

*The Pakistan Development Review*  
40 : 4 Part II (Winter 2001) pp. 845–867

## New Local Government System: A Step Towards Community Empowerment?

ZULQARNAIN HUSSAIN ANJUM

### 1. INTRODUCTION

Failure of the central/provincial governments to adequately capture local preferences and provide basic services strengthened the case for a new local government system for delivery of public services along with the authority to impose fees, taxes, user charges, etc. to finance these services. The new System aims at transferring political, administrative and fiscal powers<sup>1</sup> from higher tiers of the government to lower tiers (Figure 1) in order to bring governments closer to common citizens for greater accountability and better understanding of the needs and preferences of people.

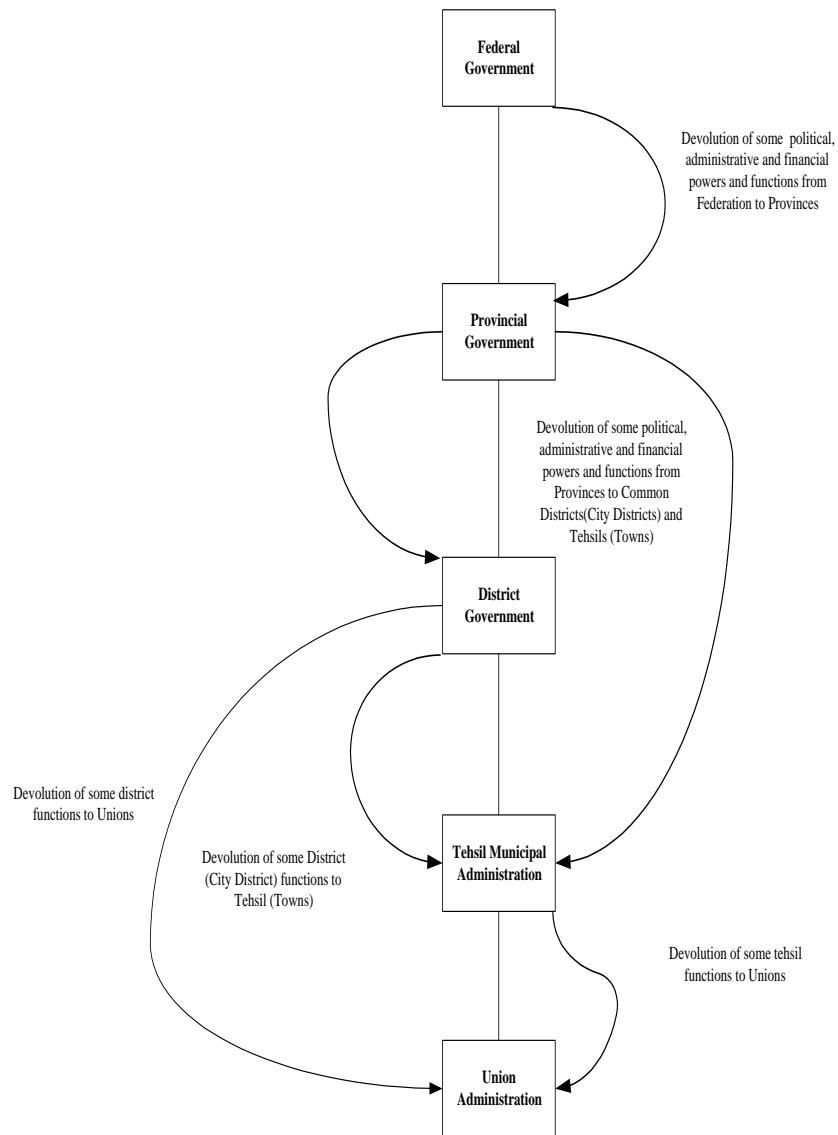
National Reconstruction Bureau (NRB) was entrusted the task of designing a local government system which presented its first blue print in the form of “Devolution Plan 2000”. As a result of this exercise a new Local Government System has been installed in Pakistan on 14th August 2001 after the promulgation of Local Government Ordinance 2001 by all the four Provinces. The new System comprises a District Government or a City District Government and Zila Council in a district, Tehsil Municipal Administration and Tehsil Council in a tehsil (a Town Municipal Administration and Town Council in a town in a city district) and Union Administration and Union Council in a union. Village/Neighbourhood councils provide an interface with the lowest tier of the Local Government (Union Administration) with the community.

The new system advocates empowering the people at the grass root level, providing affordable and speedy justice near their doorstep, ensuring fiscal autonomy and equitable

Zulqarnain Hussain Anjum is Deputy Consultant, National Reconstruction Bureau, Islamabad.

*Author's Note:* The views, findings, interpretations, and conclusions of this paper are the author's own. These should not be attributed in any form to the National Reconstruction Bureau.

<sup>1</sup>Provincial Resource Commission to be established under the new System, apart from distribution of funds between the Provincial Government and Local Governments, will also work on tax assignments from Provincial to Local Governments.

**Fig. 1.**

opportunities of livelihood, and enabling the people to have a meaningful role in shaping their own destiny. The system is designed to ensure, through an effective system of checks and balances, that genuine interests of the people are served and their rights are safeguarded. The system introduces participatory or bottom-up model of development in which the citizens at the grass-root are involved in planning, formulation and implementation of programmes for themselves.

This paper examines the new System and studies the institutional arrangements for citizens' empowerment and organisation at grass root level. The major issue is that whether the new System has sufficient arrangements for community empowerment?

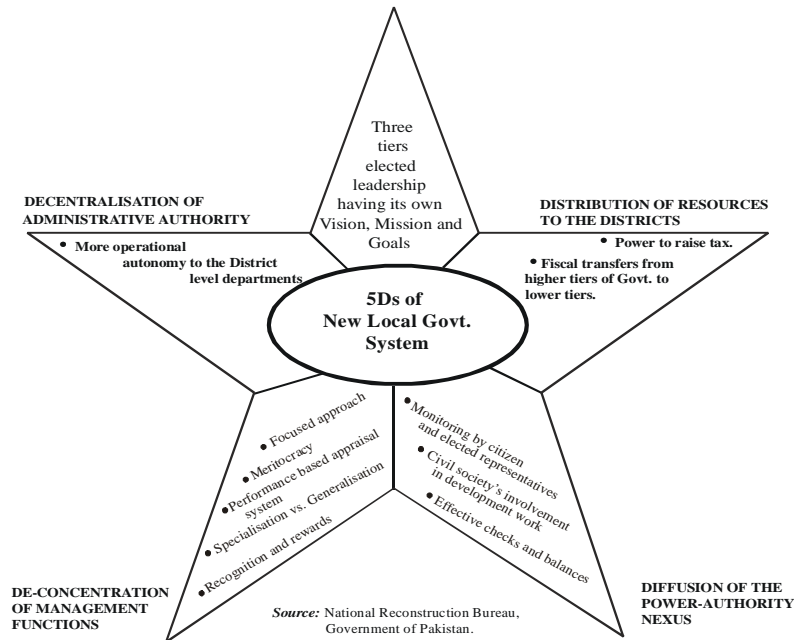
The paper is organised as follow: Section 2 provides the new local government system installed on 14th August 2001, Section 3 deals with institutional arrangements for community empowerment in the new system, Section 4 examines the sufficiency of these arrangements, Section 5 contains conclusion and recommendations.

## **2. NEW LOCAL GOVERNMENT SYSTEM IN PAKISTAN**

Previously there was no integrated local government in the district. In rural areas were union councils, markaz councils and district councils. In urban parts of the district were metropolitan/municipal corporations, municipal committees and town committees. The union and markaz councils were under the control of Assistant Commissioner, municipal and town committees under Deputy Commissioner and District Council and metropolitan/municipal corporations under Commissioner of the division. The local political bodies thus divided on rural-urban basis and under the control of the administrative officers. Real authority and power remained directly in the hands of the government functionaries in the district. There was little role of common citizens in decision-making and development was driven from top to bottom without participation of community.

### **The New Local Government System**

The provincial governments promulgated the Local Government Ordinance, 2001 in their respective provinces to install an integrated three-tier local government structure at union, tehsil and district levels with effect from 14th August 2001 to function within the provincial framework and adhere to the Federal and Provincial laws. The new system, which may be best described through the 5Ds Local Government System 2001 in Figure 2, reorients administrative system to allow public participation in decision-making. The essence of this system is that the local governments are accountable to their citizens for all their decisions and the system enables the proactive elements of society to participate in community work and development related activities. It has also removed rural-urban divide.

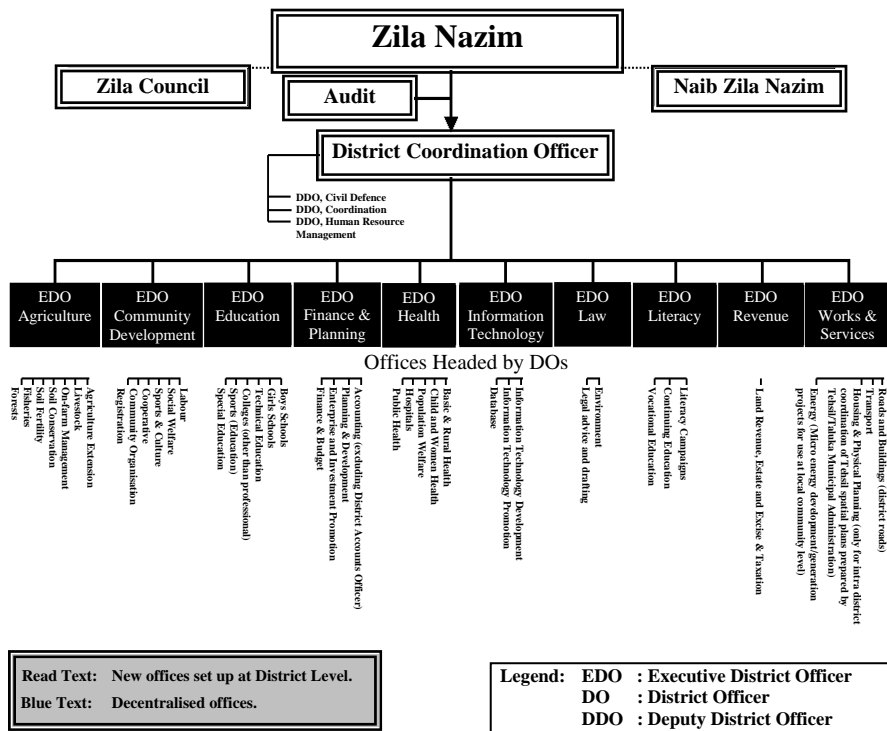


**Fig. 2. Devolution of Political Power.**

### District Government

At the top tier, the District, there is a single integrated local government called District Government (organogram in Figure 3). The district government consists of Zila Nazim and District Administration. The District Administration, which comprises of district offices including sub-offices at tehsil level of the Provincial Government departments decentralised to the District Government, is responsible to Zila Nazim. All social services and a major component of economic and community services are devolved to district government in addition to creation of new functions related to literacy, social development, information technology and environment. Adequate checks and balances have been introduced in the system. The new System effectively addresses the specific needs and problems of large cities. In addition to declaration of four provincial capitals<sup>2</sup> as City Districts, the System has provisions to declare a city/tehsil as City District when it becomes urbanised and fulfills the criteria of a City District.

<sup>2</sup>Lahore, Karachi, Peshawar, and Quetta.

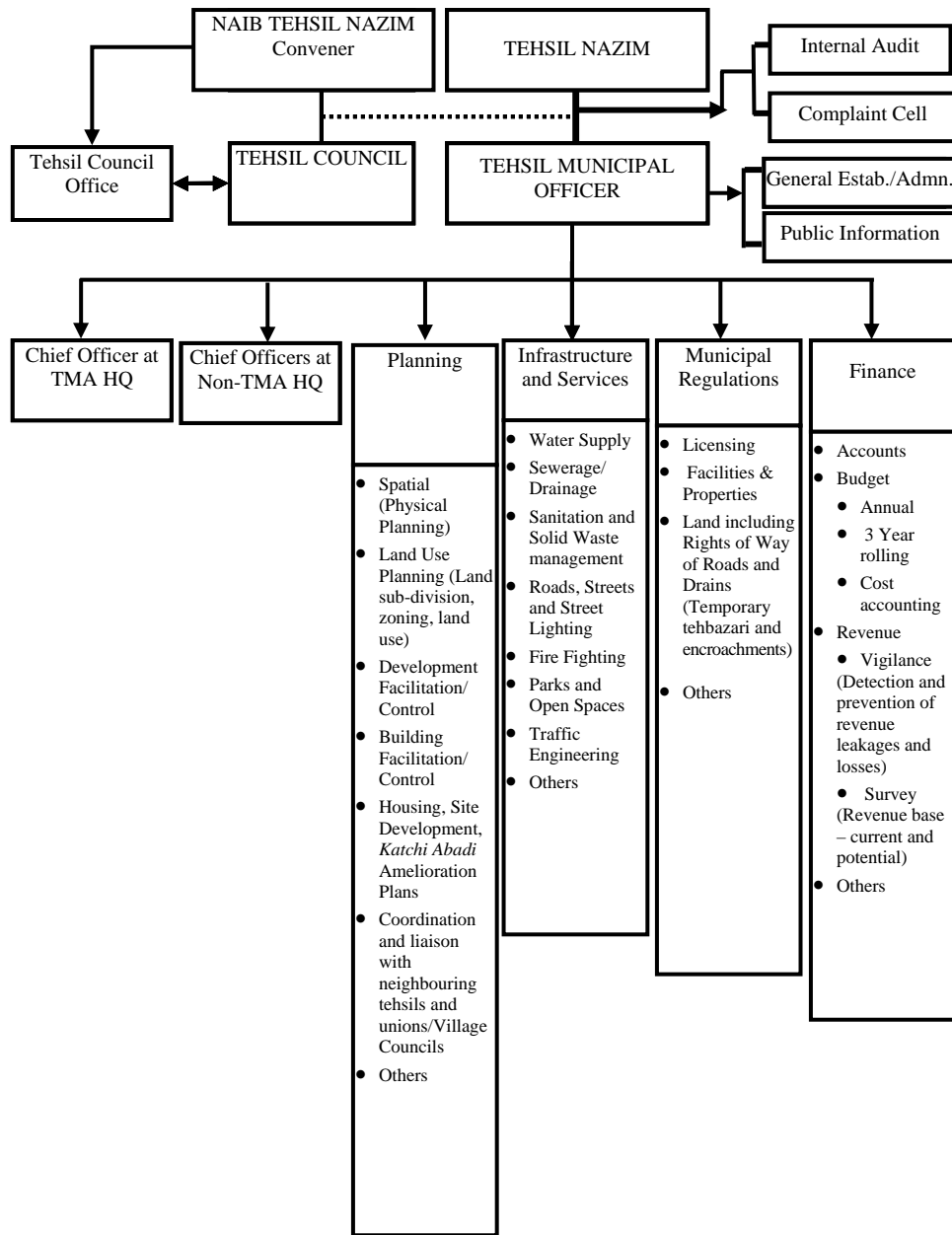


Source: The SBNP District Government (Model) Rules of Business, 2001.

**Fig. 3. District Government**

### Tehsil Municipal Administration

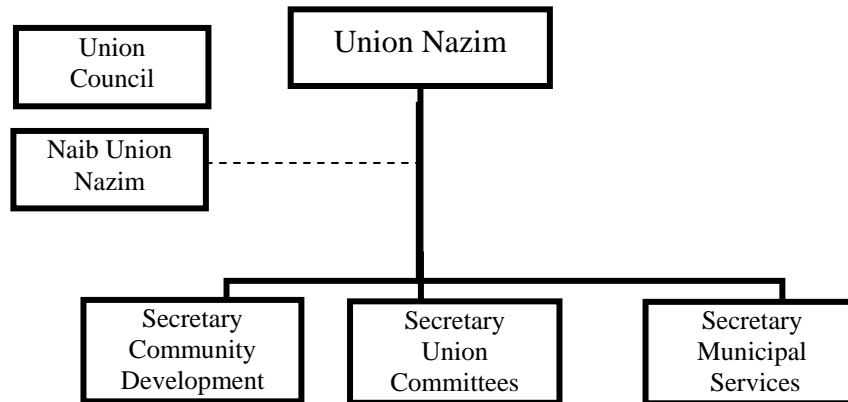
The middle tier, the Tehsil, has Tehsil Municipal Administration to be headed by the Tehsil Nazim. The Tehsil Municipal Administration, which is responsible for municipal functions and spatial planning, includes the offices of the Urban Local Councils established under the repealed Local Government Ordinance 1979, offices and sub-offices of Local Government and Rural Development, Public Health Engineering and Housing and Physical Planning Departments of Provincial Government entrusted to it for administrative and financial management. The organisational structure of a Tehsil Municipal Administration is shown in Figure 4. In a City District, a Town Municipal Administration is organised more or less on the same pattern as Tehsil Municipal Administration in a common District.



**Fig. 4. Tehsil Municipal Administration**

### Union Administration

At the lower tier, unions are organised in rural as well as urban areas across the whole district. Union Administration consists of Union Nazim, Naib Union Nazim and three Union Secretaries and other ancillary staff (Figure 5).



Source: The SBNP Union Administration (Model) Rules of Business, 2001.

**Fig. 5. Union Administration**

### Coordination between the Three Tiers of Local Government

The Zila Council in a common district or in a city district, apart from reserved seats for the women, peasants and workers and minorities, consists of Union Nazims of all the unions in the district or the city district. Similarly the Tehsil/Town Council, apart from reserved seats for women, peasants and workers and minorities, consists of Naib Union Nazims of all the unions in the tehsil in a common district or in the town in a city district. This provides vertical linkages between the three tiers of the local governments i.e. the Union, Tehsil, and District. Union Nazim and Naib Union Nazim are elected as joint candidates to the Union Council, which consists of twenty-one elected members against general and reserved seats.

### Local Government Finance

The new Local Government System envisages formula-based fiscal transfers to the districts through Provincial Finance Awards. In addition, local governments are allowed to levy local taxes from a specified list (Table 1). To promote trade and

Table 1  
*Local Tax and Non Tax Sources*

---

<b>Zila Council</b>
1. Education tax.
2. Health tax.
3. Tax on vehicles other than motor vehicles.
4. Any other tax authorised by the Government.
5. Local rate on lands assessable to land revenue.
6. Fees in respect of schools, colleges, and health facilities established or maintained by the district government.
7. Fees for licences granted by the district government.
8. Fees for specific services rendered by a district government.
9. Collection charges for recovery of tax on behalf of the government.
10. Toll on new roads, bridges, within the limits of a district, other than national and provincial highways and roads.
<b>Tehsil and Town Councils</b>
1. Local tax on services.
2. Tax on the transfer of immovable property.
3. Property tax on annual rental value of buildings and lands.
4. Fee on advertisement and billboards.
5. Fee for fairs, agricultural shows, cattle fairs, industrial exhibitions, tournaments and other public events.
6. Fee for approval of building plans and erection and re-erection of buildings.
7. Fee for licenses or permits and penalties or fines for violation of the licensing rules.
8. Charges for execution and maintenance of works of public utility like lighting of public places, drainage, conservancy, and water supply.
9. Fee on cinemas, dramatical, theatrical shows and tickets thereof, and other entertainment.
10. Collection charges for recovery of any tax on behalf of the Government, District Government, Union Administration or any statutory authority.
<b>Union Councils</b>
1. Fees for licensing of professions and vocations.
2. Fee on sale of animals in cattle markets.
3. Market fees.
4. Fees for certification of births, marriages and deaths.
5. Charges for specific services rendered by the union council.
6. Rate for the remuneration of Village and Neighbourhood guards.
7. Rate for the execution or maintenance of any work of public utility like lighting of public places, drainage, conservancy and water supply.

---

*Source:* Local Government Ordinance, 2001.



commerce in the country there will be no import/export tax or tax on movement of goods through a district. According to the new Local Government System, local governments are not allowed to incur any debt to finance their expenditures.

### **3. INSTITUTIONAL ARRANGEMENTS FOR COMMUNITY EMPOWERMENT**

Empowerment is a process of reconstructing group identity, raising consciousness, acquiring new skills and upgrading knowledge base. It progressively imparts to the poor a new power over the economic and social forces that fashion their daily lives. It is through this power that the poor becomes an active force in initiating interventions that improve his economic and social conditions. Empowerment of the poor means increasing the poor's ownership of physical assets in order to secure sustainable and adequate livelihood. It includes augmenting human capital endowments through improved access to education and health services and movement towards pro-poor governance through changes in political system, state institutions and regulatory environment that promote decentralisation and participation of the people.<sup>3</sup>

The new Local Government System advocates an enabling environment for significant citizen empowerment, participation, and representation, making government increasingly responsive. In the new System development schemes will be initiated by the community itself and will travel up from unions to districts. For equitable resource distribution, funds will flow from districts to tehsils/towns and down to unions. The system of transparency will provide an easy access to information held in public offices.

The new System enables proactive citizens to participate in community development/service through creating voluntary organisations called Citizen Community Boards (CCBs). Creation of Village and Neighbourhood Councils will provide direct interface between the people at the grass-root level and the local governments for changing attitudes and promoting community drives.

District, Tehsil/Town and Union Councils have committees to monitor the performance of local governments at respective levels. The multi-layered and un-intrusive monitoring of the local governments, performed by the elected representatives, is expected to trigger improved governance and delivery of services throughout the district.

At every tier of the new local government system, women have substantial representation of at least 33 percent, which was never witnessed in the past. Adequate representation has also been given to the workers, peasants and minorities.

<sup>3</sup>Three-year Poverty Reduction Programme, 2001–04, The Planning Commission, Government of Pakistan.

The system thus provides an enabling environment for the empowerment of traditionally marginalised segments of the society.

The system encourages amicable settlement of disputes through mediation, conciliation and arbitration.<sup>4</sup> The institutional arrangements for community empowerment are discussed in detail in the following paragraphs:

### **Village and Neighbourhood Councils**

The new Local Government System provides for five to eleven members village council in a village in rural areas or a neighbourhood council in a neighbourhood in urban areas to develop and improve water supply sources, make arrangements for sanitation and solid waste management, mobilise voluntary resources including labour, property and cash contributions, facilitate the formation of cooperatives for improving economic returns and reduction of interstitial poverty and consumer protection, report cases of handicapped, destitute, and extreme poverty to the Union Administration, mobilise the community involvement in maintenance of public streets, play grounds, parks, de-silting of canals and water courses and promote plantation, landscaping and beautification of the village and neighbourhood.

The village and neighbourhood councils will act as interface between the local government and the community at grass-root level. These will assist in conducting surveys and collecting socio-economic data, identifying encroachments, selecting landfill sites, managing burial places and collecting land revenue and other taxes.

The village and neighbourhood councils through voluntary contributions or on self-help basis develop and maintain municipal and community welfare facilities and will facilitate in creation of Citizen Community Boards (CCBs).

### **Citizen Community Boards (CCBs)**

The new Local Government System also provides for setting up of Citizen Community Boards (CCBs) in every local area by a group of non-elected citizens for energising the community for development and improvement in service delivery through voluntary, proactive and self help initiatives and to take up the welfare of the handicapped, destitute, widows and families in extreme poverty.

A Citizen Community Board may raise funds through voluntary contributions, gifts, donations, grants and endowments for its declared purposes without compromising the larger interest of the community. It may also receive project-based cost sharing support from any local government.

A Citizen Community Board will be a non-profit organisation and its income and assets are allowed to be used solely for the attainment of its objectives. The accounts of the Board will be subjected to audit. In case of dissolution or de-registration of a Citizen Community Board, its assets will pass on to the local

<sup>4</sup>Section 103 of the Local Government Ordinance, 2001.

government which contributed towards creation of these assets or funds and it will continue be used for community welfare.

### **Bottom Up Planning and Ownership Incentive System**

According to the new System, the development expenditure from Local Fund<sup>5</sup> should not be less than fifty percent of the Fund. In case it is less than that, the development component must be increased in equal successive increments over the three years from the current level to make it fifty percent at the end of three years.

The development budget according to this system is to be prioritised in accordance with the bottom-up planning process and up to fifty percent of the development budget should be reserved for the schemes initiated and identified by the Citizen Community Boards.

Under the new System, Citizen Community Boards may receive from a local government matching grants up to eighty percent of the budgeted amount of an approved development scheme by depositing its share of the cost of the Scheme.

### **Monitoring Committees**

In the new system monitoring committees are introduced for monitoring the functions of the local governments at each level in order to evaluate performance of each office in relation to achievement of its targets, responsiveness to citizens' difficulties, efficiency in delivery of services and its transparent functioning.

The Monitoring Committees elected by the Zila Council are responsible for monitoring the functions of the offices of the District Government and preparing quarterly reports. The Monitoring Committees of the Tehsil/Town Council are responsible for monitoring the functioning of the offices of the Tehsil/Town Municipal Administration and also preparing quarterly reports.

Monitoring Committees for Union Council are responsible for monitoring functioning of all the offices of District Government, Tehsil/Town Municipal Administration and Union Administration for delivery of services within its area and preparing quarterly evaluation reports.

### **Representation of Women, Peasants and Workers, and Minorities**

Adequate provisions are in the law<sup>6</sup> with respect to representation of women and weaker segments of the society in the decision-making process. Women, peasants and workers and minorities are elected on special seats in Zila Council in a district or in a city district. Women represent thirty-three percent of total number of unions in a district or in a city district. Peasants and workers make up five percent of

<sup>5</sup>According to transition Chapter XII of the Local Government Ordinance, 2001, there are two kind of accounts:—Local Fund at District, Tehsil/Town and Union levels which includes all the taxes, user fee and other charges collected by a local government and District, Tehsil/Town and Union Provincial Account at District, Tehsil/Town and Union levels in which funds are transferred by the Provincial Government.

<sup>6</sup>Local Government Ordinance, 2001.

total number of unions in a district or in city district and five percent seats are reserved for minority communities.

Similarly women, peasants and workers and minorities are also elected on special seats in Tehsil/Town Council. The women elected against reserved seats represent thirty-three percent of total number of unions in a tehsil in a common district or a town in a city district. The number of peasants and workers make up five percent of total number of the unions in a tehsil or a town. The number of persons from minority communities also represent five percent of the total number of unions.

The Union Council, which comprises twenty one members, consists of twelve Muslim members elected on general seats including four reserved for women, six members elected on seats reserved for peasants and workers including two reserved for women and one member elected on a seat reserved for minority communities.

### **Complaint Cell**

New system provides a complaint cell in every District Government, Tehsil/Town Municipal Administration and Union Administration for redressal of grievances of common people and to get feed back from the citizens.

### **Zila Mohtasib**

The new System establishes an office of Zila Mohtasib in every district for redressal of citizens' complaints against all functionaries of the District Government, Tehsil/Town Municipal Administration, Union Administration, Nazims, Naib Nazims, District Police officers and officials, members and all officials of the Council. The Mohtasib may also conciliate, amicably resolve, stipulate, settle or ameliorate any grievance without written memorandum.

### **Musalihat Anjuman**

The new System has provisions for *Musalihat Anjuman* in each union consisting of a panel of three *Musaleheen* (conciliators) from amongst the residents of the union who are publicly known to be persons of integrity, good judgment and command respect. The *Anjuman* will strive to achieve amicable settlement of disputes<sup>7</sup> through mediation, conciliation and arbitration.

## **4. ARE THE ARRANGEMENTS SUFFICIENT FOR COMMUNITY EMPOWERMENT?**

The annual per capita expenditure on human priority areas of basic education, primary health care, family planning, safe drinking water, and

<sup>7</sup>Both civil and criminal nature.

nutritional programmes in Pakistan is just \$3 against \$123 in Malaysia and \$133 in Korea. To quantify human development, United Nations Development Programme (UNDP) has devised a series of indexes such as Human Development Index (HDI), Human Poverty Index (HPI), Gender Related Development Index (GDI), etc. The HDI measures the overall achievements in three basic dimensions of human development-longevity, knowledge and a decent standard of living. Pakistan stands at 127 (in a group of 174 countries) indicating that 126 countries are better off than Pakistan in terms of life expectancy, education attainment and actual income per capita in purchasing power parity. While HDI measures overall progress in a country, HPI reflects the distribution of progress and measures the backlog of deprivations. Pakistan's HPI ranking is 65 and HPI value 39.2 percent which means that 39.2 percent of the population in Pakistan is deprived of the basic facilities considered essential for people to be above the poverty line. The GDI ranking for Pakistan, which measures gender inequalities in achievement between women and men, is 117 while GDI value is 0.446. Real empowerment of community would mean that the country must improve its ranking in above areas.

The question is whether there are enough transfers from Provincial Government to the Local Governments and whether there are sufficient funds with the Local Governments from own sources to sustain the new system and to initiate development for the community empowerment?

### **Fiscal Transfers**

The new System provides for inter-government fiscal transfers from the Province to the Districts and Tehsils/Towns for the provincial functions devolved to the Districts and Tehsils/Towns. The purpose is that these lower tiers perform the devolved functions and provide services at least at present level and to establish local control on resources for spending according to local priorities. In addition to these, transfers are also made to Tehsils/Towns and Unions through the District as Octroi and Zila tax compensatory grants. These funds should continue to flow from the Province to the Local Governments in a sustained manner apart from the fact that more funds are required for service improvement at local level.

Historically there has been a vertical imbalance in the public finances. Taxation base and authority is highly biased in favour of the Federation. The net contribution of the Provinces in federal and provincial tax collection is just 4.5 percent. In the total revenue share (Federal, Provincial and Local), federal share is 90.2 percent, provincial share is 5.0 percent and local share is 4.8 percent. The wide gap between provincial share in taxation powers for revenue generation and the present expenditure demand of the Provinces (Table 2) make them highly dependent on transfers from the Federal Government.

Table 2

*Taxation Powers and Expenditure Responsibilities*

	Revenue Share	Expenditure Share
A. Federation	90.2%	63.1%
B. Provinces	5.0%	31.1%
C. Local Governments	4.8%	5.8%

Source: National Reconstruction Bureau, Government of Pakistan.

The present overall resource gap of federation and provinces is Rs. 265.3 billion and is plugged through domestic and foreign borrowings. The gap between Federal Government's own revenue sources (from taxes, non-taxes and surcharge) and expenditures is Rs 28.6 billion even if no funds are transferred to the Provinces as per NFC<sup>8</sup> Award. The aggregate revenue of the Provinces stood at Rs 52.6 billion and expenditure need Rs 289.1 billion showing a shortfall of Rs 236.7 billion. For the Provinces after the NFC Award, the gap is Rs 46.7 billion. The Provincial Governments are thus heavily dependent on fiscal transfers from Federal Government and have to borrow money<sup>9</sup> to fill the remaining revenue-expenditure gap. Details are given in Table 3.

The Local Government share in the Provincial Budgets 2001-2002, which includes funds for devolved functions and OZ grant,<sup>10</sup> is shown in Table 4. The Local Governments share in Sindh, Balochistan, NWFP and Punjab is respectively 25.9 percent, 43.3 percent, 27.9 percent and 35.8 percent.

In view of the foregoing analysis the Provinces, already heavily dependent on transfers from Federation and on borrowings will face problems in transfer of funds to the local governments on a sustained basis even for the functions devolved to the local governments. Additional offices created in the District Government and shown in Table 5 will need more funds from the Province since there is no local fund capacity already in existence at district level to finance these functions.

Horizontal fiscal imbalances exist among the local governments in all the four provinces if resource allocation is compared on per capita basis (See Figure 7 for Sindh province). The present transfers to the districts, which is based on the functions devolved to the districts and tehsils/towns and OZ grant, should be equalised to remove horizontal imbalances and for equitable development. A powerful and independent Provincial Resource Commission, proposed in the new system, may be able to deal with distribution of resources between local governments and the province and among the local governments on more equitable basis.

<sup>8</sup>National Finance Commission.

<sup>9</sup>According to Federal Government guidelines.

<sup>10</sup>Octroi and Zila Tax compensatory grant being shared by the federation and provinces from sales tax.

Table 3

*Revenue and Expenditure Position (Rs Million) without NFC Award*

<b>A. Federal Government</b>						
Revenue			Expenditure		Deficit/Surplus, (-)/(+)	
1	Tax (Gross)	457,700.00	Current	572,403.30		
2	Surcharge	470,000.00	Development	100,000.00		
3	Non-Tax	139,103.40				
<b>Total</b>		<b>643,803.40</b>		<b>672,403.30</b>		<b>-28,599.90</b>
<b>B. Provincial Governments</b>						
Revenue			Expenditure		Deficit/Surplus, (-)/(+)	
1	Tax	21,835.00	Current	243,268.80		
2	Non-Tax	30,560.20	Development	45,808.50		
<b>Total</b>		<b>52,395.20</b>		<b>289,077.30</b>		<b>-236,682.10</b>
<b>Revenue and Expenditure Position (Rs Million) After NFC Award</b>						
<b>A. Federal Government</b>						
Revenue			Expenditure		Deficit/Surplus, (-)/(+)	
1	Tax (Net of Transfer to provinces)	299,219.60	Current	572,403.30		
2	Surcharge (Petroleum and collection charges on gas surcharge)	32,300.00	Development	100,000.00		
	S.T.	331,519.60				
3	Non-Tax (revenue including interest income less royalty on natural gas plus petroleum)	122,310.30				
<b>Total</b>		<b>453,829.90</b>		<b>672,403.30</b>		<b>-218,573.40</b>
<b>B. Provincial Governments</b>						
Revenue			Expenditure		Deficit/Surplus, (-)/(+)	
1	Tax	21,835.00	Current	243,268.80		
2	Non-Tax	30,560.20	Development	45,808.50		
3	NFC Transfers	188,003.80				
<b>Total</b>		<b>242,368.80</b>		<b>289,077.30</b>		<b>-46,708.50</b>

Source: Federal Budget 2001-2002.

Table 4

*Local Government Share in Provincial Budgets 2001-2002*

Provinces	Total Budget (Million)	Provincial Share (Million)	Local Government Share (Million)
A. Sindh	69,414.847 (100%)	51,464.100 (74.1%)	17958.747 (25.9%)
B. Balochistan	25,250.455 (100%)	14,313.440 (56.7%)	10,937.015 (43.3%)
C. NWFP	44,060.000 (100%)	31,771.015 (72.1%)	12288.950 (27.9%)
D. Punjab	120,313.000 (100%)	77,269.440 (64.2%)	43,043.560 (35.8%)
<b>Total (A+B+C+D):</b>	<b>259,038.304 (100%)</b>	<b>174,817.995 (67.5%)</b>	<b>84,228.272 (32.5%)</b>

Source: Fiscal Transfer Report, National Reconstruction Bureau, Islamabad.

### Local Sources

Mobilisation of funds from various local sources such as taxes, charges, user fee, etc. requires lot of capacity building at local level. In past, local governments have been unable to discharge efficiently those functions, which have hitherto been in their domain, due to shortage of resources and lack of institutional capacity. At the district level in the new system all the revenue sources are new and require lot of fiscal effort for local resource mobilisation. Moreover, tax on education and health as proposed in the new System at district level in a country like Pakistan may be counter productive since literacy rate (47.1 percent) and health indicators (life expectancy at birth = 62.5, infant mortality rate per 1000 as 89.8, mortality rate under-5 per 1000 as 126.0 and population growth rate as 2.4 percent) are already poor as compared to even regional countries.

Tehsil/Town Municipal Administrations have local funds from known and established sources. These also receive octroi compensatory grant from the provincial government through district government. The need is to enhance their capacity further and give them incentives to mobilise more funds for community driven development.

All the Zila tax grant is equally distributed among the unions. The Union Administration lack the capacity to utilise these funds effectively apart from mobilisation of additional funds from the list of taxes, fees and charges as mentioned in the Local Government Ordinance 2001.

### Local Development for Community Empowerment

In the new System, the local governments are bound to incur expenditure on development not less than fifty percent of the local funds and where this ratio is less



Table 5

*List of District Government Offices*

S. No.	Group	Decentralised Offices	Other Offices (New Offices)
1	District Coordination	Civil Defence	<ul style="list-style-type: none"> <li>• Coordination</li> <li>• Human Resource Management</li> </ul>
2	Agriculture	<ul style="list-style-type: none"> <li>• Agriculture (Extension)</li> <li>• Livestock</li> <li>• On-Farm Water Management</li> <li>• Soil Conservation</li> <li>• Soil Fertility</li> <li>• Fisheries</li> <li>• Forests</li> </ul>	
3	Community Development	<ul style="list-style-type: none"> <li>• Labour</li> <li>• Social Welfare</li> <li>• Sports and Culture</li> <li>• Cooperative</li> </ul>	<ul style="list-style-type: none"> <li>• Community Organisation</li> <li>• Registration Office</li> </ul>
4	Education	<ul style="list-style-type: none"> <li>• Boys Schools</li> <li>• Girls Schools</li> <li>• Technical Education</li> <li>• Colleges, (other than professional)</li> <li>• Sports (Education)</li> <li>• Special Education</li> </ul>	
5	Finance and Planning	Accounts (excluding District Accounts Offices)	<ul style="list-style-type: none"> <li>• Planning and Development</li> <li>• Enterprise and Investment Promotion</li> <li>• Finance and Budget</li> <li>• Public Health</li> </ul>
6	Health	<ul style="list-style-type: none"> <li>• Basic and Rural Health</li> <li>• Child and Woman Health</li> <li>• Population Welfare</li> <li>• Hospitals</li> </ul>	
7	Information Technology		<ul style="list-style-type: none"> <li>• Information Technology Development</li> <li>• Information Technology Promotion</li> <li>• Database</li> </ul>
8	Law	Environment	Legal Advice and Drafting
9	Literacy		<ul style="list-style-type: none"> <li>• Literacy Campaigns</li> <li>• Continuing Education</li> <li>• Vocational Education</li> </ul>
10	Revenue	Land Revenue, Estate and Excise and Taxation	
11.	Works and Services	<ul style="list-style-type: none"> <li>• Roads and Buildings (district roads)</li> <li>• Transport</li> <li>• Housing and Physical Planning (only for intra-district coordination of Tehsil spatial plans prepared by Tehsil/Town Municipal Administration)</li> </ul>	Energy (Micro energy development/ generation projects for use at local community level)

Source: The SBNP District Government (Model) Rules of Business, 2001.

than fifty percent, the development component will be increased in equal successive increments over three years from its current level so as to ensure a fifty percent development expenditure by the end of three years. In recent years spending of local governments on development and non-development did not follow some definite pattern. In certain cases such as Lahore, Karachi, Faisalabad and Multan Zila Councils the development expenditure were 46.80 percent, 59.69 percent, 74.11 percent and 79.44 percent respectively during 2000-2001 while these figures during the same period for Faisalabad and Multan Municipal Corporations were 36.33 percent and 39.78 percent respectively. While the development budget figures in case of four Zila councils<sup>11</sup> are suspicious because these also include repair and maintenance expenditures, actual figures may not be different<sup>12</sup> from the two Municipal Corporations if only new schemes and on-going schemes are listed under development expenditure. Where the development expenditures are less than fifty percent, it may not be possible to raise development budget to 50 percent<sup>13</sup> when a number of additional offices under the new system have been established at the district level without any additional transfer of funds from the Province and without building local tax mobilisation capacity. Efforts to make development expenditures equal to 50 percent will require huge mobilisation of own sources that will result into more taxation, greater charges and enhanced user fee which the community may not be able to pay. Other options include reduction in current expenditure by spending less on repair and maintenance works at the expense of very high replacement cost in future or laying off some staff and causing unemployment and greater miseries for the poor instead of empowering them.

From the above discussion, it transpires that Provincial Governments may not be able to transfer funds on a sustainable basis as required by the new system. Mobilisation of local funds is insufficient for the financial needs of the new system at least in the short term. Some additional arrangements for provision of requisite funds to support the new local government system and to start development activities at the local level for empowering the community are, therefore, inevitable.

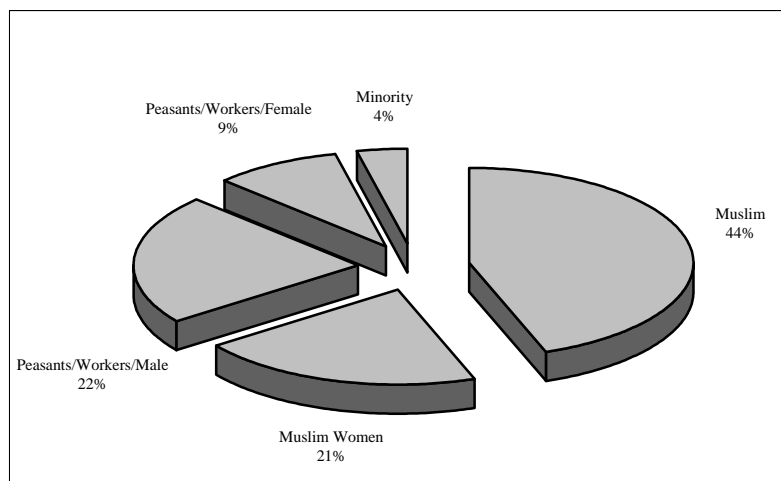
## **5. CONCLUSION AND RECOMMENDATIONS**

Although the new system provides sufficient institutional arrangements for organising the community at grass root level. The number of returned women, workers, peasants and minority candidates (Figure 6) in all unions through five rounds of local government elections indicate that the system have opportunities for empowering the traditionally marginalised segments of the society. But for true

<sup>11</sup>Including Lahore Zila Council which has development expenditure less than 50 percent i.e 46.80 percent.

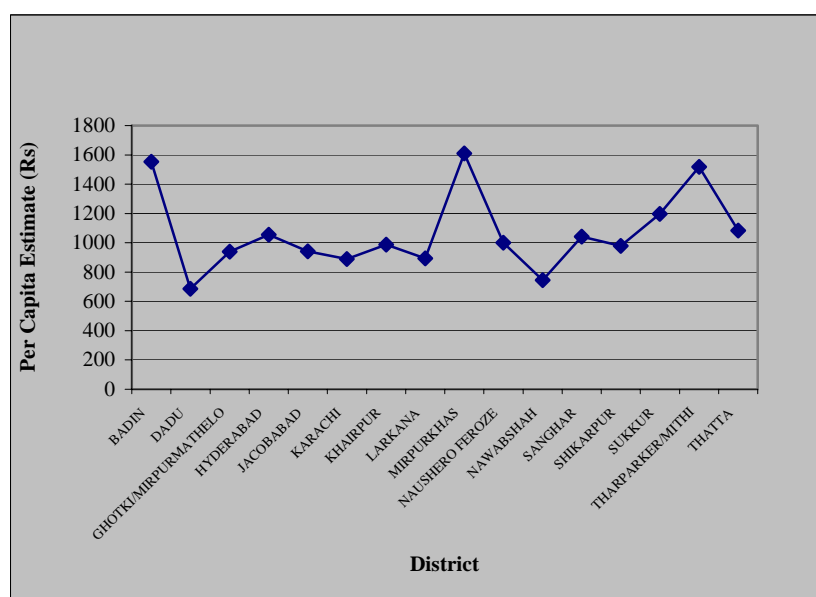
<sup>12</sup>Less than 50 percent.

<sup>13</sup>Which is binding under the Local Government Ordinance, 2001.



Source: Election Commission of Pakistan, 2001.

**Fig. 6. Local Government Elections 2000-2001**



Source: National Reconstruction Bureau, Islamabad.

**Fig. 7. Sindh District Budgets for 2001-02**

empowerment of community, the system itself must be financially viable and sustainable and trigger income generation and employment creation opportunities/activities for the poor.

No mechanism is provided so far in the new system for income generation activities for the poor population in the villages and urban slums. Similarly, there is no system of enterprise development and marketing rural based products due to credit crunch and lack of necessary skills of the rural poor. While NGOs are believed to fill this gap but the best way is to involve micro-credit institutions especially Khushhali Bank (a public sector institution which is presently looking for partnership with NGOs for channeling micro-credits to the poor) through a legal cover in the new system to disburse credits to Village and Neighbourhood Councils and Citizen Community Boards for increasing the poor's ownership of physical assets in order to improve their prospects of being able to secure sustainable and adequate livelihood. In this way the new system will ensure in a real and comprehensive way, the empowerment of community both politically and economically.

Provision of a lump sum amount of Rs 3.00 billion by the Federal Government in 2001-2002 budget to meet the transition cost of setting up of basic infrastructure of the new system will provide some relief during the transition period.<sup>14</sup> However, more funds would be required till rationalisation of local tax base and preparation of a comprehensive framework of fiscal devolution to operate through the mechanism of Provincial Resource Commission.<sup>15</sup> For effective social service delivery and improved transfer mechanism, the following special programmes<sup>16</sup> of the Federal Government must be integrated with the new system and the system should also establish some kind of partnership with the private sector.

### **Khushal Pakistan Programme**

The Khushal Pakistan Programme<sup>17</sup> is an important public sector initiative to provide employment and additional income opportunities to the poor. It comprises of small works such as farm to market roads, water supply, drainage and sewerage, garbage collection, culverts and repair of education and health facilities which have direct impact on poverty alleviation and community empowerment. The funds allocated for this program, previously disbursed through district administration, may now be channelised through the new system. Thus making the local governments responsible for disbursement and selection of schemes through local participation by the Village and Neighbourhood Councils and Citizen Community Boards. In this way Khushal Pakistan Programme will get true local ownership and participation.

<sup>14</sup>14th August 2001 to 30th June 2002.

<sup>15</sup>NRB is already working on it.

<sup>16</sup>As are provided in current Federal Budget.

<sup>17</sup>Rs 11.50 billion have been released under this programme till June 2001.

### **Khushhali Bank**

Micro-credit is considered indispensable as an instrument of poverty alleviation. Khushhali Bank was established with the sole aim to make credits to the poor people having no access to formal credit in the country. According to budget documents of Ministry of Finance for year 2001-2002, the bank would establish branches in 30 districts of the country and provide loans to 50,000 households with a total credit expansion of Rs 500 million till December 2001. Within five years, the bank is aiming to increase client base to 600,000 with loan portfolio of Rs 7.60 billion.<sup>18</sup> While the Government is in a process to make enactment for an operational framework for new micro-credit banks in private sector, there is a dire need that Khushhali Bank (a public sector bank) must channel its credit program through the new system instead of NGOs.<sup>19</sup>

### **Pakistan Poverty Alleviation Fund (PPAF)**

The Government of Pakistan has set up Pakistan Poverty Alleviation Fund (PPAF) with an endowment of \$ 100 million as a wholesale lender to NGOs engaged in providing micro financing. The programme has provided Rs 1.20 billion to 33 NGOs for onward lending to the poor people till June 2001.<sup>20</sup> The programme is based on the philosophy that sustained reduction in poverty would only be possible when poor people receive opportunities of gainful employment. The new system provides an ideal framework for disbursing PPAF's funds. Thus the disbursement of Fund through NGOs may be discontinued. This measure will ensure judicious disbursement of funds to the community and will encourage economic activities that generate employment opportunities and empower the vast majority of population living below poverty line in this country.

### **Food Support Programme and the Zakat System**

Food Support Programme and Zakat System are considered as major programs of social safety net. Federal Government spent Rs 2.5 billion on Food Support Programme alone during 2000-2001. The programme was implemented through district officials. Annual Zakat collection is around Rs 5 billion. Zakat Fund, made up of savings achieved each year, has risen to over 24 billion in 2001. The Fund is disbursed in the form of *Guzara* allowance at the rate of Rs 500 per month. The Government has now decided to use Zakat for rehabilitation where the beneficiaries can under take projects that would either provide them marketable skills or enable them to get self employed. The new system provides an excellent arrangement for disbursement of funds for various relief programmes and rehabilitation projects.

<sup>18</sup>Federal budget 2001-2002.

<sup>19</sup>Khushhali Bank has called expression of interests from NGOs to be partner in micro-credit disbursement.

<sup>20</sup>Budget documents of Ministry of Finance for the fiscal year 2001-2002.

**Partnership with Private Sector**

The new System provides a wider scope for co-operation and collaboration with NGOs for working together for poverty alleviation. In case an effective partnership between the local government institutions and the NGOs is developed then there will be no need to organise the community into Village Organisations (VOs) or Women Organisations (WOs) as in case of Aga Khan Rural Support Programme (AKRSP) or as Community Organisations (COs) as in case of National Rural Support Programme (NRSP). The new System provides an inbuilt institutional mechanism for organising communities into Village and Neighbourhood Councils and Citizen Community Boards (CCBs). NGOs can now concentrate on skill building, training the community to mobilise their own savings and channel micro-credit through Village and Neighbourhood Councils and Citizen Community Boards and also help them in building productive physical infrastructure.

Aga Khan Rural Support Programme and Aga Khan Fund for Economic Development are contributing equal amount of Rs 500 million for capital base for establishing Aga Khan Micro Finance Bank. The aim of the bank is to offer micro-credit services to all communities especially women and poor people. Since the bank will not concentrate its operations only in Northern Areas of Pakistan but instead will expand its activities over the whole country, collaboration with the bank will be very useful for achieving the objectives of the new System i.e. community empowerment both politically and economically.

## **Comments**

The paper provides a useful and adequate description of the new local government system and is an informative piece on the subject. The institutional arrangements for Empowerment are also highlighted in the subsequent sectors. However there is very little analysis of whether these arrangements are likely to succeed given the present environment in the country. Similarly in Section 4, Fiscal transfers to local governments are discussed and problems faced in transfer of funds to the local governments to finance their development on a sustained basis, there is very little analysis and identification of possible sources may have been useful.

Some minor points:

- The chapter headings should be changed to section heading keeping in view the acceptable format for papers.
- Figures 3 and 4 are missing so is Table 3, therefore no comments are made on these.

Generally there is scope for improvement in the paper but it is an adequate piece at present and may be published as such.

**Nuzhat Ahmad**

Applied Economics Research Centre,  
University of Karachi,  
Karachi.