taxes	2.4	4.8	9.7	9.3	8.3
	3.0	21.3	7.3	22.7	13.5

Table 3: Provincial Revenue and transfers to local government for fiscal year 06-07

<i>Province</i>	<i>Total Provincial Revenue</i>	<i>Provincial Allocable amount</i>	<i>Provincial Allocable as percent of Total Provincial Revenue</i>
Punjab	196.593	82.383	41.90
Sindh	60.03	33.01	55.00
Balochistan	28.549	11.50	31.93
NWFP	40.78	24.469	60.00

⁷ ADB/DfID/WB, 2004



district had their own local government with a different mandate. Property tax, collected and administered by the provinces, was only levied in the notified urban areas. The boundaries of the second tier governments were readjusted in 2001 with incorporation of the rural hinterland around the urban nuclei into the TMAs; this measure increased the area of responsibility for the TMA and extended the levy of property tax to these areas.

3. Local Democracy

3.1 Local political system

Local governments in Pakistan have an elected head, the Nazim, and an elected council. The councillors are elected on the basis of adult franchise. One third of the council seats are reserved for women. The Nazim's election is indirect; the councillors in a certain jurisdiction form the electoral college for the election. Local governments have a four year tenure. Elections are held on non-party basis. In fact the law prohibits open political party association. In reality the elections are highly partisan: political parties contest the elections with full gusto and form local level coalitions to win all possible seats. Nearly all Nazims have known political affiliations.

The conduct of the elections itself has been a subject of much debate. The second round of elections since the reform of local government held in 2005 was marred by allegations of wide spread manipulation by the provincial and federal governments.

This has served a major blow to the credibility of the local government system as well as discredited the premise of fostering local political accountability of the executive. Barring this issue, local elections are contested in nearly all jurisdictions, candidates run sophisticated campaigns, local issues are at centre stage and issue based politics is on the rise weeding out identity politics progressively. Elections do see violence as well as operation of clannish politics.

Councillors are elected on the basis of first past the post system.

Different surveys have been conducted to gauge the electoral trends. The media plays an active role in introducing the candidates, discussing their manifestoes and bringing out political issues for the electorate. The vibrancy of local politics is only dampened by the general institutional weaknesses of the state, largely an accumulated effect of undemocratic and non-representative higher level governments managing the country in the six decades since independence. The surveys indicate that most local politicians view local governments as a doorstep to national politics.

The following table summarizes contestation in the elections:

Table 4: Contested, Unopposed and Vacant Seats in a sample of 18 Districts

Type of Seats	# Of Seats	Contested	Unopposed	Vacant
General (Male)	7,664	6,972	593	79
General (Female)	3,822	1,968	1,318	536
Peasant/Worker (Male)	3,824	2,983	667	174
Peasant/Worker (Female)	1,912	660	743	509
Minority	962	88	146	728
Nazim/Naib Nazim	1,912	1,628	264	20
Total	20,076	14,098	3,931	2,047



3.2 Citizen Participation

Citizen participation is generally high in local elections. The following table shows that participation varies across provinces but as an indicator of people's interest in the electoral process remains high. Most general seats were filled. In 2001 elections the 14 percent of seats reserved for women remained vacant. Only one percent of general seats and 0.7% of Nazim and Naib Nazim seats remained uncontested. Table 5 below shows the voter turn out.

Institutionalizing local political accountability was presented as a major objective of the 2001 local government reform⁸. In practice, it did not reach much beyond rhetoric. Local control over civil servants remains tenuous. Local government ordinances, the formative laws, are protected in the constitution till 2009⁹ and provinces have centralized controls since 2001¹⁰. Elaborate provisions for recall of the indirectly elected Nazims have been provided in the law. In practice it hasn't been an easy provision to invoke. In some cases recalls have succeeded with provincial blessings. Legal provisions relating to accounts and audit have floundered on bureaucratic haggling over controls. The accounts and audit machinery has bucked the decentralization policy and trend and attempted recentralization. Despite provincial objections and constitutional provisions the federal auditor retains control of provincial accounting

machinery. Notwithstanding lack of capacity, low professional standards and weak performance of the federal accounts and audit departments, recent local amendments to laws have extended the remit of the federal audit to local government¹¹. Traditionally public oversight has been weak over executive. The federal auditor reports to the executive instead of the legislature. Centralization of accounts and audit functions and tradition have combined to serve as a major impediment in the way of emerging local accountability.

The councils at the three tiers of local government are directly elected. At the same time the 2001 reform has attempted to build on the earlier provisions in the local government law to institutionalize community participation: one-fourth of the development budget mandatorily has to be spent through community organizations. Contrary to the anticipation the organizations have not come up everywhere in the country and where they have resource allocation remains a political process in the councils. The local government laws are largely based on faith in local electoral democracy but at the same time weakens the role of elected councils through such provisions.

Local government laws have enshrined people's participation in alternative dispute resolution building on traditional practice. The practice remains unsatisfactory. The

Table 5: Voter's Turnout (LG Elections 2000 and 2005)

PROVINCE	2000	2005
PUNJAB	58.64	53.56
SINDH	41.61	37.67
NWFP	44.37	41.22
BALUCHISTAN	33.06	31.14
TOTAL	52.31	47.50

⁸ Punjab 2001, Sindh 2001

⁹ Government of Pakistan 2005

¹⁰ ADB/DfID 2005



traditional forms of community justice seem to be unsuitable to modern society. Customary institutions like the village headman, jirga or community councils and panchayats are a mixed experience. They are not known to serve the interests of the poor or serve as defenders of the weak. Policy has resorted to them due to the state's failure to reform and make the formal institutions effective. The customary institutions, which can work as adjuncts, and not replacements, of the formal systems of dispute resolution, therefore remain under pressure.

4. Central-Local Relationship

4.1 General Issues

Local government is not recognized as a tier of the federation. Provinces, the federating units, are responsible for creating local government. Therefore the formative laws of the local government are provincial statutes and local government function only at the pleasure of the province. In the past, local governments have been packed up when it suited the province to do so politically. The current laws have been given an interim protection in the constitution till 2009¹², largely to provide political space for a reform, notwithstanding its merits, foisted on the provinces by the federation. Narrow debate and absence of political consensus on the reform and its details has been hovering over the future of local governments.

Provinces have a local government department to deal with local government matters. Under the 2001 reform, a local government commission has been created in each province and the department works as its secretariat. Weak institutional development in practice has failed give ascendancy to the commission. The local government departments, with its custody

of the law governing local governments, control over subordinate legislation, supervisory role, control of much of local civil service remains exercises important functions.

Except the interim constitutional provision, Provincial Assemblies have the untrammelled authority to legislate on local government. Most important matters relating to local government conduct of business are defined under provincial subordinate legislation—an executive domain.

4.2 Supervision of local government

Local government supervision is performed by multiple actors. This is partly because of incomplete implementation of the reform and to some extent due to inattention to the subject in the legislation. Local government commission, the lynchpin in the supervisory arrangement, is an ineffective institution. Except in one province it is understaffed. It functions through sporadic inspections, political motivation behind which cannot be ruled out. Accounting remains a contested territory due to the attempts of the federal accounts and audit machinery to take over local functions and therefore has failed to evolve into a system providing data for a supervisory relationship.

Sectoral departments relate to the local government in their areas of interest. They set policy for local governments and exercise direct or indirect control over the purse strings. In most cases, local civil service is controlled by the sectoral departments and their appointment, promotion and transfer is a provincial function. Therefore supervision of local government in the sectors is quite close and intrusive.

Provinces have exercised their supervisory role through various mechanism. Orders, directions and tasks are given for

¹¹ Punjab 2005; Sindh 2005

¹² Government of Pakistan 2009



compliance. Control over finances and civil servants are used as disciplinary instruments.

Another important dimension of central-local relationship remains in the forms of co-occupied mandates. Not only the provinces but the federal ministries carry out service delivery in decentralized subjects like education, health and water supply. The provincial and national legislators direct provincial and federal grants respectively directly into their constituency which are not necessarily aligned or coordinated with the respective local government. Such vertical programs of various forms constrain local governments and take up major share of the public funds for development in local domains.

4.3 Protection of local self-government rights and interest

Protection of local government rights is primarily vested in the local government commission and provincial finance commission. The institutions have not developed to perform the role with credibility. Redress of local government grievance therefore tends by default to take place through political channels. In some cases breach of local government rights has provoked legal battles in the courts.

Conflict resolution is a underdeveloped practice. Ordinarily the jurisdiction of a commission can be invoked by presenting a formal application. The commission when in session will hear parties to a conflict and give its non-binding decision.

Local government associations do not exist in the formal sense. Nazims however coordinate and interact with one another. Statutory representation of local governments in the provincial finance commission serves as a node for such

coordination and collective interest articulation.

5. Local Responsibilities and Functions

Local government functions have been evolving over time. From the classical municipal functions of solid waste disposal, street lights and business licensing functional domains of the local government have expanded markedly over time. In the 1979 local government some functions were mandatory whilst others were optional. Under the 2001 reform this distinction has been done away with. At the same time additional functions have been added to the list of local mandates. important additions are education, health, water and sanitation, agriculture and social protection. The functions are divided among the three tiers of local government with some overlap. A complete list of functions is given at Annex-I.

Legislative powers have been also given to local governments in some spheres. They include management of natural resources, environmental protection and public health and hygiene.

District governments perform the most important functions. Included in the list are planning and development, education, health, roads, transport, social protection and business development. Before 2001 these functions were performed by the deconcentrated district level offices of the provincial departments. Since their decentralization the offices, under a changed nomenclature, perform these functions whilst the provincial government provides the recurrent budgets on a hold harmless basis. Most civil servants in these departments belong to the provincial government. The provincial government sets policy for the departments but allows local governments to interpret it in the local context. Factors which contribute to



incomplete local control over these functions are financial dependence, weak technical capacity and lack of trained local staff. Provincial departments have been reluctant to cede complete control to district governments according to the letter and spirit of the law citing anticipated disruption in service delivery.

The TMAs perform municipal functions including water and sanitation, business licensing, enforcement of health and hygiene standards, waste disposal, town planning and fire brigade. In case of towns the list of functions is slightly modified assigning some functions to the district level. Water and sanitation is a contested territory between the provincial and local governments. Provinces have either not decentralized the function to TMAs or recentralized important parts of it. Generally technical approvals and control of civil servants has been retained by the provincial departments.

With emerging practice the following functions are considered most decentralized: (i) Solid waste disposal; (ii) Business licensing; (iii) Enforcement of hygiene standards; (iv) Birth and death registration. At the same time the following three functions remain centralized: (i) Roads building and maintenance; (ii) Health; (iii) Education.

Various arrangements have emerged between provincial and local governments which are defining the actual practice. In case of education provincial education departments provide grants to local government to improve facilities and education indicators by directing investments in particular areas of the sector. Similar arrangements characterize the health sector. At the same time provincial governments have been magnanimously providing specific purpose grants to finance infrastructure to politically aligned local governments.

6. Local Finance and Management

6.1 Local government incomes

Local revenues accrue as intergovernmental transfers, local taxes and fees. By far the transfers are the major source of revenue. Data is not available for an across the board assessment. However a study carried out in six districts presents the following picture:

Local dependence on intergovernmental transfers was recognized in the reform. Technical and independent provincial finance commissions were set up to arbitrate on the vertical and horizontal sharing. The vertical shares are not worked out transparently; provincial governments assign revenues to local governments and the residual is the provincial share. Recently, one province has taken up the initiative to declare vertical shares up front¹³. General purpose grant has been the mainstay of local finance in the past five years. The size of the grant has been worked out in a manner to ensure revenue adequacy. Except one province this has largely ensure a smooth transition without major disruptions in service delivery. At the same time provincial finance departments have not been liberal in topping up the general purpose grant beyond revenue adequacy: the size of the grant has been only sufficient to pay salaries and manage facilities at the baseline level. Savings also accrue to the provincial account in two provinces. Development grants, in addition to the general purpose grants, have various kinds of instruments in place¹⁴. Across the variegated spectrum of grant instruments tied grants and discretionary spending are being practiced.

¹³ Punjab 2006

¹⁴ Cyan & Porter 2006



As much as local governments are dependent on provincial revenues, most of the funding comes as negotiated grants. Only a small fraction of the Provincial Consolidated Fund is transferred as formula based grants to local governments. Although it is difficult to classify transfers because of the numerous mechanism employed in them, it can be argued that most of the transfers are not formula based; the recent PFC settlement in one of the provinces may change this trend.

Local taxation remains a relatively less important source of revenue. Property tax decentralization, beyond the legal provisions, remains in suspended animation. Provinces control administration and exemptions, TMAs declare rating areas and districts exercise nominal authority over tax collection. As the law stands, eighty five percent of collection goes to TMAs and ten percent to the district government whereas provincial government is to retain five percent as collection charges. This is not being practised transparently.

Local income from fees and other nuisance taxes does not amount to a significant source of revenue. Across the nation local governments have made important efforts to increase revenues, with mixed results, in the items under their effective control. Generally own source revenue is a smaller fraction of the district revenue but the situation improves in the TMA tier.

6.2 Local government personnel and management

Local civil service comprises several cadres ranging from federal to provincial to local. The provincial cadres are again of several kinds: provincial civil servants, provincial departmental employees, provincial local government service. Within each of these kinds there are a number of cadres. Appointment, promotion and transfer (APT) for the employees is dispersed across the

federal, provincial and local government and within the provincial government across service and general administration, finance, planning, local government and sectoral departments. Instead of a civil service reform to deal with the complex structure the government promulgated amendments to the law declaring creation of ill defined 'district cadres' self-imposing a deadline of 31 December 2005 for the task. Predictably not much has been achieved. Local officials work with divided loyalties. The Nazim's control over them remains weak. In case of police, despite the law requiring performance reports from the Nazims, the department has steadfastly refused to be evaluated by them and ignoring all legal innovations and weak community supervision mechanisms continues to work unaccountably under central authorities. In case of other departments the control is generally weak. Where Nazims are politically aligned with the provincial government the civil servant pay heed to the local government.

Local governments have rich experience in private provision of services. In the past functions like tax collection, water supply, waste disposal and management of transport hubs has been managed through private sector. But as such little has been attempted to bring private sector expertise in boosting local government capacity. Accounting and audit remain hold rich prospects for private sector solutions.

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