

## **Local Government Reforms In Pakistan: Context, Content And Causes**

Ali Cheema, Asim Ijaz Khwaja and Adnan Qadir\*

### 1. Introduction

This paper examines the recent decentralization reforms in Pakistan under General Musharraf. We highlight major aspects of this reform and analyze its evolution in a historical context to better understand potential causes behind this current decentralization. Analyzing the evolution of local government reforms in Pakistan is interesting because each of the three major reform experiments has been instituted at the behest of a non-representative centre using a ‘top down’ approach. Each of these reform experiments is a complementary change to a wider constitutional reengineering strategy devised to further centralization of political power in the hands of the non-representative centre. We argue that the design of the local government reforms in these contexts becomes endogenous to the centralization objectives of the non-representative centre. It is hoped that analyzing the Pakistani experience will help shed light on the positive political economy question of why non-representative regimes have been willing proponents of decentralization to the local level.

Section 2 provides a historical overview of decentralization reforms starting with the pre-independence period up to the revival of local governments under General Musharraf. Section 3 then provides a description of salient features of the current decentralization reform. Finally, section 4 interprets the current reform in light of the historical context outlined in section 2. This paper does not examine the potential impact of the current decentralization reforms in Pakistan as that is addressed in the next chapter.

## 2. History Of Decentralization In Pakistan

While providing a detailed history of local governments is beyond the scope of this paper, it is instructive to mention aspects of this history that shed light in understanding the current decentralization. After briefly examining the pre and post independence period, we looking at the two most significant decentralization reforms prior to the current one, both interestingly also at the behest of non-representative military regimes under Generals Zia-ul-Haq and Ayub Khan respectively.

### 2.1 The Pre-Independence Period

**Local Governments under the British:** The British introduced local governments in India<sup>1</sup> not by building on the traditional structures of local governance, such as the village panchayats, but instead from scratch, following the annexation of Sindh in 1843 and of Punjab in 1849 (Nath 1929, Tinker 1968, Venkatarangaiya and Pattabhiram 1969). The main objective of the system was to co opt the native elite by establishing representative local governments. However, local governments were never substantively empowered as they were formed in a “top-down” manner in urban and rural areas, with extremely circumscribed functions and members who were not locally elected but nominated by the British bureaucracy (Tinker 1968). Instead, the Deputy Commissioner (DC), a district<sup>2</sup> level agent of the non-representative central bureaucracy, emerged as principle actor at the local level (Ahmed 1964).

**Democratic Processes at the Provincial Level:** Given the structure of the non-representative state it is not surprising that the initial focus of political demands made by nationalist parties was for greater representation in provincial and central governments where substantive power lay. This shifted focus away from local governments and the strength of the nationalist movement in the early 20<sup>th</sup> century prompted the British government to make political concessions to Indian political parties by granting more autonomy at the provincial level.<sup>3</sup> These changes are important in understanding the evolution of local governments since

they sharpened the contrast between these nascent representative governments at the centre/province and the existing local governments, as the latter became less relevant as means of representation; the public debate having shifted to the more regional and central arena of the nationalist movement. This shift in political emphasis was a major factor behind the dormancy of local governments in the areas that were to constitute Pakistan (Rizvi 1976).

**Patronage and Rural Biases under the British:** Another important feature of the British system of administration and local government was the creation of a rural-urban divide. Urban local councils were established by the British to provide essential municipal services in urban areas. In contrast, rural councils were explicitly used to co-opt the local elite by giving them limited representation and as a result their capacity to provide essential municipal services became even more circumscribed than the capacity found in urban areas (Siddiqui 1992).

The British centre used the deconcentrated agents of the central district bureaucracy to co-opt and entrench local elites through a selective but extensive system of patronage (van den Dungen 1972). This was particularly true of the Punjab where the colonial bureaucracy had ample opportunities for providing patronage through land settlement policy, grant of colony lands in the canal colony districts of Punjab and the use of protective legislation like the Punjab

Land Alienation Act 1900 and the Punjab Pre-Emption Act, 1913 which prohibited transfer of land from agricultural to non-agricultural classes (Ali 1988, Pasha 1998, Metcalfe 1962).

The Punjab tradition of establishing patron-client relationships between the central bureaucracy and the local elite resulted in a rural-urban division, which restricted politics away from the urban middle classes. Safeguarding the loyal landowning classes from economic and political domination by the urban elites became colonial policy (Talbot 1996). The dominance of the Unionist Party (representing large landowners of all religions) in Punjab's politics during the early decades of this century was a direct manifestation of this phenomenon.

Thus what emerges from this brief history of colonial local governments is that the system was not introduced in response to popular demand or local pressure, but primarily as a result of the central government's initiative and functioned under the imperial bureaucracy's control. Moreover, from the beginning, there was a contradiction between the development of autonomous local self-governing institutions and imperialist local level bureaucratic control with the imperative of creating a loyal native class, and it is the latter that dominated. The rise of the nationalist movement, during the early twentieth century, demanded more political space at the central and provincial level. As a

result these higher tiers emerged as the hub of political activity, which not only shifted political focus away from local governments, but also resulted in a lack of political ownership to build local governments by nationalist politicians. However, even the provincial autonomy that was granted was heavily circumscribed and extensively loaded in favor of the non-representative bureaucracy at the imperial centre.

## 2.2 Post-Independence To Ayub

Given that the independence movement was driven by political party mobilizations at the provincial and higher levels, post independence, there was understandably little emphasis on local governments. The limited local governments that existed were controlled and superseded by the central bureaucracy by not holding elections and where elections were held, by limited 'franchise' and massive malpractices (Waseem 1994). During the decade of the 1950s, weakening local governments coincided with increasing centralization and a centre increasingly dominated by the civil and armed bureaucracy (Jalal 1995, Callard 1957, Talbot 1998).

## 2.3 The Ayub Period: Decentralization and the Politics of Legitimacy

Pakistan's first bold experiment with local governments occurred under the 1958 Martial Law, which set back representative politics at the central and provincial level by disbanding national and provincial assemblies. Following the dissolution of the higher-tier elected governments, General Ayub like the British colonialists revived local governments as the only representative tier of government. The new local governments, established under the Basic Democracies Ordinance, 1959 and the Municipal Administration Ordinance 1960, comprised a hierarchical system of four linked tiers.<sup>4</sup> The lowest tier, which was the union councils, comprised of members elected on the basis of adult franchise who, in turn, elected a chairman from amongst themselves. The higher tiers of local government had some members elected indirectly by these directly elected members and some official members nominated by the Government and had these officials as Chairmen (Rizvi 1974, Siddiqui 1992).

Similar to the British period, Ayub's local government system was controlled by the bureaucracy through "controlling authority" vested in the DC, Commissioner and the Government for different tiers. The controlling authority had the power to quash the proceedings; suspend resolutions passed or orders made by any local body; prohibit the doing of anything proposed to be done; and to require the local body to take some action. Although the system assigned several regulatory and development functions to the local governments, especially

at the lowest tiers and at the district level, few functions could be performed due to a severely curtailed fiscal capacity (Siddiqui 1992).

The most controversial aspect of the local government system was that it came to be used by Ayub to legitimize his essentially unitary Presidential Constitution (1962), which gave effective state power to the armed forces through the office of the President. The 1962 Constitution explicitly linked the office of the President to the newly created local bodies by declaring the 80,000 Basic Democrats as the Electoral College for the election of the President and national and provincial assemblies.<sup>5</sup> The electoral function of the BD System, based on Ayub's concept of 'controlled democracy', was a carryover from the paternalistic colonial view of 'guardianship' whereby the colonial bureaucracy was supposed to guide the politicians while resisting their corrosive influences. This partly bureaucratic and partly political system was explicitly used for distributing resources and patronage in order "to secure a mandate for Ayub" (Gauhar 1996, p 84) and to build a constituency for the military regime (Burki 1980).

There were continuities between Ayub's management of urban and rural political and economic competition and that of the British. At the level of local governments a legislative divide was maintained between urban areas, which were governed through the Municipal Administration Ordinance (1960), and the

rural areas governed by the Basic Democracies Ordinance (1959). However, Ayub, like the British, increased the share of targeted provincial and federal development resources in favour of the rural areas because his main source of support lay in these areas<sup>6</sup> and these allocations reversed the significant urban bias in federal and provincial development spending that had emerged during the fifties (Amjad and Ahmed 1984). Rural local representatives, who formed a majority in the local government system (Rizvi 1974), were associated with development plans and projects at the local level both on account of program design<sup>7</sup> and because of their electoral importance in the wider state system (Rizvi 1974, Amjad and Ahmed 1984).

#### 2.4 The Zia And Post-Zia Period

**Local Government Reforms 1979-85:** After a nascent period under Prime Minister Zulfikar Ali Bhutto (1971-77), local governments were revived under General Zia ul Haq's military regime. Like Ayub, Zia ul Haq combined political centralization at the federal and provincial levels with a legitimization strategy that instituted electoral representation only at the local level. Political centralization was achieved during the early years (1977-85) of the regime through the imposition of Martial Law, which held the 1973 Constitution in abeyance, and was followed in 1985 by the 8<sup>th</sup> Constitutional Amendment that

established indirect military rule through a quasi-Presidential form of government (Noman 1988). Local governments were revived through the promulgation of Local government ordinances (LGOs) and local bodies were elected in all four provinces during 1979 and 1980. In essence, the army sought to use its old strategy of 'divide and rule' by creating a new and competing class of 'collaborative' local-level politicians (Jalal 1995).

However, the increased political importance of local bodies was not complemented by any further decentralization of federal or provincial administrative functions or financial powers to the local level. Cheema and Mohmand's (2003) comparison of LGO (1979) with BDO (1959) and the Municipal Administration Ordinance (MAO) (1960) shows that there was little change in the functions and financial powers assigned to local governments during the Zia and Ayub periods. Therefore, the increased importance of local governments as a means of political legitimacy did not translate into their substantive empowerment during either the Ayub or Zia periods. In fact, local governments continued to lack constitutional protection and their creation and maintenance remained at the whim of the provinces, which retained suspension powers.<sup>8</sup>

In spite of these differences Zia's LGO (1979) differed from Ayub's BDO (1959) in certain important respects. Zia consciously adopted populist measures introduced by Bhutto's unimplemented Local Government legislations (1972 and 1975), which abolished the direct representation of the bureaucracy in local governments as members and chairmen, and instead stipulated that all members (including chairmen) of all tiers of local government were to be directly elected through adult franchise (Sections 12 and 13 of LGO 1979).<sup>9</sup> This was a significant change from BDO (1959) and MAO (1960). Although, the provincial administration retained suspension powers and the powers to quash resolutions and proceedings during the Zia period, nonetheless, their control over local government functioning through direct representation was loosened. This was perhaps a circumscribed response to the emergence of mass-based politics during the sixties and seventies.

However, the unequivocal adoption of the representative principle was significantly weakened as Zia retained the historical principle of holding local elections on a non-party basis. Although, non-party local level elections had been the general principle in areas that comprise Pakistan since the colonial period, nonetheless, the adoption of this principle by Zia ul Haq represented an important reversal because mass-based political parties had emerged as important players in the electoral arena since the 1970 federal and provincial elections. Zia retained

this principle in order to neutralize the influence of political parties at the local level. Historical evidence suggests that these measures resulted in the localization and personalization of politics at the local level (Wilder 1999).

Another continuity between Zia's legislation and the British and Ayub legislations is the rural-urban divide at the level of rural or district councils, town and municipal committees and corporations.<sup>10</sup> In addition, Zia ul Haq abolished the district (rural) councils' function of rural-urban coordination, which made the district council only responsible for governance in rural areas. However, increased urbanization, the growing size of urban markets, the heightened flow of rural goods into urban areas and the selected adoption of tax farming (AERC 1990) resulted in a significant increase in the per capita income of urban local councils<sup>11</sup> as octroi<sup>12</sup> and UIPT revenues started to increase in response to these socio-demographic changes and this trend continued well into the nineties (Table 8.1). However, the Zia regime consciously persisted with the rural-urban divide, which meant that the urban councils did not need to share the benefits from this increase in their per capita incomes with their rural hinterland.<sup>13</sup> Historical evidence suggests that during the early part of his regime, Zia sought to accommodate the interests of the urban middle classes<sup>14</sup> who had formed the core of the anti-Bhutto movement<sup>15</sup> and it appears that the decision to retain the urban-rural divide, at a time when urban local council incomes were increasing, allowed the state to

accommodate strong anti-Bhutto urban middle class political mobilizations by giving them control, albeit circumscribed, over funds that could be used for the entrenchment of localized clientelist networks. As opposed to this the absence of buoyant sources of revenue in the hands of rural local councils meant that their capacity to deliver on even their meager compulsory functions remained limited.<sup>16</sup> The precarious revenue situation of rural local councils combined with a legislative rule that denied rural areas access to urban revenues resulted in these areas becoming increasingly dependent on the provincial tier for service delivery.

**Evolution of the Local Government Structure 1985-1999:** The revival of elected provincial and Federal governments in 1985 reinforced the localization of politics that had begun with the 1979 local bodies' elections. The dominance of these revived assemblies by local bodies' politicians<sup>17</sup> helped transplant the culture of local body politics to the provincial and national levels (Wilder 1999). This tendency was reinforced by the non-party nature of the 1985 assemblies and governments, which 'personalized patronage'<sup>18</sup> as elected government ministers began to use development funds to increase their individual chances of reelection.<sup>19</sup> Moreover this personalization of politics did not reverse despite the revival of party-based Federal and Provincial Assemblies and governments in 1988. The persistence of this tendency is partly an outcome of weakening party

organizations, which is due to adverse *de jure* and *de facto* measures instituted by the Bhutto and Zia regimes (Wilder 1999).

Furthermore, the absence of political linkages between different tiers of government, which was an outcome of the non-party basis for politics, created tensions between provincial and local politicians with the local tier being viewed as a competing structure of 'patronage' (Wilder 1999). The 'tension' between the province and local governments was exacerbated because of the federal government's encroachment upon provincial functions, which was seen as a way to weaken the purview of the provinces (World Bank 2000). This created a lack of 'political ownership' with regard to the local tier that resulted in a number of serious consequences. 'Discretionary' special development programmes became widespread at the higher tiers and became an effective means for federal and provincial politicians to obtain unaudited control over local level development allocations (AERC 1990, Nasim 1999, World Bank 2000). Moreover, the concentration of buoyant revenues in the hands of the Federal and provincial governments<sup>20</sup> constrained the financial capacity of local governments prompting the Provinces to play an ever increasing role in service provision, especially post 1990.<sup>21</sup> Finally, this tension between provincial and local tiers resulted in the suspension of local bodies between 1993 and 1998 and as before, in the period immediately following independence, somewhat paradoxically it was democratic

forces at the provincial and higher levels that pushed for a retrenchment of local governments and further centralized expenditures functions in the higher tiers of the state.

### 3. The New Devolution Of Power Plan

This section gives an overview of the current decentralization reforms introduced as the “Devolution of Power” Plan by General Pervaiz Musharraf in January 2000 and implemented after a series of local government elections that ended by August 2001.

There are several aspects of the reform that are worth highlighting. First, in addition to devolving administrative and expenditure responsibilities to local governments, the decentralization involved, to differing degrees, changes in the administrative level of decision making, the accountability of the decision making authority (political or bureaucratic) and the nature and amount of fiscal resources available.<sup>22</sup> Second, the decentralization process was not uniform across all functions, with significant heterogeneity in its extent not only across administrative departments but also across services within a department. Finally, the reform took place fairly rapidly and under military rule and hence at the time when no provincial and federal elected governments were in power. As a result its

implementation is still in a process of flux and is undergoing changes. While one can foresee some of these changes, a note of caution needs to be raised in taking any description of the current decentralization as final.

Overview:

With this caveat in mind we start with a very stylized description of the devolution plan. In a nutshell, the devolution process substantially restructured the sub-provincial (district and below) government structure (Figures 8.1 and 8.2).

We highlight the major changes brought about by the current devolution plan:

- **Engendering Electoral Accountability:** Under the recent reforms, a new elected government has been created at the district level headed by an elected nazim (Mayor) and the district administration head, the District Coordination Officer (DCO) reports directly to the elected head of the government. This is a significant departure from the previous system where the de facto head of the district administration, the Deputy Commissioner (DC), reported to the non-elected provincial secretariat.
- **Reducing Bureaucratic Power:** The recent reforms are an attempt to curb bureaucratic power by abolishing the office of the DC. In

addition, the new head of district administration, the DCO, no longer retains the executive magistracy and revenue collection powers of the old DC.

- Greater presence and scope of elected government at local level: While local governments did exist in periods prior to devolution, they did not have any significant role as these local governments, especially in rural areas, were practically inactive<sup>23</sup> and more importantly, because most of the state functions were carried out by the provincial bureaucracy. Post-devolution, the vast majority of public services that were previously under the purview of the deconcentrated district administration, have been transferred to elected local governments. As a result, the scope of local governments in terms of the services they are responsible for and how they allocate district level expenditures across services increased substantially post-devolution (Cheema, Khwaja and Qadir 2005).
- Changed local electoral processes: Prior to devolution, members of urban local councils and district councils were directly elected, and then they elected the heads of their respective councils. Under

devolution, both the members and heads of the lowest level of government, the union council, are elected through public vote as before. However, interestingly enough the new legislation has created inter-governmental political linkages by ensuring that the majority (two-thirds) of the members of the Tehsil and district councils are these elected heads. The remaining one-third members of district and tehsil councils and the heads of district and tehsil governments are elected indirectly by the directly elected union-council members. Thus in particular, the head of the district government, the District Nazim, need not command a majority of the public vote in a district but rather a majority of the union councilors and union nazims elected in the district (Cheema, Khwaja and Qadir 2005). Another important electoral change has been a significant increase in reservation for peasants and women with a total of one-third seats reserved for both as compared to 5% and 10% in the district councils previously.

- Limited Constitutional Support: Despite the new local government structure Pakistan is constitutionally still a two-level federal state i.e. the local governments are not recognized as the third tier of government by the 1973 Constitution. The 17<sup>th</sup> Constitutional

Amendment provides limited protection to the local governments for a period of only six years during which provinces can make changes to the local government legislation with the concurrence of the President.

- Provincial to Local decentralization with no Federal decentralization: Equally importantly, devolution involved a transfer of provincial powers and responsibilities to the district and lower levels of governments but interestingly enough, no decentralization of any federal powers to either the provincial or local levels.<sup>24</sup>
- Uneasy integration between Provincial/Federal and District level elected governments: Whereas prior to devolution, there was no significant link between the elected provincial/federal and the local governments, it did not matter since most of the state services were provided through the deconcentrated provincial administration which was indirectly responsible to the provincial elected representatives. However, post-devolution, the elected local government was transferred a large proportion of these services. Given that the devolution process took place at a time when there

was no provincial/federal elected government and the local government elections were held on a non-party basis, no effort was made to integrate the newly elected local government with the soon to be elected provincial/federal governments. This has resulted in an interesting but not so surprising conflict between the local and provincial/federal elected representatives which we will address more explicitly in the next section.<sup>25</sup>

#### Characterizing Devolution:

While the previous overview provides an illustration of the changes brought about through the current decentralization process, it misses some of the interesting details. In this section we elaborate on some of these aspects.

Since the primary goal of a state is to provide public goods and services to its constituents, a useful way to categorize the devolution process is in terms of the changes in administrative level, accountability, and fiscal resources available to these services. To this end we carried out a detailed exercise of mapping out the extent of devolution, at least as envisaged on paper, under the local government ordinances. Moreover, for select departments this mapping was tallied with actual practice by conducting detailed interviews with members of these departments.

While presenting the details of this mapping is beyond the scope of the current paper, we will use examples from this exercise to illustrate the type of changes brought about by devolution and the heterogeneity in these changes both across and within different departments.<sup>26</sup>

### 3.1 Level Changes

These are changes where a particular service is still decided by a similar agent (bureaucrat or politician) but at a different level in the government hierarchy as compared to before. While theoretically all types of changes are possible, devolution has primarily involved the following:

*A. Province to Province:* For the sake of completeness we start with instances where there has been no change in the administrative level. This can happen either because:

- i. An entire department is not devolved. Examples include departments like Irrigation, which has not been devolved because of significant interjurisdictional spillovers.
- ii. Certain activities in a department have been retained at the provincial level. For example university education has remained a

provincial subject despite most of the remaining educational services having been devolved to the district level

- iii. Certain budgetary heads of expenditures have effectively been retained at the provincial level. The most important example is salary and allowance expenditures of all department employees. Since most employees in the administrative departments remain provincial employees, the district cannot create or reduce posts or adjust their salary structure and therefore, a large fraction of the district budget is fixed.<sup>27</sup> Thus for departments where a large fraction of the current expenditure incurred is on salaries, such as the Education department which spends around 90% of its non-development budget on salaries, this is a significant factor limiting the extent of decentralization.

*B. Province to District:* This is the most common and significant change whereby the budgeting, planning and development functions related to services that were previously decided at the provincial level have now been devolved to the district. Since a large part of these activities were decided at the provincial level before, this has entailed devolution of *administrative level* i.e. before these decisions were based primarily on the Provincial Secretariat and the Provincial Cabinet. Now the analogous decision-makers are at the district - the District Nazim, the Executive

District Officer Finance and Planning and the Executive District officer of the relevant line department.

*C. Urban/Rural Local Council to Tehsil:* This level change involves spatial and functional integration as several of the services that were previously the domain of urban or rural local councils have been integrated at the Tehsil level. Among others, these include key municipal services such as water supply, sewerage, sanitation, drainage schemes and street lights.

### 3.2 Accountability Changes

These are changes where a particular service is now decided by an agent who differs in his accountability to the public. In particular, devolution brought such an accountability change primarily at the *district* level. Whereas prior to devolution, the deconcentrated provincial bureaucracy at the district level was accountable to their *non-elected* provincial secretariat, under the present system they are accountable to the *elected* heads of District and Tehsil governments. Rather than going through illustrations of which services underwent such a change, it is sufficient to note that any service that was under the purview of the district officer of a provincial line department and is now placed under the district government, effectively underwent such an accountability change. That is, the

ultimate decision maker changed from a provincial government district officer who reported to the provincial bureaucracy, to an elected Nazim who ultimately is answerable to his district's constituents.

The most significant accountability change is that the de facto head of district administration under the previous system, the deputy commissioner (DC), used to report to the *non-elected* provincial bureaucracy, whereas in the present system the head of the district administration, the District Coordination Officer (DCO) reports to the *elected* district nazim. Although it needs to be pointed out that the authority of the Nazim over the DCO and Executive District Officers (EDO) is circumscribed in matters of transfers and promotions, which continue to remain under the purview of the provincial secretariat, and as a result this accountability change remains circumscribed in both a de jure and a de facto sense (Manning et. al. 2003).

### 3.3 Financial Changes

There have been fiscal changes that have accompanied the devolution process that, while not necessarily directly affecting the allocation of funds to a particular service, are likely to have an indirect effect on such allocations in so far as they change the total amount of funds available to each local government.

**Changes in budgetary transfers – Non-discretionary and non-lapsable:** A significant financial change accompanying decentralization has been the establishment of a ‘rule-based’ fiscal transfer system between the provinces and the local governments. Previous local government reforms failed to establish an adequate fiscal transfer system with the result that local councils were unable to perform even the limited expenditure functions assigned to them (AERC 1990, Nasim 1999). The non-discretionary intergovernmental fiscal transfer process is determined by the “Provincial Finance Commission” awards.<sup>28</sup> In addition to this non-discretionary aspect, these budgetary transfers have also changed in that they are no longer lapsable and continue to be retained by the relevant local governments. It should be noted though that while the interim Provincial Finance Commission (PFC) awards have established a rule-based transfer mechanism for the distribution of the Provincial Allocable Amount between local governments, the PFCs are yet to establish well defined ‘rules’ for the division of the Provincial Consolidated Fund between the Province and the local governments even though this is required by the legislation (Cheema and Ali 2005).

The extent of financial decentralization, however, remains limited, despite these reforms. Districts governments continue to have the same restricted revenue collection mandates and are excessively reliant on provincial and ultimately

federal funds, through the provincial finance commission awards.<sup>29</sup> Furthermore, a significant proportion of district expenditures are “establishment charges”<sup>30</sup> which, while incurred by the district, cannot be altered by the district; these expenditures include salaries of administrative personnel who continue to be provincial employees and as such the district cannot fire them or adjust their wages.

**Urban-Rural reunification:** The integration of urban and rural administrative areas (at the Tehsil level) also has significant implications on the flow of funds between urban and rural areas. In particular, until 1999 a major source of revenue for the urban areas was octroi levied in urban areas for all goods regardless of whether they were eventually consumed in a rural area.<sup>31</sup> This resulted in a disproportionate access of resources for urban areas. After devolution, however, there is no longer any rural-urban distinction as both such areas within a tehsil fall under the jurisdiction of the same tehsil government. In such a case, the resources for both areas for a given Tehsil are pooled and, in the likely situation that the rural area has greater voting importance, one may expect to see a correction of the urban bias in funding and perhaps even a bias towards the rural areas. This issue is addressed in detail in section 4.

#### 4. The Political Economy Of Decentralization

The purpose of the first section, other than presenting a history and context of decentralization in Pakistan, was to help shed light on the political economy of decentralization, particularly for the most recent reforms under General Musharraf. In this section we recap some of the salient trends identified in the previous sections in order to better understand why centralized regimes are seemingly willing to shed their own powers. Our contention is that the recent devolution, while more ambitious and broader in scope than previous attempts, is in several important ways a natural continuation of previous decentralization attempts and is best understood in light of this context.

#### 4.1 Non-Representative Centres And Local Government Reforms

The central tendency revealed by our historical analysis is that local governments have been enacted by non-representative regimes to legitimize their control over the state.<sup>32</sup> Legitimacy has been sought by creating a localized patronage structure that produces a class of ‘collaborative politicians’ who act as a conduit between local level constituencies and the non-representative centre. This is as true of the British period as it is of the post-independence period. The difference between these periods lies in the nature of the non-representative institution that established its authority over the state. In the pre-independence period it was the

British imperial state that introduced modern local self government. In the post-independence period it has been the Pakistani military.

Musharraf's local government reforms represent a continuity of this central historical tendency. Unlike attempts at decentralization in some other countries, which appear to have been motivated more by changes in state ideology or multilateral pressure, in Pakistan, the military's need for legitimization of state control appears to be a prime reason behind the recurring attempts at local government reform. Multilateral pressure for decentralization in Pakistan had existed since the mid-nineties (World Bank 1996, 1998). However, no major attempts at decentralization were initiated by the Pakistani state until General Musharraf's takeover in 1999.

A corollary to this central tendency is that local government empowerment has always been combined with centralization of political power in the hands of the non-representative centre. The centralization of political power has undermined representative institutions not only at the level of the centre but also at the level of the provinces. Each attempt at centralization of political power by the military during the post independence period has initially involved the dissolution of elected provincial and federal assemblies and has invariably been followed by the enactment of a presidential or a quasi-presidential constitution,

which preserves the non-representative institution's role at the centre even after the revival of representative governments. Centralization of political power has also involved selective disqualification of political party representatives and at times outright bans on all or certain political parties. As a result, these attempts at centralization of political power have considerably weakened the organizational structure of political parties and have distorted electoral competition at the local, provincial and central levels.

The Musharraf regime represents another attempt at combining the empowerment of local governments with the centralization of political power through the establishment of a quasi-Presidential constitution. General Musharraf's Legal Framework Order (2002) as enshrined in the 17<sup>th</sup> Constitutional Amendment institutionalizes the role of the military in the centre by strengthening the powers of the President vis-à-vis the elected Prime Minister.<sup>33</sup> The current attempt at centralization of political power by the military has again been accompanied by a number of interventions against politicians and political parties. These interventions include selective accountability and disqualification of politicians, the enactment of an educational criterion for electoral candidacy and the creation of a pro-military political party, the Pakistan Muslim League (Q), which currently retains political power in the centre and in the Punjab.

## 4.2 “Limited” Local Governments

While all non-representative governments have been the protagonists of local government reforms, they have not given complete autonomy to these governments by design. This is perhaps another manifestation of the desire of the non-representative centre to retain political control over local governments.

Political control was directly exercised by the centre through the bureaucracy during the British and Ayub periods. Neither the British nor the Zia regimes gave constitutional cover to the local tier, which reflects the centre’s lack of commitment to entrench an autonomous and self-sustaining local tier. In addition, during the Zia period local government reforms were designed to give suspension power to provincial military governors, which established a credible threat of removal over local politicians.<sup>34</sup> Equally importantly and as we have argued above, local governments were never financially empowered which weakened their ability to meet even their own ‘restricted’ expenditure mandates. This was perhaps a safeguard exercised by the non-representative centre against the emergence of a politically independent local tier.

Moreover, the current regime has only provided a limited six year constitutional protection to the reform through the 17<sup>th</sup> Constitutional

Amendment. As discussed in section 3, the financial autonomy of the new local governments also remains circumscribed both on the revenue and expenditure side. It is therefore unclear whether the long term sustainability of the reform is ensured in light of both the limited financial autonomy and constitutional protection especially given the lack of political ownership of these reforms (see the next section).

#### 4.3 Distortions And Conflicts In Politics– Local Governments Versus The Province?

Not surprisingly, given the central tendency identified above, non-representative designers of local government electoral processes have invariably placed a series of limitations on organized political representation which has distorted electoral competition at the local level. The most extreme limitation was placed during the early British period when local government members were nominated by the centre, a rule designed to undermine local electoral competition. All military governments, including the current regime, have required local government elections to be held on a non-party basis. A likely objective of this measure has been to weaken the presence of opposition political parties at the local level. Under the Zia regime, successful candidates with a Pakistan People's Party (PPP) affiliation were disqualified on different pretexts in the 1979 local bodies'

elections (Wilder 1999). Similarly, recent press reports indicate that candidates with opposition party affiliations, who were successful in Southern Punjab and rural Sindh, were pressurized to withdraw their party affiliations. Opposition politicians have interpreted these interventions as a means to create a competing class of collaborative politicians and to weaken the base of political parties at the provincial level.

The non-party basis of local government elections has invariably ended up weakening political linkages between elected provincial governments, which have tended to be party based, and local governments. Political parties, when in government at the provincial and federal levels, have tended to view local governments as a competing tier of 'patronage' (Wilder 1999) and as a result they have not made any attempt at empowering the local government system. If anything, *they have tended to suspend and/or abolish established local governments when in power*. Thus each elected federal government which has followed the military regimes that introduced local governments, has at the very least ignored these local governments and often suspended them altogether. This antagonistic relationship between local and provincial governments also arises because local government reforms are perceived as a way to weaken the authority and the delivery functions assigned to provincial politicians without a

commensurate compensation in the form of devolution of powers and resources from the federal to the provincial level.

These provincial-local government tensions have heightened during the current reform period<sup>35</sup>. Among other reasons this is because no attempt was made to build political ownership of these reforms amongst elected provincial governments. This is in part because local government reforms, which represented a major reassignment of provincial functions and resources to the local tier, were enacted prior to the establishment of elected provincial governments. Local governments were again legally empowered in the absence of elected provincial governments, despite the fact that local government is a provincial subject under the 1973 constitution. Given this history and the fact that the powers, authorities and resources of elected Members of the Provincial Assemblies (MPAs) have been significantly curtailed by the current system, it is not surprising that there is poor ownership of the local government system amongst provinces and some of the major political parties. In fact, in Sindh and NWFP there have been open conflicts between the two tiers (Manning et. al. 2003), which have been managed through the intervention of the Federal government. Even in the Punjab, where the PML (Q) is in power, it is unclear whether MPAs have tendered widespread acceptance of the present system.

#### 4.4 The Role Of The Bureaucracy

The historical analysis shows that there has been a change in the tendency of non-representative centres to use the bureaucracy to control local governments.

Bureaucratic control over local governments was most explicit during the British and Ayub periods. The Zia regime circumscribed direct bureaucratic representation in local governments, which resulted in greater autonomy for the elected tier at the local level. The Musharraf regime has furthered this trend through two means: First, it has considerably weakened the provincial bureaucracy by reassigning a large proportion of their functions to elected local governments and by abolishing the office of the deputy commissioner. Second, and more importantly, are the accountability changes brought about by the present system whereby the provincial bureaucracy at the local level has been made accountable to the elected heads of district and Tehsil Municipal Administration. It needs to be pointed out that the weakening of the provincial bureaucracy is circumscribed as the provincial secretariats still retain considerable administrative authority over district bureaucrats (Manning et. al 2003), which at times has been used to trump the authority of the Nazim, even though the relative de jure bargaining power between the district bureaucracy and the Nazim has been tilted in favour of the latter.

The historical evidence thus suggests a trend towards loosening bureaucratic control of local governments and Musharaf's reforms have been the most radical in this regard.<sup>36</sup> However, it is unclear that the *de jure* shift in emphasis towards elected representatives vis-à-vis the bureaucracy has been matched by their substantive *de facto* empowerment. In fact, even during the current reforms the relationship between the bureaucracy and elected heads of local governments remains unchartered and at times highly conflictual. Manning et. al. (2003 , pg. 51) argue that local governments continue to have little *de facto* control over the appointment, transfer and firing authorities of local government bureaucrats and in particular the new heads of local administration and the line departments, i.e. the DCOs and EDOs respectively.

#### 4.5 Rural -Urban Dynamics

Our analysis shows the existence of a strong rural bias in central and provincial government policies during the British period in an effort to maintain social order among the majority rural population. We have also argued that Ayub in part reflected a similar rural bias by increasing the share of targeted provincial and federal development resources in favor of rural areas, which reversed the urban bias in the provision of these resources that had arisen during the fifties. This preference is not surprising given that the rural areas formed a majority in Ayub's

Electoral College. However, while Zia ul Haq continued the rural-urban divide at the local level, interestingly in his period this meant a relative tilt in favor of urban local governments as increasing urbanization during this time resulted in significant relative increases in per capita tax income of urban local councils as compared to rural councils. In Zia's case this appears to be an attempt to accommodate the interests of the urban middle classes that had formed the core of the anti-PPP movement. Thus in general, these changes appear to reflect the political judgment of the non-representative centre at particular historical junctures regarding the relevant political population that needed to be accommodated to deliver sustained political support at the local level. This judgment is apparently based on the numerical importance of a population and by the ability of mobilized groups to impose heavy electoral, political and disruption costs on the state.

What is important is that the judgment of different regimes regarding the political importance of rural and urban areas appears to have differentially benefited these areas in terms of public spending at different levels of the state. We have shown in Section 3 that the current plan has reversed the trend set under the previous regimes as it has legislatively eliminated the rural-urban divide in local governments by integrating urban and rural local councils at the Tehsil level and by ensuring that a rural-urban distinction is not present within district

governments. While the reasons behind the reversal of the rural-urban divide under the current reforms are not obvious, given that the previous rural-urban proclivities all reflected the changing importance of urban/rural constituents in harnessing local support and legitimacy, it is likely that the same reasons are at play.

Thus it is plausible that the current decision to eliminate the rural-urban divide is partly explained by socio-demographic changes that have taken place in Pakistan since the eighties. Recent demographic work (Ali 2003) indicates that Pakistan's primary cities have emerged as major urban systems, with their rural suburbs or "peri-urban" settlements integrated into the city economies. This phenomenon is most apparent in Central Punjab's heartland where contiguous districts, comprising major cities, medium sized towns and peri-urban settlements have formed into a significant population agglomeration that has increased its political and economic importance (Ali 2003). More importantly, approximately half of this population resides in peri-urban settlements that had not been recognized as "urban" under the previous local government system, a legislative rule that denied them access to the administrative benefits associated with urban local councils such as Octroi revenue and better delivery of municipal services. The integration of urban and rural councils into Tehsil administrations will

certainly benefit this population by creating tehsils where the peri-urban vote is in a majority.

In general however, the effects of eliminating this urban-rural administrative distinction are not as simply classified: while we have argued above that in Central Punjab this was likely to favor peri-urban areas, in the more agrarian regions, such as Sindh and Southern and Western Punjab (Gazdar 1999), this change is likely to benefit rural areas due to their majority rural vote as the relatively economically prosperous urban areas will now have to share the benefits of their incomes with their rural and peri-urban hinterlands.<sup>37</sup> In this sense the Musharraf system is more flexible in that it allocates relative power to whatever demographic group is in majority in the local area.

## 5. Concluding Thoughts

This paper has argued that in order to understand the current decentralization in Pakistan it is imperative to view the reform in the historical context of previous such reforms. In particular, a continuing theme that emerges in this context is that these reforms have somewhat paradoxically been brought about by non-representative regimes such as the British during the pre-independence period and the military during the post-independence period. In fact each of the three military

regimes in Pakistan has implemented local government reforms and each political government that has followed has undermined these reforms or at best simply ignored the local governments. These reforms have all involved decentralizing from the Province to local levels but often a recentralization at the Federal levels. Our interpretation is that these reforms have been used as a means for a non-representative centre to gain legitimacy by by-passing the political agents at the provincial and national levels.

Moreover, the conflict between the provincial representatives and local governments we have highlighted does not bode well for the future of the current decentralization program. Already, with an elected provincial and national government in place, we have begun to see conflicts arising between the province and local governments. However, what is different about the current decentralization reforms is that they have gone much further in terms of their extent and scope. While the local governments still have little revenue raising abilities, and have effectively limited ability to decide their expenditures given that the majority expenditure is in the forms of fixed “establishment costs”, the delivery of most public services has now come under their purview. While these local governments’ future is still uncertain given their time-bound constitutional protection, their limited financial support and conflict with the provincial governments, what is clear is that if they remain, we are likely to see an impact on

the delivery of these public services. Whether this will be for the better, as local governments may become more accountable to the general public, or for the worse, if local governments fall into patronage and “biraderi” politics, remains to be seen.

---

Notes:

\* The authors would like to acknowledge invaluable research assistance provided by Usman Talat, Mariam Mufti and Ali Fareed Khwaja. We would like to thank Daron Acemoglu, Mahmood Hasan Khan, Reza Ali, Haris Gazdar, Shandana Mohmand, and Anjum Nasim for their comments. This work would not have been possible without support from the CIDA funded LUMS-McGill Social Enterprise Development Programme.

1. We are referring to areas of India that came to constitute Pakistan.
2. The district was the principle unit of government in Colonial India.
3. For details of this transition see Cheema, Khwaja and Qadir (2005)
4. For details of the system see Cheema, Khwaja and Qadir (2005)

- 
5. Articles 155, 158 and 229 of the 1962 Constitution.
  6. In the 1965 Presidential election, Ayub secured most of his votes from rural areas while urban areas mostly went against him because Ayub's local government system placed rural representatives in a majority (Rizvi 1974).
  7. "The Rural Works Programme had been evolved in 1961 to utilize the concealed unemployment in the agricultural sector through the institutions of Basic Democracies" (Amjad and Ahmed 1984).
  8. See Cheema, Khwaja and Qadir (2005) for details.
  9. We would like to thank Mr. Reza Ali for bringing this point to our notice.
  10. For details of Zia's local government structure see Cheema, Khwaja and Qadir (2005).
  11. During the Zia regime an area was classified as urban (as given in the 1981 Census) if it had the *administrative status* of Municipal Corporation, municipal or

---

town committee or cantonment board regardless of its population size. This was a departure from the previous system which combined the administrative criterion with a population criterion and gave census commissioners discretion to declare an area urban if they felt it had “urban characteristics” (Ali 2002). Therefore, our use of the term “urban” implies administered urban areas.

12. Octroi was a tax on goods imported into municipal limits for production or consumption. Before it was abolished by the federal government in 1999/2000, octroi had been the biggest source of revenue for urban councils, contributing on average 50-60% of these councils’ income. In Punjab and Sindh the Octroi was biased in favour of larger urban councils (Nasim 1999, World Bank 2000).

13. For example, in the Punjab the average per capita octroi receipts for urban local councils were Rs. 74.5 in 1985. In the absence of the urban-rural divide the per capita octroi revenue for rural and urban areas would have fallen to a meager Rs. 19 (AERC 1990).

14. For example, Wilder (1999). Hasan (2002) argues that the increasing importance of urban middle classes in Punjabi politics, during the seventies and eighties, is underpinned by socio-economic changes that made agriculturalists

---

dependent on mandi (market) arhtis (middlemen) and their transporters who controlled credit as well as the access to mandis with the connivance of the bureaucracy.

15. The anti-Bhutto coalition in 1977 included: middlemen; traders and shop keepers from Punjab's mandi (market) towns; small and large industrialists; and urban professionals (Noman 1988, Wilder 1999). For details see Cheema and Mohmand (2003).

16. This situation was somewhat rectified post 1990 because more items were placed on the District (export) Tax list during the eighties and because of the adoption of tax farming for collection purposes (AERC 1990). This is shown by Table 8.1, which shows a narrowing of the gap between rural council and urban council per capita incomes in the Punjab during the 1990-95 period.

17. For example nearly 50% of the elected members of the Punjab Provincial Assembly were sitting local councilors (Niazi 1994).

18. The term personalized politics describes the tendency among powerful ministers to use state resources to capture influential: party-, *biradari*-

---

(community), *quam*- (tribe or nation) and/or *zat* (caste) based local factions.

Keefer et. al. (this volume) analyse the effect personalized politics has on service provision outcomes.

19. As one minister put it during the 1985 National Assembly's first budget session, "We don't have one party, or ten parties....; we have two hundred parties. Each member of the assembly considers himself responsible only to himself (Haq 1985).

20. Over 96% of Pakistan's revenue was controlled by the Federal and Provincial governments in the last two decades (World Bank 2000).

21. Data shows that the ratio of municipal corporation per capita income (the richest tier of local governments) to provincial per capita income decreased from 0.78 in 1990 to 0.32 in 1995.

22. These reforms were brought about through a new local government ordinance, a new Police Order (2002) and abolition of executive magistracy through amendments in relevant laws.

---

23. Even these limited local governments were mostly suspended during the 1990s so in fact prior to the current devolution there were no elected representatives at the local level and their powers were exercised by provincial bureaucrats as local government administrators.

24. The National Reconstruction Bureau established the Higher Government Restructuring Committee in 2001 to suggest devolution of powers from the Federal to the Provincial level. However, no concrete steps have been taken on this front as of today.

25. Also see Cheema and Mohmand (2003).

26. For a detailed rendering see Cheema, Khwaja and Qadir (2005).

27. In the Punjab, district governments are empowered to create contractual posts provided they fund them from own source revenues and are able to obtain the “concurrence” of the provincial finance department.

28. For details see Manning et. al. (2003) and Cheema, Khwaja and Qadir (2005).

---

29. Manning et. al. (2003) show that the legislatively mandated transfers of the Provincial consolidated fund to local governments amounts to less than 25%. They also show that provincially controlled programmes still account for 30% to 60% of local governments' development expenditure. Also see Keefer et. al. (this volume).

30. Manning et. al's. (2003) six district study shows that the salary component in total district expenditure in their sample districts ranged from 82% to 94%. Also see Keefer et. al. (this volume).

31. Octroi and Zila tax were abolished in 1999.

32. An alternative explanation would be the military's need to create a local level preference aggregation mechanism that could effectively reveal the demands of civil society in the absence of elected higher tiers of government. We would like to thank Daron Acemoglu for suggesting this point. However, the legitimacy and demand aggregation explanations need not be mutually exclusive.

---

33. Substantive powers include the revival of article 58-2(b) which empowers the president to dissolve the elected assemblies.

34. For example see section 29 of Punjab LGO (1979).

35. It is, therefore, not surprising that the Punjab Province's most important recent initiative, the Punjab Education Sector Reform Programme, mandates MPAs to select primary and secondary school schemes even though these services have been devolved to the district.

36. Cheema, Khwaja and Qadir (2005) provide a political economy explanation for the historical trend towards loosening bureaucratic control.

37. Interestingly, despite the NRB-Local Government Plan's (2000) explicit recognition that there was a case for declaring the city areas in at least 11 districts of Pakistan as City Districts, the Musharraf regime chose to only declare the four Provincial Capitals as City Districts. This effectively gave the rural areas and rural politicians of the remaining 7 districts a claim over the resources of the larger and richer urban areas.

---

References

Ahmed, V. and Amjad, R. (1984). *The Management of Pakistan's Economy, 1947-82*. Karachi: Oxford University Press.

Applied Economic Research Centre (AERC) (1990). *Local Government Administration in Pakistan*. Karachi: unpublished manuscript.

Ali, I. A (1988). *The Punjab under Imperialism, 1885-1947*. Delhi: Oxford University Press.

Ali, R. (2003). "Understanding Urbanization," in S. A. Zaidi (eds.) *Continuity and Change: Socio Political and Institutional Dynamics in Pakistan*. Karachi: City Press.

Burki, S. J. (1980). *Pakistan Under Bhutto: 1971-77*. London: Macmillan.

Callard, K. (1957). *Pakistan: A Political Study*. London: George Allen and Unwin.

---

Cheema, A. and S. K. Mohmand (2003). "Local Government Reforms in Pakistan: Legitimising Centralization or a Driver for Pro-Poor Change?," Paper written for the "Pakistan Drivers of Pro-Poor Change Study conducted by Institute of Development Studies UK, Collective for Social Science Research, Karachi. DFID, UK.

Cheema, A., and U. Ali (2005) How Rule-Based is Punjab's Intergovernmental Fiscal Transfer System. Lahore University of Management Sciences, Social Enterprise Development Centre Working Paper.

Cheema, A., A. I. Khwaja and A. Qadir. (2005) Decentralization in Pakistan: Context, Content and Causes. Kennedy School Working Paper Number:RWP05-034

Gauhar, A. (1996). *Ayub Khan: Pakistan's First Military Ruler*. Lahore: Sang-e-Meel.

Gazdar, H. (1999). "Poverty in Pakistan: A Review," in S. R. Khan (eds.) *Fifty Years of Pakistan's Economy*. Karachi: Oxford University Press.

---

Hamid, N. (1980). *Process of Agricultural Development – A Case Study of the Punjab*. Doctoral Dissertation Stanford University.

Haq, M (1985). Interview with the *Overseas Mashriq* on June 27, 1985.

Hasan, A. (2002). *The Unplanned Revolution*. Karachi: The City Press.

Jalal, A. (1995). *Democracy and Authoritarianism in Pakistan: A comparative and historical perspective*. Lahore: Sang-e-Meel.

Keefer, P. E., A. Narayan and T. Vishwanath (2005). “The Political Economy of Decentralization in Pakistan,” in D. Mookherjee and P. Bardhan (eds.) *Decentralization to Local Governments in Developing Countries: A Comparative Perspective*. MIT Press.

Local Government Ordinance (LGO) (1979). Lahore: Law Book Land.

Local Government Ordinance (LGO) (2001). The Punjab Gazette 8<sup>th</sup> October 2001. Government of the Punjab: Law and Parliamentary Affairs department.

---

Local Government Plan (LGO) (2000). National Reconstruction Bureau.

Manning, N., D. Porter, J. Charlton, M. Cyan and Z. Hasnain (2003). *Devolution in Pakistan – Preparing for Service Delivery Improvements*. Pakistan: World Bank.

Metcalf, T. R. (1962). “The British and the Moneylender in Nineteenth Century India,” *The Journal of Modern History*, XXXIV December.

Nasim, A. (1999). *Local Government Finance in the Punjab*. Lahore: Punjab Municipal Development Fund Company.

Nath, A. (1929). *Development of Local Self-Government in Punjab (1849-1900)*, Lahore.

Niazi, M. A. (1994) “Local Bodies: the history,” *The Daily News on Friday*, 30<sup>th</sup> September.

Noman, O. (1988). *Pakistan: Political and Economic History since 1947*. London: Kegan Paul International.

---

Pasha, M. (1998) *Colonial Political Economy: Recruitment and*

*Underdevelopment in the Punjab*. Karachi: Oxford University Press.

Rizvi, S. A (1976) *Changing Patterns of Local Government in Pakistan*. Karachi:

Pakistan Historical Society.

Siddiqui, K. (1992). *Local Government in South Asia*. Dhaka: University Press

Limited.

Talbot, I. (1996). "State Society and Identity: The British Punjab, 1875-1937," in

G. Singh and I. Talbot (eds.) *Punjabi Identity: Continuity and Change*. New

Delhi: Manohar.

Talbot, I. (1998). *Pakistan, A Modern History*. New York: St. Martin's Press.

Tinker, H. (1968). *The Foundations of Local Self-Government in India, Pakistan*

*and Burma*. New York: Praeger.

---

Van den Dungen, P. H. (1972). *The Punjab Tradition: Influence and Authority in Nineteenth Century India*. London: George Allen and Unwin Ltd.

Venkatarangaiya, M. and M. Pattabhiram (eds.) (1969) *Local Government in India, select readings*. Bombay: Allied Publishers.

Waseem, M. (1994). *Politics and the State in Pakistan*. Islamabad: National Institute of Historical and Cultural Research.

Wilder, A. R. (1999). *The Pakistani Voter: Electoral Politics and Voting Behavior in the Punjab*. Karachi: Oxford University Press.

World Bank (1996). *Supporting Fiscal Decentralization in Pakistan*.

World Bank (1998). *A Framework for Civil Service Reform in Pakistan*.

World Bank (2000). *Pakistan Reforming Provincial Finances in the Context of Devolution, An eight point agenda*.