



**ROLE OF PROVINCIAL FINANCE
COMMISSION IN PAKISTAN'S
MUNICIPAL FINANCE: IS IT TOO
EARLY TO TALK ABOUT IT?**



**By:
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Introduction

All politics is local. So goes an adage from US politics referring to the profession's demand of public office hopefuls to immerse themselves in the community they represent; know the places, the people and their unique problems, and win them over by either solving those problems or by presenting a solution before asking for their votes.

Since 1980s, a growing trend toward decentralisation of state has taken place both in developing and developed countries, led by increasing recognition of localization of politics. This has been compounded by failure of states' central planners' to effectively respond to citizens' needs, reduce regional disparities, amongst other administrative practicalities; and promote national cohesion or defuse tensions where societies have been fragmented by ethnicity, religion, language and endowment of natural resources¹.

Almost every country in the world has some form of sub-national government structure. The nature of these sub-national government structures ranges between various variations of elected state, provincial, municipal or local governments with high degrees of autonomy on one hand, and minimal discretion for local agents of central state on the other. Pakistan, however, seems to be an exception, where decentralisation has remained restricted.

Until 2010, 63 years after Pakistan's independence from British India, all local government reforms in the country were brought about by military dictatorship regimes. Brought about by non-representative regimes, those reforms lacked support from the wider political system since, for good reasons or bad, the military efforts towards local government were seen as a means to bypass the political leadership at the provincial level². Ergo, the history of local government in Pakistan, one that is brought about by elected representatives of the people is recent: less than a decade.

The history of provincial finance commissions (PFC) – the institution that decides the distribution of provincial governments' revenues among cities, districts and regions within the provinces - is also very recent in Pakistan. It was only after the Devolution Plan, 2001³ that the PFCs were "constituted for the first time in all provinces of Pakistan."⁴ However, that devolution plan was shelved after 2008, as were the PFCs. Since then, the PFCs in Pakistan have had a chequered history.

In 2010, the 18th constitutional amendment declared local government as the third tier of government by adding Article 140A to the constitution, which states:

"Each province shall, by law, establish a local government system and devolve political, administrative and financial responsibility and authority to the elected representatives of the local governments."

This article gave legs to the previously existing two Articles in the Principles of Policy⁵ chapter of the constitution:

Article 32: "The state shall encourage local government institutions composed of elected representatives of the areas concerned and, in such institutions, special representation will be given to peasants, workers and women."

Article 37(i): The state shall decentralise the government administration so as to facilitate expeditious disposal of its business to meet the convenience and requirements of the public.

Unlike the Indian⁶ or Nepalese constitutions⁷ that spell out detailed provisions on local government bodies and their finances, these three Articles [32, 37(i) and 140A] define the limits of Pakistan's

¹ Farvacque-Vitkovic et al, 2014, pp.11-12

² Waseem, M 2018

³ The Devolution Plan 2001 was brought under the rule of General Musharraf

⁴ Asif M & Sabir M, 2018

⁵ Principles of Policy are the "very objective and purpose for which the state is established" regardless of the political party in power (Mughal MA 2011). However, these Principles are non-justiciable (Khan, M 2014).

⁶ The Indian constitution has specific parts on Panchayats and Municipalities including specific articles on constitution, composition, duration, powers, and responsibilities of municipalities including power to impose taxes.
<https://www.constitution.org/cons/india/const.html>.

constitutional demands on political, administration and fiscal decentralisation to the third tier of government in general, and local government and PFCs in particular. As a result, the provincial governments in Pakistan have the complete power and discretion to design local government framework as they deem fit, leading to a lack of uniformity in the structure of local governments in provinces, and also the nature and scope of respective PFCs.

The diversity of structures could have been cherished if it were followed up with periodic formal studies to assess the strength and weakness of various models of local government across the four provinces; leading to subsequent improvements in provincial local government laws, further improving the lives of citizens. But the subject remains little studied in Pakistan's policy and political economy circles⁸.

Moreover, there are no national or provincial urban policies in the country⁹. In a country witnessing a hurried pace of urbanisation¹⁰, the absence of any coherent urban policy and sheer lack of focus on local government only exacerbates the problem of public service delivery at local level.

Terms of reference

Given the originally assigned title, 'Role of Provincial Finance Commission in Municipal Finance in Pakistan', this paper was conceptualised in the backdrop of a growing discussion on the need to envision cities as engines of growth and the need for a critical evaluation of devolution down to the third tier of government.

Instead of a paper focusing on the theoretical importance of local government and the possible revenue stream of cities and municipalities, Prime's working group¹¹ decided that the scope of research be made practical by undertaking a comparative evaluation of existing local government structures.

Considering that there are more than 2000 urban councils, more than 20 municipal corporations, over 250 municipal committees and 4 metropolitan corporations in Pakistan, it was decided to limit the scope of this paper to financial, political and administrative decentralisation of the four metropolitan corporations in the country namely, Karachi, Lahore, Quetta and Peshawar – the capitals of each province.

The power and ability to raise finances ought to be seen in the context of devolution of administrative responsibilities, service delivery, and decision making to third tier of government. Thus, it was considered important to study the political and administrative decentralisation along with experience of PFC and municipal finance in each province. Initial analyses had revealed that the ability to raise

⁷ The Nepalese Constitution has specific articles that spell out the executive powers of local government in addition to specific provisions related to mayor and deputy mayor of municipalities, term of office of village/municipal assembly (Constituteproject, 2019)

⁸ Authors own assessment based on absence of conferences, op-eds, seminars, availability of data, and books published on Pakistan's politics and economy. For instance a host of recent publications and updated editions of previously published books, including 'Issues in Pakistan's Economy: A Political Economy Perspective' by S. Akbar Zaidi; 'Pakistan's Agenda for Economic Reforms' by Vaqar Ahmed; 'Governing the Ungovernable' by Ishrat Hussain; 'Growth and Inequality in Pakistan' by Hafiz Pasha – all these otherwise very insightful books by notable scholars discuss issues in governance, political economy, public finances in Pakistan but save for passing references they do not shed light on local government. A good background paper is Riaz A, 2019 which compares local government laws, albeit it does not compare latest revised laws since those revisions were not finalised at the time of publication of that paper. Riaz A, 2019 also doesn't shed light on comparative quantitative analysis of local government finance or municipal finance. Ali S.M, 2018 has a useful section on recent donor engagements with devolutionary process.

⁹ Punjab boasts a certain Urban Unit tasked to give policy advice and services to public and private sector organizations in various affairs related to city planning, finance, administration etc. But it's not the same as having an urban policy.

¹⁰ Urbanisation in Pakistan is estimated to be an annual growing rate of 3 percent – the fastest rate of urbanisation in South Asia

¹¹ The author would like to thank Prime Institute for its support to conduct the study; the suggestions of Prime's working group that met twice (First meeting: April 8, 2019) and the participants of provincial consultations held in Peshawar, Karachi, Quetta and Lahore.

revenue locally varies between provinces¹². Comparative analysis of functions was thought to be the first step, followed by analysis of whether adequate stream of finances, including powers to collect own revenue, has in fact followed function.

However, due to methodological constraints spelled out in detail in the ensuing section, these terms of reference were not realised whereas breaking the wall of methodological constraints was beyond the limits defined by time and scope of this paper. The revised terms of reference, as accepted in Prime's second working group meeting¹³, was to focus on key cross-cutting themes relating to local government finances, and to flag the reasons behind methodological constraints, which therefore makes the ensuing section an integral part of this paper.

Methodology

In order to undertake comparative analyses of local government laws of the four provinces, the original research plan was to first compare the respective local government acts along with the numerous subsequent notifications that may have given more powers to local governments or circumvented the powers specified in those acts. However, except in the case of Punjab, the most up-to-date versions of the law with all the latest amendments and ancillary notifications were not publicly available; nor were the local government departments of the provinces concerned able to furnish desired documents despite repeated requests because the final amended versions of the law were not compiled by the authorities¹⁴.

Since number of amendments is substantive (Sindh alone has legislated 20 times on local government since 2010)¹⁵, redrafting the acts by incorporating all amendments was beyond the scope of this paper. Therefore, the impossibility of comparison set in.

The second step was to hold consultative dialogues (one in each provincial capital) with relevant stakeholders representing the civil society and governing bodies of the four metropolitan cities as well as the local government officials of the province. These dialogues were aimed at both to present our findings to stakeholders (which were admittedly less than expected due to the constraints explained above) and listen to stakeholder concerns about the structure, role and responsibilities of local government as well as their proposed solutions.

However, save for a brief discussion in Karachi where political realities are rather unique, in three out of four consultative sessions, participants did not discuss local government at all, despite repeated attempts to moderate the conversation in that direction. This to my reading - discussed in the next section - reflects a lack of appreciation of the importance of, and problems at, the third tier of government. Discussion of third tier government is simply missing from the national discourse. In one provincial consultative session, participants were in fact hostile to the idea of even having a discussion on PFC and municipal finance when in fact "there are many issues still left unresolved between the centre and [that] province."

A key element of accountable governance is timely information about the sources and uses of funds at all levels of government. This is critical to establish benchmarks and evaluate comparative performance. In recognition of this, it was decided to analyse and compare the budgets of third tier of government in the respective provinces. However, here too the impossibility of comparison set in.

Governments usually provide economic and functional data for each level of administration to the International Monetary Fund's GFS data portal. However, Pakistan's GFS page only covers information on central government budget. Considering that most spending is at subnational level, the

¹² CLGF 2019

¹³ Second meeting held on August 29, 2019

¹⁴ Author's discussions with local government officials

¹⁵ Mahar M & Khan S, 2019

portal was not a good lead in this aspect of research. Attempts to get copies of budget were also futile; websites of local government departments and city district governments do not provide such information to the public, whereas official requests to obtain datasets also led to the wall of impossibility.

Lastly, and perhaps most important aspect was the non-commensurability of the datasets. Led by the Punjab government, an official working group of the 9th National Finance Commission award was tasked to analyse the local revenue component in 2016. However, that working group could not complete that part of the assignment citing two reasons: (a) that “no credible database of revenue collection below the level of provincial governments is available as these tiers of local governments are still not linked with the SAP / R3 based database of accounts set up under PIFRA”; and (b) that “the structure of local governments in Pakistan has not been uniform across the country during the last five years period which is the focus of this report.”¹⁶

The lack of basic information is not unique to the fiscal side. The 2017-18 Country Report Pakistan by the Commonwealth Local Government Forum wrote ‘no information available’ in its sections on local government expenditure, elected representatives, and ICT usage in citizen engagement. Ergo, the lack of basic information on local government and its finances is one of the critical findings of this paper.

In light of these limitations, what follows is an analysis based on: various reports, papers, presentations, op-eds, and interviews published on the subject (although, admittedly literature on Pakistan’s most recent experience with local government is scant); author’s reading of the publicly available (albeit not up-to-date) versions of local government laws; and, key stakeholder interviews in the four provinces (whose statements are not attributed in this paper to respect the formal but candid nature of the conversation that was made possible on the condition of anonymity).

Key issues and challenges

Unlike the previous efforts towards setting up of local governments in Pakistan, the most recent wave has been brought about by elected representatives. Despite this apparent sense of legitimacy, the local government system in Pakistan is fraught with challenges; from delays in local government legislation by the provinces to excessive delays in the holding of elections¹⁷; and from frequent amendments that have not been backed by exhaustive public debate on the subject to the issuing of notifications that allow provincial governments to centralise power rather than devolve it – the local government system is found wanting in many respects. Local governments across the four provinces have not been, in varying degrees, empowered with desired political, fiscal and administrative autonomy¹⁸.

In recognition of the scope and limitations of this paper, this section sheds light on four key aspects: (a) the chequered history of PFCs, their structure and the issue of representation; (b) data gaps and the absence of an empowered PFC secretariat; (c) the issue of governance and coordination amongst local governments; and lastly (d) the question of citizen demand or of ‘reaction from below’.

The chequered history of PFCs

The first ever PFCs in Pakistan introduced under the Devolution Plan, 2001 were disbanded after that plan was scrapped and the provinces passed new local government laws after the passing of 18th constitutional amendment in 2010. Since then, provinces have been distributing government revenues to districts under ad-hoc interim PFC awards. It is pertinent to note here that following the

¹⁶ Government of Punjab, 2016

¹⁷ Ali S.M., 2018 notes that owing to lack of constitutionally mandated time frame to hold local government elections, three out of four provinces took three years to pass local government laws and another two years to hold elections.

¹⁸ Sheikh SR, Khalid S et al 2019

promulgation of local government laws, only two provinces - Punjab and Khyber Pakhtunkhwa - have passed respective PFC awards; and both have been interim awards¹⁹.

In spring 2018, Punjab's then finance minister Dr Ayesha Pasha had announced that the provincial government will prepare FY19 budget based on a new proper award. But Punjab government was unable to finalise the award on account of the then upcoming general elections and the still pending final release of data from the population census of 2017.

Situation in Sindh is no different, where in July 2019, media reported that Sindh Assembly unanimously passed a resolution calling for the immediate formation of the PFC. Au contraire, Sindh's local government department officials maintain that Sindh's PFC was formed in 2016 but has never even met once. Failure of provinces to announce proper PFC awards in part stems from the fact that provincial local government laws are silent on the time limit within which the provinces must pass the PFC awards.

One common factor between the PFCs awarded under the Devolution Plan 2001, and the interim ones passed after 2010 is that they are not uniform in their approach towards distribution. For instance, the definition of divisible or the shareable pool of resources is not consistent between provinces. Similarly, Punjab government has set up separate district authorities for health and education, which in theory are textbook spending areas of local governments²⁰.

These authorities function parallel to elected local bodies and are funded and controlled by provincial government. Therefore, Punjab's PFC does not channel funding for health and education spending to local governments; instead that money flows to the district authorities for health and education.

Punjab is no exception in its reluctance to transfer powers to third tier. Primary education and health services have not been decentralised to local government in Sindh and Balochistan either. Sindh in fact has issued a cobweb of notifications to bypass its local government laws that had given powers to the mayor of Karachi, its biggest metropolis.

The historical and systemic resistance to devolve powers is also evident by the manner in which provinces have kept the taxation powers of local governments in check. For instance, as per Punjab Local Government Act, various taxes have been devolved to the third tier, but the act regulates those taxes down to the finest details, such as fixing upper and lower limits of tax rates and fees imposed by local government. This raises questions over the fiscal freedom of local government. Similarly, in Punjab and Khyber Pakhtunkhwa, local governments do not have complete autonomy to raise revenues and to make expenditure unless previously authorised by the provincial government²¹.

Other independent studies of fiscal decentralization also reveal that "fiscal empowerment of local government is heavily dependent on the discretions of provincial governments. The experience so far indicates that provincial governments have a greater tendency towards centralisation of expenditure powers and control of resources for the provision of public goods and services. This results in vulnerability of the local government, as well as province-wide differences in sharing of functions and resources"²². This is also evident by the fact that taxation powers of the local governments are minimal, such as tax on professions, calling and trades, and user charges such as parking fees and water charges, since relatively buoyant taxes such as property taxes have not been devolved to local governments.

Then there is the question of representation at the PFC. A review of last available local government laws of Sindh, Khyber Pakhtunkhwa and Punjab shows that the composition of the PFC is tilted in

¹⁹ When a PFC award is not passed on the basis of updated datasets or when the meeting of the commission has not been properly convened, then the award is said to be an interim PFC award. Note: this is how practitioners and policy researchers on fiscal federalism define it; this is not a formal definition.

²⁰ These are addition to Parks and Horticulture Authority, Punjab Food Authority, Lahore Development Authority, Multan Development Authority, and Punjab Metrobus Authority that are controlled at the provincial level instead of the local level.

²¹ For details on Punjab, see Chapter XVIII – local government budget <http://punjablaws.gov.pk/laws/2735.html>

²² Asif M & Sabir M, 2018

favour of the provinces, i.e. provincial representation in PFC is much higher than the representation of local government (see *Appendix A*). Granted that local government officials may lack capacity to meaningfully contribute to such commissions, and that representation from numerous districts²³ will increase the size of the commission to a point where it becomes unmanageable or where consensus may become difficult to reach. But capacity issues could be resolved by secondments of finance staff from provincial government or technical representatives appointed by local government itself, whereas the issue of numerous districts could be resolved through nomination of bodies representing various tiers of government or an association²⁴ of mayors at the PFC, or other means of fair representation aimed at fair division of the provincial revenue cake.

It is important to recognise this problem of representation at the PFC because participation and political representation of local bodies in the decision-making process of PFC has both developmental and instrumental implications, i.e. both as an end in itself and as a means to better outcomes. Equity implications demand that the nature of institutional arrangements be such that it ensures effective representation, especially in matters of finance and local budget-making.

Data gaps

While the basis of horizontal distribution under interim PFCs awarded by provinces so far is broad and includes a variety of indicators other than population such as school-going age population, enrolment rates, lack of access to improved water, and lag in infrastructure (See *Appendix B*); the datasets feeding into those indicators do not always exist or are otherwise not frequently updated to reflect the changing realities.

Absence of data that may form the basis of distribution of revenues between provincial and local governments, therefore, is one of the most underappreciated problems relating to local government finance. Cost of public service delivery across various districts; minimum acceptable standard of public service delivery; and other types of socio-economic data sets for districts are conspicuous by their absence in all provinces. This does not only risk impairing the decision-making process - if and when the provincial PFC meet - but also prevents local governments from realising their potential revenues.

The absence of reliable dataset for designing an appropriate horizontal distribution formula under PFC is a long pending issue. Writing in 2006, Shahid Kardar²⁵ noted that the absence of “credible and comparable data” meant that the then Punjab’s transfers were not based on formula but instead determined by previous allocations. The problem persists today. For instance, the 2018-19 interim award by Khyber Pakhtunkhwa states that “for want of required formula under the provisions of KPLG Act, 2017 and collection of data necessitated thereby, the commission has recommended the present PFC on the basis of previous formula (FY09-FY11)”.

Or consider that, as per Sindh Local Government Act, 2013, tax on professions, trades and callings are devolved to third tier of government. However, the last effective survey of shops in Karachi was conducted 20 years ago, whereas there is no effective check to ensure completeness of the records. Like many other cities, modern methods ought to be used for identifying the properties and their nature of use, whether residential, commercial or industrial. But so far there is little progress.

Local government laws require provincial governments to form a permanent PFC secretariat tasked to work on all such datasets and many others including inter-governmental fiscal database (see *Appendix C as an example of the type of datasets that ought to be maintained by PFC secretariats*). But those secretariats have not been set up so far. “None of the provinces have hired economists,

²³ *Twenty-nine districts in Sindh alone*

²⁴ *See next sub-section*

²⁵ *Kardar S, 2006*

finance and tax experts, and other relevant professionals to work as permanent staff in provincial finance secretariats, which reflects the non-serious approach of the provinces²⁶.

Without data relating to expenditure, revenue and other related affairs such as cost of public service delivery, decentralization cannot be managed, whereas policies and spending cannot be evidence-based, making it difficult to pursue accountability or to understand the effect of spending on outcomes.

Governance and coordination

The local government system is based on the federated structures of a three-tier system of district, tehsil and union councils. Each level has defined functions and service responsibilities. However, unlike the Council of Common Interests or the Ministry of Inter Provincial Coordination which are platforms of interprovincial coordination at the federal level, there is no such mechanism for coordination between local governments. Nor do the provincial local government acts explicitly enable parastatal and para-municipal agencies to operate in close coordination with local bodies. Instead, provinces have ministerial oversight of local governments through local government departments at provincial level, which is headed by a provincial minister of local government.

Like some other countries, as was the case in India²⁷ until recent past, and as is the case in South Africa²⁸, there are local council associations, one in each province²⁹. Setup with support of, and largely funded by international donors, these associations were set up with the aim, inter alia, to provide local government officials a platform to interact, learn and share their good or bad experience and develop best practices. These associations have been demanding representation at the provincial and local government commissions for nearly a decade. But so far, provincial governments have not accepted these demands. Presently, the PFC members, even those who represent the local government, are allegedly chosen on the basis of party affiliation and favouritism so that they may be obliged to speak and vote in favour of the provincial government and the party that is ruling in the province³⁰. Unlike the case of New Zealand and South Africa, the local council associations in Pakistan are not recognised by provincial local government laws.

In 2008, the National Commission for Government Reforms³¹ had proposed coordination between various levels of federal and provincial governments and between various tiers of local government, along with capacity building. However, so far there has been no development on either front.

Citizen demand: the big question

Unlike the case of Europe where decentralisation evolved through a bottom-up approach, Pakistan's experiment with local government has followed a top-down approach³². Even the passing of local government laws by elected political representatives post-2010, has not been an outcome of what may be described as a reaction or demand from below, as has been the case in several African, Latin American and post-communist Eurasian countries since 1991³³.

The sheer absence of discussion on local government issues during our consultative sessions, and elsewhere in the broader space of civil society perhaps reflects a sense of citizen disenfranchisement and a fixation with national political landscape, when in fact the issues in the delivery of public goods are local and have to be addressed by provincial governments if not ideally by local government.

²⁶ Hussain A, 2019

²⁷ Until recent past, India had a council of mayors representing municipal corporations and other platforms representing urban municipalities.

²⁸ In South Africa, the South African Local Government Association actively engages with the South African state in all matter relating to the local government, including the drafting of the amendments to local government laws

²⁹ These go by the name of Local Council Association of Punjab (LCAP) (<http://www.lcap.org.pk/>), LCAS (<http://lcas.org.pk/>), LCAKP (<https://www.lcakp.org.pk/>) and LCAB (<http://lcab.org.pk/>)

³⁰ Hussain A, 2019

³¹ Hussain I, 2012

³² Khwaja, Asim, Ali Hasanain, & Adnan Qadir, 2006

³³ Farvacque-Vitkovic et al, 2014, pp. 10

Pakistan's economy, politics and governance has been the subject of a host of recent books. However, those books do not shed any light on local government and its finances. Neither has the subject found its way in the discourse set by policy research institutes and think tanks thus far; nor has the realisation of devolution dawned upon Pakistan's media. Save for a handful of local FM radio and regional TV channels, where too national level issues tend to dominate the roster, Pakistan's media at large is still largely mediating between federal government and the citizens, rather than the, provincial and local government, and the citizens³⁴.

There "is a dichotomy between political decentralisation and administrative centralisation which highlights the concept of the dichotomy between the organised state and the disorganised society³⁵." The citizen-government bond has hardly been established between provincial governments and the citizens; provinces are keen on attaining more power from the centre in terms of finance

Policy researchers in Pakistan often argue that according to modern theories of federalism, decentralisation does not rest on the assumption of a benevolent government; instead, it rests on the assumption that incentives of politicians and bureaucrats are aligned with growth and development of the lowest tier of administration. Implicit in that argument is that institutions of transparency, and accountability - along with fair representation - exist at the third tier of government, which in turn produce incentives of good performance or disincentives for poor performance by local representatives towards their role to supply and facilitate the delivery of public goods.

However, these notions of efficiency need to be taken with a pinch of salt. As Waseem³⁶ argues, the discourse on local government is "amazingly romantic and ideological". He maintains that despite state's mighty resources, accountability and transparency have been a struggle at best even at the top tier of government, which is most visible of the three tiers, whereas it is non-existent at third tier. According to local government laws, each province is to form a local government commission whose functions include annual inspection of local government and submission of a report therein to provincial government. So far these are not functional; nor do they have a secretariat with proper permanent staff³⁷.

Ergo, when effective transparency and accountability are non-existent at third tier, then what incentives or disincentives do third tier politicians and government officials have to deliver public goods to the people, especially considering that no³⁸ local government law warrants an institutionalised process for direct citizen involvement in the delivery of social services. The incentive structure is further misaligned by the allocation of development funds directly to MNAs and MPAs. When the elite and the citizens of a local constituency know that it is the MNA/MPA who have access to resources, they have little reason to knock on the doors of local government for their demands or for accountability³⁹.

That local government leads to political development also needs to be reconsidered. Studies⁴⁰ have shown that the power structure does not change with newly elected faces from among the younger leadership at local level. The tribal and/or baradari system paves the way for continuation of patronage politics, which in the absence of institutions of transparency and accountability at third tier raises questions over the delivery of local government.

³⁴ BR Research 2018

³⁵ Waseem, M 2018

³⁶ Waseem, M 2018

³⁷ Hussain A, 2019

³⁸ Even KP's law, which is the only province boasting village and neighbourhood councils, has no provision for direct citizen engagement with the municipal system. Ali SM, 2018, pp.11

³⁹ Hussain A, 2019

⁴⁰ Waseem, M 2018

Conclusion & Recommendations

The subject of local government and local government finance is ill-studied in Pakistan. Unlike previous efforts towards setting up of local governments in Pakistan, the most recent wave has been brought about by elected representatives. Despite that apparent sense of political legitimacy, however, the 18th constitutional amendment did not add adequate set of provisions to enforce effective local government systems across provinces. Accordingly, the history of PFCs in Pakistan also remains chequered where there is a noticeable resistance on the part of provinces to devolve power to the third tier of government. Institutions and mechanisms for coordination between local governments are weak at best, whereas the media and civil society's poor focus on local government issues is also obvious.

In light of this context, following set of action points are recommended:

- A public awareness campaign be initiated in major cities to inform and educate the citizens about the current status of local government structures and its finances affecting their city, and how an effective third tier of government can improve their day to day lives. Citizens also need to be made aware of the current roles and responsibilities of local, provincial and federal governments and their organisations.
- Amend local government laws whereby provincial governments are tasked to give full public disclosure of local government laws, amendments and notifications affecting those laws, and local government finances through official government websites. Local bodies should also publish details of their finances and budgets on their websites. Moreover, third tier public finance management system should be reformed to bring it in line with PIFRA rules and classifications.
- Strengthen provincial and federal bureau of statistics and set up strong PFC secretariats in each province
- Gradual devolution or at least collection of, if not a reassignment of relatively buoyant taxes to the third tier of government.
- Conduct further research on how to improve the representation of local bodies and municipalities at the provincial finance commissions
- While a citizen portal could go a long way in achieving the goals of transparency and accountability, there is also a need to analyse media content in terms of its coverage of local government affairs, and to study the incentives structure of Pakistan's media industry with an aim to devise a framework whereby local media covering local level issues prospers
- The constitution be amended to include detailed provisions on local government. To this effect, a draft constitutional chapter on local government and their finances may be prepared by policy research circles to kick start a debate and facilitate the government in amending the constitution to this effect.
- Instead of being centralised at provincial capitals, local government commissions should be set up at district level so that its officials can keep a check and balance on periodic basis. Because of its geographically proximity to district headquarters, citizens can also complain to that commission in case a local government official is doing something wrong and thus improving the prospects of accountability.
- MNA/MPA funds must be put to an end on urgent basis.

Appendix A

Members of provincial finance commissions			
PUNJAB *	KHYBER		
	PAKHTUNKHWA **	SINDH ***	BALUCHISTAN****
<p>(a) Minister Finance Department</p> <p>(b) The Minister Local Government Department</p> <p>(c) Four members of Punjab Provincial Assembly; two appointed by the leader of the house and two by the leader of opposition</p> <p>(d) Secretary Finance Department</p> <p>(e) Secretary Local Government and Community Development Department</p> <p>(f) Secretary Planning and Development Department</p> <p>(g) Four experts on local governments and local government finance</p>	<p>(a) Minister Finance Department</p> <p>(b) The Minister Local Government Department</p> <p>(c) Two MPAs</p> <p>(d) Secretary Finance Department</p> <p>(e) Secretary Local Government</p> <p>(f) Secretary Planning and Development Department</p> <p>(g) Secretary Law and Parliamentary affairs</p>	<p>(a) Minister Finance Department</p> <p>(b) The Minister Local Government Department</p> <p>(c) Two MPAs; one appointed by the leader of the house and one by the leader of the opposition</p> <p>(d) Secretary Finance Department</p> <p>(e) Secretary Local Government</p> <p>(f) Secretary Planning and Development Department</p> <p>(g) Two professionals from private sector nominated by provincial government</p> <p>(h) A Mayor of a Metropolitan Corporation nominated by Provincial Government</p> <p>(i) A Mayor of a Corporation nominated by Provincial Government</p> <p>(j) A Chairman of a District Council to be nominated by provincial</p>	<p>No mention of a PFC or LG finance commission. The law provides for a Local Councils Grants Committee comprised of following</p> <p>(a) Minister Finance</p> <p>(b) Secretary Finance</p> <p>(c) Secretary Local Government</p> <p>(d) Secretary Planning & Development Departments</p>
<p>(h) Four heads of the local government selected through drawing of lots in the following manner:</p> <p>(i) <i>one from all heads of Metropolitan Corporations in Punjab</i></p> <p>(j) <i>one from amongst all heads of Municipal Corporations, Municipal Committees and Town Committees in Punjab</i></p>	<p>(h) Four Nazims; two from district councils; and two from Tehsil Council</p>		

<p><i>(k) two from amongst all heads of Tehsil Councils in the Punjab.</i></p>		<p>government</p> <p>(k) A Chairman of a Municipal Committee to be nominated by provincial government</p>	
<p><i>* As per latest amended law available here: http://punjablaws.gov.pk/laws/2735.html</i></p>	<p><i>** Latest amended version of the law not available; this list is obtained from KP's interim PFC award 2018-19</i></p>	<p><i>*** Latest amended version of the law not available; PILDAT 2019</i></p>	<p><i>**** Latest amended version of the law not available; PILDAT 2019</i></p>

Appendix B

Interim PFC Awards – Horizontal Distribution Criteria			
Punjab - 2017			Khyber Pakhtunkhwa- 2018-19
District Education Authority •Population density •School going age population •Poverty rates •Girls middle enrolment rate •Out of school children	District Health Authority •Population density •Population aged <= 9 & >=65 •Women population aged 15 to 49 •Poverty rates	Local Councils •Population density •Poverty rates •Lack of access to improved water sources at premises	•Population (60%) •Poverty (20%) •Lag in infrastructure (20%)
<i>Source: Faisal Rashid, Presentation given at National Institute of Public Policy Dialogue Series 2</i>			<i>Source: KP's interim PFC award 2018-19</i>

Appendix C

Data to be maintained by the Punjab's PFC secretariat

Part A

- Expenditure of local government, function and subject wise
- Revenues of local government, major minor, detailed head-wise or as prescribed
- Transfers received by local government
- Data on specific issues in accordance with the PFC
- Data on implementation of conditionalities that may be attached to any transfers
- Any other matter assigned by the PFC

Part B:

- Population with projected increase
- Areas of local government
- Service levels in local government jurisdiction, all services
- Land by various categories of usage and tillage
- Industry and any other economic activity
- Social indicators
- Economic indicators
- Estimates of personal and household income and expenditure
- Measures of various local tax bases
- And cost of service delivery by category

Source: Second schedule, Punjab fiscal transfer rules of February 2017

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