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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AJK</td>
<td>Azad Jammu and Kashmir</td>
</tr>
<tr>
<td>BHU</td>
<td>Basic Health Unit</td>
</tr>
<tr>
<td>BPS</td>
<td>Basic Pay Scale</td>
</tr>
<tr>
<td>CCB</td>
<td>Citizen Community Board</td>
</tr>
<tr>
<td>DCO</td>
<td>District Coordination Officer</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development (UK)</td>
</tr>
<tr>
<td>DG</td>
<td>District Government</td>
</tr>
<tr>
<td>DHQ</td>
<td>District Headquarters Hospital</td>
</tr>
<tr>
<td>DTCE</td>
<td>Devolution Trust for Community Empowerment</td>
</tr>
<tr>
<td>DTW</td>
<td>Districts That Work</td>
</tr>
<tr>
<td>EDO</td>
<td>Executive District Officer</td>
</tr>
<tr>
<td>EMIS</td>
<td>Education Management Information System</td>
</tr>
<tr>
<td>EPI</td>
<td>Expanded Program of Immunization</td>
</tr>
<tr>
<td>FANA</td>
<td>Federally Administered Northern Areas</td>
</tr>
<tr>
<td>FATA</td>
<td>Federally Administered Tribal Areas</td>
</tr>
<tr>
<td>FCA</td>
<td>Federal Capital Area of Islamabad</td>
</tr>
<tr>
<td>GOP</td>
<td>Government of Pakistan</td>
</tr>
<tr>
<td>HMIS</td>
<td>Health Management Information System</td>
</tr>
<tr>
<td>LGO</td>
<td>Local Government Ordinance</td>
</tr>
<tr>
<td>LHS</td>
<td>Lady Health Supervisor</td>
</tr>
<tr>
<td>LHW</td>
<td>Lady Health Worker</td>
</tr>
<tr>
<td>MO</td>
<td>Medical Officer</td>
</tr>
<tr>
<td>NRB</td>
<td>National Reconstruction Bureau</td>
</tr>
<tr>
<td>NWFP</td>
<td>North West Frontier Province</td>
</tr>
<tr>
<td>OPD</td>
<td>Out Patient Department</td>
</tr>
<tr>
<td>PHED</td>
<td>Public Health and Engineering Department</td>
</tr>
<tr>
<td>PPIU</td>
<td>Provincial Program Implementation Unit</td>
</tr>
<tr>
<td>PRSP</td>
<td>Punjab Rural Support Programme</td>
</tr>
<tr>
<td>RHC</td>
<td>Rural Health Center</td>
</tr>
<tr>
<td>RYK</td>
<td>Rahim Yar Khan</td>
</tr>
<tr>
<td>SMO</td>
<td>Senior Medical Officer</td>
</tr>
<tr>
<td>THQ</td>
<td>Tehsil Headquarters Hospital</td>
</tr>
<tr>
<td>TMA</td>
<td>Tehsil Municipal Administration</td>
</tr>
<tr>
<td>TMO</td>
<td>Tehsil Municipal Officer</td>
</tr>
<tr>
<td>TO</td>
<td>Tehsil Officer</td>
</tr>
<tr>
<td>TSV</td>
<td>Tehsil Superintendent Vaccination</td>
</tr>
</tbody>
</table>
ABSTRACT

The conceptual and legal framework for the development of an effective system of local governance in Pakistan was created in July 2001, and a review of the Local Government Ordinance of 2001 reveals that the rules and procedures to govern the process have been set in place. Yet, four and a half years into devolution, political decentralization has not been followed by adequate administrative and fiscal decentralization to ensure quality service delivery to the public. This report assesses the progress and challenges of effective and efficient service delivery in the health, education, and water sectors, local fiscal roles and responsibilities, and local government accountability and citizen participation under devolution. Conclusions presented in the report focus on “governance” issues impeding successful devolution. Many of the recommendations are aimed at donor organizations and several are already being addressed by ongoing USAID projects.
This report presents an assessment of current devolution in Pakistan—an initiative that began in 2001 with the passage of the Local Governance Ordinance. It is the product of meetings with government and donor representatives in the country in December 2005 and January 2006 and a thorough review and analysis of numerous reports on devolution efforts in Pakistan to date. Section 1 of the report summarizes the background of devolution and the structure of local governments. Section 2 focuses on: the progress and challenges of effective and efficient service delivery; local fiscal roles and responsibilities; and accountability and citizen participation under the devolution scheme. Section 3 lists the key finding and conclusions of the assessment. Section 4 presents a set of recommendations.

Since the field assessment is based on a limited sample, specific situations in the districts and tehsils that the team visited cannot be considered representative for the entire country. Each province sets its own slightly different policies, and there are also some differences across districts/tehsils in the same province. However, lessons can still be drawn because all local governments face similar constraints—technical, financial, and managerial—in providing responsive, quality services to their citizens and in involving citizens in decision-making.

This assessment is the basis for designing the three-year “Districts That Work” (DTW) project for USAID/Pakistan. DTW will support devolution with its focus on governance and improved management, and will create synergies between existing USAID programs in the health, education, and water sectors. The Urban Institute’s team based its assessment on three core elements that define successful districts. These are:

1. Effective and cost-efficient delivery of services, by focusing on results/performance management principles;
2. Fiscal responsibility, by building own-resource capacity, operating within budget constraints, and managing own finances; and
3. Accountability to citizens, by reflecting their priorities for services and development projects, involving citizens and civic groups in monitoring and oversight, and increasing public participation in decision making.

The team, composed of Ritu Nayyar-Stone (team leader), Robert Ebel, Sonia Ignatova, and Khalid Rashid held meetings with the Government of Pakistan (GOP) and donor organizations in Islamabad in December 2005. The team also met with provincial officials such as Secretary-Local Government, Secretary-Health, and Secretary-Education in three provinces — the North West Frontier Province (NWFP), Sindh, and Punjab. District and/or tehsil visits were made in Mansehra (NWFP), Kohat (NWFP), Thatta (Sindh), and Sialkot (Punjab). Phone consultations were also held with district officials from Sukkur (Sindh) and Ms. Jackie Charlton, previously head of Governance, DFID, overseeing assistance to Faisalabad (Punjab). A subsequent visit in January 2006 by George Peterson focused on donor efforts and funding. During this trip, George Peterson and Khalid Rashid also met with USAID implementing partners in the education and health sectors to explore linkages between ongoing USAID programs in these two sectors and the DTW project.
I. INTRODUCTION

I.A The Background of Devolution

Understanding the current context of devolution efforts in Pakistan requires a brief summary of the background of devolution. In October 1999, a coup led by General Pervez Musharraf removed the government of Nawaz Sharif. Promising reform of a corrupt, poor, and economically low performing country, one of Pervez Musharraf's first acts was to announce a "seven-point agenda" for reform with specific targets to be achieved. With three of the seven points being rebuilding national confidence and morale, devolving power to the grassroots level, and ensuring swift and across the board accountability, the agenda placed special emphasis on accountability and citizen participation as key elements of good governance. It also included a devolution plan to be initiated with a series of local government elections. The elections were held between December 2000 and September 2001 and resulted in the installation of approximately 200,000 new officials, including a large number of women through a system of reserved seats. The process marked a dramatic change in Pakistan's politics.

In order to carry out the reform process, the National Reconstruction Bureau (NRB) was directed to implement the Devolution Plan (initially labeled the Local Government Plan). Beginning in March 2000 with the publication of a discussion paper, the NRB laid out a plan that combined a "top-down" centrally led devolution with elements of "bottom-up" citizen involvement through a system of direct and indirect elections for different types of subnational governments, the establishment of Citizen Community Boards (CCBs), which were granted the power to identify and initiate local capital investment projects, and the creation of local devolution and service monitoring committees.

The official goals for devolution put forward by NRB are known as the “Five Ds”:

- Devolution of Political Power – elected politicians articulating the goals of their communities;
- Decentralization of Administrative Authority – autonomy of district departments;
- Distribution of Resources to Districts – taxation powers and transfers;
- Deconcentration of Management Functions – specialization of staff, performance-based appraisal;
- Diffusion of the Power Authority Nexus – checks and balances through monitoring by citizens.

I.B The Structure of Government

Pakistan is a federal republic as defined by its current Constitution, most recently amended in 2003. The parliament has two chambers, a Senate and a National Assembly. The Senate is composed of representatives elected by their provincial assemblies, and the National Assembly is composed of directly elected members who address national policy, legislation, and budget issues for the country. The National Assembly also elects the Prime Minister from among its members.

The intergovernmental system now operates with a strong federal government, and, as was true prior to devolution, four highly diverse provinces: Balochistan, North West Frontier Province (NWFP), Punjab, and Sindh (see Table 1). There are also two federally administered areas (the Federally Administered Northern Areas and the Federally Administered Tribal Areas), Azad Jammu and Kashmir (AJK), and the Federal Capital Area of Islamabad. The dominant province is Punjab, the traditional home of the civil service and military establishments, which, with nearly 60 percent of the population, overshadows Sindh and its capital
city of Karachi that serves as Pakistan’s major commercial hub. The provinces have their own legislative assemblies and chief ministers.

Table 1. Key Indicators for Pakistan’s Disparate Federation

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Population Share (% of Total)</th>
<th>GDP/Capita (2004/5) (Rupees)</th>
<th>Area (% of Total)</th>
<th>Human Development Index (HDI) a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balochistan</td>
<td>5.1%</td>
<td>N/A</td>
<td>45.2%</td>
<td>0.499</td>
</tr>
<tr>
<td>NWFP</td>
<td>13.8%</td>
<td>35,211</td>
<td>9.7%</td>
<td>0.510</td>
</tr>
<tr>
<td>Punjab</td>
<td>57.4%</td>
<td>47,131</td>
<td>26.8%</td>
<td>0.557</td>
</tr>
<tr>
<td>Sindh</td>
<td>23.7%</td>
<td>61,563</td>
<td>18.3%</td>
<td>0.549</td>
</tr>
<tr>
<td>Total/Average</td>
<td>162.4 million</td>
<td>-</td>
<td>803.9 km²</td>
<td>0.527</td>
</tr>
</tbody>
</table>

Note:

a An HDI of .527 gives Pakistan a rank of 137 out of 177 countries, with 177 being the worst performer

Figure 1 below presents Pakistan’s local government structure. The first tier of local government within the province is the district. Punjab Province has the largest number of districts (35) followed by Balochistan (28), NWFP (24), and Sindh (23)². Each District Government is headed by a Zila Nazim who is an elected official. The Zila Nazim is assisted by a District Coordination Officer (DCO) appointed by the provincial government from the federal or provincial civil service and is the head of the District Coordination Group of Offices. In addition, the DCO coordinates the Executive District Officers (EDOs), who are also appointed by the provincial government and head the various district offices (such as Community Development, Education, Health, etc.) that comprise the District Administration (see Figure 2).

Figure 1. The Three Tiers of Local Government

² Source: National Reconstruction Bureau
Figure 2. Administrative Structure of Districts

Zila Nazim

Zila Council

Audit

Naib Zila Nazim

District Coordination Officer
(DCO)

Deputy District Officers
- Civil Defense
- Coordinators
- Human Resource Management

Executive District Officers
(EDOs)

Agriculture
Community Development
Education
Finance & Planning
Health
Information Technology
Law
Literacy
Revenu
Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

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- Education
- Finance & Planning
- Health
- Information Technology
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- Finance & Planning
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- Information Technology
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- Literacy
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- Works & Services

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- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services

- Agriculture
- Community Development
- Education
- Finance & Planning
- Health
- Information Technology
- Law
- Literacy
- Revenu
- Works & Services
Table 2. Number of Districts and Tehsil/Talukas, 2004

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Districts</th>
<th>Tehsils/Talukas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>34</td>
<td>121</td>
</tr>
<tr>
<td>Sindh</td>
<td>20</td>
<td>88</td>
</tr>
<tr>
<td>Balochistan</td>
<td>26</td>
<td>118</td>
</tr>
<tr>
<td>NWFP</td>
<td>24</td>
<td>62</td>
</tr>
<tr>
<td>TOTAL</td>
<td>112</td>
<td>432</td>
</tr>
</tbody>
</table>

Source: Population Census Organization, Ministry of Economic Affairs and Statistics, GOP

The next tier of local government below the provinces and the districts is called Tehsil Municipal Administration (TMA). Tehsils are smaller in size than the districts and have been assigned functions that are notably different from the functions and responsibilities of the District Governments. The structure of the TMAs is similar to that of the District Governments. Each TMA is headed by a Tehsil Nazim who is assisted by a Tehsil Municipal Officer (TMO) appointed by the provincial government. The TMO is the administrative officer-in-charge of the Tehsil Officers (TOs) heading the various offices at the tehsil level (TO-Municipal Regulations, TO-Infrastructure & Services, TO-Planning, and TO-Finance) (see Figure 3). In addition, the TMO also coordinates the Chief Officers who are responsible for the operation and maintenance of municipal services under the territorial jurisdiction of the tehsils.

The lowest tier of local government is the union, which is also the smallest in size. The Union Administration consists of the Union Nazim, the Union Naib Nazim (deputy mayor), and a maximum of three Union Secretaries. The Union Secretaries coordinate community development and service delivery under the supervision of the Union Nazim or the Union Naib Nazim (when the Union Nazim is absent).

The Union Nazims and Union Naib Nazims are the only officials in the local government structure who are directly elected by citizens. They run for office on a joint ticket and, upon being elected, become members of the Union Council. The Union Naib Nazims also become members of the Tehsil Council, while the Union Nazims become members of the District Council. The Tehsil Council and the District Council elect Tehsil Nazims and District Nazims respectively. The Nazims at these two levels of local government are not members of the Councils, but rather representatives of the larger community.

The relationship among the district, tehsil, and union councils is intended to be fiscally non-hierarchical (with none being subservient to the others). However, they are both geographically and politically integrated. The district, as the largest geographical unit, may include within its borders one or more tehsils (called talukas in Sindh). In turn, each tehsil (Tehsil Municipal Administration) includes a certain number of unions, which may include villages.³ Politically, the three tiers of local government are intricately interrelated through the system of direct and indirect elections described above.

³ Note that the Islamabad Capital territory and the federally administered areas are outside the formal local government system. Also untouched by reform are the cantonments boards (41), which are un-elected boards presided over by the commanding officer that administer the civilian part of military residential and commercial areas (cantonments). Such cantonment areas are embedded in larger urban areas such as Lahore and Peshawar.
The district system allows for the creation of city districts, which are divided into towns (the equivalent of tehsils in the districts). City districts, established by the province, must have a population greater than a million, be urban (i.e., at least two-thirds of the economy is deemed to be non-agricultural), and be appropriate for integrated infrastructure planning. Thus, for example, in Sindh, Karachi is a city district with 18 towns, each town having a population of not less than 750,000. At present there are eight city districts in Pakistan: Faisalabad, Gujranwala, Karachi, Lahore, Multan, Peshawar, Quetta, and Rawalpindi.

Figure 3. Administrative Structure of the Tehsil Municipal Administration

Source: National Reconstruction Bureau

Pakistan operates under the 1973 Constitution as amended, which sets out a two-tier federal state whereby the four provinces create administrative ordinances. As such, the 1973 Constitution does not give local governments the constitutional protection generally accorded by federal constitutions. Accordingly, in order to give the Devolution Plan a chance to take hold politically and fiscally, a provision for constitutional protection for local governments was established, but only for the period 2002–2009. With this protection scheduled to end in just three years (it could, of course, get extended), there is a great deal of political pressure to demonstrate by 2009 that devolution is “working.” Within this context, the focus of this
assessment report is on the districts, which are key to the delivery of local public services and goods (see Box 1 below).4

Box 1. Why Districts Matter

1. Size. Given the broad functional assignments (especially education and health), another “intermediate” level of government is required to reflect differences in citizen preferences and costs of service provision. Provincial government agencies remain too remote to accomplish the efficiency-promising “matching principle” between the area of benefits of a public service and the payment for those services.

2. District Cadre. The devolution of the civil service authority to the districts (forthcoming in 2006) sends a clear signal that the district is to be a key service delivery unit; for it to work, however, it must have a high degree of “own” spending and tax authority and be in a position to make decisions, that is, not to be encumbered by “higher” levels of government to the point that it becomes simply an administrative agent.

3. Millennium Development Goals (MDGs). Improvements in the district functions in the education and health sectors are key to achieving notable progress toward meeting the 2015 MDGs and the goals for poverty reduction as outlined in Pakistan’s Poverty Reduction Strategy Process.

The responsibilities of districts, tehsils and union councils are shown in Table 3. Health, literacy, and primary and secondary education have all been devolved to the districts. TMAs are to provide, manage, operate, maintain, and improve the municipal infrastructure and related services, including water supply, sewage treatment and disposal, storm water drainage and sanitation, solid waste collection, and sanitary disposal of solid, liquid, industrial, and hospital wastes.

Table 3. Selected Responsibilities of Districts, Tehsils/Talukas, and Unions

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>District/Zila</th>
<th>Tehsil</th>
<th>Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Primary &amp; Secondary Education, Literacy</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Health</td>
<td>Dispensaries &amp; Local Hospitals, Preventive Care, Enforcement of the Drug and Food and Sanitation Acts</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Roads</td>
<td>District Roads</td>
<td>Local Roads &amp; Streets</td>
<td>Local Streets</td>
</tr>
<tr>
<td>Water</td>
<td>X</td>
<td>Water Supply System, Water Treatment</td>
<td>Wells &amp; Ponds</td>
</tr>
<tr>
<td>Sewers &amp; Sanitation</td>
<td>X</td>
<td>Yes</td>
<td>X</td>
</tr>
<tr>
<td>Fire Services</td>
<td>X</td>
<td>Yes</td>
<td>X</td>
</tr>
</tbody>
</table>

4 A thorough treatment of the framework is provided in Saad Abdullah Paracha, Devolution Plan, In Pakistan: Context, Implementation and Issues (Budapest: Open Society Institute, August 2003, 71 pp).
Parks & Playgrounds X Yes Yes
Animals X Slaughterhouses, Cattle Markets, Fairs Control of Stray Animals, Cattle Pounds & Grazing Areas
Cultural Services X Fairs & Cultural Events Libraries, Inter-Village Sports, Cultural Events
Street Services X Street Lighting & Signals Street Lighting

Key: “X” indicates no direct spending responsibilities; “Yes” indicates spending responsibility in City Districts, as the Districts share some urban responsibilities normally exercised by Tehsil/Taluka with the Towns.
Source: Adapted from DFID. Jackie Charlton et al., 2002.

II. PROGRESS AND CHALLENGES TO EFFECTIVE DEMOCRATIC DEVOLUTION

At the federal level, the National Reconstruction Bureau (NRB) and the Devolution Trust for Community Empowerment (DTCE) have designed the processes and systems to support devolution. Both NRB and DTCE make the Local Government Ordinances for each province and a series of “how to” manuals readily available on their websites. However, the reality on the ground is that local government officials in many places do not have easy access to the Internet, and there exists a disconnect between systems described at the national level and clarity and awareness in the districts and tehsils. One statement that we heard repeatedly in the field is that the devolution process was introduced just recently and that it takes time to change the mindset and attitudes of citizens and officials.

This section presents emerging progress (best practices) and challenges to the devolution process in Pakistan to date as they relate to effective and cost-efficient service delivery, local fiscal roles and responsibilities, and accountability and citizen participation—the three core elements of “districts that work.”

II.A Effective and Cost-Efficient Service Delivery

This sub-section presents an analysis of the delivery of health and education services (devolved from the provinces to the districts) and the delivery of water (the responsibility of TMAs). For each of the sectors discussed below—health, education, and water—we begin with a brief summary of the intergovernmental framework for service delivery and then look at the local government as a service management unit.

II.A.1 Health

Intergovernmental Framework for Providing Health Services

Prior to devolution, the delivery of health services was the responsibility of the provincial governments. The provinces provided these services by posting staff at the district and sub-district levels. Medical staff reported to the Director General-Health’s (DG-Health) Office through various Directors (Health). With the passage of the Local Government Ordinance in 2001, health was almost entirely devolved to the District Governments, with the exception of the large teaching hospitals (with attached medical or dental colleges), which remained under the direct control of the provincial government. At present, control over medical staff
is exercised both by DG-Health at the provincial level and by the Executive District Officer-Health (EDO-Health) at the district level, as shown by the dotted lines in Figure 4.

Policy Setting

The provincial Health Department is headed by the Minister of Health, who operates through an executive body headed by the Secretary-Health. The Department has two broad functional components. One has a primarily policy-making and regulatory function and is headed by the Secretary-Health who is supported by an Additional Secretary and several Deputy Secretaries and their staff. The number of Deputy Secretaries varies according to workload. Punjab, for instance, has a much higher number of Deputy Secretaries than Balochistan. The division of work among Deputy Secretaries also varies from province to province and various functional areas of health service are allocated to different Deputy Secretaries. The Deputy Secretaries also assign tasks to section officers who look after different sections of the work.

The other component of the provincial Health Department is headed by the DG-Health who reports to the Secretary-Health and is responsible for supervising the operations and management of delivery of health services. The extent of the DG-Health’s actual involvement varies from province to province. In Sindh and NWFP, DG-Health play a significant role in managing service delivery in the districts, while in Punjab, the post of Director-Health has been abolished and DG-Health has no significant role in service delivery. All medical staff report to EDO-Health, but their postings and transfers (for BPS 17 and above) are controlled by the provinces.

Figure 4. Intergovernmental Relations in the Health Sector

Key: MS = Medical Superintendent; DHQ = District Headquarters Hospital; THQ = Tehsil Headquarters Hospital; BHU = Basic Health Unit; RHC = Rural Health Center;
Source: Authors
District Government as a Service Management Unit

The team examined the following question regarding district governments as providers of services: To what extent do district governments have legal and institutional authority, technical capacity, and incentives to manage civil service and other workers, blend revenue streams and allocate financial resources, and focus on outcomes and performance?

Legal and Institutional Set-Up

As stipulated in Part I of Schedule A of the Local Government Ordinance 2001, health services covering the following functions have been transferred to the district governments:

- Basic & rural health
- Child & maternal health
- Population welfare
- Hospitals (district and tehsil headquarters)

Part C of the First Schedule of the Local Government Ordinance 2001 establishes the Health group of offices in the district government headed by an EDO-H to be responsible for these functions. Under devolution, the staff of the provincial Health Department working in the field (districts and tehsils) was transferred to the respective district governments. Unfortunately, transfers and postings of medical staff are still controlled by the provincial governments in most provinces, which has limited the impact of devolution on the delivery of health services. The photograph on the right shows the name and tenure of the medical superintendent in the DHQ Hospital in the district of Kohat (NWFP). Some superintendents were assigned to the hospital for as little as three months before being transferred.

The procurement process for obtaining medicines is also still carried out by the provincial government, which often delays medicine procurement until after the end of the first quarter and sometimes as late as the end of the second quarter of the financial year. Thus, even though district governments have the legal and institutional authority to provide various health services, their ability to effectively manage these services is constrained by the provincial bureaucracy's administrative control over district staff.

Funding

Funding for all health services continues to be provided by the provincial government. Additionally, the federal government is also financing several vertical programs in the health sector (e.g. the Lady Health Workers program). Table 4 gives a brief overview of various costs (revised budget estimates FY 2004–
2005) incurred by the EDO-Health's Office of District Government Thatta (Sindh) in providing health services. These figures do not include the costs incurred by the federal government for various vertical programs. The team was informed that actual releases during the year are sometimes short of these budget estimates, in particular for non-salary items. Approximately 75 percent of the budget is consumed by salaries of medical and non-medical staff, while only about 13 percent is allocated for medicine and related consumables. All costs in the table are covered by the provincial government through grants to the district government. The funds are not physically transferred to the District Government account; rather all payments are made by the provincial Accountant General's office based on invoices approved by the appropriate authorities in the District Government.

Each health facility collects various nominal fees from patients attending the outpatient department (OPD) and using other services such as X-rays, laboratory tests, etc. Revenues collected for these services generally represent a very small fraction of total actual costs, not sufficient to cover even the cost of medicines. There is a disconnect between the revenues collected for various health services and the corresponding expenditure incurred. Also, the revenues collected by various hospitals and other health facilities are not retained by the District Government; rather, they are deposited in the provincial government's account. The amount collected at the district level becomes part of the provincial pool of resources. It is distributed among the districts according to the Provincial Financial Commission (PFC) Award's formula and not according to the actual amount collected in each district.

**District Service Delivery**

The dual management control over medical staff creates the following operational issues, which have a significant impact on the quality of service delivery in the health sector:

- Most health facilities have many posts that are vacant, some of them for years;
- Even when positions are filled, the absenteeism rate among staff is very high;
- Procurement of medicines, repair of medical equipment, etc., require the approval of the provincial government, causing bureaucratic delays in service delivery.
<table>
<thead>
<tr>
<th></th>
<th>EDO Health</th>
<th>Civil Hospital (DHQ)</th>
<th>Taluka Hospital</th>
<th>Other Health Inst.</th>
<th>Health Center</th>
<th>Blood transf. &amp; other services</th>
<th>TB Control &amp; BCG Campaign</th>
<th>Dist. Field Staff</th>
<th>Drug Control</th>
<th>Total</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Allowances</td>
<td>8.449</td>
<td>33.191</td>
<td>35.311</td>
<td>8.414</td>
<td>71.590</td>
<td>12.473</td>
<td>3.027</td>
<td>3.037</td>
<td>0.469</td>
<td>175.961</td>
<td>75.60%</td>
</tr>
<tr>
<td>Purchase of machinery &amp; equipment</td>
<td>5.000</td>
<td>-</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6.000</td>
<td>2.58%</td>
</tr>
<tr>
<td>Purchase of furniture</td>
<td>0.500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.500</td>
<td>0.21%</td>
</tr>
<tr>
<td>Repair &amp; Maintenance – Transport</td>
<td>0.250</td>
<td>0.250</td>
<td>0.400</td>
<td>-</td>
<td>0.800</td>
<td>-</td>
<td>-</td>
<td>0.050</td>
<td>-</td>
<td>1.750</td>
<td>0.75%</td>
</tr>
<tr>
<td>Repair &amp; Maintenance - Machinery &amp; Equipment</td>
<td>0.025</td>
<td>0.200</td>
<td>0.200</td>
<td>0.100</td>
<td>0.500</td>
<td>0.042</td>
<td>0.100</td>
<td>-</td>
<td>-</td>
<td>1.167</td>
<td>0.50%</td>
</tr>
<tr>
<td>Repair &amp; Maintenance – Furniture &amp; Fixtures</td>
<td>0.020</td>
<td>0.100</td>
<td>0.050</td>
<td>0.100</td>
<td>0.100</td>
<td>0.027</td>
<td>0.010</td>
<td>-</td>
<td>0.006</td>
<td>0.412</td>
<td>0.18%</td>
</tr>
<tr>
<td>Utilities, transportation, postage, stationery, etc.</td>
<td>2.008</td>
<td>3.446</td>
<td>2.459</td>
<td>1.340</td>
<td>4.445</td>
<td>0.063</td>
<td>0.181</td>
<td>0.313</td>
<td>0.040</td>
<td>14.294</td>
<td>6.14%</td>
</tr>
<tr>
<td>Other services (diet)</td>
<td>-</td>
<td>1.200</td>
<td>0.146</td>
<td>0.800</td>
<td>-</td>
<td>-</td>
<td>0.600</td>
<td>-</td>
<td>-</td>
<td>2.746</td>
<td>1.18%</td>
</tr>
<tr>
<td>Purchase of medicines, X-ray films, etc.</td>
<td>-</td>
<td>6.420</td>
<td>3.042</td>
<td>6.800</td>
<td>10.500</td>
<td>0.400</td>
<td>2.500</td>
<td>0.265</td>
<td>-</td>
<td>29.927</td>
<td>12.86%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16.252</strong></td>
<td><strong>44.807</strong></td>
<td><strong>42.607</strong></td>
<td><strong>17.554</strong></td>
<td><strong>87.935</strong></td>
<td><strong>13.005</strong></td>
<td><strong>6.418</strong></td>
<td><strong>3.665</strong></td>
<td><strong>0.514</strong></td>
<td><strong>232.757</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
Districts have several responsibilities with respect to the management of health services. These are shown in Table 5 below.

Table 5. Structure of District Health Facilities

<table>
<thead>
<tr>
<th>Health Facility</th>
<th>Location</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Headquarters</td>
<td>One in each district located at the District headquarters.</td>
<td>Headed by a Medical Superintendent (MS)(BPS 19 or BPS 20, depending on the size of the DHQ). MS reports to EDO-Health in the District Government, but his/her postings and transfers are controlled by the provincial government. In some districts, an MS of BPS 20 has to report to an EDO-Health at BPS 19, which creates friction between the officers and affects service delivery.</td>
</tr>
<tr>
<td>Hospital (DHQ)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Headquarters</td>
<td>One in each tehsil, located at the Tehsil headquarters.</td>
<td>Headed by a Medical Superintendent of BPS 19 who reports to the EDO-Health in the District Government, but whose postings and transfers are controlled by the provincial government.</td>
</tr>
<tr>
<td>Hospital (THQ)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Health Center</td>
<td>Located in rural areas, serving a cluster of 4–5 Union Councils.</td>
<td>Headed by a Senior Medical Officer (SMO) who reports to the EDO-Health. RHC staff consists of:</td>
</tr>
<tr>
<td>(RHC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Health Unit</td>
<td>Located in rural areas, one in each Union Council covering a population of about 15,000–25,000.</td>
<td>BHUs are located in villages and these are the most neglected and least operational facilities. Each BHU consists of the following staff:</td>
</tr>
<tr>
<td>(BHU)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dispensaries</td>
<td>No fixed location or population coverage. In theory, these are to be located in areas where BHU services are not available.</td>
<td>Postings and transfers of staff above BPS 17 are controlled by the provincial government; district government has no control. Operated by para-medical staff.</td>
</tr>
</tbody>
</table>

Source: Authors

The EDO-Health office at the district level provides a wide range of preventive and curative services as described below.

1) District-Level Preventive Health Services:

- Enforcement of Provincial Drug Act including:
  - Registration and monitoring/inspection of medical stores (pharmacies), clinics, laboratories, X-ray units, etc. Registration of private clinics and labs is approved at the provincial level.
  - Quality control of medicines, sampling from chemists, manufacturers.
  - Control of fake drugs.
• Public health (enforcement of Provincial Food and Sanitation Act) covering the following:
  o Food quality control at hotels, restaurants, bakeries, beverages and ice cream factories and other food industry.
  o Monitoring of water quality at origination and consumption points.
  o Monitoring of general hygiene and sanitary conditions.
  o Control of communicable diseases.

• Implementation of vertical programs for malaria control requiring management of malaria supervisors and diagnostic centers in the field and medicine stores at the district office. All the field staff report to the district government. The Director-Malaria is part of the provincial government and provides medicines and other equipment such as transport, etc., from the provincial budget to the districts.

• Implementation of the vertical program TB DOTS (Directly Observed Therapy Short-Course) requiring management of diagnostic centers to be established at each health facility (BHU/RHC/THQ/DHQ). The treatment center at each BHU is linked to the relevant Lady Health Worker (LHW) of the BHU and the medicine is given directly by the LHW to the patient. This is a federal government program and each district is required to allocate 10 percent of its medicine budget for TB DOTS. The balance of the medicine is provided by the federal government through the provincial government.

• Implementation of the Expanded Program of Immunization (EPI). The EPI network consists of an EPI center established at each health facility (BHU/RHC/THQ/DHQ). Medicines, vaccines, syringes for each EPI center are provided by the Project Director-EPI who is part of the provincial government; the staff is provided by the district government. The staff consists of:
  o Three vaccinators—one to be based in the health facility and two for outreach.
  o One Tehsil Superintendent-Vaccination (TSV) at each tehsil level to supervise and monitor the working of vaccinators at the EPI centers within their respective tehsils.

Most of the EPI centers are short of staff and transport facilities, which affects outreach and population coverage.

• Implementation of National Program for Family Planning and Primary Health Care requiring management of Lady Health Workers (LHWs) and Lady Health Supervisors (LHS). The National Program network consists of one LHW for every 1,000 persons or 200 houses (whichever is lower) and one LHS for every 25 LHWs. Each LHS has a monthly schedule to visit each LHW at least once a month. Each LHW is supposed to:
  o Make house-to-house visits in her area to increase health awareness, dispense first aid medicines to patients and encourage them to go to the nearest health facility (BHU, RHC, etc.) when appropriate.
  o Increase family planning awareness and dispense contraceptives.
  o Provide child and maternal primary health care.
  o Maintain birth and death records.

Each LHW prepares monthly data on primary health care and submits the data to the relevant LHS who consolidates the data related to her LHWs and submits it to the relevant officer of the EDO-Health office. The EDO-Health’s staff compiles the data for the whole district and sends it to the
Provincial Program Implementation Unit (PPIU). LHW data does not form part of the Health Management Information System (HMIS, see below for details); rather, it is maintained separately by the PPIU. A review and monitoring meeting, the Maternal Mortality Conference (MMC), of all LHSs is held at the district office once or twice a month and the meeting minutes are sent to the PPIU.

Each LHW is paid Rs. 1,700 per month and each LHS is paid Rs. 2,500 per month. The EDO-Health compiles data on their attendance and sends it to the PPIU, which makes the payments directly to LHWs and LHSs. The district government is not involved in making any payment to these health workers.

2) District-Level Curative Health Services:

- Management of District Headquarters Hospitals (DHQ Hospital)
- Management of Tehsil Headquarters Hospital (THQ hospital)
- Management of Rural Health Centers (RHCs)
- Management of Basic Health Units (BHUs)

Alternative Model of District-Level Service Delivery:

The Rahim Yar Khan Initiative and other public-private partnerships (PPP) modeled after it are another form of service delivery in Pakistan. The term PPP in this case is a misnomer because the management of BHUs is given to NGOs, rather than to the private sector.

The Rahim Yar Khan (RYK) Pilot was an initiative of the Punjab Rural Support Programme (PRSP), through which the Rahim Yar Khan District Government transferred the management of all 104 BHUs in the District to the PRSP for a period of five years beginning in 2003. The model used by PRSP is based on grouping the BHUs into clusters of three with one Medical Officer (MO) assigned to each cluster. The MO spends two days per week at each of the three BHUs.

Under this new management arrangement, the District Government remained responsible for the funding necessary to run each facility, including the salaries and benefits of BHU staff and the cost of medicines, supplies, furniture and equipment, building maintenance, and utilities. The funding normally allocated to each BHU from the District Government’s budget is transferred to the PRSP, which are then responsible for the disbursement of salaries and for the allocation of the remaining funds.

In addition to being entrusted with the allocation of the BHU budgets, the PRSP was also granted the right to:

1. Re-locate staff from one BHU to another in the interest of improved service delivery;
2. Allocate and re-allocate functions and responsibilities of the staff at the BHUs;
3. Offer additional benefits to the BHU staff based on assigned functions and performance;
4. Hire additional staff to work at the BHU under a contract with PRSP and without financial claims on the District and Provincial Government;
5. Propose to the District Government increases, adjustments, or re-arrangements of the budgetary provisions for medicines, maintenance, salaries, utilities, and equipment;
6. Charge the actual cost (without making profit in the form of a fee) associated with the performance of management functions at the BHUs;
The agreement between the District Government of Rahim Yar Khan and PRSP was signed in March 2003. By July 2003, the BHUs in the district were already reporting an increase in the number of patients, which was taken as an indication of citizens’ satisfaction with the services provided at the facilities. PRSP also reported an increase in the morale of the BHU staff and a willingness to perform better, which in turn resulted in the improved service delivery.

An initial report on the Rahim Yar Khan Initiative prepared by the PRSP reads: “It must be remembered that RYK is a Pilot, not a model.” However, the RYK Initiative is widely cited as a success story and is already being replicated outside of Punjab (in the North West Frontier Province for instance). The widespread and positive reception of this model in the health sector led the team to further explore the reasons underlying its success. Interestingly enough, the rights granted to the organization in charge of managing the BHUs (listed above) are the same as those that were identified as lacking by District Government officials:

- Authority in re-locating senior medical officers;
- Funding for bonuses for high-performing staff or sanctions for those whose performance is less than satisfactory;
- Staff absenteeism.

While the RYK experience suggests that this model can be an effective tool for “incentivizing” service providers and achieving measurable improvements in the quality of services, eliminating the bottlenecks that preclude District Governments from better managing the health facilities in their territorial domain should also be seen as an important step towards better healthcare in Pakistan.

**Technical Capacity**

District governments lack capacity to deliver health and other social services. The medical staff is technically well qualified and experienced; however, the capacity of a health facility is also measured in terms of the availability of modern equipment and the experience of the medical staff in using this equipment. Unfortunately most of the health facilities lack proper medical equipment and funds for proper maintenance of the equipment they do have. Often health facilities have broken X-ray units or suffer from a shortage of X-ray film, ambulances out of order, shortage of laboratory chemicals, etc.

In addition to the shortage of medical staff, equipment and medicine, the organizational and management aspect of service delivery also needs attention. The staff of the EDO-Health office spends more time troubleshooting problems and managing various aspects of health services than providing the actual services. Similarly, although the Medical Superintendent of any hospital or Senior Medical Officer of a Rural Health Center is a qualified and experienced doctor, most of his time is spent managing the technical and administrative matters of the hospital. There is a strong need for developing modern management skills in the medical and non-medical staff of the district health services; in particular the following aspects need more attention:

EDO-Health office staff needs the technology and training to manage their assigned tasks; in particular, the enforcement of the drug and food and sanitation acts and the management of preventive health activities are very weak.
The EDO-Health office needs training and tools to monitor the performance of the widely dispersed field staff.

District governments seem to approach their responsibilities as agents of service delivery and not as managers of service delivery. Service management capabilities at the district and sub-district level need to be improved through the provision of the necessary technology and training.

Bureaucratic procedures requiring multiple levels of approvals discourage officers from taking initiative to improve service levels. Such procedures need to be simplified.

Incentives

Despite the RYK experience (described above), on the whole the public sector in Pakistan does not provide performance-based incentives to its employees. It is assumed that incentives and rewards should not be given to employees for the completion of routine duties that are part of their job descriptions. Although, under the LGO, the district governments are allowed to give incentives and bonuses to their staff to improve performance, so far none of the district governments have developed any mechanism to measure and quantify the performance of its staff. Most districts lack or have a limited knowledge of performance management and are generally focused on day-to-day troubleshooting. Few district governments are collecting any formal data to measure the performance of its staff, and the few that are do not use this information in decision or policy-making. None to our knowledge are measuring the service quality through surveys or other data.

There are no direct incentives for the medical staff to work harder or take initiative; rather bureaucratic procedures encourage people to accept the status quo. The team was told by one of the Senior Medical Officers of a Rural Health Center that it took him three years of bureaucratic paper work to get a dental chair repaired. He believed that his success was unusual and that most SMOs would have given up after the first few objections/queries from higher ups.

Generally, performance is driven by the moral values of individual workers rather than by an incentive mechanism: there are some doctors who do not report to their duties regularly without suffering adverse consequences and yet there are others who are devoted to their work.

II.A.2 Education

Intergovernmental Framework for Providing Education Services

As in the health sector, intergovernmental relations—between the federal, provincial, and district governments—are important for the education sector. These relationships affect policy setting by the federal and provincial governments, service delivery by the district governments, and flow of funds from the federal and provincial governments to the districts.

Policy Setting

The curriculum is set by the national curriculum board. Other education policies, such as the ones listed below, are set by either the federal government via its vertical programs or by the provincial governments.
• Provision of free text books for girls up to class 10.
• The “Dalda” program, which supplies cooking oil to girls as an incentive to enroll in school.
• Provision of a monthly stipend for girls, from Rs. 100/month in NWFP for primary education to Rs. 200/month in Punjab for girls in secondary schools (classes 6–8) in 16 districts.

**District Government as a Service Management Unit**

The team examined the following questions regarding district governments as providers of education services: To what extent do district governments have legal and institutional authority, technical capacity, and incentives to manage civil service and other workers, blend revenue streams and allocate financial resources, and focus on outcomes and performance?

**Legal and Institutional Set-Up**

Districts are responsible for all primary (classes 1–5), secondary (classes 6–10), and higher secondary education (classes 11–12) and can recruit both primary and secondary school teachers up to BPS 16. Authority over staffing—hiring, firing, and transfers—for BPS 17 and above remains with provincial governments. Thus, even though district governments have the legal and institutional authority to provide education services, their ability to effectively manage service provision in the sector is constrained by the provinces’ administrative control over district staff.

**Funding**

Funding for education comes both from the provincial and district governments. The National Commission for Human Development (NCHD) provides teachers, school premises and furniture. Textbooks are the responsibility of the district government. In addition, funding for education may also be received via the Khushal Pakistan Program (KPP-I and KPP-II), details of which are provided in the section dealing with water service delivery. Most of the expenditures on education are for salaries, leaving very limited funds for other expenses. Table 6, below, shows the percent of budget spent on salaries and non-salary items for one district visited by the team. The amount spent on salaries dominates the budget, leaving an extremely limited amount for non-salary items. The result is inadequate repair and maintenance of schools (many built over 40 years ago), lack of adequate furniture, equipment, electricity and sometimes even drinking water for the students. A similar situation exists in Thatta (Sindh), where the team was informed that, of a total education budget of Rs. 820 million, Rs. 780 million or 96 percent is spent on salaries, leaving only 4 percent for non-salaried expenses.


<table>
<thead>
<tr>
<th>District</th>
<th>Budget Estimates</th>
<th>Revised Budget Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Non-Salary</td>
</tr>
<tr>
<td>Sialkot (Punjab)</td>
<td>1,416</td>
<td>97%</td>
</tr>
</tbody>
</table>

Source: Sialkot District Budget

Salary invoices are sent directly to the province’s treasury office and payments are made directly from the treasury to the teachers’ personal accounts.
Marginal fees charged for children's school leaving certificates cannot be retained by the schools or the district government; they are sent back to the province.

**District Service Delivery**

The management of education has been devolved to a greater extent than health with varying department structures in the different provinces (see Table 7). There exists some variation in the structure of the education department at the district level across provinces. Usually the head of the education department is the Executive District Officer-Education (EDO-E), assisted by district officers (DOs), deputy district officers (DDOs) and assistant district officers (ADO). Except for the EDO-E, there are two individuals for each designation, one dealing with boys' schools and the other with girls' schools. According to the EDO-E in Kohat district (NWFP), the devolution has led to a decrease in the total number of senior education staff. Previously there were four District Education Officers (two for boys' and girls' primary schools and two for boys' and girls' secondary schools) that had equal powers and authority to monitor schools. Now there are only three: the EDO-E and DO (male) and DO (female).

**Table 7. Management Structure of Education Department**

<table>
<thead>
<tr>
<th>Province</th>
<th>Sindh</th>
<th>NWFP</th>
<th>Punjab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial level Education and Literacy Departments</td>
<td>Separate Departments for Education and Literacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial level Directorates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Primary</td>
<td>1. Primary</td>
<td>1. Primary</td>
<td></td>
</tr>
<tr>
<td>3. High</td>
<td>3. High</td>
<td>3. High</td>
<td></td>
</tr>
<tr>
<td>District Education Officers (DEO)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEO-EE (M)</td>
<td>DO-EE (M)</td>
<td>DEO-EE (M)</td>
<td></td>
</tr>
<tr>
<td>DEO-EE (F)</td>
<td>DO-EE (F)</td>
<td>DEO-EE (F)</td>
<td></td>
</tr>
<tr>
<td>DEO-Secondary</td>
<td>DO-Secondary</td>
<td>DEO-Sec (M)</td>
<td></td>
</tr>
<tr>
<td>DEO-HS</td>
<td>DO-College</td>
<td>DEO-Sec (F)</td>
<td></td>
</tr>
<tr>
<td>DEO-Acad.</td>
<td>DEO-College</td>
<td>DEO-College</td>
<td></td>
</tr>
<tr>
<td>DEO-Technical</td>
<td>DEO-Special Education</td>
<td>DEO-College</td>
<td></td>
</tr>
<tr>
<td>DEO-Special Education</td>
<td>DO-Sports</td>
<td>DEO-Special Education</td>
<td></td>
</tr>
<tr>
<td>DEO-Sports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DO-SEIMS and Planning</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Deputy District Education Officer (DDEO) | DDO (M) | DDO (F) | DDEO |

Assistant District Officer (ADO) | ADDO-E | ADDO-S | AEO at markaz level | AEO at markaz level |


In Thatta (Sindh), for every 100 students entering the first class, only about 50 move on to the second class, District and provincial officials understand this issue differently: Provincial officials see a drop out rate of 50 percent, while district officials see a drop out rate of 10 percent and a failure rate of 40 percent. In Kohat (NWFP), on the other hand, the EDO-E explicitly stated that the district has a policy of not failing female students in primary school. In his opinion, failing female students would discourage them from continuing their education, and become another factor causing them to drop out of school. He said that
there was a 50 percent dropout rate for girls, and a 25 percent drop out rate for boys between primary and secondary school.

The drop out rate is also high in Punjab—the team was informed by the Secretary-Education that on average 40–50 percent of students drop out between primary and secondary school in villages. There are a large number of primary schools in the country, but secondary schools can be as much as 12–15 kilometers away from their homes which makes accessing them difficult. In Sialkot (Punjab), no children are failed in classes 1–3. After this level, children need a score of 33 percent or more to pass. Teachers receive letters of appreciation from the school if their students get good scores on the board exams (classes 9 and 10). Teachers with poor performance are asked publicly to improve scores. In both NWFP and Punjab, schools hold the “0 period” where teachers come in early to school to give an extra class to poorly performing students before the school day begins.

In addition to the high dropout rates, another problem facing the districts is the poor quality of infrastructure. Table 8 shows the EMIS data on the condition in schools in Kohat district in NWFP. Facility problems are most acute in primary schools. Lack of electricity and water are the two main problems, followed by a lack of latrines and boundary walls in boys' schools.

Table 8. Government Schools Lacking Basic Facilities, Kohat District, NWFP, 2005

<table>
<thead>
<tr>
<th>Level</th>
<th>No Water Boys</th>
<th>Girls</th>
<th>No Electricity Boys</th>
<th>Girls</th>
<th>No Latrine Boys</th>
<th>Girls a</th>
<th>No Boundary Wall Boys</th>
<th>Girls b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary (1–3)</td>
<td>179 (85.6%)</td>
<td>150 (91.0%)</td>
<td>240 (91.3%)</td>
<td>153 (92.3%)</td>
<td>114 (70.0%)</td>
<td>1 (88.4%)</td>
<td>61</td>
<td>1</td>
</tr>
<tr>
<td>Middle (4–5)</td>
<td>19 (9.1%)</td>
<td>14 (8.5%)</td>
<td>17 (6.5%)</td>
<td>10 (6.1%)</td>
<td>23 (14.1%)</td>
<td>0 (2.9%)</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>High (6–10)</td>
<td>9 (4.0%)</td>
<td>1 (0.5%)</td>
<td>6 (2.3%)</td>
<td>2 (1.7%)</td>
<td>25 (15.2%)</td>
<td>2 (8.7%)</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Higher Secondary</td>
<td>2 (1.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>1 (0.7%)</td>
<td>0 (0.0%)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>209</td>
<td>165</td>
<td>263</td>
<td>165</td>
<td>163</td>
<td>3</td>
<td>69</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: a Only three girls’ schools lacked latrines: one primary and two high schools.

b Only one primary school for girls lacked a boundary wall.

Source: Kohat District, NWFP

Technical Capacity

Vacant teacher posts, absenteeism, and poorly targeted as well as limited teacher training are some of the main problems in the education sector. Most donor funding is focused on primary education, which has reduced the number of vacant posts in primary education to some extent. However, vacancies continue to be a major issue for higher levels of education. For example, Thatta district (Sindh) has 2,580 primary schools, 92 middle schools, 63 high schools, nine higher secondary schools (classes 11 and 12), four colleges and seven technical colleges/centers, one special education school, and two education training colleges. The four colleges in Thatta have 63 posts (at BPS 17). Of these, 30 are vacant. There are 30
posts for assistant professor (BPS 18) of which only six are filled. All 12 associate professor posts are vacant.

Teacher absenteeism is a combination of unwillingness to be posted to remote/interior regions of the province and corruption in the system. Teachers are required to sign in at their schools at the start of the day and their attendance is monitored and checked by the ADO (supervisor). Regular failure to appear at school for work can lead to a stopping of a teacher's salary. However, in reality it is difficult for the ADO to check in with all schools on a regular basis to verify attendance sheets due to lack of transportation/vehicles and funds. In Thatta, each ADO for elementary education (female) is responsible for supervising 30 girls’ schools.

Several donor programs in the country are focused on building the skills and capacity of teachers—notably ADB (Decentralized Elementary Education Project), USAID (Education Sector Reform Assistance), Aga Khan, CIDA and DFID. In Thatta, officers noted that sometimes teachers are spending up to 17 days each month out of the school for training, which impacts the schooling of children. The Secretary-Education in the Sindh province identified the following problems with the quality of teacher training:

- Inappropriate course design and content
- Time frame of the training—most trainings are conducted during the week, causing teachers to miss school.
- Inadequate supplementary material to support the training

In Sindh, the provincial government has been training all headmasters of high schools and middle schools since 2004. However, training is supply- rather than demand-driven. The EDO-E is told the number of teachers that can be trained each year and he/she nominates people eligible for training.

Incentives

The LGO allows district governments to provide monetary incentives and bonuses to their staff for good performance. However, to our knowledge, this has not been used, due to limited fund availability.

Discussions with the Secretary-Education, Punjab province revealed that the government is open to performance-based grants in the education sector. Under the three-year Education Sector Reform Program (ESRP) of the World Bank, the Government of Punjab (GOPunjab) gave a 5-million-rupee grant to each of the 34 districts in the province in the first year. In the second year of the program, 70 percent of the grant was awarded based on formula, and 30 percent on performance indicators such as:

- Literacy rate
- School specific budgets
- Amount invested by the district in education

Each indicator has a different weight. Targets were established by the provincial government. Of the 34 districts in Punjab, 16 received a performance-based education grant in the second year. In the third year of the program (which starts in July 2006), the award ratio will change to 60 percent (guaranteed) and 40 percent (performance based).
II.A.3 Water Supply and Sewerage

Intergovernmental Framework for Providing Water Services

Water supply and sewerage has historically been the responsibility of the municipal local bodies like Municipal Corporations and Municipal Committees. Most of these municipal bodies have now been made TMAs, which are responsible for providing water supply and sanitation services under the 2001 LGO.

Water supply and sanitation infrastructure development was carried out by the provincial governments through the Public Health and Engineering Department, commonly known as PHED. In the past, prior to devolution, PHED would build the water supply and sewerage infrastructure (tube wells, overhead tanks, water supply pipes, sewerage pipes, etc.) and hand it over to the local municipal body for operations and maintenance. According to the devolution plan, the role of PHED has been virtually reduced to technical approval of large infrastructure schemes, while the actual execution of development projects has been passed on to the TMAs. In practice, this has primarily happened in Punjab and to a more limited extent in NWFP, Sindh, and Balochistan. Most of the PHED engineers were deputed in TMAs as Tehsil Officers-Infrastructure & Services, commonly known as TOs-I&S and made responsible for the identification, design, development, and operations and maintenance of various water supply and sewerage schemes within the TMA jurisdictions.

Policy Setting

Over the past 12–18 months, most of the provincial governments, in particular, Punjab and, to some extent, Sindh and others, have started implementing various municipal infrastructure schemes in TMAs and in districts directly through their provincial staff. This has resulted in a gradual resurrection of PHED at the provincial level as the provincial government has called most of its PHED staff back from TMAs to their respective provincial posts. (PHED was not completely devolved in provinces other than Punjab). This, in immediate terms, has resulted in a technical vacuum at TMAs as this staff has not been replaced by equally qualified and experienced technical staff; in the longer term, this will seriously hamper the development of technical capacity of TMAs to handle large infrastructure projects.

One of the biggest failures of the pre-devolution system of developing infrastructure through PHED and handing it over to the local councils was the question of ownership. Most of the infrastructure was built without direct involvement of the local population and quite often the local bodies did not have enough money for the operations and maintenance of such infrastructure. It is still to be seen how this aspect of ownership and operations and maintenance of infrastructure is handled under the revised scenario of doing large projects outside the TMA framework.

The provincial government also gives development grants to each member of the provincial assembly (MPA) to carry out minor development work in his/her constituency. Most MPAs—except those who have good relations with the tehsil Nazims—do not involve TMAs in the execution of their development programs.
Box 2. Vertical Programs by the Federal Government

Khushal Pakistan Program (KPP). The federal government is running two parallel programs for the development of municipal services in the country, the Khushal Pakistan Programs, KPP-I and KPP-II. In the past, the KPP was called the People's Program under Benazir Bhutto’s government and the Tameer-e-Pakistan program under Nawaz Sharif’s government.

KPP-I is managed by the federal department of Local Government and Rural Development (LGRD) based in Islamabad. Under KPP-I, each member of the National Assembly (the lower house) and each member of the Senate (the upper house) is allocated Rs. 5 million per year to carry out minor development projects in their constituencies. There are a total of 342 members of the National Assembly (MNAs) and 100 Senators, each of whom conducts two to three development projects per year. Many of these are improvements to small roads and road drains. KPP-I covers multiple sectors like health, education, sanitation, roads, electrification of villages, gas, and telephone.

Each MNA and Senator identifies development schemes in his/her constituency up to a total cost of Rs. 5 million and submits these schemes to the federal LGRD department. Each MNA/Senator also identifies the agency through which he/she wishes to execute the project, whether at the federal, provincial, district or tehsil level. The relevant district or tehsil governments do not have any control over the identification and execution of these projects.

KPP-II, also called the Roshan Pakistan program, is managed by the Prime Minister-Secretariat in Islamabad and deals primarily with the development work carried out under the Prime Minister’s directive. Most of these directives are issued as political instruments during public meetings held by the prime minister or the president during their country tours.

Clean Drinking Water Initiative (CDWI). The federal government launched CDWI in July 2004 through the Pakistan Environmental Protection Agency of the federal Ministry of Environment. Initially, the project was designed to construct 121 water purification plants with a filtering capacity of 2000 gallons per hour, one in each district in the four provinces and in the Northern Areas and Federally Administered Tribal Areas (FATA). The project was upgraded in August 2005 to include all 432 tehsils in the country. This is a short-term solution to inadequate availability of clean drinking water and will not replace the urban water supply responsibilities of the TMAs—to provide clean drinking water to all through a piped network. Under this program, the filtration plants will be constructed at a central place in the town where people can go and collect clean drinking water in their own bottles and cans.

Before starting the construction of the filtration plant, a memorandum of understanding (MOU) is signed between the Project Director-CDWI representing the federal Ministry of Environment and the Tehsil Municipal Officer (TMO) of the relevant TMA. As part of the MOU, the TMA agrees to:

- Provide land (12ft x 12ft) for the purification plant.
- Arrange the water connection from the overhead tank or the tube well to the purification plant.
- Arrange the electricity connection for the plant.
- Appoint the necessary staff to operate and maintain the purification plant.
- Provide all the operations and maintenance costs for the entire life of the plant.

By the end of December 2005, 30 plants had been constructed; however, none of these is operational. There seems to be a lack of ownership from the TMAs as, thus far, the electricity connection and the operations staff have not been provided for these plants. The Project Director-CDWI is coordinating with the TMAs to remove these hurdles.

Long-term sustainability of these plants will be a big challenge for TMAs concerned. The history of the water sector in Pakistan is marred by the failure of hundreds of water schemes constructed under the vertical programs by the federal or provincial governments that could not be operated for more than a year or two due to lack of operations and maintenance funds by the local governments.

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5 This initiative is meant to complement the existing network where people will be required to collect water from the filtration plant at some central place in the town. Only the main town of the TMA (generally called TMA headquarters) will have this plant and other urban dwellings within the TMA (generally referred to as CO units) will not be provided this facility.
Tehsil Municipal Administration as a Service Management Unit

Legal and Institutional Setup

As noted above, the Local Government Ordinance 2001 gave the TMAs responsibility for water supply and sanitation services. The organizational structure of a TMA is shown in Figure 3 (see Structure of Government). Under LGO Section 53 (3 ii) the TO-I&S is responsible for water, sewerage, drainage, sanitation, roads (other than provincial and district roads), streets and street lighting, fire fighting, and park services. In city districts and larger cities, where large integrated networks of water supply and sewerage services are spread across multiple adjoining TMAs, these services are maintained under the respective District Government through Water and Sanitation Agencies (WASAs). For the purpose of service delivery, WASAs are under the relevant City District Government or attached to one of the TMAs, but they are administratively under the control of the provincial governments and have their own budget that is separate from the budget of the district government or TMA. Under the LGO, WASAs were to be devolved to the TMAs, but this has not been done so far and it is difficult to ascertain with clarity who controls the WASAs.

Funding

TMAs get a development grant as a single line item from the provincial government based on the Provincial Finance Commission (PFC) Award. TMAs may also have a surplus from their recurrent account and this surplus can also be utilized in infrastructure development projects. TMAs have autonomy in identifying and executing their infrastructure development projects and only need the approval of the respective tehsil council of elected members. However, the technical design of large infrastructure projects has to be approved (via Technical Sanction or TS) by senior engineers at the district or province level.

TMA revenue sources are somewhat different from those of the district governments. The district governments virtually act as agents of the provincial government for collection of revenues. All revenue collected by the district governments is deposited in the provincial government account. Unlike the districts, TMAs do not collect any revenues on behalf of the provincial government; rather they levy their own taxes and fees that are collected and retained by the TMAs for their recurrent and development expenditure. Provincial government provides three types of grants to the TMAs as detailed in Table 9 below.

Table 9. Provincial Grants to TMAs

<table>
<thead>
<tr>
<th>Grant</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Salary and non-salary grant</td>
<td>After devolution, TMAs were given some provincial staff and the salary of these officers and their related office expenditures (e.g., for stationery, petrol, oil, and lubricants (POL), etc.) are still paid by the provincial government in the form of this grant.</td>
</tr>
<tr>
<td>(ii) Octroi grant</td>
<td>Prior to July 1999, municipal bodies levied the “octroi” tax on the movement of goods into their municipal limits, called Octroi tax. This tax was abolished by the federal government in July 1999 and instead the General Sales Tax (GST) was raised from 12.5% to 15% with the objective that the additional 2.5% GST will be passed on to the municipal bodies in lieu of their octroi tax. Each TMA gets this grant in lieu of octroi from the provincial government, which in turn receives the money from the federal government under the National Finance Commission (NFC) award.</td>
</tr>
<tr>
<td>(iii) Development grant</td>
<td>The provincial government gives development grants (formula based) under the Provincial Finance Commission (PFC) award to all TMAs. This grant is passed on as a single line item and the TMAs have the authority to decide how to spend this grant on local development with the approval of its tehsil council of elected members.</td>
</tr>
</tbody>
</table>
Salary and octroi grants are considered part of TMAs’ recurrent revenues and, with the receipts from local taxes and fees, these receipts are used to meet TMAs’ day-to-day recurrent expenditures, including salary. Many TMAs produce a surplus from their recurrent budget (recurrent receipts – recurrent expenditure), which covers 30–50 percent of development expenditure.

TMA revenues from own source (the parking fee, cattle market fee, tax on transfer of immovable property, etc.) are not allocated to any functional unit of the TMA. That is, water fees are not earmarked for water services, rather these become part of the overall TMA pool of revenues. This kind of pool arrangement provides no incentive for the TO-I&S to improve its collection efficiency.

**Water Supply Cost Recovery**

The major cost components of water supply and sewerage services include salary, electricity, POL (for diesel-operated pumps) and minor repairs. Although most of the TMAs maintain detailed records of recurrent expenditures for each TO, no further breakdown is available for the various functional areas under each TO. Since the TO-I&S performs many functions like water supply, sewerage, roads, streetlights, etc., the electricity cost includes that for tube wells, pumping stations and streetlights. It is difficult to segregate these costs from the books of accounts to work out the cost of service delivery. The following table gives costs and revenues of water supply services taken from the annual budget books of the two TMAs visited by the team.

**Table 10. Expenditures and Revenues Associated with Water**

<table>
<thead>
<tr>
<th>Expenditures/Revenues for Water</th>
<th>Revised Budget Estimates for FY 2004–2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TMA Thatta (Rs. Million)</td>
</tr>
<tr>
<td>Salaries/establishment costs</td>
<td>1.195</td>
</tr>
<tr>
<td>Operating expenditures</td>
<td>1.510</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>2.705</strong></td>
</tr>
<tr>
<td>Revenues from water tariffs</td>
<td>0.199</td>
</tr>
<tr>
<td><strong>Net deficit</strong></td>
<td><strong>2.506</strong></td>
</tr>
<tr>
<td>Cost recovery</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

Source: Budgets of TMA Thatta and Kohat

TMAs have autonomy in setting water-supply policy, including new investments and increases in water rates and other user charges with the approval of the respective tehsil council. However, none of the TMAs has been enthusiastic about increasing water tariffs because the water supply service levels are very low and raising tariffs for such poor services carries political risks for the members of the council. TMA Thatta, for instance, raised its water and sewerage tariffs from Rs. 15 per month to Rs. 35 per month during FY 2004–2005 and this resulted in a significant drop in recovery of water charges from Rs. 0.397 million in FY 2003–2004 to Rs. 0.199 million in FY 2004–2005, a drop of about 50 percent. Service levels are generally very low and consumers are not willing to pay extra charges without improvement in service levels. Additionally, most TMAs already have very low cost recovery, usually in the range of 20–30 percent.

**Service Delivery**

Water supply and sewerage services have two distinct components: (a) development of infrastructure and (b) operations and maintenance of the infrastructure.
Service levels for water supply and sewerage facilities are very poor in the country. TMAs are providing water services only in the urban centers; the more than 60 percent of the population living in rural areas is not covered by TMA services. Coverage in the main towns ranges from 70–80 percent for water supply and from 50–60 percent for underground sewerage services. Maintenance of the existing infrastructure is very poor with rusted pipes, broken sewers and broken or inefficient tube wells. Most of the TMAs do not have accurate data on service levels and related service delivery indicators.

Apart from some of the large towns, water supply is intermittent, generally ranging from two hours per day in water-scarce TMAs to eight-to-ten hours per day in other TMAs. Water pressure is very low and the houses at the tail end of the network hardly get any water.

Water source also varies from TMA to TMA; generally deepwater tube wells are used in the sweet water zone, whereas in the non-sweet water zone, water has to be pumped significant distances. In some places, water from nearby irrigation canals is stored in large ponds and, after settling/sedimentation, it is supplied to the public. A typical example of this is Thatta. Water from the nearby canal is stored in five large ponds (built in the 1960s) and no water treatment is carried out except for natural settling of sediments. Water is pumped from these ponds to two 100,000-gallon overhead reservoirs twice a day. Once the overhead tanks are filled in the morning, water is supplied to the public and the 200,000 gallons are consumed within an hour; the same process is then repeated in the evening. A total of 400,000 gallons is provided per day for a population of about 100,000, or about four gallons per capita each day.

Unlike TMA Thatta, TMA Sialkot is in a sweet water zone and service levels are much higher. Sialkot has about 84 tube wells in operation, which produce about 30 million gallons per day, and water is supplied for 12 hours per day. About 500,000 people or 80 percent of the population is served, with an average of 60 gallons per capita per day.

Incentives

As discussed above, the public sector in general in Pakistan provides few incentives and rewards. Although under the LGO, TMAs are allowed to give incentives and bonuses to their staff for better performance, so far none of the TMAs have developed any mechanism to measure and quantify the performance of its staff. TMAs lack modern management concepts and are generally focused on day-to-day troubleshooting. Few TMAs are collecting any formal data to measure the performance of staff and service levels.

Incentives can also be used to improve collection. For example, incentives and bonuses given to staff that result in improvement in service delivery can help the TMA increase its tariffs, which can then be used to cover the cost of the incentives. Incentives do not need to be monetary. Recognition awards or non-monetary incentives can help to improve service delivery.

Technical Capacity

TO-I&S functions include both the development of new infrastructure and operations and maintenance of the existing infrastructure. On the development side, the TO-I&S is to identify and design the infrastructure scheme, get it approved by the competent forum (as discussed below in Table 11) and then manage the development works through civil contractors. On the operations and maintenance side, the TO-I&S has to ensure that the municipal infrastructure is well maintained to provide quality services to the community.
Table 11. Approval Steps for the Development of Infrastructure in a TMA

<table>
<thead>
<tr>
<th>Council approval</th>
<th>Each development scheme has to be approved by the Tehsil Council as part of the approval of the annual development budget of the TMA (normally done in May/June before start of the next financial year).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Approval</td>
<td>All projects approved by the council have to obtain administrative approval before execution. Development projects less than Rs. 5 million are given administrative approval by the Tehsil Development Committee (TDC) comprising of the following: Tehsil Municipal Officer (TMO)—Chairman Tehsil Officer-I&amp;S—Member / Secretary Tehsil Officer-Planning—Member Tehsil Officer-Finance—Member Development projects costing above Rs. 5 million but not exceeding Rs. 20 million are given administrative approval by the District Development Committee (DDC) comprising of the following: District Coordination Officer (DCO) —Chairman EDO-Finance &amp; Planning —Member EDO-Works &amp; Services —Member EDO of sector concerned —Member District Office of sector concerned/TO-I&amp;S —Member District Officer-Planning —Member/Secretary Development projects costing above Rs. 20 million but not exceeding Rs. 5 billion are given administrative approval by the provincial government through its Provincial Development Working Party (PDWP). Projects above Rs. 5 billion are sent to the federal government for administrative approval through its Central Development Working Party (CDWP). Since TMA projects in the water sector are generally below Rs. 20 million, most of these projects are approved by TDC at tehsil level or DDC at the district level.</td>
</tr>
<tr>
<td>Technical Sanction (TS)</td>
<td>Technical sanction relates to the approval of the technical design of each project by an engineer of competent seniority, as follows: Project up to Rs. 2 million TO-I&amp;S or PHED Engineer – BPS Grade 18 Project greater than Rs. 2 million and not exceeding Rs. 10 million PHED Engineer – BPS Grade 19 Projects greater than Rs. 10 million Chief Engineer’s Office at PHED</td>
</tr>
</tbody>
</table>
II.B Local Fiscal Roles and Responsibilities

Fiscal Arrangements

This section provides an assessment of the overall fiscal framework and goals of the 2001 Devolution Plan with respect to three issues:

- Assigning expenditure functions
- District own-source revenues
- Intergovernmental transfers
- District borrowing

**Assigning Expenditure Functions**

With respect to the goals of devolution, the important public finance issue is the allocation of resources in order to meet citizen demand for public goods and services. This allocation function requires using the public's revenue mobilizing powers to requisition resources from the private sector, to finance and supply goods and services that will not be adequately provided as part of the operations of the private market system.

Allocation, here, means giving provincial, district, tehsil, and union governments the expenditure and revenue tools to provide for public services in a manner that will lead to a more efficient use of a nation's resources of land, labor, and capital. The efficient provision of public goods requires an intergovernmental approach that applies a set of normative criteria for determining which type or level of government is best suited for delivering which type of services (Box 3). This is the expenditure assignment question.

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**Box 3. Guidelines for Assigning Expenditure Functions to Different Levels of Pakistani Governments (Central, Provincial, District, Tehsil and Union).**

1. Functions should be assigned to that government whose jurisdiction most closely approximates the geographical area of benefits provided by the function. For example, fire protection services benefit only the residents of the immediate neighborhood or community, while air or water pollution prevention activities benefit larger regions.

2. Public goods and services should be provided by that government that can best realize economies of scale in production of the good or service. Other things being the same, the government that can deliver a good or service at the lowest possible cost should provide that service. It is important to add the caveat here that to assign a service responsibility to a government (e.g., local hospitals to districts), is not to say the government must produce the service.

3. Functions should be assigned to jurisdictions that have adequate fiscal capacity to finance the public service and that can ensure a reasonable degree of fiscal equity. Governments differ in their fiscal capacities because of underlying economic and demographic factors affecting their tax bases, their need for services, and their price of inputs. This will result in unequal tax burdens among jurisdictions producing the same level of services, or unequal services in jurisdictions with the same tax effort.

4. Functions should be assigned to governments that are accessible to and controllable by their residents in performing the

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function and that provide an opportunity to maximize citizen participation in the delivery of the service. This criterion ensures the legitimacy and accountability of the government in performing a particular function.

5. Functions should be assigned to governments that can effectively manage that function. Specifically, the government should (i) have adequate legal authority and management capability to perform the functions as well as be responsible for a variety of functions in order to balance competing interests for the performance of specific functions; (ii) encompass a geographical area commensurate with its functional responsibilities, and; (iii) be willing to pursue intergovernmental policies for promoting interjurisdictional cooperation.

Table 12, which presents a conventional "expenditure assignment" matrix that is found in many country studies, is useful because it provides a broad overview of how Pakistan's assignments compare vis-à-vis the guiding principles laid out in Box 3.

Table 12. Direct Spending Responsibility: Conceptual Assignment of Public Expenditures vs. Pakistani Practice*

<table>
<thead>
<tr>
<th>Category</th>
<th>Conceptual Basis</th>
<th>Pakistan</th>
<th>Rationale for Assignment and Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense, foreign affairs, trade</td>
<td>C</td>
<td>C</td>
<td>Benefit and costs are national in scope</td>
</tr>
<tr>
<td>Postal system</td>
<td>C</td>
<td>C</td>
<td>Benefit and costs are national in scope</td>
</tr>
<tr>
<td>Monetary policy, currency, banking; fiscal policy</td>
<td>C</td>
<td>C</td>
<td>Often special purpose public authorities</td>
</tr>
<tr>
<td>Water ports and airports</td>
<td>C, P, L</td>
<td>C</td>
<td>Redistribution. In China pensions are subnational; in many countries emergency safety net programs are local</td>
</tr>
<tr>
<td>Transfer payments to persons (pensions, large anti-poverty pgms.)</td>
<td>C</td>
<td>C</td>
<td>Benefit and costs are national in scope; Switzerland Cantons and UAE Emirates have control over immigration; some Canadian provinces also have a role</td>
</tr>
<tr>
<td>Immigration</td>
<td>C</td>
<td>C</td>
<td>Benefit and costs are national in scope; Switzerland Cantons and UAE Emirates have control over immigration; some Canadian provinces also have a role</td>
</tr>
<tr>
<td>Environment</td>
<td>C, P, L</td>
<td>P</td>
<td>Pakistani central government has responsibility for geological surveys, but it is the province that largely controls largely controls issues such as irrigation and land reclamation; depends on extent of benefits area</td>
</tr>
<tr>
<td>Capital investment planning</td>
<td>P, L</td>
<td></td>
<td>Depends on benefits area, Pakistani central government (establishment of CCBs) and KPP program lead to disconnect between district capital and operating budget planning</td>
</tr>
<tr>
<td>Primary and secondary education, literacy</td>
<td>C, P, L</td>
<td>D</td>
<td>In Pakistan, education is assigned to a district government; however, education is highly intergovernmental (see text). Tehsils may have a role.</td>
</tr>
<tr>
<td>Health: dispensaries and local hospitals</td>
<td>P, L</td>
<td>D</td>
<td>In Pakistan, education is assigned to a district government; however, education is highly intergovernmental (see text). Tehsils may have a role.</td>
</tr>
<tr>
<td>Community fire protection</td>
<td>P, L</td>
<td>T</td>
<td>Primarily local benefits; In Pakistan, police are central; Fire Services are a tehsil responsibility</td>
</tr>
<tr>
<td>Community policing</td>
<td>C, P</td>
<td>D, T</td>
<td>Applying the benefits rule, there is a case for special policing for provincial or central activities (e.g., inter-municipal and inter-provincial highway control), but the benefits rule also argues that community police matters are a local issue. Of course, there should be intergovernmental police coordination.</td>
</tr>
<tr>
<td>Water supply and distribution</td>
<td>L</td>
<td>T, UC</td>
<td>Primarily local benefits; Pakistani water distribution policy is in disarray; tehsils are said to have responsibility for water supply systems, but generally fail; UC are to monitor wells and ponds. Typically water supply is intergovernmental.</td>
</tr>
<tr>
<td>Parks and recreation</td>
<td>C, P, L</td>
<td>C, D, T, UC</td>
<td>Primarily local responsibility</td>
</tr>
<tr>
<td>Roads – national</td>
<td>C</td>
<td>P, L</td>
<td>Internal common market</td>
</tr>
<tr>
<td>Provincial roads</td>
<td>P</td>
<td>P, L</td>
<td>Provincial benefits and costs</td>
</tr>
</tbody>
</table>
Interregional roads: C, P, L  
Local roads and streets: L, T, UC  
Animals: *** T, UC  

Legend: C – central government; P – province; L – local government; D – district government; T – tehsil; UC – Union Council.

Table Notes. * All these functions have a private as well as public sector character. Activities denoted with a double asterisk (**) in the table are predominantly private sector functions in many developed federations. ***Central, province and, sometimes, local governments have a regulatory role (e.g., sanitation).

There are three expenditure issues to be discussed:

1. Production vs. provision. Currently, the province, rather than the district government, sets the rules and modalities (salary, career path, and number of employees) of the district's workforce, which creates barriers to successful district service delivery. This affects a district's ability to carry out its expenditure assignment responsibilities; however, there is now a proposal to move some of the workforce from provincial to district control in the form of a new district cadre. 7

One technical process for addressing the control of the district workforce by the province involves contracting out the services through a transparent procurement process to a private sector agent rather than producing the service directly. In Pakistan, several tehsils have been setting user charges and then contracting out the revenue administration process (assessment, billing, collection) to a private contractor through competitive bidding. This approach provides a mechanism for securing for the district a greater degree of flexibility in how to provide a public service. This is important since full control of the civil service has not been transferred from the provinces to the districts. This does not imply that district control over the civil service is a sufficient condition for service delivery (many more administrative reforms will come into play), but rather that it is a necessary condition.

2. Components of an assigned function. While Table 12 is useful as a first policy cut on the who-does-what question, it is still an oversimplification of the reality of how efficient service delivery actually works, in part because of a failure to clearly define the components of broadly defined functions such as “education,” “health,” and “water.” Of course, this problem is not confined to Pakistan; rather, it is faced by every newly decentralizing country. It takes time to sort these complexities out; what matters is that there is intergovernmental coordination and partnership in making this effort. In Pakistan clarity is still needed on the question of which government is responsible for the provision of the various components of the broadly assigned function.

3. Disconnect Between Operating Budgets and Capital Planning. Districts can divert funds from the non-development to development side of its annual budget; but, as the EDO-Finance of Sialkot District noted, this is usually ad hoc and “robs the non-development” side of the budget. This shifting reveals a much deeper problem of a systematic disconnect between the planning for capital investment and the budgeting of operating expenditures. The problem is that many of the districts' capital (e.g., infrastructure) projects are initiated outside a district-controlled comprehensive planning process. The CCBs and, with their annual allotments (described below), Members of the National Assembly (MNAs) and Members of the Provincial Assembly (MPAs), can (and do) initiate capital projects without giving sufficient consideration to size,

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7 Despite the December 31, 2005, deadline for each province to provide clarity on the implementation of the new District Cadre, policies remain unclear and the implementation processes lagging.
timing, and responsibility for ongoing operations and maintenance. Each CCB is required to think about these matters and even sign an agreement with the district stating that it will maintain the projects it initiates; however, there is no enforcement or financing mechanism for the CCB to keep its promise. CCBs have a role in developing a “bottom up” support system for Pakistani devolution, but it is important to engage them within the districts’ overall comprehensive planning framework.

District Own-Source Revenues

Discussions of district finance in Pakistan tend to focus on intergovernmental flows to the districts from the central government—through “vertical” special purpose grants—and provincial government. Little attention is paid to the level or manner in which districts generate own-source revenues. Yet as observed by NWFP’s Local Government Secretary, “If districts levy their own taxes, they succeed. If they do not, they fail.”

To understand why local own-source revenues matters for devolution in Pakistan, it is important to think about why a society decentralizes. This question leads to the decentralization theorem: governments closest to the citizens can adjust budgets to local preferences in a manner that best leads to the delivery of public services responsive to community preferences. Governments must therefore be allowed to exercise own-source taxation and be in a financial position to do so. Indeed, that local governments generate a significant amount of own-source revenues is the essence of fiscal decentralization. This statement is true for districts, provinces, tehsils, and unions alike.

The NRB’s LGO template (and thus the provincially promulgated LGOs) lists own revenues assigned to Pakistani subnational governments (see Table 13), but, as the table reveals, the revenues assigned to the district are neither broad-based, nor buoyant. Districts do not have the power to levy broad-based taxes such as a tax on real property, agricultural income taxes, a broad-based levy on some form of business receipts, a variety of potential sales taxes, personal income (perhaps wage) taxes, or visitor taxes. Because the economic and demographic structure varies so widely across Pakistan, few, if any, districts are likely to be able to take advantage of all (or, perhaps, even many) of such broad-based own-revenue assignments. At the same time, the average district is, indeed, quiet large and economically diverse, and therefore likely to have some own-tax generation potential. A fiscal diagnostic would reveal the potential for own-revenue generation by the districts.

Table 13. Tax Assignment for District, Tehsil, and Union Governments

<table>
<thead>
<tr>
<th>District (Zila) Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Education Tax</td>
</tr>
<tr>
<td>2. Health Tax</td>
</tr>
<tr>
<td>3. Tax on vehicles other than motor vehicles</td>
</tr>
<tr>
<td>4. Any other tax authorized by the Government</td>
</tr>
<tr>
<td>5. Local rate on lands assessable to land revenue</td>
</tr>
<tr>
<td>6. Fees in respect of schools, colleges, and health facilities established or maintained by the district government</td>
</tr>
<tr>
<td>7. Fees for licenses granted by the district government</td>
</tr>
<tr>
<td>8. Fees for specific services rendered by a district government</td>
</tr>
<tr>
<td>9. Collection charges for recovery of tax on behalf of the government</td>
</tr>
<tr>
<td>10. Tolls on new roads, bridges, within the limits of a district, other than national and provincial highways and roads</td>
</tr>
</tbody>
</table>

In comparison with other newly decentralizing countries, Pakistan is a poor-performing outlier when it comes to generating subnational own-source revenues. There are two sets of numbers of interest. The first is a comparison that draws on the IMF’s *Government Finance Statistics* that relates the ratio of subnational revenues to total GDP for selected countries. The numerator includes provinces and local government alike. The data show that the Pakistan subnational Revenue/Total GDP is 0.9 percent. In contrast, consider: Ethiopia, 3.0 percent; Nigeria, 3.1 percent; Bulgaria, 4.6 percent; India, 6.1 percent; South Africa, 6.1 percent; Hungary, 7.0 percent; Argentina, 9.4 percent; Brazil, 10.5 percent; and Belarus, 16.5 percent.

Table 14 provides a ratio of own-source to total subnational revenues. The data again shows that Pakistani local government own-source revenue mobilization is far behind that of other decentralized and decentralizing countries. For example, for the district government of Sialkot, own revenues (“Income from properties and enterprises of defunct Zila Council”) amounted to 0.84 percent of total revenue receipts. To date, mobilizing district own revenues has not been a focus of devolution, with the result that after nearly five years of the Devolution Plan, there is a good progress on political, but not on fiscal decentralization. However, in the long-term, the gains of political decentralization will be sustainable only if there is complementary fiscal decentralization.

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9 Note the caveats and the merits of GFS in this comparative context.
Table 14. Country Comparison of Subnational Own-Source Revenue Generation

<table>
<thead>
<tr>
<th>Country (year)</th>
<th>Estimated own-source revenues as percentage of total subnational revenue</th>
<th>Country (year)</th>
<th>Estimated own-source revenues as percentage of total subnational revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria*</td>
<td>13.4</td>
<td>Pakistan (2003)</td>
<td>&lt;1.0</td>
</tr>
<tr>
<td>China (2002)</td>
<td>&lt;5.0</td>
<td>Slovakia (1999)</td>
<td>42.1</td>
</tr>
<tr>
<td>Czech Republic (1999)</td>
<td>40.2</td>
<td>Spain (regions, local)*</td>
<td>22.0, 84.0</td>
</tr>
<tr>
<td>Denmark (1999)*</td>
<td>96.0</td>
<td>Switzerland (cantsons,</td>
<td>89.0, 87.0</td>
</tr>
<tr>
<td>Egypt (2005)</td>
<td>6.4</td>
<td>communities) (1999)*</td>
<td>30.0</td>
</tr>
<tr>
<td>Germany (1999)*</td>
<td>53.0</td>
<td>Thailand (2002)</td>
<td>10.9</td>
</tr>
<tr>
<td>Hungary (1999)</td>
<td>33.3</td>
<td>Poland (1999)</td>
<td>35.2</td>
</tr>
</tbody>
</table>

Note: “Own source” refers to total taxes, revenues for which the subnational government sets the tax base plus taxes for which it only sets the rate. Revenues include taxes plus nontax sources levied by the local government (for example, fees and charges). The range for Belgium reflects local municipalities (97 percent) and regional governments (100 percent). The asterisk denotes a tax (not revenue) autonomy ratio.

Source: European data are from OECD 2002. East Asian data are provided by Taliercio 2005.

When district officials try to exercise the revenue powers authorized by the LGO, they first have to go through the provincial Department of Local Government and Rural Development’s vetting process. In principle, the vetting process is intended to serve as a review of whether the tax or user charge is permitted under the LGO. However, the (preliminary) evidence is that the process is more often a vetoing than a vetting exercise.

**Intergovernmental Transfers**

In the absence of a robust, buoyant system of local revenues, local governments (districts, tehsils, etc.) rely on national transfers, both in the form of vertical transfers (specific grant support programs) and as a result of a pass-though arrangement of a National Finance Award that goes to provincial governments, which then pass some proportion of the federal grant on to district governments. The nature of these flows is illustrated in Figure 5, which provides a schematic description of the intergovernmental flow of funds.
Figure 5. Intergovernmental Flow of Funds in Pakistan

Note: GST = General Sales Tax; OZT = Octroi / Zila Tax; UIPT = Urban Immovable Property Tax
Source: Authors
Provincial Receipts

The bulk of funds for financing subnational (provincial and district) expenditure flow from the national to the provincial to the district governments (tehsils are separate corporate bodies and not part of these flow arrangements). The process begins with the central government’s annual National Finance Commission (NFC) award. This award process, initiated in 1971, begins with the building up of the “federal divisible pool,” which is funded from a broad range of federal taxes (e.g., income tax revenues, 5/6 of the General Sales Tax (GST), customs duties, capital taxes). Then, as the figure illustrates, 62.5 percent of this pool is retained by the federal treasury and 37.5 percent is made available to be passed on to the provinces in the form of the NFC award on a per capita basis.11 (The federal government also retains for its use receipts from interest, dividends, and nationally levied and collected user fees and charges.)

Provinces receive “straight transfers,” which are proceeds the national government collects in the provinces, which are transferred back to the provinces based on the place of collection (i.e., it is a derivation-based transfer). The funds for the straight transfers are generated from oil and gas royalties and a gross sales tax on services, and reduce the overall central-subnational vertical imbalance, which is the purpose of shared revenues. However, because it is a derivation-based transfer, it exacerbates horizontal disparities in favor of Punjab and Sindh. Accordingly, special subventions are accorded to both Balochistan and NWFP.

Other revenues flow into the provinces from the Water Power Development Authority (WAPDA) Hydel profits. This amount represents the share of water authority profits generated from hydroelectric production (which is located in NWFP). In addition, there are special vertical grants to the provinces as well as Education Sector Reform Funds and Devolution Support Funds that are to be spent according to national priorities (as agreed to under a special federal-provincial contracting arrangement).

All the above external flows are combined with provincial own revenues, which are a combination of direct taxes, indirect taxes and non-tax (user charge) receipts, into a Provincial Consolidated Fund. To give an idea of the importance of provincial own revenues, in 2002–2003, they accounted for approximately 18 percent of the Punjab budget.

District Non-Debt Revenues

Districts were almost entirely funded by the provincial government in 2001–2002. Until devolution, districts were budgetary units of provincial governments and, as result, did not have autonomous revenues. Districts still rely primarily on provincial funds in the form of accounting/real transfers, and thus districts are implicitly reliant on federal–provincial transfers.

Tehsils have inherited from their various predecessor urban bodies both the Urban Immovable property tax (UIPT) and the Octroi/Zila Export (OZT) replacement grant revenues. Until 1999, urban bodies such as

11 The Constitution requires that the NFC award pool and formula be reviewed every five years, a provision that has largely been ignored. Some proponents of revising the NFC argue that it is time that the distribution formula incorporate some recognition of economic disadvantage such as utilizing the provincial Human Development Index. Any such arrangement that moves away from a population-only distribution leads to the result that Punjab becomes a net loser of NFC award funds. Not surprisingly, Balochistan and NWFP are the fiscal winners when such index is included in the formula. For a discussion see Kai Kaiser, Intergovernmental Fiscal Relations in Pakistan: Structural Challenges for the 2001 Devolution, Proceedings of the National Tax Association, November 2005 (Washington, DC USA).
municipal corporations or town committees collected octroi (import taxes levied by municipal entities at their borders on goods imported for resale), while rural ones collected Zila Export taxes on agricultural goods exported out of rural councils. Together, the octroi (collected largely in urban areas) and zila (rural area) taxes accounted for 50 percent to 60 percent of autonomous local revenues. While productive of revenues, these taxes (which, when combined, are referred to as the OZT) were notorious for their inefficiency and as a source of corruption at the point of collection. Accordingly, they were abolished in May 1999 by the Inter Provincial Coordination Committee (IPCC) as of fiscal 1999–2000 with the agreement that the federal government would replace them with a grant to be paid to the urban bodies, now the tehsils. This replacement grant was funded by a 2.5 point increase in the General Sales Tax rate (taking it from a rate 12.5 percent to 15.0 percent, which is 1/6 of the GST, which further explains the contribution of 5/6 of the GST to the initial NFC distributable pool).12

Most district revenues are derived from the provincial consolidated account as transfers as determined by the respective Provincial Finance Commissions (PFCs). The process is to divide the Provincial Consolidated Fund into an amount to be retained for provincial use and a “provincial allocable amount” to be distributed to the local governments. In order to calculate retained receipts, the PFC estimates provincial expenditures. For example in Punjab, the expenditures to be covered include costs for debt servicing, pensions, subsidies, charge expenditures, on time grants, net deficit/surplus on the capital account, fiscal equalization grants for smaller TMAs, and an amount for development budget distribution. In 2003 for Punjab, this accounted for 61.3 percent of the consolidated fund leaving 38.7 percent for the provincial allocable amount.13

The grant funds to be allocated to local governments are divided into two component parts: current expenditures and development. Both the current and development transfer—the PFC Awards—are then distributed on a formula basis, with each province determining its own distribution formula. Thus, Balochistan distributes current transfers based on historical spending, and the development grant by equally weighting area (km²) and population. NWFP applies one formula to both the current and development transfer that reflects economic disadvantage and infrastructure lags. Punjab uses two factors for current transfers and development transfers: population and underdevelopment. Sindh distributes current transfers using population, economic disadvantage, tax collections and a transitional index; for development it begins with a fixed amount per district supplemented by an allocator for population, economic disadvantage, and “backlog.”14

An important fiscal string comes with the current transfers, as 70–80 percent of the transfer is typically earmarked for booked salary operations. This large portion of the district budget is, in essence, a funded provincial-to-district mandate. As noted above, nearly all of the district workforce personnel are provincial civil servants whose numbers, salaries, and career paths are provincially determined. This greatly restricts district expenditure autonomy.

District expenditure autonomy is also limited by the earmarking of development grants by the national government through the CCBs (25 percent of development grants are earmarked for CCBs), which can

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14 Charlton, et al., Table 7.
propose capital improvements projects to be funded 80 percent by the district. As a result, active CCBs may result in an ad hoc district capital planning process.

District Borrowing

Subnational (e.g., district) borrowing in an important element in the revenue mobilization process. Subnational governments borrow for four reasons, all related to (and justified by) the need to generate external funds to finance development expenditures. Indeed, a general rule is that subnational borrowing is preferable to the use of current funds for capital projects.

First, properly structured, borrowing finances the type of public investment that leads to economic development and growth, and these development-enabling investments have a large intergovernmental character. Second, to be able to finance investments, a society must draw on the savings—the loanable funds—of people who have the income and wealth that allows them to save (a process that will nearly always involve the banking system). However, except in the richest local governments, access to the needed funds requires borrowing. Third, transfer that local government receive from higher tier governments are typically for current expenditures, as in the case of provincial financial awards made to the districts. Although it is true that localities may also receive capital development transfers, such special purpose grants are often inadequate. Moreover, since special purpose development grants can lead to reduced local government expenditure flexibility to meet current needs, such grants should be made (and used) sparingly. Fourth, because proceeds from debt are used for capital projects that provide a flow of services over time as well as enable additional private sector development, debt finance is both equitable across generations and efficiently matches the financial costs with service flow.

Of course, the borrowing entity—in this case, the district—has to be creditworthy. A best-practice checklist is that the jurisdiction should have:15

- a sound economic outlook based on a diversified economy (with some export activity),
- clarity in its intergovernmental expenditure responsibilities (and, for its assigned functions, local expenditure autonomy),
- significant “own” taxing powers (“own” referring to local control over revenue bases and rates),
- an equalizing transfer system,
- borrowing regulations,
- a medium-term budget planning framework,
- clarity of regulations of fiscal management, accounting, and reporting,
- effective cash management,
- a system of independent, external audits,
- sound operating balances and sustainable debt structure and level, and
- recognition of contingent liabilities including those of government owned-enterprises.

Currently, district governments in Pakistan do not meet these criteria. Given the benefits to local governments of being able to borrow to finance capital projects, attention should be given to helping them become creditworthy.

15 Adapted from the Standard and Poor’s Rating Criteria (selected) as cited in Ahmad and Albino-War.
II.C Accountability and Citizen Participation

As mentioned earlier in the report, accountability and citizen participation were identified as key elements of good governance at the onset of the devolution process. With the passage of the Local Government Ordinance in 2001, a number of new structures and bodies were created to help achieve greater accountability and improve citizen participation. A new system of monitoring and evaluation was put in place to put checks and balances at each tier of government. The first part of this section focuses on upward reporting and accountability and looks at the Health Management Information System (HMIS) and Education Management Information System (EMIS), which existed prior to devolution, and the Monitoring Committees, which were newly created under the LGO.16 The second part of the section focuses on citizen participation. It describes the structure and functions of two newly created bodies—the School Management Committees/Parent Teacher Associations (SMCs/PTAs) and the Citizen Community Boards (CCBs)—as well as whether they successfully perform their assigned functions and have contributed to greater citizen involvement in local governance and decision-making.

II.C.1 Upward Reporting and Accountability

HMIS and EMIS

A functioning Management Information System (MIS) is an essential tool that can help improve planning and assist facility managers in the health and education sectors in making informed decisions. Pakistan has two countrywide facility-based management information systems—the Health Management Information System (HMIS) and the Education Management Information System (EMIS),—which were developed in the early 1990s prior to devolution.

District governments (the Offices of EDO-Health and EDO-Education) receive HMIS and EMIS forms from the province and distribute them to all schools and first level care facilities (Basic Health Units and Rural Health Centers) in the district. The medical superintendents of each BHU/RHC and the principals of each school complete the forms and give them back to their respective EDOs. The data is entered into computers at the district level and then send to the province. Districts without computers send hard-copy reports instead. Ultimately, the compiled data reaches the National HMIS and EMIS Cells, where it is analyzed using HMIS and EMIS software and SPSS. These Cells generate feedback reports derived from the national data, which are sent to the district managers (EDO-Health and EDO-Education).

Table 15. Types of Data Collected for HMIS and EMIS

<table>
<thead>
<tr>
<th>Types of Data Collected from BHUs and RHCs for HMIS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Number of meetings, health education sessions, and home visits;</td>
</tr>
<tr>
<td>• Stock position of essential drugs;</td>
</tr>
<tr>
<td>• Number of patients (by age) treated for priority diseases such as diarrhea, dysentery, respiratory infections, etc. (The complete list includes 18 diseases.)</td>
</tr>
<tr>
<td>• Prenatal care (number of newly registered, hemoglobin under 10 gm, total visits)</td>
</tr>
</tbody>
</table>

16 Even though the HMIS and EMIS were created prior to devolution, their role in providing service-related indicators that can help district government officials and facility managers in policy-making and management is an important one and needs to be part of this assessment report.
Deliveries (number of deliveries, % of deliveries by trained staff, number of expected deliveries, number of deliveries in the BHU/RHC)
- Postnatal care
- Maternal deaths
- Family planning (number of visits and contraceptive distribution)
- Vaccination (number of children vaccinated in different age groups)

Types of Data Collected from Schools for EMIS:
- Dropout rates
- Enrollment and attendance rates for girls’ and boys’ schools, for each class, and for primary, middle, higher and higher secondary schools
- Facilities in primary, middle, high and higher secondary schools such as existence of a building, access to water, electricity, latrines, and boundary walls
- Number of teachers in each class by primary, middle, high and higher secondary schools
- Number of rural and urban schools
- Qualification level of teachers by sex
- Existence of a school management committee/parent-teacher association, membership by sex
- Number of textbooks by class
- Number of students repeating each class by sex
- Number of students with scholarships by class, amount

Source: Authors

As Table 15 shows, the HMIS and EMIS data does include some important service-related indicators. The data collected can certainly be used to evaluate the performance of individual health facilities and schools, as well as compare it to the performance of other facilities. However, field visits revealed that the data is currently primarily used as a basis for allocating funds, rather than for evaluating the performance of service providers. The Executive District Officers in the districts that the team visited informed us that the provincial government uses the data to determine next year’s budgets for each facility. For example, funding for School Management Committees/Parent-Teacher Associations is calculated by the province based on the enrollment information provided by the schools. The EDOs keep copies of the reports, but generally do not use them for management purposes or in decision-making, nor do they share the reports with facility managers.

In addition, many officials in the district and provincial governments view HMIS and EMIS data as unreliable due to errors during data collection or incomplete records at the facility-level. In Punjab, the provincial government has contracted an accounting firm, PricewaterhouseCoopers, to do data validation, but only of a limited segment of EMIS data provided by the districts. The team identified at least two factors that might be contributing to the poor quality of collected data:

1. The lack of understanding of the potential usefulness of the data at the level at which it is collected leads to carelessness and errors or blanks in the forms.
2. The fact that EMIS enrollment data is used by the provinces to help determine next year’s school budgets creates an incentive to inflate enrollment numbers (in order to obtain more funding), thus leading to deliberately inaccurate reporting.

At the facility level, data collection for the HMIS and EMIS is widely perceived as an additional burden for the staff. Since most medical superintendents and school principals are not given a copy of the report sent
by the federal government, they not benefit from the existence of HMIS and EMIS data. The teams visit to
the DHQ Hospital in Kohat (NWFP) revealed that the hospital is regularly collecting substantial outcome
information about service quality. However, even though the data is being tracked and reported to the
district, it is not used for internal management and policy decisions about service delivery. The picture
below shows a white board that is updated daily in the office of the medical superintendent. The code CN 2
under the category “staff absent” refers to category of nurse. MLC refers to medical legal cases against the
hospital.

In Peshawar, the team met with representatives of the
Research and Reform Unit, which provides monitoring
and evaluation support to the Department of Health in
the North West Frontier Province (NWFP). The unit,
which has recently been renamed Wing for Strategic
Health Policy Analysis and Development (WISH PAD),
is specific to NWFP, but is also being replicated in
Punjab. Its primary focus is monitoring and evaluation,
EDO strengthening, health policy, and donor
coordination. The unit’s staff confirmed that the HMIS
is currently not being used in management and there is
no culture of giving feedback to the facilities that
provide the data. They also recognized the need to
conduct comparative analysis, so that health managers
can see where their facility stands in comparison to
other facilities and what areas need to be improved.

**Monitoring Committees**

Monitoring Committees (MCs) were created under the LGO to provide monitoring and oversight of the
functioning of various facilities and local government offices. Monitoring Committees are to be established
for each function, such as finance, public safety, health, education, etc., at each tier of local
government—Unions, Tehsils/Towns, and Districts. Each MC is required to have at least three members
elected for a term of three years (Table 16).

**Table 16. Composition and Election of the Monitoring Committees**

<table>
<thead>
<tr>
<th>Composition and Election</th>
<th>Union Council MCs</th>
<th>Tehsil/Town Council MCs</th>
<th>District Council MCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of members</td>
<td>At least 3</td>
<td>At least 3</td>
<td>At least 3</td>
</tr>
<tr>
<td>Minority representation</td>
<td>One third of seats</td>
<td>One third of seats</td>
<td>One third of seats</td>
</tr>
<tr>
<td>Term of service</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
</tr>
<tr>
<td>Members elected by</td>
<td>Union Council</td>
<td>Tehsil/Town Council</td>
<td>District Council</td>
</tr>
<tr>
<td>Members elected from</td>
<td>Council members</td>
<td>Council members</td>
<td>Council members</td>
</tr>
<tr>
<td>Election conducted by</td>
<td>Union Nazim</td>
<td>Naib Tehsil/Town Nazim</td>
<td>Naib District Nazim</td>
</tr>
</tbody>
</table>

Notes: a One third of the members of each Monitoring Committee shall consist of members from reserved seats for peasants,
women, workers, and minorities.

Source: Authors
In the unions and tehsils/towns, election of members of the MC takes place by a secret ballot. Each member of the council casts a vote in favor of any one candidate. Elections of different MCs are held separately (one committee at a time). In district councils, elections of different committees are held together. One council member can contest for more than one committee and can head different committees if elected to that position. The candidates who win the most votes become members of the MC. The member who wins the most votes for the MC becomes the Chair of that MC. An exception is the MC of Municipal Services at the Union Council level, which is headed by the Naib Union Nazim. At the end of the first year of their terms, the MCs have to obtain a vote of confidence from the council members. Also at the end of the first year, the council can approve elections to elect new members for the MCs if needed.

The roles and responsibilities of the Monitoring Committees are summarized in Table 17 below. The Law also establishes that the Monitoring Committees at each level of government may seek consultation from Citizen Community Boards (CCBs) and Village and Neighborhood Councils.

**Table 17. Roles and Responsibilities of the Monitoring Committees**

<table>
<thead>
<tr>
<th>Monitoring Committees</th>
<th>Areas of monitoring</th>
<th>Scope of monitoring</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Union Monitoring Committees (UMCs)</strong></td>
<td>Municipal Services, Finance, Public Safety, Health, Education, Literacy, and Works and Services (at a minimum)</td>
<td>All offices of District Government, Tehsil/Town Municipal Administration, and Union Administration related to service delivery within Union</td>
<td>Quarterly reports submitted to UMCs’ Councils</td>
</tr>
<tr>
<td><strong>Tehsil/Town Monitoring Committees (TMCs)</strong></td>
<td>Municipal Regulation, Infrastructure and Services, Planning, Finance</td>
<td>Offices of the Tehsil/Town Municipal Administration and the provision of municipal services.</td>
<td>Submit quarterly reports to the Councils.</td>
</tr>
<tr>
<td><strong>District (Zila) Monitoring Committees (ZMCs)</strong></td>
<td>Performance of the District Government Offices in the District</td>
<td>Each Group of Offices or for each individual Office within the Group of Offices</td>
<td>Quarterly reports to their District Councils</td>
</tr>
</tbody>
</table>

Source: Authors

In addition to setting the structure of the Monitoring Committees, the LGO also identifies the monitoring methods to be used by the Monitoring Committees as follows:

17 Village and Neighborhood Councils are community-based organizations that can be formed at the request of a Tehsil Municipal Administration or Town Municipal Administration to perform various functions, such as develop and improve water supply sources, make arrangements for sanitation and garbage disposal, mobilize community involvement for the maintenance of public spaces, organize cultural and recreational activities, etc. Village and Neighborhood Councils are also responsible for facilitating the creation of CCBs for the development and maintenance of municipal and community welfare facilities. (Source: The Local Government Ordinance, 2001.)
1. Proactively seek and obtain feedback from the public regarding service delivery and performance of various offices.

2. Visit facilities and collect primary data during field visits.

3. Monitor the functioning of local government offices.

4. Review the plans, activities and routine progress reports of the various offices.

Each MC is required to prepare and submit Quarterly Monitoring Reports to the respective councils. The quarterly reports should describe the activities and accomplishments of the MC during the quarter, as well as issues that require intervention of the council. The reports should also evaluate the performance of each office/service delivery and facility in relation to:

- Achievement of its targets;
- Responsiveness to citizens’ needs;
- Efficiency in the delivery of services; and
- Transparent functioning.

The councils are supposed to review the reports and send recommendations in the form of resolutions to the respective Nazims for action. Within thirty days, the Nazims are required to report to the councils on the progress made in resolving the issues identified by the Monitoring Committees. The councils’ quarterly resolutions and the actions taken by the Nazim are to be included in annual reports prepared by the councils and then sent to the District Council for compilation and development of a database. Additionally, all councils are required to display information on actions taken regarding the problems highlighted in the Monitoring Reports at prominent places in the Council Offices for public information.

The above discussion on the composition and functions of the MCs reveals that the structures and mechanisms for effective monitoring of service delivery and the performance of relevant offices at each tier of local government have been created. If functioning properly, the MCs would create linkages between government offices, service providers, and citizens that are essential to improved service delivery. Evidence from the field, however, suggests that the structures and mechanisms that existed on paper have not yet been fully implemented. While the Monitoring Committees have been formed in most places, they are not performing their functions as envisioned in the LGO. Below is a list of the most frequently cited reasons for this discrepancy between the provisions of the LGO and the situation on the ground:

1. Members of the MCs are unclear about their roles and responsibilities;
2. The roles and responsibilities of MC members are in addition to their other responsibilities and some members have no time for monitoring;
3. In some areas, members of the MCs have no means for travel to the facilities they are supposed to be monitoring;
4. Members do not have a clear definition of monitoring and have received little or no training on monitoring and data sources and collection.
II.C.2 Citizen Participation

Citizen participation in local governance and decision-making has been historically low in Pakistan. The School Management Committees/Parent-Teacher Associations (SMCs/PTAs) and the Citizen Community Boards (CCBs) were created with the passage of the LGO to address this problem and create venues through which citizens can get involved.

School Management Committees/Parent Teacher Associations

In the education sector, the SMCs/PTAs represent a channel through which citizens are linked to service providers and can hold them accountable for the quality of service delivery. Under the provisions of the LGO, each school should have an SMC/PTA to allow parents to provide direct input into the management of educational facilities. SMCs/PTAs receive a limited amount of funding from the government each year, which is based on enrollment and which they can use for small repair projects in the schools or for the purchase of textbooks and other supplies.

Evidence from field visits to schools in several districts shows that SMCs/PTAs have been formed in most schools, but that they do not perform their functions as envisioned in the LGO. Perhaps the most obvious reason for this is that committee members lack the capacity to perform their functions. If the committees are to take on an active role in ensuring accountability by participating in decision-making and the management of schools, their members should receive some basic training to become better acquainted with their roles, responsibilities, and powers. Active SMCs/PTAs can play an important role in monitoring teacher attendance and helping to reduce teacher absenteeism.

In the health sector, there is no formal mechanism for citizen involvement in overseeing health facilities, nor are there institutional arrangements for feedback from civil society through surveys or open forums.

Citizen Community Boards (CCBs)

Prior to devolution in Pakistan, responsibility for the planning and implementation of development projects rested with the central government and was essentially a top-down process carried out without citizen input. The designers of the new system recognized the need to involve citizens in decision making as a key step towards improved governance and more effective and efficient service delivery at the local level, which led to the creation of Citizen Community Boards (CCBs). The idea behind CCBs is that the people themselves should be able to assess the needs of their community, set priorities and implement development projects. This will create a sense of ownership of the development projects among the citizens by directly involving them in the planning and implementation of each project. At each tier of local government, 25 percent of the annual development funds in the budget are earmarked for projects of registered CCBs. Unutilized funds for CCB projects during any given year are not lost, but carried forward to next year’s allocation.

A CCB can be formed by any 25 community members. Registration of the CCB is done through the Community Development Office of the district in which the board is formed. Once registered as a CCB, the group prepares and submits a project proposal to the Executive District Officer-Community Development (EDO-CD). In addition to preparing the proposal, the members of the CCB are also required to raise 20 percent of the total cost of the project, which is deposited in a bank account associated with a specific CCB.
project. (If one CCB has multiple projects, it is required to have separate bank accounts for each project.) Upon approval of the project proposal by the EDO-CD, the relevant local government deposits the remaining 80 percent of the project cost in the bank account for the project. The local government funds come from the 25 percent of development funds allocated for CCB projects.

The team examined evidence of the impact of CCBs on the ground and heard some critical views regarding the boards’ effectiveness in addressing community needs and increasing citizen participation. Many local government officials felt that the CCBs undermine the officials’ vision of community development. The following were most frequently given as the reasons for the failure of the CCBs to function as designed:

1. **Uninformed citizens**

The CCB concept is still largely unfamiliar to many people. In Karachi, citizens were informed about CCBs through advertisements that appeared in several newspapers, and included a brief introduction to CCBs, information about the registration process, and the availability of funding for development projects. Further campaigns are needed to popularize CCBs and encourage citizens to think about the needs of their community and use the available funding to make improvements.

In the City District of Karachi, which has a population of 14 million, there have been 140 applications for the registration of CCBs to date. Out of these, 37 CCBs have been registered. The registered CCBs are in 14 of the 18 towns of the City District, as shown in Table 18 below.

### Table 18. Distribution of Registered CCBs in the City District of Karachi

<table>
<thead>
<tr>
<th>Town</th>
<th># Registered CCBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baldia</td>
<td>3</td>
</tr>
<tr>
<td>Bin Qasim</td>
<td>3</td>
</tr>
<tr>
<td>Gadap</td>
<td>1</td>
</tr>
<tr>
<td>Gulberg</td>
<td>1</td>
</tr>
<tr>
<td>Gulshan-e-Iqbal</td>
<td>2</td>
</tr>
<tr>
<td>Jamshed</td>
<td>3</td>
</tr>
<tr>
<td>Kemari</td>
<td>2</td>
</tr>
<tr>
<td>Korangi</td>
<td>2</td>
</tr>
<tr>
<td>New Karachi</td>
<td>1</td>
</tr>
<tr>
<td>North Nazimabad</td>
<td>3</td>
</tr>
<tr>
<td>Orangi</td>
<td>13</td>
</tr>
<tr>
<td>Saddar</td>
<td>1</td>
</tr>
<tr>
<td>Shah Faisal</td>
<td>1</td>
</tr>
<tr>
<td>SITE</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>37</strong></td>
</tr>
</tbody>
</table>

Source: Authors

The total amount of funding requested by registered CCBs to date for the implementation of development projects is Rs. 27,585,556, with proposal budgets ranging from Rs. 66,047 to Rs. 6,300,000. Of the proposed projects, 40 percent are for improving street sewerage, 13 percent are for parks, 8 percent are for street lights, and the remaining are for other projects, such as installing water coolers in schools, building a shelter at a bus stop, and purchasing computers for a library.
2. **Slow and complicated registration process**

The CCB registration process involves 52 steps and takes 6–8 months. This can discourage even the few citizens who are aware of the existence of CCBs and the availability of funding for CCB projects and indicates the need for simplification of rules and procedures. In Faisalabad District (Punjab), which is known to have a larger number of active CCBs compared to other districts, this problem has been remedied by the creation of a “one-window” operation desk whose function is to assist CCBs and speed up the registration process. Every Wednesday, citizens can go to the operation desk and receive technical assistance. The large signpost in front of the building raises the visibility of the office and gives citizens a clear indication of its location.

3. **Shortage of staff at the District Community Development Offices**

The offices of the EDO-CD where the registration of CCBs and the review and approval of CCB projects take place are generally not adequately staffed to perform their functions.

4. **Difficulties in accessing development funds**

In some instances, citizens have formed a CCB, collected and deposited the 20 percent of the total cost of the proposed project, and then have run into delays on the part of the government in depositing the remaining 80 percent of the funding into the CCB’s account. One CCB reported that the members applied for funding to repair a local school in Lahore City District two years ago and are still waiting to receive the government’s share of the funding. A similar claim was made in Thatta, where a parent member of a SMC complained that his town had put in the matching funds necessary for adding rooms to their primary school, but had not yet received funding from the district government.

5. **Political interference**

There is some evidence of local officials using CCBs for their own ends—for example to increase their popularity by having members of their family or close relatives form CCBs and implement community development projects. In Sialkot Tehsil, the son of the Tehsil Nazim was implementing two projects through a CCB. In another instance, a road that had been built through a CCB was known in the community by the name of a local political family. Political interference undermines the whole idea of CCBs being formed by citizens and used as a mechanism through which the needs of each community can be addressed.

6. **Lack of funding for the maintenance of CCB projects**

The maintenance of completed CCB projects remains the sole responsibility of the CCB, even though there is no provision in the law for additional funding for maintenance nor is there a provision for the continued existence of the CCB itself. While this serves the idea that CCB projects help develop a sense of ownership among the implementing citizens, the lack of funding is a serious problem. Some members of CCBs questioned why they should be responsible for maintenance when CCB projects are always implemented on government-owned land. Critics of the CCBs also argue that the very creation of this body is an attempt on the part of the central government to transfer some of its responsibilities for local service provision to the citizens.
Two types of problems emerge from the discussion above: 1) CCBs can be difficult to establish as functioning bodies and 2) they do not necessarily implement projects that meet community needs in a sustainable way.

With the creation of the CCB concept, the LGO has created the enabling legal environment for increased citizen participation. However, CCBs have not necessarily increased accountability because they are not legally accountable to the larger community in the way that elected officials are. What CCBs do offer is a vehicle for interaction between citizens and for discussion of community needs. One local government official in a city district visited by the team stated that success at this early stage of devolution should not be measured solely by what CCBs are achieving through their projects, but also by the change in people’s mindset and the reversal of the perception that the government does not pay attention to their needs.

III. KEY FINDINGS AND CONCLUSIONS

Pakistan's devolution is now four and a half years old. The conceptual and legal framework for the development of an effective system of local governance was created in July 2001, and a review of the Local Government Ordinance of 2001 reveals that the rules and procedures governing the process have been set in place. Yet, four and a half years into devolution, political decentralization has not been followed by adequate administrative and fiscal decentralization to ensure quality service delivery to the public. Citizens recognize this incapacity and mistrust the government’s ability to improve the quality of their lives. Citizen participation in local government activities and decision-making is very low, despite the fact that the Government of Pakistan's approach to devolution is marked by a very strong role assigned to citizen organizations and governmental accountability to them.

This section presents the key findings related to issues that impede successful devolution. The field assessment of devolution led to conclusions that can be grouped into four general categories:

– Local government – organizational, institutional, and human issues
– Fiscal responsibility
– Service delivery
– Accountability and citizen participation

The key findings under each category are, as follows:

**Local Government – Organizational Issues**

– Key positions at the district level (such as DCO) are held by officers appointed by the province who, while performing their functions at the district level, remain primarily accountable to the provinces. Provincial control over the hiring, firing and transfers of senior district staff, senior teachers and health workers undermines the managerial powers of district government officials and impedes the effective and efficient delivery of services. (This problem should have been solved with the adoption of the new district cadre. The deadline for its adoption, however, which was December 31, 2005, has passed.)

– Members of the national and provincial assembly (MNAs and MPAs) interfere in the appointments and transfers of senior teachers and health professionals, often leading to excessive turnover of key personnel.
It appears that under the current institutional arrangements, many intergovernmental relations have been left out of alignment and productive linkages between district departments and the corresponding units at the provincial level are lacking. The District Department of Community Development, for instance, does not even have a direct counterpart at the provincial level. As a result, despite a very wide range of assigned responsibilities, the EDO-Community Development and his/her office represent a weak link in the district's management structure, which does not in practice perform "development" functions or connect constructively with community organizations, such as the CCBs.

Many of the districts' capital projects, including CCB projects, are initiated outside any district-controlled comprehensive planning process and need to be brought in-line with this process.

Members of national and provincial assembly (MNAs and MPAs) implement development projects in their constituency through KKP development grants without consultation with District and Tehsil governments. This constitutes a serious problem, as these members may not be willing to give up the high degree of autonomy in project execution that they enjoyed prior to devolution and in the absence of a well functioning local government system.

**Local Government – Institutional Issues**

Local government officials are unclear about their new roles and responsibilities under the Local Government Ordinance. This was a frequently expressed grievance, especially by district and tehsil government officials in the rural and more remote areas.

TMAs lack the capacity and funding to operate and maintain the infrastructure constructed through vertical programs by the federal and provincial government and to handle large infrastructure projects in the water sector.

**Local Government – Human Resources and Capacity**

The number of vacant posts in the education and health sectors and the absenteeism rate among teachers and health workers are very high.

Many Executive District Officers lack the managerial capacity or staff to perform their newly assigned functions.

Many district officers, as well as teachers and health professionals, receive inadequate training.

**Fiscal Responsibility**

Fiscal decentralization has not taken place at the district level, with district governments remaining dependent on provincial governments for fiscal transfers. Funding for health and education services continues to be provided by the provincial government in the form of grants to the district governments. District governments deposit all user fees collected in health facilities and schools (for children's school leaving certificates) into the provincial account. The funds are then distributed among the districts according to the PFC award formula, rather than in proportion to the actual amount collected in each
district. The Federal Government also plays a role in service delivery through vertical programs, such as the Lady Health Workers for instance.

– Discussions of district finance in Pakistan tend to focus on intergovernmental flows to the districts from the federal government and the provinces, while little attention is paid to the level or manner in which districts generate own-source revenues.

– Districts have not been assigned any broad-based taxes under the Local Government Ordinance, nor has their potential for own-tax generation been explored.

– No medium or long-term budget planning is taking place at the district level.

– TMAs have relatively greater fiscal autonomy compared to the districts. TMAs can levy their own taxes and fees subject to approval by the province and can retain the funds for their recurrent and development expenditures. However, TMAs’ own source revenues are not allocated to any functional unit of the TMA (e.g. water fees are not earmarked for water services, etc.) giving TO I&S little incentive to improve the collection efficiency.

– There is little movement towards accurate cost accounting and full cost pricing in the local utilities sector.

Service Delivery

– Effective and efficient service delivery is hampered by vacant posts due to a lack of teachers and health workers willing to take positions in rural and remote areas.

– Absenteeism has been a major problem. Teacher and doctor absenteeism rates are very high. Because staffing is the most important element of service delivery both in the health and education sectors, it is important to focus efforts on addressing this problem.

– Lack of rewards for good performance and sanctions for substandard performance of unproductive or absent workers undermine morale and reduce output, which in turn leads to a spiral of overall poor performance. While bonuses for good performance are allowed under the LGO, most districts have not taken advantage of opportunities to provide either non-monetary or monetary incentives to well-performing individual or teams of teachers and health workers.

– Procurement policies lead to delays and inefficient practices. For example, procurement of drugs and medical supplies requires the approval of the provincial government, thus leaving district governments with no control over the timely delivery of needed drugs and other supplies. Chronic shortages of basic inputs in both schools and health facilities and malfunctioning equipment in health facilities are complaints that the team heard in almost every district.

– Poor and sporadic record keeping and minimal use of the collected information contribute to poor management and undermine service delivery.
Accountability and Citizen Participation

- Monitoring Committees often lack the operational capacity, the skills and the incentive to perform their functions. In addition, Monitoring Committees are powerless beyond oversight and advice. This, for example, has led to hospital and school managers ignoring their authority and instead responding to provincial officials who have real influence over their career paths.

- Weaknesses in management information systems have been major problems. For example, weaknesses in tracking systems for supplies and drugs and an inability to sanction (or hold accountable) abusing staff make control of theft particularly challenging. Poor record keeping and low capacity at the facility level results in incomplete and error-riddled record, which leads to the limited use of the information in decision-making.

- Citizen understanding of and participation in local government is low.

- SMC/PTAs lack the capacity and training to perform their assigned responsibilities, as well as a channel through which to report problems and malpractices to the local government officials with authority to correct them. Without such a channel, through which to take action and effect change, the SMC/PTAs cannot be expected to have an impact on the performance of the education sector.

- CCBs are still a largely unfamiliar concept to many citizens and as a result, CCB funding is underutilized in most local governments. Where active, CCBs have become splintered groups lobbying for small investment projects and often captured by local elites or contractors looking for project funding. As far as local governments’ perception of CCBs goes, the boards are often viewed as antagonists of local government—or an opposition in waiting—rather than as productive partners in development.

IV. RECOMMENDATIONS

Pakistan is already receiving a substantial amount of donor assistance aimed at improving service delivery in the health, education, and water sectors. Thus, in preparing the recommendations outlined in this section, we have attempted to limit ourselves to interventions that directly address the “governance” issues impeding progress in these sectors. The focus on governance under the Districts That Work project is meant to create synergies with other USAID-funded projects currently underway.

A look at service delivery through a governance lens requires focusing on the institutions whose responsibility it is to deliver these services and their capacity to carry out their assigned functions. Empowering and strengthening these institutions can result in more effective service delivery.

Improved governance can be achieved through a strategy that addresses the challenges identified in Section IV above. USAID can sustain Pakistan’s devolution process by supporting the development of specific recommendations that will encourage local, provincial, and national governments to follow through with necessary changes. Many of the recommendations below are aimed at donor organizations—exceptions are noted—and several are already being addressed by ongoing USAID projects. Some of the recommendations may require several years to be implemented. Continuing USAID’s
successful projects in the country and showcasing best practices to the provincial and national governments will help increase support and appreciation for USAID's strategic objectives in Pakistan.

**Local Government – Organizational Arrangements**

- Increase local governments' autonomy in their newly assigned areas of responsibility. Since district governments have been given responsibility for health and education services, they should have the corresponding managerial and fiscal autonomy. Given the delay by the national government in adopting the new civil service reform (District Cadre), which is expected to correct structural problems related to postings, promotion and pay, USAID can encourage improved relationships between province and district and cooperation in making staffing decisions at the district-level.

- Encourage and establish channels for information sharing between the tehsils and the other tiers of local governments.

**Local Government – Institutional Arrangements**

- Hold information dissemination sessions to raise awareness among all local officials of the new roles and responsibilities assigned to them under the Local Government Ordinance.

- Strengthen the capacity of EDO-Health and EDO-Education and their offices for management and oversight.

- Create channels for cooperation and collaboration between the districts' departments and their corresponding line departments at the provincial level.

- Strengthen the capacity of the Community Development Department at the district-level.

**Local Government – Human Resources and Capacity**

- Examine the underlying reasons for high absenteeism rates.

- Introduce incentives to raise the performance of teachers and health workers and reduce absenteeism.

**Fiscal Responsibility**

- Given that fiscal decentralization has not taken place at the district level and has only occurred to a limited extent at the TMA level, interventions such as revenue mobilization, financial management and participatory budgeting may not have the desired impact during the initial states of project implementation. Project activities that address fiscal decentralization will be contingent upon identifying a province that is willing to re-think intergovernmental relationships with the district. Specific recommendations are: (1) GOP should provide adequate authority to local governments for raising revenues that would support basic services responsibilities of the local government; (2) Donors should develop specific recommendations for GOP as to wording changes in the legal authority; (3) GOP should encourage the use of PBB by both the provinces and local governments, including such elements as provision for providing cost accounting capability for individual government services, measuring and reporting at least annually on key performance indicators that include both major
outputs and outcomes for each program; (4) GOP, with support from donors, should encourage use of multi-year financial planning (say for at least three years) for local governments for capital-budget planning and for revenue estimation; (5) GOP, with support from donors, should develop training and technical assistance to Provinces and local governments for the above elements.

Service Delivery

- Districts and provinces can explore the possibility of introducing special incentives for staff willing to take posts in rural or remote areas (housing allowance, housing quarters within the facility compound, promotion upon completion of term assignment, etc.). Improving the quality and structure of facilities can make previously undesirable posts attractive and can lead to improved performance of workers, boost morale, and lower absenteeism rates. This also presents an opportunity for collaboration between the Districts That Work project and other USAID-funded initiatives that provide technical assistance and grants for infrastructure repairs.

- Consider using a variety of incentives, both non-monetary and monetary (such as bonuses) to reward good performance and “incentivize” government employees, such as teachers and health workers. Regular recognition awards and individual-employee performance reviews are examples of such procedures for encouraging improved performance.

- The GOP should develop improved capability to undertake periodic independent performance audits.

- Improve records and record keeping to provide systematic data to managers and the bureaucracy

- Provincial governments should give district governments more autonomy in procurement of such items as drugs and medical supplies to avoid the delays and bottlenecks that leave many offices and facilities with shortages of supplies and malfunctioning equipment. Donor organizations can improve the capacity of districts to take on this function.

- Encourage district governments to consider contracting out selected services, after determining that contracting is likely to achieve substantial cost savings or improved service quality, such as the management of health facilities. Experience with this practice (including for example the Rahim Yar Khan model in Punjab, Pakistan) has shown that it frequently leads to improved service delivery. It can prove especially beneficial in districts where the EDO-Health’s office lacks the capacity to manage all the facilities that it is responsible for. However, GOP, with support from donors should provide technical assistance and training in such contracting, including writing them so that fairness to the government, the contractors, and the public is maintained, and so that contractor performance is adequately monitored.

Accountability and Citizen Participation

- The GOP, with support from donors, should provide technical assistance and training to Provinces and local governments in collecting, analyzing, reporting, and using performance information such as on service quality and service outcomes.
- Strengthen the capacity of Monitoring Committees to perform their monitoring and oversight functions and define the mechanism through which they can report malpractices and system failures and thus have a measurable impact on performance and service delivery.

- District and provincial governments can introduce a system of regular audits, inspection and control (e.g. unannounced visits to schools and hospitals to monitor staff attendance, exit interviews with patients in hospitals, parent surveys on teacher performance, etc.) Create an effective channel, through which system failures can be reported and can reach the institutions and government officials with authority to correct them.

- Establish acceptable and regular means for tracking staff absenteeism from schools and hospitals.

- Strengthen the usefulness of management information systems such as HMIS and EMIS as a management and decision-making tool by establishing an effective institutional arrangement for data collection and analysis, including the verification of data by independent parties.

- Launch campaign to inform citizens of the roles and responsibilities of local governments under the newly reformed system, as well as of their own rights to demand information. Make information available to the public and create channels, though which citizens can express their voice and hold local government officials and service providers accountable. Practices as simple as posting a note on the schools' or health facilities' door informing the public of expected school or hospital transfers from the province, reporting receipt of funds to the community, and reporting absenteeism rates of teachers and students can lead to increases in accountability because the community can monitor and pressure local officials to make sure that funds have been received and are used as intended.

- Empower the SMC/PTAs to provide oversight of teacher and school performance. SMC/PTAs can be given a role in evaluating teacher performance, issuing certificates of excellence in teaching and giving recognition awards, or even monetary bonuses to well-performing teachers.

- Involve citizens in the oversight of health care facilities by training volunteers who can visit facilities and collect information on staff attendance and other facility characteristics. Citizens can also assist hospital and school administrators in maintaining complete staff attendance records.

- Launch community awareness program about CCBs.

- Work with CCBs and the District Department of Community Development to simplify the rules and procedures for CCBs.

- Encourage CCBs to integrate their efforts into the local government's community development planning process and to work closely with the District Department of Community Development. Having constructive relations with local governments, a well-defined role and the capability to perform their functions are key to the sustainability of CCBs in the future.

- Provinces and districts, with donor support, should provide technical assistance and training to these various citizen bodies as to their roles and how they might exercise those roles.
The above menu of needs is large and perhaps seems overwhelming. Clearly, many of these will take many years to improvement fully and properly. However, these are all highly desirable steps towards improving governance in Pakistan and of most importance leading to better services for all Pakistan citizens.
# ANNEX A: List of Organizations and Individuals Met in the Field

## USAID and Implementing Partners

<table>
<thead>
<tr>
<th>Name</th>
<th>Title / Position</th>
<th>Organization</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
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Islamabad Government

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NWFP Province

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Sindh Province

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Punjab Province

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ANNEX B: Bibliography


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