

## E-Learning Course on

## Decentralization, Local Governance, and Localizing SDGs in Asia

Country Case Study: Pakistan<sup>1</sup>**Introduction: Constitutional and legal framework for Subnational Governments**

The initial state structure of Pakistan, an Islamic and federal parliamentary republic, did not envisage a local government level as a distinct tier of government. After Pakistan's independence in 1947, the military government introduced systems of local governance with elections at the district level and below. The subsequent civilian government either abolished this system or continued it without locally elected representatives. It was only with the 18<sup>th</sup> Amendment of 2010, that Article 140A of the Constitution (in conjunction with Article 32) provided constitutional protection to local bodies, stipulating 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."

**Box 1: Gender in the Constitution**

The Constitution of Pakistan ensures equal status to women and provides protection for their rights, including the rights to vote and contest elections. Article 25 of the Constitution states, "All citizens are equal before law and are entitled to equal protection of law and there shall be no discrimination on the basis of sex alone". Article 27 provides protection from the discrimination in employment and states, "No citizen otherwise qualified for employment in the services of Pakistan shall be discriminated against on the basis of race, religion, cast or sex". Article 34 of the Constitution further indicates the state's commitment to ensure full participation of women in all spheres of national life and provides room for affirmative action.

Source: Jabeen/Iqbal 2010.

The provinces—Balochistan, Khyber Pakhtunkhwa (KP), Punjab, and Sindh—are the four federating units represented in the Council of Common Interest, an intergovernmental body to discuss policies and strategies between the federal and provincial levels. The provinces do not have constitutions of their own. Separate legal arrangements for local

governments cover the Islamabad Capital Territory (ICT) and the cantonments (i.e. housing settlements of the Armed Forces located within the territory of a district or a city). There are also separate arrangements for Gilgit-Baltistan, and for the Pakistani part of Kashmir. The seven so-called "tribal districts" in KP, bordering Afghanistan, were until mid-2017 grouped as Federally Administered Tribal Areas (FATA) without any form of elected local government. With the 25th Constitutional Amendment of May 2018, FATA was merged into the province of KP and a local government system is being established in line with the rest of the province.

Article 140A, however, did not specify details how local government systems should look. As a result, the local government systems of the provinces after 2010 differed substantially. The main differences included (i) the tenure of elected local representatives (between 4 and 5 years); (ii) the tiers, compo-



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<sup>1</sup> The case study has been prepared by Rainer Rohdewohld. The views expressed in it reflect the views of the author and can in no way be taken to reflect the official opinion of ADB.

sition, and categories of local governments (between 2 and 3); (iii) the kind and scope of functions devolved to the local governments (see below); (iv) the fiscal arrangements; and (v) the election mode for local representatives: direct vs. indirect, party-based vs. non-partisan, and first-past-the-post vs. proportional representation (see PILDAT 2019). In Punjab, the 2013 local government act also introduced District Authorities for health and education. These Authorities were formally categorized as local government bodies although, in reality, the provincial departments determined their activities and managed their resources. One feature common to all four provinces was the continuing dominance of the provincial government over the policies and operations of local government, including the authority to suspend or remove heads of elected local governments.

The post 2010 arrangements perpetuated the disconnect between the political, administrative, and financial dimensions of decentralization. Local governments had limited financial and administrative autonomy, and little say in managing their public servants. Their weak fiscal capacity and effort made them entirely dependent on fiscal transfers from provincial governments.

The 18th Amendment has made local government an exclusive jurisdiction of the provinces; therefore, there is no federal (national) legislation covering local government and no federal institution dealing with local government affairs. The one exception relates to elections: the 2017 federal Election Act applies to local government elections as well, and the Election Commission of Pakistan (ECP) is the sole national body in charge of conducting local elections by virtue of Article 140(2). Despite the lack of legal jurisdiction, the Government of Pakistan under Prime Minister Imran Khan initiated a debate about the existing local government systems following the general elections of July 2018, which saw a change of government at the federal level and in Punjab, and a continuation of the coalition government in KP. As a result, significant amendments to the KP local government act were passed by the Provincial Assembly of KP, and a completely new legislation, consisting of two acts, was passed in Punjab (Janjua and Rohdewohld 2019). Common features of these changes were the abolition of the district level as a political level, the introduction of direct elections for mayors, and the focus on having the lowest tier of local government at the village/neighbourhood level. No changes were made in the Sindh Local Government Act, while in Balochistan the process of legislative change was still under consideration as of early 2020.

### **Core Functions of Local Governments**

The provincial local government acts determine local government functions in a broad manner, with details being defined in so-called “Rules of Business” for each tier of local government. In general, the lowest level of the local government system—traditionally the Union Council, or in KP after 2013 and in Punjab after 2019 the Village Council/Neighborhood Council (VC/NC)—is in charge of community development, village or community infrastructure projects, and often civic registration. In KP, for instance, the VC/NC was tasked with monitoring the performance of the sector units and reporting to the higher levels. In Punjab, the Union Council until 2019 had been given the specific task of rural sanitation and waste management. The middle level, such as the *tehsil* municipal administration<sup>2</sup>, town committee, or municipal committee, normally deals with municipal services. The 2019 amendment of the KP local government act devolved certain social sector functions to this level, and the new local government act in Punjab also envisages the delegation of certain social sector functions to the *tehsil* councils. For the highest tier in the local government system, functions differed substantially between urban local governments (Metropolitan/Municipal Corporations) and rural local governments (District Councils). The urban governments dealt with municipal services in the widest sense. District councils often had a monitoring role for the lower levels, and also dealt with some of the functions of the lower levels. For example, until 2019 district councils in Punjab, were tasked with municipal services such as sanitation and waste management.

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<sup>2</sup> The *tehsil* level is the middle tier of the local government system and is sandwiched between the village/neighborhood level (or, earlier, the Union Council level), and the district level.

Most local government acts do not specify local government functions as *obligatory* or *discretionary*, and quite often the jurisdiction for functions need to be clarified and renegotiated between provincial and local authorities. Table 1 summarizes the distribution of functions between the provincial and local levels. However, it needs to be emphasized that this summary only gives a general overview; even after the 2019 changes of local government legislation in KP and Punjab, significant differences between the provinces continue to exist.

**Table 1: General Distribution of Functions Between Provincial and Local Level (2013–2019)**

	Provincial level	Local Government Level
<b>1. General public services (administration)</b>	Civil service; police, revenue administration/excise/taxation; planning; general administration	Civic registration (birth and death, marriages and divorces certificates, etc.)
<b>2. Public order and safety</b>	Disaster management, relief, and rehabilitation	Public safety
<b>3. Economic affairs / transports</b>	Provincial-level infrastructure and services (roads and buildings); public works; agriculture; cooperatives; energy; forestry, wildlife and fisheries; industries, commerce, and Investment; labour; mines and minerals	Local-level infrastructure and services; roads; bus terminals/stands; urban public transport; licensing of local transport services; urban traffic; regulation of livestock and dairy development
<b>4. Environment protection</b>	Policies and regulations; enforcement	Support in enforcement
<b>5. Housing and community amenities</b>	Urban housing; regional spatial planning	Building control; land use planning; zoning
<b>6. Health</b>	Sector regulation; sector planning; tertiary health services and teaching hospitals	Primary health services (such as basic health units); secondary health services (such as <i>tehsil</i> and district hospitals); mother & child health care
<b>7. Culture &amp; recreation</b>	Museums, libraries, arts, and sports facilities; religious affairs	Local museums; libraries, arts, and sport facilities; public parks and gardens
<b>8. Education</b>	Sector regulation; higher education; teacher education; curriculum development; approval and provision of teaching material and equipment; sector planning; tertiary education; policies and sector planning for non-formal and adult education	Primary and secondary education; pre-school education; non-formal and adult education
<b>9. Social welfare</b>	Policy and regulation; population issues; women's development; youth	Social welfare services
<b>10. Water and sanitation</b>	Large scale water supply and sewage schemes; irrigation	Local/urban water supply schemes; protection of local water supply sources; sewage; waste collection and disposal

Source: Author's compilation, based on Local Government Acts of the Provinces; CRCP (n.d.)

### **Institutional Arrangements for Local Government Systems and Key Provincial Government Institutions Relevant for Subnational Governments**

In the provinces, local government departments<sup>3</sup> are the key provincial departments in charge of local government affairs. They prepare the legal framework (including rules under the local government acts

<sup>3</sup> The nomenclature differs slightly between the provinces: in KP, the official name is *Local Government, Elections and Rural Development Department*; in Punjab: *Local Government and Community Development Department*; in Sindh: *Local Government Department*; in Balochistan: *Local Government and Rural Development Department*.

and other legal instruments) and provide administrative and legal supervision and oversight. In many cases, the local government departments coordinate their initiatives with two other core departments: the Finance Department, and the Planning and Development (P&D) Department. Finance departments deal with the fiscal transfers to local governments, and often also regulate revenue generation opportunities. The P&D departments deal with overall planning processes, both for routine and development expenditures. Both departments often have their own finance or planning officers at the district level who are involved in planning and finance management processes for local governments at this level.

All provinces except Balochistan have established Finance Commissions<sup>4</sup> to prepare the policies for fiscal decentralization, determine the formula used to share what is called the “provincial allocable pool,” and determine the allocation to and share of each local government unit. Often, decisions of the commissions are included in the annual finance acts of the provinces. The composition of the commissions usually includes senior officials from core provincial departments, members of the Provincial Assembly, representatives from local governments, and outside experts and professionals.

Another important body is the Local Government Commission, which brings together provincial representatives, local government representatives, outside experts and professionals, and sometimes members of the Provincial Assembly. This commission usually monitors the performance of local governments and deals with legal and other conflicts between the local and the provincial level or between local governments. In Balochistan, this function is performed by the provincial local government department as its law does not envisage any such commission.

Because local governments have very limited autonomy regarding their human resources, the provinces have established provincial bodies that perform human resource management functions for professional staff working at the local level. Called the Local Council Board (in KP) or the Local Government Board (in Balochistan, Punjab, and Sindh), these bodies recruit staff, design career structures, determine pre-service and in-service training programs, decide on transfers and promotions, and are in charge of paying pensions to retired public servants. Mostly, these bodies cater to public servants called Municipal Officers, who can be transferred by the respective provincial government between local government units within the province. The local council boards are managed by provincial officials only, without any representation from local governments.

All provincial governments have established Local Development Authorities, which deal with urban development and municipal matters and are under the control of the province. Often, their mandates overlap with and interfere with the municipal functions of urban local governments. Especially in Punjab, such bodies have been established for urban services like public transport, parks, waste management, and water supply.

The involvement of provincial and national parliamentarians in the domain and functions of local governments is a noteworthy feature in Pakistan that can potentially undermine the autonomy and mandate of locally elected representatives. Development funds are allocated by the federal and provincial governments to the members of the national and provincial assemblies for infrastructure projects in their constituencies. While formal procedures have been created to align such projects and funds with existing local development plans, in reality the Assembly members have the political clout to easily bypass such plans or have them modified to suit their interests.

Vertical coordination among the tiers of local government remains a major challenge. Planning systems are ill equipped to ensure this coordination, and inter-local government cooperation is virtually unknown.

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<sup>4</sup> Balochistan has established a Local Council Grant Commission.

## National Policies and Strategies Regarding Subnational Governments

In the past, local governments were installed by the military regimes through local elections under the Basic Democracies Order (1959), the Municipal Ordinance (1960), Local Government Ordinances (1979) and Local Government Ordinances (2001). As indicated earlier, the 18<sup>th</sup> Amendment in 2010 removed any federal jurisdiction for local government affairs. Therefore, no federal ministry exists which would deal with such affairs. There are, however, other intergovernmental coordination mechanisms which can be used to explore such issues, such as the Council of Common Interest. The federal Ministry for Inter-Provincial Coordination (IPC) is the institutional focal point for facilitating discussions among the provinces, and between the provinces and the Federal level. Since 2018, efforts are underway to create a loose mechanism (called the Inter-Provincial Working Group on Local Governance) which would allow the federal government and the four provincial governments to discuss local government issues on a regular and structured basis.

## Inter-Departmental and Intergovernmental Coordination Mechanisms Relevant for Subnational Governments

Within the provincial governments, the cabinet is usually the focal point for consultations and consensus-building between different provincial departments. It can also establish committees for specific issues, when needed.<sup>5</sup> Provincial-level bodies like the Finance Commissions and the Local Government Commissions can involve representatives from different departments and are therefore another platform to forge consensus between the departments concerned. During 2017 and 2018, KP had established a Devolution Support Committee (DSC) consisting of the Local Government, Finance, and P&D Departments. The DSC was meant as a fast-track mechanism to decide on local government issues involving the mandates of these three departments. Due to frequent changes of senior officials and a shift in political focus to the preparation of the new legislation, the DSC was discontinued after 2018.

## Basic Data on Subnational Governments

One side effect of making local government affairs an exclusive function of the provinces has been the lack of a standardized and uniform system for collecting information on local governments. Information on local government finances is particularly difficult to find, and even less comparable across provinces.<sup>6</sup>

Table 2 summarizes the number and level of local government units in Pakistan based on the 2013 system.

The legal changes in 2019 and the integration of the former FATA into KP have brought significant changes to these figures. For instance, the 2019 legislation in Punjab has replaced union councils with village *panchayats* and neighborhood councils, which number approximately 24,000. In November 2019, the Punjab Provincial Government reported a total of 455 local governments at the medium and highest levels. In KP, the establishment of a formal local government system in the former FATA resulted in the creation of additional *tehsil* local governments and approximately 700 additional village and neighborhood councils. Both provinces have abolished the district level as a political level. In Balochistan, the debate on possible changes to the local government system (which might include the shift to village and neighborhood councils instead of union councils) was still ongoing as of early 2020.

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<sup>5</sup> For instance, in 2019 the Punjab Provincial Government created an inter-departmental Transition Committee to coordinate the shift from the 2013 local government system to the new 2019 system.

<sup>6</sup> It is noteworthy that the recent Global Observatory on Subnational Finance and Investment (OECD & UCLG 2019) does not include Pakistan. The reason is exactly this lack of reliable information on subnational (local) finances.

**Table 2: Number and Levels of Local Government Units (2013)**

2013	Balochistan	KP	Punjab	Sindh	Total
<b>Lowest level</b>	Union Council (n= 642)	Village/Neighborhood Council (n= 3.339)	Union Council (n= 4.015)	Union Council (n= 1.137) Union Committees (n= 355)	<b>9.488</b>
<b>Medium level</b>	Municipal Committee (n= 53)	Tehsil (n= 70)	Municipal Committee (n= 182)	Town Committees (n= 151) Municipal Committees (n= 37)	<b>493</b>
<b>Highest level</b>	District (n= 33) Municipal Corporation (n= 4) Metropolitan Corporation (n= 1)	District (n= 23) City District (n= 1)	District (n=35), Metropolitan Corporation (n= 1) Municipal Corporation (n= 11)	District (n= 24) Metropolitan Corporation (n= 1) Municipal Corporation (n= 9)	<b>143</b>
<b>Total</b>	<b>733</b>	<b>3.433</b>	<b>4.244</b>	<b>1.714</b>	<b>10.124</b>

**Note:** The table does not include the former FATA, the Islamabad Capital Territory (ICT), the cantonments, or local government units outside the four provinces. Since 2019, the numbers in KP have increased to 129 (for the *tehsil* level) and 4203 (for the VC/NC level) while the number of districts in KP is zero. **Source:** Author's compilation, based on CLGF 2019.

Information on local government staff is similarly difficult to obtain. Even provincial-level data is often not consistent. Numbers of staff directly recruited and employed by local government units (normally manual labour and lower-level staff) is not collected centrally. For KP and Punjab provinces, the following data have been established for the period following 2013:

- In *KP*, there were 925 sanctioned posts for the so-called Provincial Unified Group of Functionaries (PUGF) which comes under the management of the Local Council Board. However, only about 500 positions were actually filled.<sup>7</sup> In *Punjab*, the number of sanctioned posts of local public servants (comparable to the PUGF in KP) was 2,180, of which 1,306 were actually filled.<sup>8</sup>
- In *KP*, following the 2015 local elections, there were more than 43,000 elected representatives (see Table 3). In *Punjab*, the number of elected representatives reached 58,000 (see Table 4) and will be even higher under the new system as the number of local government units at the lowest level will be more than five times higher than under the 2013 system.

The 18th Constitutional Amendment was a milestone in the evolution of fiscal federalism, as it devolved significant power and expenditure responsibilities from the federal to the provincial governments, especially in the area of social services. Despite transferring functions to provinces, the federal government did not manage to reduce its expenditure adequately. Instead, as the fiscal space shrank, expenditure has increased of both federal as well as provincial governments. From the fiscal year 2009/2010 to 2015/2016, the provincial share in total expenditure increased from 28% to 37%. Total development expenditure (i.e. capital expenditure) of the provinces increased in the same period from 37% to 50%.

<sup>7</sup> Source: Local Council Board. 2018.

<sup>8</sup> Source: Local Government and Community Development Department. 2018.

**Table 3: Elected Representatives in KP by tiers and categories of seats (2018)**

Tiers	General Seats	Reserved Seats				Total
		Women	Peasants/ Workers	Minorities	Youth	
District	1,015	342	61	61	61	1,540
Tehsil	1,015	349	89	89	89	1,631
VC/NC	23,111	6,712	3,388	3,388	3,388	39,987
<b>Total</b>	<b>25,141</b>	<b>7,403</b>	<b>3,538</b>	<b>3,538</b>	<b>3,538</b>	<b>43,158</b>

**Source:** Website of LG&RD Department (<http://lgkp.gov.pk/>). There are no separate gender-disaggregated data for each of these categories; in other words, the total number of women councillors from all categories of seats is likely to be higher than the 7,403 representing women on reserved seats.

**Table 4: Elected Representatives in Punjab by Categories of Local Governments, Category of Seats, and Modus of Election**

	Category of seats	Category of LG	Number	Total
Direct Election	Chairmen	Union Council	4,015	35,707
	Vice- Chairmen	Union Council	4,015	
	General Members	Union Council	24,090	
		Wards of Municipal Committee	3,587	
Indirect Election (reserved seats)	Women	Metropolitan	25	9,286
		Municipal Corporation	82	
		District Councils	492	
		Union Councils	8,030	
		Municipal Committees	657	
	Peasants/Workers	Metropolitan	5	4,356
		Municipal Corporation	21	
		District Councils	100	
		Union Councils	4,015	
		Municipal Committees	215	
	Youth	Metropolitan	2	4,245
		Municipal Corporation	11	
		District Councils	35	
		Union Councils	4,015	
		Municipal Committees	182	
	Non-Muslims	Metropolitan	10	4,411
		Municipal Corporation	21	
		District Councils	143	
		Union Councils	4,015	
		Municipal Committees	222	
	Technocrats	Metropolitan	3	59
		Municipal Corporation	21	
		District Councils	35	
Total Number of Elected Representatives				58,064

**Source:** LG&CD Department 2018.

**Box 2: Women Representation in Local Governments**

A minimum representation of women in local councils was ensured by a system of reserved seats, which can be found across the South-Asian subcontinent. Women were given 2% during the *Basic Democracy* system (1959) and the 1979 Local Government system. This percentage was increased to up to 25% until the 1998 elections, but with differences between the provinces. The Devolution Plan of 2000 had a mandatory 33% or reserved seats across Pakistan. This figure was dropped in the subsequent changes of local government legislations. Following elections in 2013 and 2015, approximately 19.6% of councillors were women. There was reservation for women councillors of 33% in Balochistan, 22% in Khyber Pakhtunkhwa and Sindh, and 15% in Punjab. Only few women were elected on non-reserved (or general) seats.

Sources: Nazir et al., 2017.; CLGF 2019

The fiscal equalization mechanism is characterized by unconditional vertical transfers. Article 160 of the Constitution regulates the establishment of a National Finance Commission (NFC) to be constituted every five years to determine, in an award, the allocation of fiscal transfers to provinces out of a divisible pool of resources. This pool includes income and corporation taxes, other direct taxes, general sales tax (except sales tax on services), central excise duty, and import duties. The 7th NFC award of 2010 allocated 57.5% of the pool to the provinces and 42.5% to the federal government, a substantial increase from 2006 (47.5% to provinces and 52.5% to the federal government). The NFC also recommends the distribution of divisible pool resources among the provinces. The 7th NFC award for the first time introduced criteria other than population. The criteria and their weights are: population (82%), poverty (10.3%), revenue generation by provinces (5%), and inverse

population density (2.7%). Although the 7th NFC award expired in 2015, the 8th NFC did not conclude with an award. This is attributed to the constitutional clause stating that the share of provinces may not be reduced in subsequent awards, leading to a political blockage in the NFC.

Fiscal imbalances are mainly due to the provinces' high dependence on fiscal transfers from the federal government under the NFC award. In fiscal year 2015/2016, provinces collected only 8% of total taxes. At the provincial level, the provincial Finance Commissions determine the amount and distribution of fiscal transfers from provinces to local governments. As each province has its own local government system, devolution of taxation powers varies from province to province. As a rule, local governments do not generate sufficient own source revenue. Exceptions to this are some of the *tehsil* governments in Khyber Pakhtunkhwa: several *tehsil* municipal administrations, currently the middle tier of the local government system of Khyber Pakhtunkhwa, managed to increase their own source revenue generation from Rs. 1.9 billion in fiscal year 2012/2013 to Rs. 6 billion in fiscal year 2016/2017. In many cases, this represents the largest share of their revenue

Most of the federal taxes are pooled in the divisible pool and then distributed between the federal government and the provinces, and among the provinces according to the NFC award. Subnational governments are therefore highly dependent on fiscal transfers. According to the Constitution, the provinces are in charge of collecting property taxes; capital gains taxes on property; motor vehicle tax; sales tax on services; excise duty on alcohol, liquor, and narcotics; and other duties and fees. The 7th NFC award also granted provinces increased tax autonomy by transferring the collection of the sales tax on services to them. The provinces created revenue authorities to collect and facilitate payment of the sales tax on services. Currently, many revenue authorities lack the capacity to collect taxes effectively.

Grants are unconditional, with the exception of transition grants that help cover deficits at the end of the fiscal year. Grants are normally paid on a monthly basis. They are largely predictable. The grants to provincial governments follow the 7th NFC Award's four criteria. In its interim PFC Award of fiscal year 2017/2018, the province of Punjab has also introduced criteria for transfers from provinces to districts and municipalities, while union councils receive a uniform grant.



Development grants to local governments amounted to only 6.4% of the Provincial Annual Development Program. In KP, the local government act provides that the provincial finance commission transfers at least 30% of the Provincial Annual Development Program to local governments. However, in fiscal year 2017/2018, the development grants to local governments amounted to only 22.2% of the province's total amount. In Sindh and Balochistan, no NFC awards have been given yet.

There has been a slight increase in the fiscal autonomy of provinces with the share of provinces in total tax collection increasing from 4% in fiscal year 2010/2011 to 8% in fiscal year 2015/2016.

According to the United Cities and Local Government (UCLG) GOLD V Report, 38.1% of general government expenditure and 53.4% of general government revenue was with subnational governments, including the provinces. SNG expenditures accounted for 8.9% of GDP, and SNG revenues accounted for 8.4% of GDP (UCLG 2019:103).

### **Overview on Performance of Subnational Governments and Their Importance for Public Expenditure and Investment**

Compared with other levels of government, there is little empirical evidence on the performance of the current local governments, the quality and quantity of service delivery, or the level of citizen satisfaction. Making a sound assessment of local government performance is challenging, given the often unclear and overlapping mandates of levels of government (exemplified by the various development authorities which are run by the provinces but in most cases engage in functions assigned to local governments), the lack of continuity of the local government systems, and the dominating role of Assembly members.

In KP, three surveys or stock-taking exercises were conducted in 2016–2017 to assess the performance of the three levels of local government introduced in 2013. Using questionnaire-based data, the surveys captured to a large extent compliance issues and, to a very limited degree, issues of performance.

At the *district level*, the survey found a wide variation in compliance with the 2015 Planning and Development Guidelines because of “technical, institutional and political constraints coupled with political economy challenges.” Regarding budget management, it found that in many cases the budget cycle commenced later than the stipulated time, the quality of budget documents was dismal, technical capacities were limited, and sporadic releases of shares under the Provincial Finance Commission award by the Finance Department decreased the utilization rate of development funds. The survey also found significant weaknesses in the monitoring systems of the district governments. In most districts, sector standing committees of the district council had not been established, and no new local taxes had been levied resulting in very low rates of local revenue generation (LGE&RDD, n.d.I).

At the *tehsil level*, the survey showed moderate levels of non-compliance with standard processes and procedures, and indicated a huge knowledge gap between elected officials (such as the *tehsil* chairperson) and the administrative personnel working at *tehsil* level (LGE&RDD, n.d.II).

At the *village and neighbourhood council level*, the assessment showed overall satisfactory progress, with the councils having started to perform their functions. The main factors hindering their effective and efficient functioning were a lack of capacity and lack of experience among councillors and council chairpersons in preparing Annual Development Plans (ADP) and in public financial management, including budgeting, tendering, audit, monitoring, and supervision (LGE&RDD. 2017).

These surveys did not attempt to identify whether decentralization reforms had any impact on service delivery, citizens' satisfaction, or the responsiveness of local systems to the needs and priorities of the communities. Existing monitoring and supervisory systems of the provincial government do not yet capture this important aspect.

The fact that local governments in Pakistan do deliver on decentralization's promise of improved service delivery was demonstrated following the introduction of a local government system by the Musharaf military administration, using the Local Governance Ordinances in 2001. Aslam/Yilmaz (2011) analyzed four sets of services (street paving, construction of water canals, construction of sanitation sewer lines, and support for education service delivery) in 183 villages across Pakistan. They confirmed "that decentralization has positively impacted the magnitude of all services provided to the villages on average" (p.167). An earlier assessment (ADB/World Bank/DFID. 2004) had also indicated positive outcomes of the 2001 decentralization reforms.

### **Involvement of Subnational Governments and Their Associations in National 2030 Agenda Implementation Strategies and the Respective National Institutional Framework**

Pakistan has been an early supporter of the 2030 Agenda and its 16 Sustainable Development Goals (SDGs). The SDGs are reflected in Pakistan's Long-Term Development Agenda and in the 12<sup>th</sup> Five-Year Plan 2018–2023. A national SDG Framework was adopted in 2018, and the provinces are developing corresponding policies for the provincial level. There are dedicated SDG units in the planning ministries at federal and provincial levels. However, institutional arrangements at local level are still mostly missing, and there are no formal structures to ensure the involvement of local governments in provincial and national SDG discussions. Local governments and their associations are not formally represented in national political arenas on SDGs, and local authorities have been included "only to a rather limited extent" in the preparation of Pakistan's Voluntary National Review (Global Task Force 2019:26).

In March 2017, a local government summit discussed support for SDG localization focusing on six major issues: education, employment, energy, water, peace, and governance. In April 2018, the Asia-Pacific Chapter of UCLG (UCLG-ASPAC) and the local council associations from the four provinces organized an international conference (*Think Global, Act Local—SDG Implementation through Local Governments*) to discuss the role of SNGs in achieving the 2030 Agenda. In their final statement, the local government representatives from the four provinces and the Islamabad Capital Territory stated:

WE the delegates from Pakistan representing four provinces and the capital territory resolve to commit all effort, resources and planning power at our disposal for implementing Sustainable Development Goals (SDGs) and the targets therein that fall in the purview of our authority....WE are determined to bridge the gap between national key SDG indicators and global standards through constructive dialogue and cooperation with the Government of Pakistan. The path to a true people-centered, environment friendly, and participatory national life lies through the local governments. The SDGs are milestones on this journey to national progress. WE shall accelerate this journey and reach the destination by synergizing our role as public representatives with our responsibilities to our voters as enshrined in the SDGs. (Local Councils Association Khyber Pakhtunkhwa & Local Councils Association Punjab 2019: 26).

### **Current Challenges for Subnational Governments**

One of the key challenges in Pakistan has been the frequent modifications of the local government systems which undermine systematic learning and incremental improvements of such systems. Provincial governments have been prone to delay local elections once the tenure of elected local councilors has ended, thus repeatedly creating periods without democratically legitimized local representatives. Again, this has hampered learning and capacity development for the political domain of local governments. The dominating influence of the provincial governments limits the degree of local autonomy. The political interference of national and provincial Assembly members has also curtailed independent local decision-making. The provincial systems for building capacity at the local level for both public servants and elected representatives has been weak and mostly under-funded; at the same

time, the political parties have failed to establish systems and procedures for building the capacity of their councillors at the local level. Funding for local governments has slowly improved with the 2010 constitutional amendment, but often transfers from the provinces to local governments have been insufficient and irregular.

### **Perception and Involvement of Civil Society Organizations in Subnational Governance (Including Role and Performance of Local Government Associations)**

The legislation on local governments does not stipulate any formal interaction between local governments and civil society organizations. An effort was made through Citizen Community Boards<sup>9</sup> under the 2001 Local Governance Ordinance, but this approach was not adopted again in subsequent legislation. The role of the existing local council associations in strengthening local government is not fully accepted by the provincial governments.

### **Past, Ongoing and Intended Subnational Government-related Interventions Funded by the Asian Development Bank and Other Development Partners**

The Asian Development Bank (ADB)'s Country Operations Business Plan, 2019–2021 for Pakistan continues to focus on energy, natural resource management, urban development, transport infrastructure, and institutional reforms, as well as re-engagement in education and health. ADB continues to support urban transport networks such as in Peshawar and in Karachi, and investments in urban water and sanitation infrastructure. ADB has allocated USD 470 million for water and other urban services projects over the period 2019–2020. One of these is the Punjab Intermediate Cities Improvement Project for improvement of municipal service delivery in the cities of Sahiwal and Sialkot, and capacity building of the local governments. ADB is also supporting the Punjab Local Government and Community Development Department in establishing a new training academy for local governments. This includes financing for the facilities and technical support to develop training curricula and partnership agreements with other training institutes.

The UK Department for International Development (DFID) is funding a Subnational Governance Programme (SNG II) in KP and Punjab, which includes support to selected local government units of both provinces. The European Union (EU) is funding a Community-Driven Local Development Programme (CDLD) in KP, which works with village and neighborhood councils of selected districts, and supports a Public Financial Management Programme in Balochistan. Another initiative is the Commonwealth Local Government Forum's project, funded by the EU's program for Strengthening the Associations of Local Governments and their Members for Enhanced Governance and Effective Development Outcomes in Pakistan (2017–2020). The project aims to strengthen and build the capacity of local councils' associations at the national and provincial levels. It will also pilot the integration of a territorial approach to local development (TALD) into the planning processes of selected local governments.

The German government is funding a Support to Local Governance Programme (LoGo) which during 2020–2022 will support the Local Government Departments of KP and Punjab. USAID is preparing new support initiatives for selected local governments in Southern Punjab, and will continue its support to local government reforms in KP.

### **Existing Mechanisms for the Coordination of Development Partner support to Subnational Governments**

None of the four provinces has established a formal mechanism to coordinate external support from development partners for their decentralization and local government systems. In most cases, such

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<sup>9</sup> Citizen Community Boards were groups of citizens who could apply for funds from the local government budget for small-scale community development projects.

coordination and exchanges take place in an ad hoc manner. Following the 2019 amendments of its Local Government Act, the Local Government Department of KP has established a Local Government Reform Unit which is expected to coordinate the reform process (including the integration of the former FATA into the province) and to harmonize development partner support for this process. In July 2019 the Punjab Local Government Department had invited development partners to a presentation of its transition agenda and to discuss existing or planned support initiatives by the international community. However, no formal mechanism has been put in place so far to continue this kind of government-development partner dialogue.

### **Summary of General Lessons and Issues**

Decentralization reforms are usually associated with democratization. However, in Pakistan, it was mainly military governments that pushed for stronger local governments as a way of weakening political elites at the national and provincial levels.

The capacity and performance of local governments need to grow over time. The current weakness of Pakistan's local government system stems to a large degree from the frequent (and at times drastic) changes to the system, which undermine continuous learning and improvement.

Constitutional protection of local government as a tier of government is a necessary, but not always sufficient, pre-condition for having well-performing local bodies. The weakness of the 18<sup>th</sup> Constitutional Amendment is that it does not set minimum requirements for the functions, resources, and procedures of local governments. As Pakistan is a federal state, this allows provincial governments to create weak local governments while still fulfilling the constitutional requirement.

An effective local government system needs well-performing oversight mechanisms (such as provincial or national departments or ministries supervising local governments), arrangements for coordination within the government, and more technical bodies such as finance commissions or local government commissions that can provide specific, essential inputs to the local government system.

Providing national or state/provincial legislators with dedicated development funds to be spent in their own election districts or constituencies blurs the functional responsibilities between levels of government in the nation or state, and undermines the potential role (and therefore the legitimacy) of local governments.

A system of reserved seats for women and other disadvantaged groups helps to ensure political representation in elected bodies, but in itself is not sufficient to ensure adequate involvement in deliberative processes and policy-making, and does not ensure the emergence of gender-sensitive policies. In addition, a continued and increased focus on gendered capacity building of women and men at the institution, organizational, and individual level is required.

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