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Overview of the ADB/DfID/World Bank study



Asian Development Bank



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DEVOLUTION IN PAKISTAN: Overview of the ADB/DfID/World Bank study¹

Introduction

To its architects, Pakistan's three-year-old devolution represents a home-grown reform of the past system of government that was not meeting the expectations of the country's people. To its political critics, the remarkably ambitious attempt to reassign power from the center to local authorities also looks, at least in part, like an exercise in shifting crucial responsibilities without providing resources fully adequate to the tasks. To ordinary Pakistanis, however, devolution is a promise being kept, a promise still far from fulfilled, but one that is already bringing change in some schools, courts and clinics and, most visibly, in the political life of the countryside and the cities and towns.

Devolution's impact, if any, on the delivery of social services – education, health care, water, sanitation, law enforcement – cannot yet be reliably assessed. It will be sometime before agreed-upon data that could make or break the case for local control could be collected and analyzed. By one simple measure, though devolution has already begun to bring fresh political blood into local government.

New, directly and indirectly elected local governments number 6,458. New union councilors number 126,462. Of those directly elected, relatively few are completely new to politics, but among the council seats, more than 32,000 are held by women, 25 percent of the total. The figure is an impressive one, even if women are not yet serving in all the posts – 33 percent – that were reserved for them. Guaranteeing women such a visible presence at all levels of local government is a dramatic move toward the political empowerment of the formerly powerless.

Just as significant is the constitutional protection given these reforms. Earlier attempts to nurture local control – the Basic Democracies system of the late 1950s and the New Social Contract of the mid-1990s, for instance – broke down as power was recentralized on a foundation of patronage. By acting in December 2003 to incorporate the local-government changes into the 1973 Constitution, however, Pakistan buttressed the structure of devolution against amendment or repeal for six years, except with the approval of the President.

Beyond safeguarding the process, the Government of Pakistan has sought analysis and advice on the progress of devolution and, particularly, on ways to insure that decentralization contributes – a central goal – to improving service delivery throughout the country. In response to the government's request for such a review, the World Bank, the Asian Development Bank (ADB) and the United Kingdom Department for International Development (DfID) have collaborated on a study – *Devolution in Pakistan* – delivered to government in three volumes in May 2004.

1. The study was conceived and planned by a Steering Committee made up of representatives of the Government of Pakistan Finance and Planning Ministries, Provincial Government representatives, the National Reconstruction Bureau (NRB) and three bilateral and international lending agencies: the World Bank, Asian Development Bank and the UK Department for International Development (DfID). Additional financial support was provided by the Canadian International Development Agency (CIDA). Fieldwork was conducted between June and August 2003.

Their report, based on empirical research in six districts and two tehsils in each district, a dozen in all, finds evidence of genuine change, particularly in the opportunities that citizens have gained to make their concerns heard. At the same time, the assessment shows many entrenched practices and attitudes still impede efforts to meet those concerns with sustained, effective action. Along with the examination of what has happened and what needs to happen in the process of devolution, the report provides extensive recommendations for further action to give devolution greater momentum and impact than it has so far achieved. The recommendations give particular emphasis to strengthening the incentives for efficiency already but imperfectly at work. Through an intensive public-information effort and the limited but strategic use of conditional grants to bolster local accountability, the report concludes, devolution can produce not just more vigorous participation in local government but improved service delivery as well.

Table 1: Districts and TMAs Studied

Province	District	TMA
Balochistan	Killa Saifullah	Killa Saifullah
		Muslimbagh
Sindh	Karachi	Lyari
		Gulshan-e-Iqbal
	Khairpur	Khairpur
		Kot Dijji
NWFP	Bannu	Town I
		Town II
Punjab	Bahawalpur	Bahawalpur City
		Yazman
	Faisalabad	Faisalabad City
		Jaranwalla

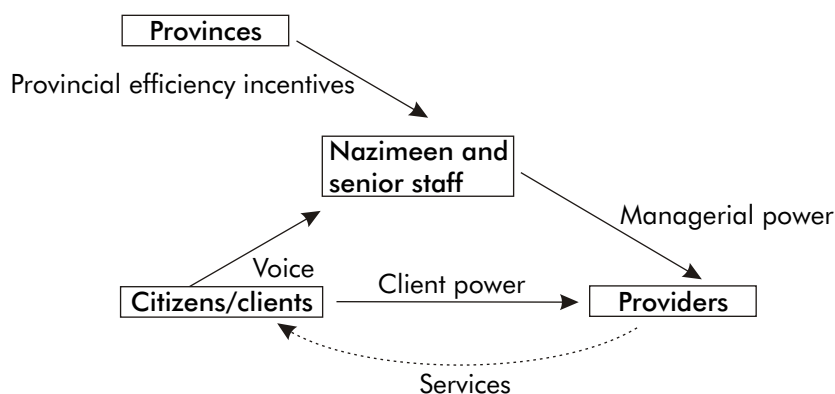
This brief review of the full study discusses the approach used to evaluate progress, summarizes the report's findings and lays out the proposed next steps. Modestly optimistic about the future of devolution, the survey is specific about the measures needed to insure and speed that future.

The Theory

The report focuses on the political dynamics that devolution has or should set in motion. To evaluate them, it defines a variety of incentives, among them those being created or reinforced for elected and appointed local officials to act in the public interest and for the public to take an active interest in officials' performance. Even though it would be premature to look for definitive changes in service provision as a result of devolution, it is already possible to judge whether the environment in which service providers operate is changing and what forces for change are at work or in need of strengthening.

The study's central, analytical premise is that devolution can alter the motivating factors that help determine how district- and *tehsil*-level nazimeen function as agents and supervisors of service delivery. Shifts in responsibilities and resources can also bring improved fiscal efficiency in provincial government, but much of the momentum for such progress will have to come from further devolution – additional transfers of authority from the federal government to the provinces and from the provinces to the districts.

Figure 1: Key Incentives in Devolution



Even if the incentives that should accompany and facilitate devolution are working imperfectly, they present a set of identifiable standards against which to assess the progress of devolution itself. The study, therefore, uses the presence or absence, strength or weakness of the various motivating forces, first, to evaluate the degree to which decentralized authority is functioning effectively in different geographical areas and in different service functions and, second, to recommend measures to improve performance. The emphasis is not on how well or poorly local schools, for instance, are working, but on how to build up the incentives that will make the condition of the schools a high priority for the responsible local educators and their supervisors.

Encouraging the Public to Speak

In the affairs of local government, the power that voters have acquired to reward or punish administrators – *citizens' voices* speaking directly at election time and articulated and amplified through their councilors at other times – can be complemented by *citizens' power as clients* to make themselves heard in local bodies responsible for the management of facilities such as schools and local infrastructure projects. Without devolution, such influence from below would be feeble. Even with power brought closer to the people, well-placed, well-funded special constituencies can still exercise significant pressure on local policy- and priority-setting. Devolution may, though, alter the odds in contests for resources. The impact of the new incentives will depend, in practice, on such real-world factors as the existence and weight of watchdog or grievance boards on one side of the scale and the favoritism officials have long shown to local elites on the other.

Making Managers Manage

Where citizens are able to assert and defend their own interests, the resulting incentives act in most instances indirectly on service providers but directly on those – the nazimeen and their staff – who oversee the doctors, nurses, teachers, police, engineers and the like. Teamed with the voice of the public and with client power, the authority of managers can, in turn, generate incentives for better, more reliable, more equitable provision of public services. For that managerial power to be effective, however, nazimeen need more than public backing. They need reliable sources of revenue and the ability – often absent at the district level – not only to hire and fire staff but even to make regular, actionable evaluations of the performance of administrative staff and service providers.

Rewarding Efficiency

In the area of fiscal management, devolution should also incorporate incentives for increased efficiency. Realizing that potential requires that district and tehsil executives can operate with autonomy in preparing their budgets and deciding their spending priorities, with certainty about the spending limits they must observe and with latitude to choose effective means of raising the revenues they need.

The Practice

In different parts of Pakistan in different ways and different fields of local government activity, some of the expected incentives are beginning to make themselves felt. The evidence of progress is scattered, however, and anecdotal rather than statistical. Some of it, moreover, is contradictory.

To assess the progress – and the prospects – of devolution, the study looks at the performance of local governments in terms of changes, if any, produced by citizen power working, in effect, from below and fiscal efficiency measures applied, in effect, from above. The emerging picture is still a very patchy one.

Are the Public Heard?

Even though voter turnout in well-contested local elections has been good and both district and Tehsil Municipal Administration (TMA) councilors have become better identified as public figures and more accessible to their constituents, the latter still have difficulty in assigning credit or blame to their representatives. Two factors produce this confusion. One, stronger at the district level than in the tehsils, is the unaltered tendency of the provinces to interfere in policy-making and implementation by local governments.

The second source of confused responsibility is jurisdictional overlap that blurs lines of responsibility. Due not just to actions by provincial authorities, it also stems from the important role of vertical programs designed, funded and administered with little or no input from local citizens and their representatives. When multiple levels of government are involved in delivering the same services, the public is unable to assign credit or blame effectively for that particular service to a particular politician or level of government. The overlap thus weakens incentives to perform well on service delivery and encourages politicians to target services to their core supporters. Jurisdictional overlap is particularly an issue in the education and health sectors. Federal and provincial vertical programs in those fields remain principal tools in promoting national policy priorities and represent a significant proportion of local government expenditures on service delivery.

A somewhat similar picture emerges from comparing the impact of the devolution-bred incentives on service providers in local government. Citizen power is not yet a force to be reckoned with in most jurisdictions, except in the few cases in districts and tehsils where Citizen Community Boards (CCBs) have begun to operate on facility-development matters and, in some districts, where School Management Committees (SMCs) have improved on previous Parent Teacher Associations (PTAs). At the district level, new dispute-resolution mechanisms and citizen police liaison committees are rarities or hollow shells waiting to be filled.

Similarly, the formal instruments of citizen oversight over functional aspects of local government – Accounts Committees, Monitoring Committees, District Public Safety Commissions, and Insaaf Committees – have been formed in many districts and tehsils but not yet made effective. Moreover, severe

shortages of senior management staff impede efficiency, and the staff of districts and tehsils is further handicapped by inappropriate notification of technical sanction powers.

Overall, however, nazimeen are listening with new attention to citizens and to the councilors who speak for constituents and who elect the nazimeen. The study found that the exercise of citizen power—on councilors as well as on nazimeen—is manifesting itself in some significant achievements. For instance, it appears that doctors and teachers are now more likely to be at their posts. Drugs are more often available in clinics. Citizens undoubtedly appreciate the improved access they have to their political representatives. Councilors, both directly and through new dispute resolution arrangements at the local level, are now seen to be responding to people's needs and concerns. Where access and response are improving in this manner, devolution would seem to be promoting the accountability that represents one of its basic political objectives. In that area, progress is encouraging.

For example, at least one jurisdiction, Gulshan-e-Iqbal town, Karachi, has taken steps to make it easier for citizens to voice grievances and follow the action taken on them. In collaboration with Transparency International, the town administration has established a Customer Service Center to register citizen complaints. An elaborate procedure has been developed to track the action taken on these complaints and to gauge the level of customer satisfaction. The town government is also developing an interactive and informative web site while in the process of electronically connecting all 13 union councils with the town administration, as well as providing the union and town offices with computers through which citizens can register their complaints on-line. The town administration is also consolidating a variety of existing data on the municipal infrastructure and linking it to a Global Information System (GIS), and has launched a property survey in order to increase property tax collections.

In tehsil Jaranwala, Faisalabad, with backing from the tehsil nazim and based on their own consultations, the 19 women councilors in the tehsil council have pooled their individual allocations for development schemes to develop a Women's Resource Center. This center will have a shelter for abused women and embroidery, computer and other industrial training facilities. The woman Member Provincial Assembly (MPA) from the tehsil has contributed her individual development allocation to the construction of this scheme. Opportunities for such cooperation between provincial and local politicians can be found, but MPAs in particular need to be aware of these and be convinced that they will benefit politically from such cooperation.

The same nazim, responding to citizen complaints, has undertaken activities that do not come under his direct jurisdiction. When Pakistan Railways did not respond to requests to improve the road at two of the city's main railway crossings, he ordered his staff to use their own resources to improve it. Similarly, as a measure to support the local traffic police, his TMA has hired eight people from a private security agency to help manage traffic and lessen the impact of traffic jams.

The incentive, however, works two ways. Accountability to individual constituents or groups can open the door to special treatment that benefits parts of a community at some possible cost to the whole. Despite these strong incentives pulling local politicians toward narrow projects and priorities, the study did not find that devolution had exacerbated a problem that has long been noted in Pakistan. The evidence, instead, indicated continuing protection for the operation and maintenance allocations in district budgets. Specifically in the health sector, the picture that is emerging suggests that the new powers to procure are being used well, and citizens are increasingly finding that health facilities have medicines available for them. Not only is the supply picture undoubtedly improved, but it is also noteworthy that the press has publicized few reports of corruption in contracting for medicines.

The focus of union nazimeen on their own union-specific developments has had one distinctly negative impact. It has meant that union nazimeen and naib nazimeen are not paying adequate attention to their other important role as district and tehsil council members. The important council budget sessions observed were largely perfunctory. Budgets were passed in a matter of minutes, suggesting that district-wide issues had not received the attention that they deserve. Monitoring committees, while formed, are generally not functional, in part because councilors lack capacity and generally deal with a frustratingly non-responsive bureaucracy, but also because councilors' priorities lie elsewhere. They focus their attention on their particular constituency.

Are the Managers in a Position to Manage?

Some of the shortcomings in devolution represent the sort of growing pains that naturally attend the institution of new practices. Some, however, reflect a continuing structural issue: the freedom of action that districts have yet to wrest from the province governments. This is most evident in local managerial authority over staff within the districts. The transfer of functions and the physical relocation of staff have not been fully matched by the transfer of the employer role. The result is that although physically located in the districts, most senior district staff do not consider themselves as district employees and therefore are likely to accommodate provincial pressures to transfer subordinate staff. This attitude has considerably weakened the accountability of senior district staff to local elected representatives. In fact, politically motivated inter- and intra-district staff transfers are a main area of conflict between provincial and local governments. This problem is most severe in districts that are not politically aligned with the province.

The relationship between the district nazim and the senior staff in the district, particularly the District Coordination Officer (DCO) and the District Police Officer (DPO), can be particularly problematic. Nazimeen have very little effective authority over these staff – writing the Annual Confidential Reports (ACRs) of DCOs is a weak mechanism for enforcing accountability.

Devolution is supposed to nourish that autonomy and, with it, enhanced managerial power over staff. In reality, at the tehsil level, managers have indeed gained greater control over preparing salary budgets and over local personnel, their recruitment and transfer. However, the reverse is true in the districts. District officials, for instance, have only weak control over staff numbers and over their disposition within the district. They cannot, on their own, decide their salary budgets or dismiss surplus staff and can only recruit within guidelines imposed by the provinces which also interfere in transfers. Neither district nor tehsil authorities have any autonomous power to determine pay policy. Their power to discipline and dismiss staff is limited, and nazimeen input into performance evaluations for their senior staff runs from very variable in tehsil administrations to weak in the districts.

Is Efficiency Rewarded?

Where the districts and tehsils are better positioned to rely on revenues they raise themselves and to count on substantial, predictable financial transfers passed to them with little or no provincial interference, incentives for efficiency in fiscal management are likely to operate more effectively. As it is, the tehsils are showing both greater certainty in budgetary matters and greater autonomy in preparing their budgets because their reliance on the earmarked transfer of a portion of the General Sales Tax and their own-source revenues imposes clear, predictable limits on their income and spending plans. Those limits might expand if the property tax – a buoyant revenue source – were easier to administer or if jurisdictional confusion over water and sanitation was removed so that user fees could be efficiently collected.

For their part, districts not only have a weak tax base but also have trouble in collecting some of the taxes assigned them. Often, instead of certainty in their revenues and obligations, they are at the mercy of provincial authorities who earmark transfers to programs they designate, negotiate the amounts of other transfers, impose arbitrary deductions from the divisible pool of funds and, over the medium-term, perform poorly in delivering funds to the districts on schedule. By failing to deliver budgetary certainty and autonomy in budget preparation, these practices undermine the incentives for effective financial management at local levels. Additional incentives, in the form of Province Finance Commission awards that might encourage local revenue-raising, have been few.

Another facet of the resource management problem is the degree to which local officials must respond to program goals and priorities that they have no hand in defining. More than half the Annual Development Plan (ADP) in the six districts studied for the report represented commitments to vertical programs effectively controlled by federal and provincial agencies. Since the funds do not come from local sources and it is difficult to access information about their performance, local citizens have little reason to monitor spending closely. Similarly, local supervisors – nazimeen and their staff – have limited leverage over the size of the transfers, the services they support, or the efficiency of their use.

Incentives for improved fiscal management, which devolution might have created, would probably be strengthened if more of the funds that are spent locally were raised locally as well. As a percentage of total revenues, however, own-source taxes collected in the six study districts ranged from 0 to 8 percent. Although devolution gives districts the right to raise more revenue, their tax base is weak, and some district taxes and user charges are very difficult to impose in practice.

Above and beyond the limits to local taxation, confusion also muddles tax-collecting arrangements in practice. By law, districts and TMAs have clearly assigned jurisdictional authority. In reality, administrative overlap complicates the process, especially in property tax matters. In Sindh, for example, where the province has control over various aspects of tax policy, collection is meant to be the responsibility of the district, while TMAs determine rating areas. Such shared responsibility does more than snarl administration; it comes between TMAs and a revenue source that could cover a significant proportion of the fiscal gap in their budgets.

So overall, in fiscal affairs, devolution remains far from complete and the anticipated incentives do not operate with anything like full effect. Most funding for local government is the product not of set, predictable formulas, but of negotiations that tend to base current policy decisions on their likely impact on future resource transfers, rather than on their merits. As a result, the proportions of the Provincial Consolidated Funds that are transferred on a formula-basis is less than 25 per cent, although in most cases there is considerable predictability in transfers and local governments do receive only slightly less than what was budgeted.

The Early Results

Health and Education: While monitoring committees, in general, have fallen short of their potential, in some districts, notably Karachi, the study found them functional. The credit goes in large part to the more politically aware and educated body of councilors in those districts. Reports of these committees were submitted regularly, and the health committee claimed to have both increased the attendance of staff by 20 percent and improved the quality of maintenance and repair, a claim that was generally supported by NGOs and journalists. Similarly, the city health committee stated that it had visited 25 hospitals in the last

year to ensure quality of service and reduce absenteeism. The committee members believe that this improvement has been achieved because of their consistent monitoring and not because of the respective Executive District Officer's interest in improving services. Even here though, there is considerable frustration with the bureaucracy, as exemplified by the fact that the Karachi City District has passed over 300 resolutions, many of them calling for disciplinary actions against particular staff, but without much result.

On a more positive note, reports are common that doctors are more often present in health facilities and teachers in schools than was the case before devolution. This increasing availability of staff may also be related to the increasing likelihood that local facilities, particularly for health, will actually have medicines available for treating patients. Where procurement is fully devolved, as in Punjab, evidence suggests that public medical facilities are now well-stocked and therefore more used. Some provinces and districts have rationalized facilities. Punjab rationalized Basic Health Units, many of which did not meet local needs. Other achievements that might be attributable at least in part to devolution include community participation fostering reduction in school-building costs and some increases in enrolment and retention. Significantly, at the union level, there is considerable evidence of councilor involvement in local dispute resolution and redressal of grievances against service providers.

For their part, SMCs, known as School Councils in Punjab, PTAs in NWFP, Parent Teacher School Management Committees (PTSMCs) in Balochistan, operate with varying degrees of effectiveness. Most are still largely controlled by head teachers who continue to select members, and school management remains de facto with the staff. Most SMC members, moreover, know little if anything about their roles and responsibilities. For example, a majority of SMC members in Sindh had never received the notifications delineating their powers, and in Punjab it was observed that School Council members had never seen the proceedings register designed for supervision and management by the members.

In cases in Punjab where teachers were not from the same village, there was little interaction between them and the committee members, a fact that is not surprising since SMCs are not involved in hiring and firing. Fear of audit objections is also resulting in SMC funds being under-spent, an excess of caution primarily caused by failures to issue school managers written instructions and rules of business in relation to the use of funds. In Balochistan, for example, over 1,000 audit objections are currently pending against school heads.

It is too early to say whether devolution has had any impact one way or the other on SMCs. On the one hand, many anecdotal reports speak of SMCs being subjected to harmful interference by district governments in general, and union nazimeen in particular, frequently with regards to the use of SMC funds. It appears as well that in many districts of Sindh, locally elected officials were pushing for union nazimeen to be chairpersons of SMCs, or were pressuring school headmasters to make purchases from certain dealers.

In other cases, active encouragement of SMCs by district and union nazimeen has resulted in significant improvements in school quality. Khairpur is among the most innovative districts in terms of community involvement in service delivery. SMCs, with the help of union councils, have been given the responsibility to construct shelterless schools. Not only have 35 been completed, but with community monitoring, their construction costs—around Rs. 200,000 - 250,000, compared to approximately Rs 780,000 for similar ones previously built by the Education department—have come down considerably without compromising quality. Similarly, in district Rahim Yar Khan, the National Rural Support Program, in collaboration with the district government, has attempted to revitalize SMCs in one particular union council, and preliminary

results show a positive impact on enrollments. The district government has ensured that where this experiment is taking place, the teachers posted in the relevant areas are all from the same village, an expedient that increases the communities' ability to discipline non-performing staff. It is important to note that the district government's close political alliance with the provincial government enabled the former to reallocate teaching staff in this manner.

In Bahawalpur District, Ahmadpur East hospital has a capacity of 60 indoor beds with two air-conditioned wards. The district has collaborated with the hospital to achieve significant improvements, resulting in a fully equipped operating theater where a qualified surgeon conducts major and minor operations. Medicines are in good supply, and three casualty medical officers provide emergency treatment free of cost. In addition to procuring the new equipment, the district government has also managed to clear Rs. 2.6 million of previous liabilities for building construction.

Access to Justice and Dispute Resolution: Various reforms to enhance citizen power have yet to prove themselves, particularly in the administration of justice, an important concern for devolution's architects but one where incentives for change – driven by the voice of the citizenry – have not shown themselves truly effective so far. The legal reforms were particularly ambitious. Aiming to 'deconcentrate powers', they abolished the post of deputy commissioner and divided the power of that office between the district and sessions judge, district nazim, the DCO, and District Police Officer (DPO). This change was accompanied by scrapping the office of district magistrate as one of the many hats of the district commissioner, and the cadre of executive magistrates. The abolition was argued as a contribution towards the independence of the judiciary by taking away local and special laws from the executive.

Further, Police Order 2002 aimed to insulate police from political interference. The mechanism, a unity of command, made the DPO responsible for all police professional matters including postings and transfers of officers. Unlike the previous police head of a district, the DPO is no longer supervised by or accountable to any part of the local civil service, but accountable to new structures, that are at present either missing or weak – District Public Safety Commissions and Police Complaints Authorities – and to the judiciary that has now assumed all of the judicial and quasi-judicial powers formerly held by district magistrates.

Police reforms also include creating a separate independent prosecution service. The federal government has proposed a model law to set up independent prosecution agencies, and this draft is under active consideration by provincial governments. Apart from Balochistan, however, promulgation of the new laws has been mired in turf disputes between the province departments of law and home.

The incentives needed to make these reforms improve access to justice rely in significant measure on citizen power channeled through District Public Safety Commissions. Unfortunately, although such bodies have been formed in most districts, they are exercising little influence. As for the nazimeen, the new incentives appear to work at cross-purposes. For instance, the power of the district executive to enforce regulations has been weakened; nazimeen have little control over the police; there has been some decline in prosecutions; and there is a widespread perception that corruption in police has risen.

Of most concern, it seems that weaknesses in external oversight of the police have made the police less governable. The consequence is that, in popular perception, the incidence of police excess and torture during pre-trial detention has increased markedly, along with a perception that police are unresponsive to increasing (or better-reported) violence against women. As a result police reforms are in serious danger of being perceived as a one-way street on which the police has simply secured more resources and autonomy while becoming less accountable.

Rising corruption in the police service, moreover, exacerbates corruption in other public offices, motivated by the sense that corruption and unresponsiveness can occur with impunity. The failure of the police to provide basic public safety is undoubtedly associated in the public perception with a decline in accountability in such other service areas as taxation, property rights and irrigation which impact on the poor.

Within the judiciary, as opposed to the police, more progress is being achieved. District Criminal Justice Coordination Committees have been established and meet regularly in all 6 districts except Karachi and Killa Saifullah to improve coordination amongst local justice institutions, raise issues of juvenile justice, and insist on timely *challans* (indictments) and production of witnesses in accordance with law. The delegation to the Sessions Court of the power to issue writs of habeas corpus has been greeted positively as a relatively inexpensive remedy against the continuing practice of illegal detentions by the police and – in some areas – prompted by powerful elites.

Water and Sanitation: Before devolution, the provincial Public Health Engineering Department (PHED) had the main responsibility for the development and maintenance of water and sanitation services, particularly for large-scale projects and particularly in rural areas. In addition, Development Authorities (DAs) and Water and Sanitation Associations (WASAs) were providing similar services in large, urban centers. Although in legislative terms water and sanitation are now clearly assigned to tehsils or towns (except in the case of City Districts, where they are district responsibilities), the emerging implementation arrangements tell a messy story of uneven retention of provincial control. Each province has devolved PHED in a different way, even though the pre-devolution structure of the department was the same in all four provinces and the same clause of the LGO governed devolution in all provinces. In Balochistan, PHED is yet to be devolved, in NWFP PHED had initially been devolved to the district, not TMA, level, but was subsequently recentralized to the division or circle level. Sindh and Punjab saw the most faithful interpretation of the Local Government Ordinance, but even here there are pockets of retained provincial control, notably the lack of de facto devolution of the Karachi Water and Sewerage Board, the utility providing these services to the city.

Water and sanitation services are areas where citizen power holds the potential of improving performance, but the potential has yet to translate widely into effective incentives for change. One channel of influence is the CCB, which has a mandate for direct involvement in the planning and implementation of development projects. The Boards are confronting many teething problems. Although isolated successes can be found, the initiative has been slow to take off. However, a new program of support for CCBs is now beginning which will create incentives to establish CCBs and use the development funds allocated and ring-fenced for them.

The town administration of tehsil Jaranwala, Faisalabad has taken a number of innovative steps to improve service delivery. With private sector and NGO involvement, the tehsil is constructing a comprehensive database of the existing infrastructure, including for example the number of water outlets, pipes, drains, connections, joints and other details of sewerage, gas and telephone connections. This database will then be integrated into a GIS system and used to prepare a master plan of the town.

In Karachi's unions, increased contact with citizens has spurred councilors to innovate in the area of infrastructure. One union administration has purchased manhole covers and street lights from its own funds even though such maintenance falls outside its purview. The union has also hired sanitation workers (*kundimen*) on contract, despite the objections of the provincial auditor that such an initiative

goes beyond their scope of responsibility. Another union has mobilized the local community to restore a local park. Neighboring unions are also cooperating to improve service delivery. For example, one union administration that did not have adequate resources to purchase a tractor and a trolley (sanitation vehicles) has developed an arrangement with its neighboring union whereby one has purchased the tractor and the other has purchased the trolley, and the vehicles are shared between the two.

A Cautious Assessment

It is clear that, under the new arrangements, district nazimeen need working alliances with the provincial authorities. If the latter oppose or distrust the former, provincial interference can exert such a strong and disruptive pressure on nazimeen that the voice of the people – the incentive-creating electorate – becomes hard to follow. Working alliances spring up naturally when the provincial Chief Minister and the District Nazim are from the same political alliance or when the Provincial Assembly constituencies within a given district are filled with politicians from the same party as the nazim. Where opposing factions command district and province governments, a strong nazim may have sufficient independent political standing to resist provincial interventions. But when conflict, not collaboration, marks local administration, citizen's voices have to be particularly strong to be heard and to direct policy from below.

The fact that many such administrative practices persist should not be surprising. Devolution has not yet in practice drawn new, clear lines of jurisdictional authority. Provinces remain jealous of their mandates and of the funds transferred from the federal government to carry them out. Employees who now report to district-level officials actually remain on provincial payrolls and, for career and other reasons, prefer that status. Politicians at one level who might have a stake in the quality of service to local constituents often find that higher-level officials set the governing policies and control the flow of funds. Where such distinctions blur, voters have difficulty dispensing praise or blame.

Extrapolating from these cautious findings, it comes as little surprise to find that in actual service delivery, where vertical programs, in particular, stifle - local initiative the impact of fiscal efficiency initiatives has been weak to negative in the fields of health, education and water and sanitation. Citizen power, on the other hand, has been exercised through monitoring committees (voice) to cut staff absenteeism in some clinics and in community-based management (client) to improve conditions in some schools and some water-and-sewer projects where CCBs were active.

As for managerial power incentives at the district level, comprehensive restructuring in the health field has led to most posts being filled, but not to final, effective lines of authority for reporting and management. District officials are also unprepared to regulate both private healthcare suppliers and private schools and madrassahs. In water and sanitation management, provincial departments have been reappropriating the responsibilities of local governments. Finally, although District Criminal Justice Coordinating Committees are succeeding in some places in getting different law and order agencies to interact, the nazimeen and the judiciary separately and together are unable to exercise effective control over the police and to check their abuses.

Devolution is undoubtedly a fact of life in Pakistan. It is implausible that there will be a major return to a set of institutional arrangements with such a poor track record. Equally, however, no certainty exists that devolution will now be developed and entrenched to maximize its potential returns. The risk is that by failing to deliver visible service delivery improvements in the short term, the devolution project will fall short of completion and the present hybrid arrangements – part new, part old – will become permanent.

A Strategy For Strengthening Devolution

The Government emphasized the need for a robust technical analysis of emerging lessons and feasible, practical recommendations that add value to a devolution process that is well advanced. With the principle of practicality very clearly in mind, the study sets out an agenda for furthering devolution. It suggests both a strategy and some practical actions that will offer some relief now to hard-pressed Nazimeen and senior staff in local governments who are attempting to make the system work.

Key Elements

1. Seize the opportunity presented by the National Finance Commission (NFC) Award to conduct a well-targeted, strategic information campaign using print and electronic media
 - *Note the successes.* Now is the time for a public information campaign, setting out both progress and challenges;
 - *Look for opportunities* offered to local governments following the NFC award and the improved financial position it gives to provinces. Ensure that citizens understand what the award means for local government budgets and priorities
 - *Take advantage of the opening up of the electronic media* to the private sector – in particular local radio.

2. Enforce the core principles – and accommodate local differences. The NRB, while ensuring that the core principles of devolution are not diluted, should facilitate some marginal local variations to meet the needs of different areas.
 - *Implementation requires new strategies that recognize Pakistan's diversity while keeping devolution on track.* The March 2000 announcement of the devolution plan and the subsequent August 2000 Local Government Plan presented a broad strategic vision. Since then, the focus has been on the technical, fiscal and administrative aspects of implementation, superintended by the NRB. Underlying this emphasis has been concern to ensure compliance with the Local Government and associated ordinances. Now might be the time to reassert the broad goals of devolution.
 - *Allowing diversity would promote wider support.* The range of actors has grown exponentially. The basic structures for devolution have been put in place. Since some local diversity in implementation is now feasible, accepting marginal differences will avoid needless federal/provincial conflict. It would demonstrate that the federal government would hold fast to the core principles, while at the same time allowing local institutions to reflect local circumstances.

3. Transmit national policy priorities more effectively.
 - *Move from an over-reliance on vertical programs.* A large share of financing for health, education, water supply and sanitation is delivered in ways that systematically undermine local government accountability. Vertical programs represent attempts by higher tiers of government to influence the policy and behavior of lower levels of governments by direct intervention. Retaining some influence over subnational policy is sensible. Federal and provincial governments need some levers to influence local performance to support national objectives. In practice, though, vertical programs have a poor track record and they now risk damaging the credibility and nascent accountability of local governments.

- *Create incentives to encourage local governments to buy into national priorities.* Grants coordinated through the mechanism of the National Finance Commission and the Provincial Finance Commissions and conditioned on outputs, outcomes or processes are an important part of a strategy through which to promote nation-wide standards and priorities. Given that conditional grants can interfere with the accountability of local representatives to their constituents, they must not be used excessively. But they do offer a pragmatic instrument through which federal and provincial governments can maintain a legitimate interest in the institutional reforms and service-delivery arrangements at the subnational level.

Strategic Goals and Practical Actions

The study identifies seven strategic goals and practical steps that are achievable given the progress made to date. The goals, along with the immediately operational implementing measures, include:

1. To foster public consensus that completing devolution is inevitable, issue a White Paper on strategic options for adjusting legal, administrative, political and fiscal arrangements in support of devolution. Such a White Paper might reasonably include:
 - Plans for functional reassignment to provinces.
 - Ensure adequate technical capacity and resourcing for standing NFC secretariat.
 - Framework under which the federal government might use conditional grants, selectively and –if necessary– initially outside the NFC to achieve overarching policy goals.
 - Proposals for federal incentives for provincial governments to meet benchmarks toward the provincialization of accounts.
 - Proposals for a review of existing vertical programs.
 - Proposed benchmarks and specifications for the Federal Bureau of Statistics to report on the data that will be available for the 7th Award.
 - Options for the creation of a Provincial Local Government Service and a Local Government Career Service.
2. Demonstrable federal government commitment to strengthened role of the provinces
 - Timetable for completion of functional devolution with a review of the relative roles and responsibilities of Federal and Provincial levels in the context of service delivery.
 - Set preparations in motion for the 7th NFC Award now.
3. Demonstrable provincial government commitment to strengthening local government
 - Complete reassignment of province-administered functions to local governments.
 - Incorporate the Lessons of Transition in Revisions to the LGOs.
 - Major Commitment to Capacity Development.
 - Undertake provincial-local tax reassignments.
4. Local governments challenged to demonstrate that they merit confidence
 - Reduce development throw-forward.
 - Increase coverage of user charges.
 - Strengthen inter-jurisdiction planning and coordination.

- Local governments to regulate and engage with private sector service providers.
5. Judicious Selection from a broad menu of conditional grants
 - Use conditional grants within PFC/NFC transfer systems- cautiously
 - Review existing vertical programs and redesign proposals.
 - Broaden available array of social indicator data and capture district data.
 6. Hold local governments to account
 - Districts employ their own staff.
 - Districts maintain their own accounts.
 7. Clarify the separation of executive and judicial powers.
 - Restructure reporting obligations between the District Police Officer and the District Nazim.
 - Assign non-adjudicatory powers and supervision of pre-trial detention to the local government executive.
 - Train judicial magistrates in new jurisdictions under criminal and local laws
 - Provide High Court protection for judges interdicting unlawful action by officials
 - Establish separate civil and criminal courts, and appoint Senior Judicial Magistrates in each district
 - Establish independent prosecution service at district level.

Table 2 suggests the sequence with which these steps might be initiated.

After just three years of experiment, Pakistan's local governments are finding their feet in a new environment of decentralized power. Attempting to measure the distance they have come in that short time, this study finds uneven but encouraging progress on most fronts. Were the inquiry to be conducted again after another three years and with the measures proposed above in place, devolution's impact on political life and on the quality of local government services would look far different – more solid, more positive and more likely to develop further and faster.

Table 2: Timetable of Proposed Key Actions

	Fiscal Year (FY)05	FY06	FY07
Federal government	<ul style="list-style-type: none"> Issue a White Paper on strategic options for adjusting legal, administrative, political and fiscal arrangements in support of devolution. Establish High Level Expert Group on federal/provincial tax reassignment (including possible debt-for-performance swaps). 		
Provincial government	<ul style="list-style-type: none"> PFC announcements of framework under which the provincial governments might use conditional grants, selectively, within the PFC awards, to achieve overarching policy goals. Develop and promulgate local government public-private partnership rules (as under LGO Schedule 5, Part A). Provide districts with full APT authority over all staff at grades 19 and below. Make three major policy announcements: <ol style="list-style-type: none"> Proposed reassignment of province-administered functions to local governments complete. Might reasonably include: <ul style="list-style-type: none"> TMA debt-for-performance swaps Transfer of PHED staff and budgets to the TMAs Formal reviews of provincial/local tax reassignment, to report within 2 years. Major commitment to capacity development. 	<ul style="list-style-type: none"> Review of the Rules of Business, the constitution of the Local Government Commission and the facilities and authorities provided to the local government monitoring committees. Prepare and notify the Rules of Business detailing the reporting obligations between the District Police Officer and the District Nazim. Assign non-adjudicatory powers and supervision of pretrial detention² to the local government executive. Establish the Independent Prosecution Service and ensure its extension to the district level. 	
Local government	<ul style="list-style-type: none"> Reduce development throw-forward. Increase coverage of user charges. Empower the Mushawarat Committees to provide a platform for district-wide, medium-term planning. 		
Other	<ul style="list-style-type: none"> Train judicial magistrates in new jurisdictions under criminal and local laws 	<ul style="list-style-type: none"> Enhance High Court protection for subordinate judges interdicting unlawful action by officials. 	<ul style="list-style-type: none"> Establish separate criminal and civil courts established at district level and appoint Senior Judicial Magistrates in each district

2. This refers to the Nazim's power to visit police stations and demand release of persons illegally detained and not the judicial powers pertaining to grant of custody/remand of the accused to police.