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A Brief Comparative Analysis of the
Local Government Policy Dialogues

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DISTRICTS THAT WORK PROJECT

Brief Comparative Analysis of the Results of Provincial Consultations on Local Government System in Pakistan

1. Introduction

Following the elections of February 2008, one of the priorities of the Federal and Provincial Governments was to reform the local government system in Pakistan to improve and protect service delivery as well as to increase the access and participation of citizens' in governance processes. The need for an inclusive review of the local government system was understandable, as such.

A comprehensive review of the local government system was carried out by the Provincial Governments from August to December, 2008 with the technical assistance of the Districts That Work (DTW) Project of USAID Pakistan. The consultation process in all of the provinces except North West Frontier Province was steered by the respective Provincial Working Groups (PWGs) headed by Chief Secretaries in Sindh and Balochistan and Minister for Local Government in Punjab with presence of Secretaries of concerned departments, elected representatives, experts on devolution and representatives of Civil Society Organizations. In the case of NWFP, a committee of the provincial cabinet headed the review process. Consultations in each province addressed the following five themes:-

- a. Functions, responsibilities and structure of local governments covered in Dialogue 1;
- b. Accountability, oversight and responsiveness covered in Dialogue 2;
- c. Local government finance, budget, accounts and audit covered in Dialogue 3;
- d. Human resource management covered in Dialogue 4; and
- e. Coordination and conflict management covered in dialogue 5.

This comparative analysis of aims at providing a bird's eye view of the results of consultations that took place in the provinces and to underline areas in which there is either an agreement or disagreement in the views of key stakeholders across the provinces and thereby facilitate a broader national consensus on local government reform. By listing a wider range of options available against specific issues, the analysis may also prove useful for a better informed policy making. As an ancillary measure, a nationwide survey to document citizens' expectations and preferences regarding local governments¹ was also carried out to incorporate their voice, inform the consultations and verify their results.

The consultations were held at respective provincial headquarters and all the key stakeholders including the respective provincial government, elected and non-elected officials of the local governments, and non-government sector were represented in the consultations. Additionally, selected local government experts were also invited to generate an informed debate.

Table 1: Schedule of Thematic Consultations

Policy Dialogue	NWFP	Sindh	Punjab	Baluchistan
Dialogue 1	20-21 Aug 08	24-25 Oct 08	17-18 Oct 08	24-25 Oct 08
Dialogue 2	18-19 Sep 08	31 Oct, 1 Nov 08	3-4 Nov 08	27-28 Oct 08
Dialogue 3	05-07 Nov 08	10-12 Nov 08	20-22 Nov 08	17-19 Nov 08
Dialogue 4	26 Nov 08	22 Dec 08	17 Dec 08	2 Dec 08
Dialogue 5	27 Nov 08	23 Dec 08	18 Dec 08	3 Dec 08

Table 2: Overview of Stakeholders Participation in Thematic Consultations

Stakeholders	Representation					Total
	Dialogue1	Dialogue 2	Dialogue 3	Dialogue 4	Dialogue 5	
Baluchistan	37	31	48	44	37	197
Sindh	24	37	45	20	20	146
NWFP	34	32	45	31	31	173
Punjab	42	36	47	35	35	195
Total	137	136	185	130	123	711

¹ Urban Institute/ACNielsen (2008): Findings from Punjab – Local Government System Citizens Perceptions and Preferences. Similar reports are available on results from other provinces.

Standard background papers were used in all the four provinces to facilitate a structured discussion and allow inter-provincial comparison of results. These background papers included a detailed account of the issues, a set of questionnaire and an array of options for the participants to choose from for each question and a reference to international practices to facilitate them in decision making. The intent was not to propose a particular model but to enable and facilitate a process by which participants could define a shared local government model of their own.

The recommendations were recorded in the form of agreements i.e. where all participants agreed on a particular issue or where it was not possible, as disagreement. Effort was made to record the relative proportion of participants supporting opposing views in the later case.

2. Key Findings from other Provincial Consultations

Detailed comparative analysis of the results of thematic discussions held in the four provinces is given in the reports, which indicate numerous aspects of local government reform on which there is a complete agreement between the stakeholders across the four provinces. A brief account of the key findings of inter-provincial comparison is given as under:-

2.1 Functions and Extent of Responsibility of Local Governments

Recommendations from Punjab and Sindh favoured a limited set of functions for the local governments (37 and 39 functions respectively). In the case of NWFP and Baluchistan, however, the stakeholders preferred to retain majority of the functions which are presently vested in the local governments.

Table 3: Functions Allocated to Local Governments in Various Provinces

Broad Areas	Rough number of Functions Assigned ²			
	Baluchistan	NWFP	Punjab	Sindh
Civil Defence	01	01	-	-
Agriculture	09	05	-	02
Livestock	04	04	04	03
Fisheries	03	03	-	-
Forest management	-	02	-	-
Community development	07	07	04	03
Education	05	06	01	01
Technical Education	01	01	-	-
Special Education	-	01	-	-
Industrial & enterprise development	04	07	-	01
Public health services	06	06	02	02
Population Welfare	01	01	-	-
Environment protection	02	02	-	02
Land revenue and estates	04	06	-	01
Infrastructure development	01	01	02	01
Transport and traffic	03	03	02	03
Basic municipal services	11	11	16	12
Spatial planning	02	02	03	03
Fire fighting	01	01	01	01
Miscellaneous	01	01	02	04
Total	66	71	37	39

A broad consensus among the provinces existed on the allocation of functions pertaining to delivery of basic municipal services, spatial planning, social welfare, sports, disaster management and fire fighting. Allocation of functions related to special education, excise and taxation, and land revenue and estates management was recommended only in the case of NWFP. While all stakeholders from all the four provinces agreed on the need for the retention of health and education functions with the local governments, there was a disagreement on the level up to which these functions may be decentralized as given under:-

- i. In case of education, recommendations from Punjab and Baluchistan favoured decentralization up to the level of secondary education. The stakeholders from NWFP however pitched a higher demand for decentralization up to college level while Sindh remained on a lower side to primary education.

² The exact number of local government functions depends upon the description of a particular function or the broad area. The number of functions reflected here is therefore strictly indicative.

- ii. In case of health, stakeholders from all the provinces agreed to assign preventive health care services to the local governments. There was however a difference of opinion on the extent of local government controls over other health services. In that the stakeholders from NWFP and Baluchistan favoured decentralization of primary and secondary health facilities (dispensaries, Basic Health Units, Rural Health Centres, Tehsil/Taulka and District Headquarters Hospitals) while the recommendations from Punjab and Sindh preferred decentralization only up to the level of primary health care facilities (dispensaries, Basic Health Units and Rural Health Centres).

On the issue of extent of responsibility³, there was a general agreement amongst the provincial stakeholders that the local governments may be given full responsibility in case of basic municipal services while in case of other functions their responsibility may either be partial or limited. In case of NWFP and Baluchistan, full responsibility was also assigned in case of functions other than basic municipal services.

Table 4: Overview of assignment of responsibility to the local governments

Extent of LG responsibility	Number of related functions			
	Baluchistan	NWFP	Punjab	Sindh
Full responsibility	22	32	12	26
Partial responsibility	32	32	23	09
Limited responsibility	12	07	01	04
Total functions	66	71	36⁴	39

2.2 Structure of Local Governments

Structure of the local governments remained a contentious issue in all the four provinces and no agreement on this issue could be reached during any of the provincial consultations. Nonetheless, overwhelming majority of the stakeholders in Punjab and Baluchistan favoured a territorial model⁵ with separate local governments for rural and urban areas. In case of Sindh, the opinion was equally split on the choice between territorial and functional models. Stakeholders from NWFP proposed a three tiered functionally organized local government structure comprising of a district, Tehsil/Taulka and Union Council level local governments. However, a disagreement between them prevailed on the issue of hierarchy between the three tiers with majority opinion favouring subordination of Union Council to the Tehsil/Taulka and Tehsil/Taulka to the district level local government.

In case of all territorial models, a separate local government was proposed for each urban area in a district. In addition, subordinate local governments were also proposed for rural areas at the Union Council level and in case of larger urban areas. NWFP model did not provide for separate local governments for urban and rural areas.

2.3 Local Government Elections

A complete consensus existed in NWFP, Punjab and Sindh with respect to direct election of members at all levels of local governments. Even in the case of Baluchistan, direct election of members was favoured by a definite majority (2/3 of the participants). In addition, majority of the stakeholders from NWFP, Punjab and Baluchistan also favoured direct elections of the head of local governments at all levels as well. Sindh, however, opted for indirect election of the heads. This recommendation is important as under the present arrangements, only the members and heads of Union Council are elected directly⁶.

On the issue of candidate affiliations, the participants from all the provinces except Punjab considered that the local government elections may be held on party basis, while in Punjab only a minority supported this arrangement.

As regards other elected positions in a local government, there was a complete agreement on the need for a speaker of the council. Recommendations from NWFP, Punjab and Sindh also favoured an elected position of the deputy head of local government to support the head of local government in his executive functions.

³ Framework used during the consultation for deciding the extent of responsibility of a local government is given at section 2.2 ante.

⁴ In case of one function there was a disagreement on the extent of responsibility and therefore, the total does not tally with the total number of functions given at table above

⁵ For an explanation of territorially organized local governments refer section 2.2 ante

⁶ See Chapter XVII of the Punjab Local Government Ordinance, 2001

2.4 **Accountability and Oversight of Local Governments**

Majority of participants from all the provinces except Baluchistan agreed to authorize provincial governments to ensure that the acts and or orders of local governments comply with law (legal supervision) and are also based on merit (supervision of expediency). In case of Baluchistan, no agreement could be reached on the issue of authority of provincial government to exercise legal supervision over the acts (resolutions, bye-laws etc.) of the local council. In case of NWFP and Sindh, majority of the stakeholders viewed that the provincial government may not exercise legal supervision on the acts and or orders of the Union Council level local governments and this matter may be left to the principal local governments to whom they are subordinate.

As regards the extent of supervisory authority, majority of the stakeholders from all the provinces except Sindh viewed that it shall be limited to the power to return a defective act and or order to the concerned local government who shall then be obliged to take up the issue again and adopt a new decision. In case of Sindh, it was also viewed that the provincial government may also have powers to declare an act and or order as null and void and replace it with a new decision. Such views were as well shared by a minority in case of Punjab.

Except in the case of Sindh, majority of the participants supported premature removal of a head of local government. However, a general disagreement prevailed during all provincial consultations as to who may exercise authority to remove a head of local government before the expiry of term. Accordingly, following two recommendations were received from all the provinces:-

- i. The authority to prematurely remove a head of local government may be exercised by the local council. There was however a difference of opinion as to whether this authority may be exercised by the council through a 2/3 majority vote (recommendation from Punjab and Baluchistan) or a simple majority (recommendation from NWFP and Sindh).
- ii. A motion for premature removal of a head of local government may be initiated only by the local population through a joint petition signed by a specified number of local residents.

It may be pointed out that majority of the stakeholders (2/3 in case of Baluchistan, Punjab and Sindh, and 1/2 in case of Sindh) supported the former recommendation.

In case of Sindh, stakeholders viewed that premature removal of the head may only be allowed where the head is indirectly elected. Only a minority supported premature removal of a directly elected head.

It was also agreed that it shall be mandatory for the local governments to share certain information with citizens in specific cases through advance publication, open meetings and public hearing. Similarly, in order to ensure responsiveness to local needs, it was also agreed that certain local activities may be proposed and implemented by the community itself on the pattern of existing Citizen Community Boards. In case of Sindh, however, it was felt that communities may only propose certain local activities and not implement them.

2.5 **Local Government Finance**

The consultations in all the four provinces concluded that local government moneys could come both from their own resources as well as through provincial transfers. Local government own resources would consist of the incomes from following sources:

- i. Local taxes and fees with respect to functions allocated to the local governments. All of these taxes and fees would be defined in the law.
- ii. Local donations/gifts
- iii. Proceeds from rent/sale of local properties; and
- iv. Interests on deposits.

There was however a disagreement on the issue of capacity of local governments to borrow moneys. Borrowing was not supported by the stakeholders from Sindh and Baluchistan. In Punjab and NWFP, however, the majority of participants considered borrowing as necessary for raising investment capital by local governments. In case of Punjab the borrowing was made conditional to a prior permission from the provincial government and only for the purpose of viable profit earning investments.

Recommendations from Baluchistan and NWFP favoured fewer local taxes as compared to recommendations from Punjab and Sindh. However, almost equal numbers of local fees were proposed in all the four provinces as indicated by the following table.

Table 5: Overview of Recommendations for Allocation of Local Taxes and Fees

Province	No. of local taxes	No. of local fee
Baluchistan	03	23
NWFP	05	21
Punjab	15	21
Sindh	16	19

There was also a general consensus that in view of the limited and inflexible nature of local government own resources, a large measure of local government finance may come from provincial resources through conditional and unconditional transfers. In order to ensure predictability and continuity, the stakeholders recommended that a portion of the total provincial receipts shall be earmarked for transfers to the local governments. In case of Baluchistan, there was an agreement that this portion may be fixed at 40% of the provincial revenues. The participants from Sindh and NWFP favoured that this share may be equal to the percentage fixed under the current PFC award. A disagreement was, however, recorded in the case of Punjab with recommendations varying from 40-50%. In addition, stakeholders from all provinces less Baluchistan also recommended that the local governments may receive 5% of the proceeds of the General Sales Tax (GST) from the federal revenues over and above the share in the provincial revenues. In case of Baluchistan, the stakeholders recommended that 5% of the entire federal revenues may be shared with the local governments. Similarly, recommendations for sharing of 1% of the income tax of the local area and 50% of excise duty on natural resources with the local government were also received from Sindh.

It was generally agreed that the broad principles for determining the allocation to a particular local government from the provincial revenues in a financial year shall be established by law while the actual size may be worked out administratively by a statutory body in accordance with these principles. It was felt that the recommendations of such statutory body shall be binding on the provincial government. There was a slight difference on the last issue in case of Baluchistan where the effect was recommended to be advisory only.

2.6 Local Budgets

In the case of Punjab and Sindh, it was recommended that both the local budget and a formal decision by the provincial government may constitute the legal basis for appropriation of local expenditure. The stakeholders from NWFP and Baluchistan however viewed that such authority shall rest with the local council only.

There was a complete agreement across the provinces that provincial governments need to be empowered to impose following limitations on the financial authority of the local governments:

- i. Limitations pertaining to the approval of local budgets including those related to the requirement of balanced budget;
- ii. Certain limitations pertaining to local expenditure;
- iii. Certain limitations pertaining to the authority of local governments to raise revenues; and
- iv. Mandatory reporting requirements with respect to their finances.

It was also unanimously agreed that the provincial government may be authorized to impose following sanctions in case of violation of the above limitations:

- i. Requiring the local government to submit reasons for violation and a plan to correct the problem;
- ii. Administrative action against functionaries (both elected or non-elected officials as the case may be) responsible for the violation; and
- iii. Provincial government to authorize expenditures on interim basis.

There was, however, a disagreement amongst the stakeholders with respect to the powers of the provincial government to impose fines on local governments, to withhold their unconditional grants, or to invalidate the local budget in case of violation of the limitations.

2.7 Audit and Accounts of Local Governments

Except in the case of Sindh, there was a general consensus that functions relating to the maintenance of local accounts may be undertaken by a provincial entity. An entity of local government was preferred for this purpose in case of Sindh. However, stakeholders from across the provinces considered that pre-audit and post audit of local expenditure, consolidation and certification of local accounts shall be entrusted to a provincial entity. The stakeholders from NWFP however differed from this view only to the extent of district level local governments and

considered that in their case post audit function may be undertaken by the Auditor General who is a federal entity. It may be reminded that most of the functions relating to maintenance of accounts, pre-audit and post audit of local expenditure, certification and consolidation of local accounts are presently being undertaken by the Auditor General and the Controller General of Accountants who are federal entities⁷.

There was however a disagreement as to the choice of authority for the settlement of audit observations/financial irregularities of the local governments. Stakeholders from provinces other than Punjab viewed that this authority may be vested in the accounts committee of the concerned local council. In case of Punjab, it was considered that being the ultimate custodian of all provincial moneys, this authority may be exercised by the Accounts Committee of the Provincial Assembly alone. It was, however, agreed there shall be one uniform accounting procedure for each tier of local government in the province which may be prescribed by the provincial government.

2.8 Personnel Management in Local Governments

There was a general agreement on the need for five core staff namely the head of local government administration, chief finance officer, chief planning officer, chief regulatory officer and chief HRM officer. The stakeholders from all the provinces except Punjab agreed to the need for maintaining the existing three tiered structure for provision of various local services (EDOs, DOs and DDOs). In case of Punjab, a two tiered structure was preferred to ensure a lean bureaucracy. However it was felt that a third tier of managers may be required in case of education and health due to the scale of operations. Top manager status was also recommended for the heads of important public entities such as larger hospitals, education institutions and water and sewerage authorities. Except in case of Sindh, it was also agreed that the local governments shall have the authority to determine their staffing requirements vis-à-vis top managers, service providers, secretarial and miscellaneous staff with the prior approval of the provincial government. Majority of stakeholders from Sindh considered that this authority may be exercised by the local governments on their own.

It was also agreed that the core staff, top managers and highly skilled service providers may be appointed by the provincial government from amongst its officers. There was however a disagreement on the issue of appointment of various core staff and top managers through direct recruitment both at the provincial and inter-provincial levels. Similar difference existed on the method of appointment of the staff. However there was a general agreement that the tenure of the provincial staff in a local government may be fixed under law. There was however a disagreement as to what shall be the minimum tenure. Stakeholders from all provinces except Baluchistan preferred that the tenure shall be fixed for three years. A disagreement also prevailed as to premature recall procedures. In case of Punjab and NWFP the stakeholders viewed that a staff may be recalled on a complaint of a local government after an independent inquiry. Stakeholders from Baluchistan considered that a staff may only be recalled with the consent of the local government. Opinion in Sindh was equally divided on the choice between no recall provision and recall after an independent inquiry as in case of Punjab and NWFP. Some of the other important recommendations on which there was a general agreement between the provinces are given as under:-

- i. Training requirements of top managers, service providers, secretarial staff and miscellaneous staff may be determined by the provincial government in consultation with the local governments.
- ii. Training may be mandatory for appointment against a position and continuation in that position, promotion to a higher position and availing of performance incentives.
- iii. Performance appraisal, promotion and discipline policy for the core staff, top managers and service providers may be prescribed by the provincial government. In case of secretarial and miscellaneous staff, there was however a difference of opinion as to whether such policies may be determined by local governments on their own or in consultation with the provincial government.

There was however a disagreement across the provinces as to whether the authority to determine training requirement of core staff may be exercised by the provincial government on its own or in consultation with the local governments. Majority of the stakeholders from Baluchistan and NWFP favoured the former option while there was a complete consensus in Punjab and Sindh on the later.

⁷ See Sections 114 and 115 of the Punjab Local Government Ordinance, 2001.

A disagreement with respect to authority and method for determination of terms and conditions of local staff also prevailed across the provinces. In case of Baluchistan and NWFP it was preferred that this authority may be vested in the provincial government. However, in case of Punjab, it was recommended that this authority may be exercised by the local governments but after seeking a prior approval from the provincial government. Stakeholders from Sindh went a step further and favoured that terms and conditions may be determined by local governments independently. Recommendations from Sindh and Punjab also proposed market based salaries for some positions determined by the local council to attract quality human resource.

2.9 **Coordination and Conflict Management**

It was agreed in all the four provinces that the overall responsibility for coordinating with the local governments shall rest with the local government department while other provincial departments may coordinate with respect to their specific functions. However, except in case of Punjab, no agreement could be reached among the provincial stakeholders with regards to the need for a specially constituted body to assist the local government department in coordination function. As regards coordination related responsibilities within a local government, it was agreed that coordination with the provincial government and internal coordination may be looked after by the head of local government administration, however, the elected head of local government may also coordinate on key issues.

It was also agreed that coordination between local and provincial governments on key issues may be undertaken through formal consultations. The mode of representation of local governments during such consultations shall be determined by law. These consultations may be convened at fixed dates as well as on requirement basis.

It was also proposed that the provincial government may initiate an administrative action against a local official (elected or non-elected as the case may be) responsible for violation of its instructions. The stakeholders from Punjab and Sindh also supported that in event of a serious non-compliance; the provincial government may take over a particular local function temporarily and send its own officers to implement its instructions. A minority in Punjab also viewed that a local government may be suspended in case it becomes insolvent or more than half of its core functions are consistently found to be poorly performed. In the case of Baluchistan, a minority viewed that instead of exercising any of the above options, the provincial government may merely refer the matter of violation to an independent statutory body for resolution.

There was also a disagreement with respect to the mechanisms for coordination amongst the local governments. The stakeholders from Baluchistan and NWFP viewed that this may be undertaken by a statutory coordination committee. In case of Punjab and Sindh however, there was an equal on the choice between a statutory coordination committee and the provincial government undertaking coordination directly.

The stakeholders from all the provinces proposed constitution of a conflict resolution commission to manage disputes between the local governments and provincial government and *inter se* local governments. The commission may comprise of equal number of representatives from local governments and provincial government and reputable technical experts. A need was also felt to authorize the local governments to constitute joint authorities for the performance of certain functions to achieve economies of scale and pooling up of resources.

3. **Next**

One of the interesting finding of the provincial policy reports is the existence of a larger agreement between the key stakeholders and citizens at large on the issues in present local government system and possible reform measures. This fact validates the findings of both the consultations and the citizen perception survey and thus adds weight to the recommendations reproduced in this report. The policy reports also indicate that there are some broad areas and several technical details on which a disagreement exists between the stakeholders. Various arguments adopted by the stakeholders in these cases can provide a range of policy options to the policy practitioners for consideration while finalizing future reforms. Similar difference of opinion is also visible across the provinces. This reflects the need for considering province specific approaches to local government reforms in certain areas. Accordingly, there is a strong argument for provinces view that local government reform may be led by them and not the federal government. The results of thematic dialogues and citizen perception survey have already been shared with parliamentary parties in the 3 provinces (except Balochistan where the meeting was postponed) with a view to develop a broader political consensus. The provincial policy reports are likely to provide policy documents for local government reforms in provinces.