

DEVOLUTION IN PAKISTAN: IMPLICATIONS FOR AGRICULTURE AND RURAL DEVELOPMENT

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Introduction

The 18th Amendment to Pakistan's constitution, which was passed in 2010, holds significant implications for local governance in general and for rural development and food security in particular. Although Pakistan has embarked on various decentralization initiatives in the past, the 18th Amendment represents a fundamental *de jure* restructuring of fiscal, administrative, and political powers between the federal and provincial governments. Most notably, the Ministry of Food and Agriculture, the Ministry of Education, and the Ministry of Health were among the 17 ministries devolved to the four provinces of Balochistan, Khyber Pakhtunkhwa (KPK), Punjab, and Sindh.¹ These ministries play a key part in addressing the welfare of the rural poor. At the same time, a majority of budgetary resources to fund investments under the Public Sector Development Program, which is Pakistan's guiding policy framework for development projects and programs, are now in the hands of the provinces.

Thus, the achievement of any concrete national goals related to agricultural production, food security, or rural development now depends heavily on the ability of subnational governments to maintain momentum for agricultural investments, ensure that provincial agricultural and food security strategies are coherent with national objectives, and provide mechanisms that better integrate rural citizens' priorities into the policy arena. Consequently, understanding the features and implications of the 18th Amendment is critical for analyzing the broader institutional context in which agriculture and rural development take place. Nevertheless, existing research on the interrelationship between devolution and rural development has been relatively scant and focused mostly on health and nutrition (for example, Mazhar and Shaikh

1 Khyber Pakhtunkhwa (KPK) was formerly named Northwest Frontier Province. Besides the four provinces, other subnational units include the Islamabad Capital Territory, Federally Administered Tribal Areas (FATA), and the autonomous territories of Azad Jammu and Kashmir as well as Gilgit-Baltistan.

2012; Nishtar et al. 2013; Zaidi et al. 2013), education (Ullah 2013), or population planning (Kugelman and Hathaway 2011), with minimal attention to agriculture.

To fill this gap, this chapter first discusses the ideal prerequisites for effective devolution, emphasizing the need for reforms to enhance authority, autonomy, and accountability. Next it reviews Pakistan's history of decentralization efforts and discusses the *de jure* and *de facto* results of the 18th Amendment in these three domains. Then it examines the shift in government expenditures for rural development and citizen satisfaction with public services over the period before and after the 18th Amendment was passed to provide an initial evaluation of the reform. The chapter concludes that while the reform signals high-level political commitment to devolution, such a "big bang" approach implies that subnational authorities now have a large number of new responsibilities without the requisite resources to fulfill them or the established mechanisms to ensure accountability to citizens. Therefore, the challenge for Pakistan will be to ensure that achieving pro-poor agricultural growth and broad-based rural development is not jeopardized by halfhearted implementation of this critical governance reform.

The Promise and Premise of Devolution

Pakistan's 2010 reforms are designed to achieve devolution, which is a sub-type of decentralization. Theoretically, decentralization is intended to provide greater stability in countries with large and heterogeneous populations (Gurr 2000; Lijphart 1999; Stepan 1999), improve services through subnational competition and better tailoring to citizens' preferences (Musgrave 1959; Oates 1972; Tiebout 1956), and enhance public participation and citizen engagement in policy formulation (Brinkerhoff 2010; Rondinelli, Nellis, and Cheema 1983). Although the evidence remains mixed, recent studies do offer reason for some optimism that decentralization helps governments be more responsive to local needs (Alderman 2002; Faguet and Sánchez 2008), including better targeting of antipoverty programs (Galasso and Ravallion 2005).

Authority, autonomy, and accountability are the three conceptual elements that distinguish among different degrees of decentralization.² *Authority* refers to the legal transfer of responsibilities to subnational units that empower local officials to manage the delivery of, and planning for, particular services, and to

2 See Dickovick and Riedl (2010) and USAID (2009) for elaboration on these concepts.

collect taxes. In this regard, clear mandates between different levels of government are important.

Autonomy involves the transfer to local officials of not only responsibilities but also certain powers. Such autonomy can be both administrative and fiscal. Administrative autonomy allows local governments to fire and hire employees, while fiscal autonomy includes control over local revenue sources and the power to make decisions about expenditure. Typically, fiscal autonomy is greater when intergovernmental transfers are based on a formula, rather than ad hoc criteria, so local governments can better plan their budgets over a longer period. In addition, autonomy is enhanced if the transfers allow for unconditional expenditures that local governments can determine based on local needs, and if subnational governments are allowed to borrow. Another means of deepening autonomy is the ability to expand tax categories (see Dickovick 2005).

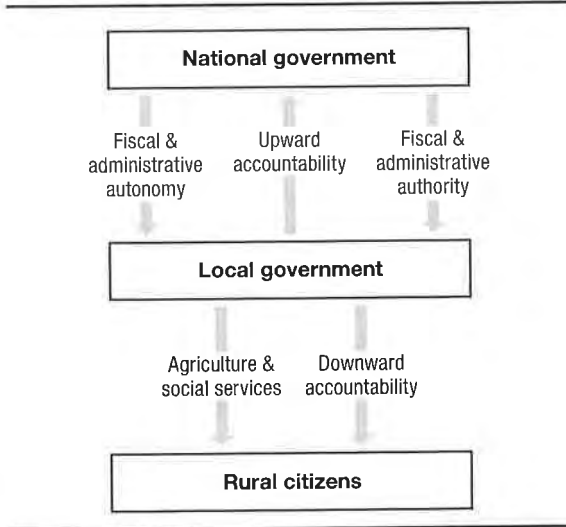
Accountability is the exchange of responsibilities and sanctions between actors, typically involving a principal and an agent (see Schmitter 2004). Decentralization is typically most concerned with enhancing vertical accountability, which refers to the relationships upward from local officials to central government ministries, governors and mayors, or political parties, and downward from local officials to citizens. Accountability is often viewed as a critical component for decentralization's ability to better target services because it requires citizens to give feedback on their priorities and for officials to respond accordingly (see Ahmad et al. 2006; Blair 2000). Upward accountability between local and national government ensures that local officials are adhering to national rules and regulations and providing quality services. Mechanisms of accountability include citizen scorecards, performance-based employee reviews, public meetings, recourse to courts, and media engagement (see Ribot 2002; Dickovick 2005). However, elections represent the sine qua non of downward accountability, allowing citizens to directly sanction or reward officials based on performance (see Schmitter and Karl 1991). Consequently, appointing rather than electing officials undermines accountability. Similarly, a greater number of tiers of government decreases the ability of citizens to discern who exactly is responsible for providing what services (see Treisman 2007).

The three main types of decentralization, which are deconcentration, delegation, and devolution, broadly correspond to differing degrees of authority, autonomy, and accountability. Deconcentration, the most limited form of decentralization, involves the dispersion of authority from central government to local branch offices and involves upward accountability from the

branch offices to the central government. In such a situation, the central government still retains authority over decision making, but local government is responsible for implementation. Delegation entails the transfer of substantive managerial authority and often fiscal autonomy to local governments or private corporations. In such a situation, local governments have decision making powers that do not require approval from the central government. Devolution represents the most extensive type of decentralization, and as highlighted in Figure 9.1, should ideally involve the transfer of authority, autonomy, *and* accountability to subnational governments for local decision making, finance, and management (see Cheema and Rondinelli 2007; Kathyola and Job 2011).³ In particular, for high-quality services to be delivered to citizens, local governments require the necessary fiscal and administrative authority and autonomy from the national government. In addition, mechanisms need to be established for citizens to keep local officials, either at the district or provincial level, accountable. Enhancing participation is believed to alter the incentives faced by public officials who must now compete for votes, encouraging them to be more responsive and less corrupt while improving the effectiveness and efficiency of service delivery (see Faguet 2014).

Importantly, these various domains of authority, autonomy, and accountability can both reinforce one another and demonstrate trade-offs. For instance, citizens rarely participate in local government when subnational authorities have paltry resources and few responsibilities (see Goldfrank 2011). In other words, the ability of citizens to keep local government accountable to them can be undermined when such entities are deemed inconsequential based on circumscribed authority and autonomy. Likewise, many have pointed to the challenge of resource leakage and local capture (see Bardhan and Mookherjee 2000; Prud'homme 1995), which can be magnified when autonomy is increased while accountability is not. On the other hand, increasing the accountability of local officials to citizens may result in service delivery preferences that favor the interests of vocal interest groups to the detriment of marginalized groups. For instance, Keefer, Narayan, and Vishwanath (2006) question whether Pakistan's 2001 devolution exercise resulted in suboptimal delivery of girls' schooling, which was not highly valued in more rural areas of the country.

3 Another important distinction relates to federal versus unitary states. In the former, there are at least two tiers of government, the subnational government has representation in the national legislature, the division of power is defined in and protected by the constitution, and each sub-tier has the same legal autonomy (see Griffiths 2005). Decentralization can, however, occur in unitary states as well.

FIGURE 9.1 Idealized prerequisites for effective devolution

Source: Authors.

The Historical Context of Devolution in Pakistan

Pakistan has officially pursued a federal structure since independence in 1947. Characterized by a bicameral federal parliament and a constitutional division of powers between the central government and the provinces, Pakistan's federalism has in practice been generally weak and hostage to national political dynamics.⁴ The degree of actual autonomy accorded to Pakistan's provinces and other subnational units has historically waxed and waned in concert with the country's volatile shifts between military and civilian governments.

General Ayub Khan implemented the Basic Democracies Ordinance in 1959, which established local councils at the district level and below. Half of these councils' members were elected, while the other half were appointed, and intergovernmental transfers favored rural areas because Khan's main support base emanated from the countryside. Local government then became more centralized under the civilian rule of Zulfikar Ali Bhutto to help his regime pursue certain policy priorities, such as the nationalization of industry (Lamb and Hameed 2012). Under General Zia ul-Haq's rule, from 1979 until 1988, the pendulum swung once again as he established the Local Government (LG) system and local officials were elected, though fiscal and

4 For details about Pakistan's history as a federation, see Ghaus-Pasha and Bengali (2005).

administrative autonomy were minimal. Local elections were suspended during much of the 1990s under the civilian leadership of both the Pakistan Muslim League (Nawaz) and the Pakistan People's Party.

After staging a coup in 1999, General Pervez Musharraf introduced the Local Governance Ordinance (LGO) in 2001. The LGO stipulated three tiers of government below the provincial level: districts, tehsils, and union councils.⁵ Most service delivery was to occur at the district (*zila*) level. The Tehsil Municipal Administration represented the second tier of government and oversaw municipal services such as water supply, sewerage, sanitation, drainage schemes, and street lights, in both urban and rural areas. This was a big change from the prior structure of local governance in which there was a different administrative structure in rural areas than in urban ones.⁶ At the lowest tier were union councils that encompassed small villages. Although the union councils had no revenue authority, they engaged in small development projects with federal funding.

One of the key changes under the LGO was allowing elected local authorities. Prior to the LGO, the districts were overseen by a deputy commissioner who was appointed by the provincial government. The LGO stipulated that union mayors (*nazim*) should be elected, albeit on a nonparty basis, and they collectively were members of both the tehsil and the district councils. The district councils then indirectly chose the district mayors (Lamb and Hameed 2012). A district coordinating officer was instituted to coordinate line departments in the district, such as education and health. Another important change under the LGO was the establishment of a Provincial Finance Commission (PFC) that oversaw formula-based resource transfers from the provinces to the districts. In addition, local taxation, budgeting, planning, and development responsibilities were shifted to each tier of the local government.

The effectiveness of the LGO was generally perceived to have been hindered by a number of key issues. First, in both the 2001 and 2005 local elections, political parties were not formally able to compete; candidates had to be unaffiliated (Hasnain 2010).⁷ This often favored the election of local

5 A *tehsil* is a subdistrict administrative unit, and consists of a collection of union councils and villages.

6 The urban-rural divide dates back to British rule, when urban councils were established to provide municipal services in urban areas while rural councils were used to co-opt the landed elite (Siddiqui 1992). Later on, the divide had been maintained, especially during Zia's tenure, in order to accommodate the interests of the urban middle classes, who did not want to share their growing revenues in municipal areas with the rural masses (Cheema et al. 2006).

7 More specifically, a single nontransferable vote system was used without any party lists (Cheema et al. 2014).

elites entrenched in *biradari*, or patrilineal clan networks, to the *nazim* position, and these were people who could be co-opted by Musharraf's regime (see Cheema and Mohmand 2008). Second, the provincial authorities felt marginalized because there was no concurrent decentralization of powers from the federal to the provincial levels. This tactic was most likely intentional because the country's main political parties have tended to be strongest at the provincial level (Lamb and Hameed 2012). There was a general perception that the center intended to bypass federated units to establish direct administrative and political links with district governments and ultimately weaken the provincial tier.⁸ Third, fiscal autonomy remained weak because district governments did not enforce their mandate to levy local taxes out of fear of displeasing their electorates. Consequently, they continued to rely on provincial transfers and were rarely able to raise their own revenue. In addition, the Interim National Finance Commission Award of 2006 did not change the criteria for the horizontal distribution of intergovernmental transfers across provinces and continued to adhere to population size as the only criterion, even though this disproportionately favored Punjab and generated substantial resentment from the other provinces.

The Eighteenth Amendment Bill

The return to civilian rule in 2008 signaled that changes would be forthcoming to Pakistan's decentralization laws.

The genesis for the 18th Amendment was the Charter of Democracy signed in 2006 by the late Benazir Bhutto and Nawaz Sharif. They both agreed that when and if either one of their parties came to power, they would restore the principles of the 1973 constitution, which had been changed under Generals Muhammed Zia ul-Haq and Pervez Musharraf to increase the powers of the presidency (Burki 2015). Indeed, by 2009 a Special Parliamentary Commission on Constitutional Reforms was commissioned by President Asif Zardari to roll back some of the amendments to the 1973 constitution that had been introduced by various military regimes. The 18th Amendment Bill was passed by the National Assembly in April 2010 and an Implementation Committee was set up to help with the transition. In addition, the role of the Council of Common Interests was expanded to help resolve interprovincial disputes (Lamb and Hameed 2012).

⁸ This strategy of weakening provincial authorities by bolstering district level authorities is by no means unique to Pakistan (see Dickovick 2007).

Critically, the 18th Amendment aimed to diminish the central government's power vis-à-vis the provinces, transferring responsibility for local government from the central to the provincial governments, and shifting some privileges away from the historically dominant province of Punjab (Adeney 2012). Achieving these goals involved at least three key changes. The first included the abolition of the Concurrent List of administrative responsibilities to clarify the authority of different subnational levels of government. Based on the 1973 constitution, there was a Federal Legislative List (FLL) as well as a Concurrent List.⁹ The latter highlighted sectors in which both the federal and the provincial governments enjoyed equal powers of legislation, which created a great deal of confusion (UNDP 2013). The 18th Amendment retained only the FLL, and any areas that were not included in the FLL became the exclusive mandates of the provinces.¹⁰

Consequently, 17 federal ministries were devolved to the provinces by June 2011 through three phases. As Table 9.1 shows, and as discussed in previous chapters, this included many of the ministries responsible for agricultural and rural development services such as food and agriculture, local government and rural development, livestock and dairy, the environment, education, and health (Shah 2012). This resulted in the transfer of approximately 116 institutions and organizations, and the relocation of 61,000 government employees to the provinces or across new ministries set up at the federal level (CPDI 2014).

Since the federal Ministry of Local Government was abolished, ministerial oversight for local government rested with the provincial governments. In turn, each of the four main provinces passed their own Local Government Acts (LGAs) between 2010 and 2013. These Acts stipulated the range of responsibilities at the district level and below. Although there is variability across provinces, districts usually have responsibility for primary and secondary education, literacy, primary and secondary healthcare, dispensaries, agriculture, and intradistrict roads (CLGF 2013).

9 These lists identify the areas of responsibility for different levels of government. "Concurrent" means that both the federal and provincial governments have legislative authority over a specific responsibility—they are "concurrently" responsible. The FLL means that only the federal parliament can legislate on that responsibility. Part-II of the Concurrent List was the domain of the Council of Common Interests, where both the federal and provincial governments have equal representation.

10 Part-II of the FLL is now regulated by the Council of Common Interests.

TABLE 9.1 Old and new federal ministries under the 18th Amendment

Devolved ministries	New federal ministries/divisions
Food and Agriculture	National Food Security and Research
Local Government and Rural Development	Climate Change
Livestock and Dairy	Capital Administration and Development Division
Environment	Human Resource Development
Education	Inter-Faith Harmony
Health	National Heritage
Social Welfare and Special Education	National Health Services, Regulation and Services
Population Welfare	Education and Professional Training
Youth Affairs	
Sports	
Culture	
Labor and Manpower	
Minorities	
Tourism	
Women's Development	
Special Initiatives	
Zakat and Usher	

Source: GoP (2014a).

Redressing fiscal imbalances in intergovernmental transfers across provinces constituted a second major change. Since the early 1970s, the National Finance Commission (NFC) awards have determined the distribution of pooled tax revenue collected in each province.¹¹ The 18th Amendment stipulated that the 7th NFC Award from 2011–2016 should allocate 57.5 percent of divisible resources to the provinces, compared with only 45 percent under the 6th NFC award adopted in 2006. This translated into an almost PKR 300 billion increase for provincial budgets (see Adeney 2012).

Historically, population has been the main criterion for the distribution of those transfers across provinces. However, the 7th NFC Award reflected the demands of the provinces and assigned the following weights: 82 percent for population, 10.3 percent for poverty, 5 percent for revenue generation and collection, and 2.7 percent for inverse population density (see Mustafa 2011).

11 The taxes consist of income taxes, general sales tax, wealth taxes, capital gains taxes, and customs duties (see Mustafa 2011).

TABLE 9.2 Distribution of pooled tax revenues to provinces under the 7th NFC Award

Province	Share of transfers (%)	Change in share from 6th NFC (%)	Increase in budget from 6th NFC (%)
Balochistan	9.1	1.8	175
Khyber Pakhtunkhwa	14.6	-0.3	79
Punjab	51.7	-1.3	48
Sindh	24.6	-0.4	61

Source: Mustafa (2011); NFC (2009).

Note: NFC = National Finance Commission.

These new criteria and weightings consequently shifted the interprovincial distribution of divisible taxes. Table 9.2 shows that Punjab's share of transfers vis-à-vis the other provinces declined the most, while Balochistan's share increased 1.8 percent compared with the distribution system under the 6th NFC.¹²

The PFCs were retained as a means of distributing resources from the provincial to the district levels and below. As under the LGO, the PFCs give leverage to the provinces to determine their own distribution criteria. All provinces see population as the most important criterion. Yet as Table 9.3 shows, other conditions such as "backwardness," improved efforts to collect taxes, and infrastructure deficits are often taken into consideration as well. In order to maintain in a central place a proper account of revenues and expenditures, a Local Governance Fund was also established at the federal level for each local government in which the revenues collectively obtained from the PFC, local taxes, fees, rates, charges, and other revenue are placed.

Local elections overseen by the Election Commission of Pakistan represent the third main aspect of the devolution reforms. Unlike the LGO, which banned partisan affiliations for candidates, the 18th Amendment stipulates local elections under a closed-list plurality system (see Cheema, Khan, and Myerson 2014). This system involves parties choosing and ordering the candidates who will run on the party ticket, and voters then cast a vote for a party rather than an individual candidate. In theory this provision could have helped sidestep capture of local offices by landed elites and *biradari* networks that occurred during Musharraf's tenure.

12 Punjab was willing to shift the distribution criteria away from solely population because it was assured that in absolute terms, all the provinces would receive more transfers from the central government (see Adeney 2012).

TABLE 9.3 Weightings used for distributions of tax revenues to districts under the Provincial Finance Commission Awards (%)

Weightings	Balochistan	KPK	Punjab	Sindh
Population	50	50	75	50
Backwardness ^a	0	25	10	17.5
Tax effort ^b	0	0	5	7.5
Fiscal austerity ^c	0	0	5	0
Area	50	0	0	0
Development incentive ^d	0	25	5	0
Transitional assistance ^e	0	0	0	25

Source: Mustafa (2011); World Bank (2004).

Note: KPK = Khyber Pakhtunkhwa.

^a "Backwardness" is a technical term in Pakistani public policy. The backwardness measure is based on different indexes for the various provinces. In Punjab it relies on the "development score" index developed by the Punjab Economic Research Institute. For Sindh, it relies on a "deprivation index" compiled by the Social Policy and Development Centre and is a composite of additional indexes capturing education, housing quality, residential services, and employment. For KPK, the "backwardness index" is from the UNICEF-sponsored Multiple Indicators Cluster Survey and is a composite of indicators related to child survival and nutrition, immunization, education and literacy, availability of drinking water, and income.

^b In Punjab tax effort is based on an index capturing total, own-generated revenues of a district as a share of total revenues generated by all districts in the province. In Sindh an index is calculated based on percentage of provincial tax revenue collected in a particular district.

^c Fiscal austerity is the inverse proportion of expenditure reduction.

^d Development incentive is based on a "lag in infrastructure index" consisting of indicators related to urban development, rural sanitation, and transportation and communication.

^e Transitional assistance is intended to help cushion any type of losses to districts as a consequence of moving to a formula-based distribution of transfers. It helps bridge remaining gaps for expenditures that are required by the district governments but are not covered by the other criteria used to guide the transfers.

Has Pakistan Genuinely Devolved?

How have these *de jure* reforms translated into improved authority, autonomy, and accountability and in turn affected the prospects for pro-poor rural development? The balance sheet is decidedly mixed, with confusion remaining over responsibilities, insufficient fiscal autonomy, and limited downward accountability, especially at the district level.

Confusion over Authority for Agricultural and Rural Services

The removal of the Concurrent List was an important step toward further clarification of the provinces' main mandates and provided protection against federal-level intervention in those areas. In some regards, there were even positive externalities across policy domains. For instance, Flaherty, Sharif, and Spielman (2012, 3) claim that the devolution of agricultural-sector responsibilities to the provinces empowered provincial research systems, which gained "a clearer mandate in science, technology, and innovation" related to

agricultural research and development. At the same time, however, Table 9.2 shows that the devolved ministries were replaced by eight new ministries at the federal level. In some cases, only part of a former ministry's functions were devolved to the provinces while the others were either reallocated or reconstituted into a new federal ministry. According to one analysis, this has had the de facto result of only 94 out of a total of 301 functions being devolved to the provinces (see SPDC 2012).

For example, as alluded to in Chapter 1, when the Ministry of Food, Agriculture and Livestock (MINFAL) was dissolved, some of its functions shifted to the provinces while others became the responsibility of the newly federal Ministry of Food Security and Research (MNFSR). The justification for the new federal ministry was that the provision of food is a central function of the national government and that research was listed under the FLL (Dawn 2011). The MNFSR has about 38 areas of responsibility, along with continuing areas of joint responsibility with the provinces. The only exclusive provincial responsibilities are those that include farm management research, collection of agricultural statistics, soil surveys, economic planning that coordinates cooperatives, and research on the introduction of improved germplasm (Dawn 2011).

This has added a layer of uncertainty in important policy domains because in some cases the responsibilities of new federal ministries are not clearly distinguished from those that were devolved (see SPDC 2012). For instance, Rana (2014) observes widespread confusion over biosafety laws for seeds as a result of overlapping mandates. He notes that while the Federal Seed Certification and Registration Department (FSC&RD) was established in 1976 to regulate seed safety and provision, these responsibilities were first transferred to the Ministry of Science and Technology and then to the new MNFSR. At the same time, the environment functions shifted to the provincial level, even as a new Ministry of Climate Change was established at the federal level.

This is compounded by the fact that the provinces possess differential capacities to begin with, meaning that, at least initially, devolution of certain ministries could result in widening service delivery inequalities across the country. For instance, Punjab accounts for half of the country's provincial-level investment in agricultural research and development, employing nearly 1,000 full-time agricultural researchers in 2009 compared with Sindh's 380 (see Flaherty, Sharif, and Spielman 2012). Such capacity constraints can become magnified in service delivery arenas that require multi-sectoral collaboration. In the area of nutrition policy, for example, Punjab is

best equipped administratively and in terms of establishing intersectoral links within the provincial Health Ministry, while Balochistan remains the least capable (Zaidi et al. 2013).

Authority below the provincial level has been much more circumscribed than at the provincial level. Because of some resistance by the provinces, the Supreme Court directed the provinces to uphold the 18th Amendment and adopt local government legal frameworks (IFES 2013).¹³ Consequently, it was not until 2013 that all four provinces finally adopted LGAs.¹⁴ A wide range of functions, tenure lengths, and procedural principles have been adopted across the different provinces (see Annex A). In addition, all of them have restored the urban/rural distinction that had been eliminated under the LGO.

Low Tax Base Hinders Greater Autonomy

With respect to autonomy, the provinces have again progressed further than district governments, in particular with respect to fiscal autonomy. The formula-based intergovernmental transfer system under the NFC awards provides the provinces with predictability over their resource flows for budgeting purposes. Moreover, an important stipulation of the 7th NFC Award was that it could not be reduced below what was given for the previous NFC award, meaning that the provinces will always know the minimum level of transfers they can expect to receive. Provinces can also now directly raise domestic and international loans; previously, loans to provinces had to be routed through the economic affairs division of the federal government (see SPDC 2012; UNDP 2013). Additional taxing powers for the provinces include value added taxes on services, taxes on immovable property, and zakat and usher (see Shah 2012). In addition, the provinces were allowed to administer general services taxes (GST) on services while the federal government retained the right to administer GST on goods (UNDP 2013). This is particularly a benefit for Punjab and Sindh due to their large service economies.

Some observers claim that at the onset of devolution, central revenue transfers were lower than promised because actual revenues were lower than forecast at the time the NFC was signed (Adeney 2012). In fact, PKR 36 billion less was transferred in the first year of the 7th NFC Award than had been originally predicted (GoP 2012). Because the NFC award was completed

13 Judgment in *Sheikh Rashid Ahmed v. Government of Punjab and others* (PLD 2010 SC 573) and reiterated by the Supreme Court of Pakistan in its Judgment dated March 19, 2014, in Civil Appeal No. 297 of 2014.

14 Balochistan passed its LGA in 2010. However, the provincial assemblies of KPK, Punjab, and Sindh did not do so until 2013.

TABLE 9.4 Real federal and provincial revenues and expenditures in Pakistan (billions of PKR, 2005/2006 = 100), 2004–2014

Item	FY2004	FY2005	FY2006	FY2007
Total revenues	942.7	998.4	1,080.8	1,150.1
Total expenditures	1,096.3	1,239.0	1,407.3	1,561.8
Federal expenditures	786.2	909.6	1,016.3	1,141.1
<i>Current</i>	664.8	759.5	791.4	907.1
<i>Development</i>	121.4	150.1	224.9	234.1
Transfers to provinces	238.1	272.1	301.9	372.9
Federal loans and grants to provinces	29.8	26.3	65.5	1.0
Provincial direct tax	8.64	11.1	9.38	7.95
Provincial own revenues (tax and nontax)	59.5	63.2	84.7	67.3
Provincial	328.3	384.9	475.6	545.1
Total expenditures				
<i>Current</i>	259.3	282.3	334.0	374.9
<i>Development</i>	69.1	102.6	141.6	170.2

Source: Ministry of Finance, PRSP Progress Reports, Economic Survey of Pakistan, Appropriation Accounts, Fiscal Operations (GoP 2014b).

Note: Provincial own revenues refers to locally generated revenue from taxes, property rates, utility fees, and so forth, rather than intergovernmental transfers from the central government. PKR = Pakistani rupees; FY = fiscal year.

^a Indicates provisional data.

before the 18th Amendment was adopted, the transfer system did not adequately take into account the extra responsibilities that the provincial governments had acquired (UNDP 2013). Table 9.4 suggests, though, that absolute transfers to the provinces increased sizably from 2011, which was when implementation of the amendment effectively began, until 2014. Moreover, provincial direct taxes show a consistent increase since 2011, most likely because of the GST reform noted above.

Although provincial expenditures also demonstrate an upward trend, the increase in these expenditures is less impressive. Specifically, while provincial current expenditures grew by about 30 percent between 2010 and 2014, development expenditures increased by only about 14 percent during the same period. This was partially because the federal government had unilaterally announced a 50 percent increase in the salaries of provincial government employees and the provinces wanted to generate surpluses in order to address their debt problems (SPDC 2012, 99).

Absolute figures, however, are not sufficient for assessing fiscal autonomy. One critical metric of fiscal autonomy relates to possession of adequate

FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 ^a
1,156.2	1,190.0	1,219.6	1,108.2	1,189.4	1,335.6	1,544.5
1,879.5	1,800.0	1,857.6	1,781.4	1,925.7	2,189.2	2,134.2
1,368.9	1,157.2	1,246.7	1,186.5	1,198.7	1,388.8	1,412.2
1,172.6	1,023.3	1,086.4	1,074.9	1,057.2	1,193.2	1,224.9
196.3	133.9	160.3	111.6	141.9	195.6	187.3
377.6	359.6	391.3	516.4	534.8	552.3	597.2
75.1	65.0	74.1	44.0	43.5	48.9	51.7
8.02	7.33	8.57	8.89	12.65	15.97	33.57
98.0	88.8	75.8	65.6	76.1	100.9	101.7
537.6	511.5	547.1	546.8	659.0	673.5	687.0
360.9	373.3	387.4	420.0	474.9	504.5	504.2
176.8	138.2	159.7	126.9	184.2	168.9	182.8

resources to fulfill administrative responsibilities, captured by the share of provincial (or other subnational) expenditures in total expenditures. Lower shares mean that subnational governments may lack the ability to sufficiently spend in the areas in which they have been granted responsibility. Table 9.5 shows that this share has not drastically changed since the mid-2000s, despite the devolution of greater administrative responsibilities to the provincial level.

Vertical imbalance, or the gap between own spending and own revenue at the subnational level, is another means of assessing fiscal autonomy.¹⁵ There are multiple metrics for assessing this imbalance (see Sharma 2012), including the share of intergovernmental transfers in provincial or other subnational expenditures (Jin and Zou 2001) and the share of intergovernmental transfers in provincial or other subnational revenues (Rodden 2002). Table 9.5 shows that by both measures, the extent of fiscal decentralization is relatively weak and does not appear to have significantly improved despite recent

15 Own revenue refers to locally generated revenue from taxes, property rates, utility fees, and so forth rather than intergovernmental transfers from the central government.

TABLE 9.5 Selected measures of fiscal decentralization in Pakistan (%), FY2004–FY2014

Measures of fiscal decentralization	FY2004	FY2005	FY2006
Intergovernmental transfers as share of total provincial revenues	81.8	82.5	81.3
Provincial own revenue as share of total provincial revenues	18.2	17.5	18.7
Provincial tax revenue as share of total provincial revenues	2.6	3.1	2.1
Provincial expenditures as share of total government expenditures	29.9	31.1	33.8
Intergovernmental transfers as share of provincial expenditures	72.5	70.7	63.5

Source: Authors, calculated from data presented in Table 9.4.

Note: Provincial own revenues refers to locally generated revenue from taxes, property rates, utility fees, and so forth, rather than intergovernmental transfers from the central government, FY = fiscal year.

^a Indicates provisional data.

decentralization reforms. In fact, given that the share of transfers in Pakistan's total provincial revenue averaged 86 percent between 1978 and 1996 (Rodden and Wibbels 2002), arguably little progress has been made even since the introduction of the LGO in 2001. One observable change is the increase in provincial tax revenue as a share of total provincial revenue since 2011, albeit to a still low 4.5 percent as of 2014. In comparison, the same measure for India was 37 percent in 2006 (see Kalirajan and Otsuka 2012).

Local government administrative autonomy is further limited by province-specific regulations. For instance, Punjab and Balochistan require that local governments function under the directives of the provincial government while Sindh and Khyber Pakhtunkhwa enable the provincial governments to supervise and inspect local governments. Punjab now allows members from local government to participate in education and health authorities, which are responsible for establishing, managing, and supervising district educational and health facilities.¹⁶ However, the provincial chief minister will be in charge of appointing and removing members to these authorities.

In addition, as noted earlier, another important measure of autonomy relates to whether subnational authorities can raise their own taxes. The 7th NFC Award stipulated that provincial governments should take more active steps to collect the agricultural income tax (AIT), especially given that the agricultural sector accounts for a significant portion of Pakistan's national income (see SPDC 2012). However, as Table 9.6 shows, only Punjab

¹⁶ Specifically, the District Education Authority oversees primary education, secondary education, higher education institutions, adult literacy, and nonformal basic education. The District Health Authority is responsible for all primary and secondary healthcare facilities in a district.

FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 ^a
84.7	82.2	82.7	86.0	89.5	88.4	85.6	86.5
15.3	17.8	17.3	14.0	10.5	11.6	14.4	13.5
1.8	1.5	1.4	1.6	1.4	1.9	2.3	4.5
34.9	28.6	28.4	29.5	30.7	34.2	30.8	32.2
68.4	70.2	70.3	71.5	94.4	81.2	82.0	86.9

has been able to significantly and consistently engage in resource mobilization via the AIT over time. Collectively, AIT has declined from composing 8.2 percent of provinces' direct taxes in FY2009 to around 1.8 percent by FY2014. Generally, Pakistan has a relatively low tax-to-GDP ratio, which fell from 14.5 percent in the early 1980s to 10.3 percent in 2002 at the onset of the LGO, rising to 11.1 percent in 2013 (Ahmad 2013; World Bank 2014b). This is a much lower tax-to-GDP ratio than is found in other middle income federations, such as Brazil (15.1 percent) or South Africa (26.7 percent). This has led Ahmad (2013, 13) to be pessimistic about the 18th Amendment, concluding that "under these circumstances, a major structural shift involving a significant decentralization of spending to the provincial governments—unbundling the parallel responsibilities of government—is of little more consequence than shifting deck chairs on the Titanic."

Not surprisingly, the fiscal constraints are even more binding for local governments at the district level and below. Indeed, Table 9.7 shows that the PFC awards have not been fully implemented in practice, because while the total share of transfers from the provinces to local governments has been increasing relatively steadily in Punjab and KPK, they have been falling dramatically in Sindh and Balochistan. In addition, no new taxing powers have been allocated from the provinces to the local governments (Shah 2012).

Vertical Accountability Is Still Weak

In terms of augmenting vertical accountability, the 18th Amendment reforms are thus far judged to be unsatisfactory because of the degree and manner in which they have been implemented. After the 17 ministries were devolved to the provincial level, provincial planning and development departments were

TABLE 9.6 Real agriculture income tax receipts (billions of PKR, 2005/2006 = 100), 2004–2014

Province	FY2004	FY2005	FY2006
Punjab	0.9	0.7	0.7
Sindh	0.3	0.2	0.2
Khyber Pakhtunkhwa	0.1	0.2	0.0
Balochistan	0.0	0.0	0.0
Total AIT receipts	1.3	1.1	0.9
Provincial direct tax	8.6	11.1	9.4
Total federal and provincial revenue	942.6	998.5	1076.6
AIT as share of provincial direct taxes (%)	15.1	9.9	9.6
AIT as share of total revenues (%)	0.14	0.11	0.08

Source: Ministry of Finance Fiscal Operations, Civil Accounts and Economic Surveys of Pakistan (GoP 2014b).

Note: AIT = agricultural income tax. FY = fiscal year.

^a Indicates provisional data.

responsible for facilitating cross-sectoral interventions and representing the newly devolved provincial ministries to the National Planning Commission at the federal level (see Zaidi et al. 2013). However, as noted in Chapter 8, some key pro-poor programs in the areas of health and education—such as the Lady Health Workers and the Expanded Program on Immunization (EPI)—remain at the federal level. Likewise, while approximately 75 percent of the Public Sector Development Program, which is the country’s main framework for allocating resources for development projects and programs, was assigned to the provinces in 2011, some agricultural-sector projects are left with unclear responsibility of funding. These include the National Program for the Improvement of Watercourses in Pakistan, the Water Conservation and Productivity Enhancement through High Efficiency Irrigation System, and the National Project for Enhancing Existing Capacity of Grain Storage (FAO 2012; Pasha et al. 2011). These ambiguities raise challenges for policy coordination and implementation while also obscuring both upward and downward accountability.

Public opinion research reveals strong support for greater downward accountability via elections. A survey conducted by Gallup in mid-2013 revealed that a majority of those sampled, 71 percent, supported holding elections.¹⁷ The United Nations Development Programme (UNDP) likewise found that 81 percent of Pakistanis who were sampled for a social audit report

¹⁷ The survey was nationally representative and included 2,635 men and women in urban and rural areas, across all four provinces (Gallup Pakistan 2013)

FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 ^a
0.7	0.6	0.5	0.5	0.4	0.4	0.4	0.4
0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.9	0.8	0.6	0.6	0.5	0.5	0.6	0.6
8.0	8.0	7.3	8.6	8.9	12.7	16.0	33.6
1209.7	1238.2	1266.0	1283.6	1164.3	1255.6	1355.6	1544.5
11.3	10.0	8.2	7.0	5.6	3.9	3.8	1.8
0.07	0.06	0.05	0.05	0.04	0.04	0.04	0.04

TABLE 9.7 Transfers from provincial to local governments (billions of PKR, nominal), 2009/2010–2012/2013

Province	2009/2010	2010/2011	2011/2012	2012/2013 ^a
Balochistan	20.9	2.7	0.0	0.0
KPK	38.9	54.8	74.5	93.1
Punjab	124.5	152.7	191.6	213.6
Sindh	104.3	124.4	73.9	37.9

Source: SPDC (2012).

Note: PKR = Pakistani rupees; KPK = Khyber Pakhtunkhwa.

^a Indicates budgeted rather than actual.

would vote in local elections, though this varied from 84 percent in Punjab to 67 percent in Balochistan (see Khalid et al. 2012).

Ironically then, five years after the 18th Amendment was implemented, local elections under the new reforms were held only in Balochistan. In the other three provinces, the tenure of previously elected local government officials expired in 2009. Instead, the administration of the districts is overseen by appointed administrators (CLGF 2013). According to the Electoral Commission of Pakistan, the other three provinces, as well as Islamabad Capital Territory, were planning local elections in mid to late 2015 (see Butt 2015). These delays bolster Lamb and Hameed's (2012, 49) claim that "real ambiguities therefore exist regarding who has authority at the local level."

In addition, some of the election rules included in the LGAs hinder true downward accountability. All four LGAs allow the provincial authorities to

remove or suspend elected heads of local government. Moreover, Cheema, Khan, and Myerson (2014) have lamented the use of closed party lists in some of these provinces because this approach does not actually allow voters to sanction or reward individual politicians. Instead, it reinforces upward accountability between politicians and party leaders. Another concern has been the preference in some of the provinces, such as Punjab and Sindh, for leaders of district councils, *nazims*, to be indirectly elected by members of the tehsil and union tiers. This is problematic for accountability because the *nazim* has significant control over the budget and therefore exerts substantial power and influence (see Keefer, Narayan, and Vishwanath 2006).

The role of informal influences on accountability also remains ever present, especially in rural areas. For instance, a social audit by UNDP found that vulnerable households are more likely to contact a *biradari* elder in their community than a member of their district, tehsil, or union councils when they have concerns over security or service delivery (Khalid et al. 2012).¹⁸ Notably, they were more likely to do this than nonvulnerable households. In other words, informal leaders in poorer rural communities still tend to be viewed as more-legitimate local authorities than public officials.

Devolution's Impact on Service Delivery

Although a detailed evaluation of the impact of the 18th Amendment on service delivery is not possible at this stage, initial expenditure allocations provide one indication of how the reforms affect policy outcomes on the ground. Regarding service delivery, social sector expenditures as a share of total provincial expenditures on health, education, and water and sanitation appear to have increased marginally over 2000–2009—which includes the period after the adoption of the 18th Amendment—increasing from 34.6 percent in 2009/2010 to 38.3 percent by 2011/2012 (SPDC 2012, 101).

Federal expenditures on rural development encompass, among other things, subsidies and expenditures on special initiatives for the (1) lining of canals and water courses, (2) Food Support Program, (3) Benazir Income Support Program (BISP), (4) Village Electrification, and (5) Peoples Works Programme (Table 9.8). These expenditures have proved relatively volatile over time. As of 2014, provisional data suggest that the federal government

¹⁸ Vulnerability was defined as households (1) whose head of household was either unemployed or an unskilled laborer, (2) whose household roof was constructed with mud or wood or had a tent roof, and (3) lacked latrines inside their home.

allocated PKR 13.2 billion to agricultural development in particular. While the federal transfers to the provinces increased substantially and so did provincial overall expenditures (Table 9.4), the growth in provincial expenditures relating to agricultural development is not markedly changed since the implementation of the 18th Amendment (Table 9.9). In other words, even as many responsibilities related to agricultural development were devolved, the federal government appears to still be outspending the provinces in this domain. If anything, Table 9.9 indicates that provincial disparities in spending on agriculture continue to persist, with Sindh allocating more than three times as much funding for agricultural development in 2014 as the other provinces in the same year.

More seriously, the provincial governments with weak institutions have no capacity to formulate rural development policy, and an integrated planning and implementation framework that enables development policy formulation, capacity building, and implementation remains absent. An evaluation focused on KPK found that even in 2014, the provincial government had prepared only a first draft of its food and agricultural policy, which was shared with neither the provincial assembly nor any key stakeholders (see CPDI 2014). Few stakeholders interviewed for the evaluation were aware of the status of the implementation of the 18th Amendment, which certainly undermines their ability to hold policy makers accountable.

In addition, citizens' perceptions of access to services and satisfaction with the performance of services since the adoption of the 18th Amendment have been relatively negative. For example, 48 percent of households who participated in a UNDP survey in 2004 claimed that they had access to agricultural extension services, but this proportion decreased to 14 percent by 2012 (Khalid et al. 2012). As Table 9.10 shows, access to other services has gradually improved in Pakistan over the past decade.¹⁹ Nevertheless, satisfaction levels still remain low, with performance on education appearing to consistently generate the most satisfaction, at a still mediocre level of 55 percent in 2011/2012.²⁰

19 See Chapter 8 for more recent data on access for rural Pakistan in particular.

20 Of course, given how recently these reforms were implemented, such findings need to be assessed with caution.

TABLE 9.8 Real distribution of federal spending on agriculture and rural development (billions of PKR, 2005/2006 = 100), 2004–2014

Expenditure	FY2004	FY2005	FY2006	FY2007
Rural development related	97.7	100.6	110.6	56.6
Agriculture current ^a	34.4	37.2	40.2	38.6
Agriculture development ^a	25.4	32.6	45.3	9.2
Rural development current	8.4	4.8	1.0	0.3
Rural development capital	13.7	12.2	14.1	1.0
Food subsidies	10.1	6.0	6.0	4.1
Gross subsidies ^b	n.a.	n.a.	n.a.	n.a.
Food Support Program	3.3	3.0	3.1	0.1
Village electrification	2.4	4.9	1.0	2.3
Peoples Works Program	n.a.	n.a.	n.a.	n.a.
BISP	n.a.	n.a.	n.a.	n.a.
Rural development less subsidies & FSP	84.3	91.6	101.5	51.5

Source: Ministry of Finance, PRSP Progress Reports, Economic Survey of Pakistan, Appropriation Accounts, Fiscal Operations (GoP 2014b).

Note: n.a. = not applicable; BISP = Benazir Income Support Program; FSP = Food Support Program; PKR = Pakistani rupees.

^a Including irrigation, livestock, fisheries, forestry as well as expenditure on special program Lining of Water Courses/Canals from FY2004.

^b All subsidies, including power, food, fertilizer, sugar. Since FY2008, food subsidies have been reported at the federal level as part of gross subsidies. The Food Support Program has been discontinued, while the Peoples Works Program and BISP started under the Peoples Party Government. The allocation for village electrification was eventually integrated into the Peoples Works Program.

FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
383.4	188.3	206.8	234.5	324.9	224.0	181.1
2.3	1.6	3.7	3.7	1.5	2.0	1.8
43.8	17.6	15.6	10.9	11.6	16.5	13.2
1.7	0.0	0.0	0.0	0.0	0.0	0.0
1.4	0.5	0.6	0.3	0.5	0.3	0.6
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
326.1	145.5	142.3	187.6	272.9	162.7	136.7
3.6	8.5	n.a.	n.a.	n.a.	n.a.	n.a.
2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3.9	21.4	26.0	13.6	18.5	20.8	n.a.
n.a.	n.a.	19.8	18.4	19.8	20.0	28.7
8.3	41.2	64.5	46.9	51.9	61.3	44.3

TABLE 9.9 Real provincial expenditures on selected sectors (billions of PKR, 2005/2006 = 100), 2004–2014

Expenditure	FY2004	FY2005	FY2006	FY2007
Punjab expenditure	30.3	30.1	30.3	32.9
Agriculture current ^a	10.4	11.0	10.5	12.3
Agriculture development ^a	2.6	4.4	8.1	10.2
Rural development current	5.6	3.3	0.4	0.1
Rural development capital	7.6	8.1	8.8	8.7
Food subsidies	2.4	1.7	0.7	0.0
Food Support Program	1.7	1.6	1.7	1.7
Sindh expenditure	12.8	12.2	19.2	18.6
Agriculture current ^a	5.0	5.4	7.8	6.0
Agriculture development ^a	2.6	4.5	10.2	10.3
Rural development current	2.4	0.3	0.2	1.2
Rural development capital	1.5	0.7	0.0	0.0
Food subsidies	0.6	0.6	0.4	0.5
Food Support Program	0.7	0.7	0.5	0.7
KPK expenditure	7.1	7.2	10.3	14.5
Agriculture current ^a	2.4	2.5	2.5	3.0
Agriculture development ^a	0.6	1.0	3.3	4.6
Rural development current	0.2	0.3	0.1	1.6
Rural development capital	2.4	1.9	2.9	4.3
Food subsidies	0.8	1.0	0.9	0.5
Food Support Program	0.6	0.6	0.6	0.7
Balochistan expenditure	7.8	10.9	12.3	13.6
Agriculture current ^a	4.6	5.1	6.1	4.8
Agriculture development ^a	1.7	4.2	4.1	4.2
Rural development current	0.2	0.4	0.1	0.5
Rural development capital	1.2	1.0	1.9	4.0
Food subsidies	0.0	0.0	0.0	0.0
Food Support Program	0.1	0.1	0.1	0.1

Source: Ministry of Finance, PRSP Progress Reports, Economic Survey of Pakistan, Appropriation Accounts, Fiscal Operations (GoP 2014b).

Note: n.a. = not applicable; PKR = Pakistani rupees; KPK = Khyber Pakhtunkhwa; FY = fiscal year.

^a Including irrigation, livestock, fisheries, forestry as well as expenditure on special program Lining of Water Courses/Canals from FY2004.

TABLE 9.10 Households' assessments of access to and satisfaction with select services in Pakistan (%), 2001/2002–2011/2012

	2001/2002	2004/2005	2009/2010	2011/2012
Access to service				
Sewerage and sanitation	49	66	72	78
Water	33	44	68	68
Education	93	96	93	93
Health	68	77	71	76
Agricultural extension	—	48	30	14
Satisfaction with performance				
Sewerage and sanitation	12	20	25	23
Water	18	19	39	37
Education	55	53	58	55
Health	23	27	33	29
Agricultural extension	—	15	4	2

Source: Adapted from Khalid et al. (2012).

Note: These findings were based on a nationally and provincially representative stratified random sample of 10,740 households. — = not available.

Conclusions

Evidence suggests that the implicit rationale underlying the devolution exercise spurred by the 18th Amendment has been broadly welcomed. For instance, as of 2011 a Gallup survey reported that 64 percent of Pakistanis stated that they favored the devolution of ministries to the provinces, with support marginally higher in rural areas than in urban ones.²¹ Although UNDP's social audits found important differences across provinces, approximately 60 percent of surveyed individuals also said that they supported the return to elected local government (Khalid et al. 2012). This suggests that opportunities for greater participation and influence of the poor in Pakistan's development policies, and for powers to be more balanced across all the levels of government, are being embraced in theory.

In order for the desired expectations from devolution to translate into real improvements on the ground, research shows that improved authority, autonomy, and accountability of subnational authorities are needed. The 18th Amendment changes have demonstrated mixed achievements in all three domains at the provincial level. Ministerial functions have been devolved, the

21 This survey was carried out with a sample of 2,753 men and women, across urban and rural areas of all four provinces. See Gallup Pakistan (2011).

Concurrent Lists have been eliminated, and intergovernmental transfers have been increased absolutely and based on a new formula that takes each province's concerns into account. However, the creation of new federal ministries that have some overlapping mandates with the devolved ones represents at least one contradictory feature of these reforms. In addition, Pakistan's vertical fiscal imbalance remains high, long hampered by low tax revenue collection, and creates the risk of unfunded mandates. Those mandates that are funded appear to rely more heavily on outlays of current rather than development expenditures.

Below the province level, at the district, tehsil, and union council levels, progress seems limited. Despite the formula-based transfers through the PFC, the districts have no new taxing powers. Moreover, accountability is stymied, both by delays in holding local elections in most of the provinces and by the use of electoral institutions that prevent citizens from sanctioning or approving the performance of local authorities. Particularly in more rural, marginalized communities, patron-client relationships within the *biradari* system continue to prevail.

The pace of reform and inappropriate sequencing underlie many of these challenges. "Big bang" approaches to reform, like the 18th Amendment, are useful for allowing political leaders to quickly establish their legacies and sideline potential opponents who could bolster antireform coalitions if the process had been more gradual. Yet devolving a large number of ministries in a context of low and disparate capacities only invites frustration with the pace of promised service delivery and agricultural improvements. Faguet (2008), for instance, notes that Bolivia's "shock treatment" decentralization in 1994 overwhelmed already weak local governments; in contrast, Colombia's more gradual approach was sequenced such that local authorities first confronted fiscal reforms and the task of raising revenue before facing administrative reforms that transferred more responsibilities to them.

Moreover, such a large-scale shift creates predictable misunderstandings over responsibilities and accountability. For instance, one survey in Pakistan revealed a lot of confusion within communities about the new system in terms of the hierarchy and division of responsibilities (see Khalid et al. 2012). A survey by the Pakistan Institute of Legislative Development and Transparency, conducted in mid-2014, captured Pakistanis' impressions of government performance in 30 different domains. Respondents claimed that the devolution process was one of the worst areas of performance for the federal government. When the results are disaggregated by province, Balochistan was viewed as performing the best at implementing the 18th Amendment, especially because

it was the first province to hold local elections, while Sindh was rated as the worst (see PILDAT 2014). Even donors have struggled to understand the implications of devolution for their partnerships and funding to Pakistan (see FAO 2012; World Bank 2014a).

In the effort to ensure that devolution actually results in a fundamental restructuring of intergovernmental relations to improve government performance and better target poor citizens' needs, a number of ongoing and potential efforts are promising. To better equip local government with the tools for assessing the economic status of communities, particularly in rural areas, and developing adequate interventions, some donors are currently providing district governments with budget training and collecting data through the use of smartphones and geomapping. The government has initiated the development of a multidimensional poverty index at the provincial and district levels, which will integrate income, health, and education outcomes at the subnational level (UNDP 2014). This information can provide a baseline to assess performance over time and inform local authorities about key constraints.

Moreover, performance grants for districts that pursue innovative ways of delivering services are being piloted by the Department for International Development (DfID) and the World Bank in selected areas of Punjab and KPK, but they could be scaled up across the country.²² The approach would reward efforts to improve services outside the normal mechanisms of intergovernmental transfers, thereby creating performance incentives for local governments that are not captured in the existing transfer criteria and fostering a degree of subnational competition in the manner originally envisioned by Tiebout (1956). Transparency through the media and other outlets could promote citizen awareness of district grant winners across the country, encouraging knowledge diffusion among local officials of innovative solutions to development challenges.

Besides capacity constraints, another challenge relates to organizational structure and incentives across ministries and levels of government. Certain policy areas, such as rural development, nutrition, or climate change, require intersectoral coordination across ministries that have now been devolved. Consequently, Nishtar et al. (2013) suggest the creation of a federal institutional mechanism to coordinate across provinces in particular domains. This would increase the likelihood that each province is adhering to important regulations and receiving required technical assistance while also

22 See, for instance, the World Bank's Punjab Public Management Reform Program and DfID's Subnational Governance Program (<http://www.punjab-prmp.gov.pk/>).

mitigating further interprovincial inequalities in service delivery and agricultural investments.

Insufficient political will can prove more difficult to overcome than capacity constraints, but shifts in electoral rules may help augment accountability. As alluded to earlier, one of the challenges with promoting accountability under the 2013 reforms has been the use of a party closed-list plurality voting system. The closed-list approach means that voters do not get to voice their opinions on the performance of individual candidates. Instead, the parties determine the rankings of candidates on the lists. The closed nature of such a system diminishes the incentives of local officials to perform well for their constituencies because accountability is mainly upward to the party that determines their order on the list. Furthermore, the plurality system means that a party does not need a majority of votes to win; it just needs to obtain more votes than any other party.

Consequently, Cheema et al. (2014) have suggested that Pakistan shift to using an open-list, proportional representation system for local elections whereby any party that has representation in the provincial or national assembly can nominate a list of candidates to compete in local elections within that province. Voters would know the order of the candidates in advance, and local council seats would be allocated in proportion to the share of the votes obtained by each party. Party leaders, including at the provincial and national levels, would then realize that there is a symbiotic relationship between the performance of individual candidates at the local level and the reputation of the party. At the same time, instead of seeing local leaders as a threat, this change would increase the likelihood that provincial parties would recognize an opportunity to further institutionalize their parties at the grassroots level, thereby diminishing the incentive to thwart local elections. The vertical accountability link would also be stronger if citizens could directly elect the district *nazim* rather than this important figure being selected indirectly by tehsil and union tier members in some of the provinces (Keefer, Narayan, and Vishwanath 2006).

As experience has shown elsewhere, subnational actors see postdecentralization problems as evidence that they need more resources. Yet national actors can view these same challenges as a justification for recentralization (Eaton, Kaiser, and Smoke 2010). While research findings remain ambiguous about whether decentralization is categorically more effective at delivering services than more centralized approaches, simultaneous processes of decentralization and recentralization are clearly detrimental to giving a voice to the poor and efficiently providing much-needed services (Resnick

2014). Given Pakistan's volatile policy shifts, long-term commitment to the 18th Amendment reforms will therefore be essential to address many of the weaknesses in the current devolution landscape and ensure that it works to strengthen agricultural investment and broader rural development.

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Annex A: Key Elements of the Local Government Acts

TABLE A9.1 Powers given to local governments under provincial Local Government Acts

Powers	Category		
		Punjab Local Government Act 2013	Sindh Local Government Act 2013
Administrative	Local Government Tiers	Metropolitan Corporations in provincial capital District Councils in rural areas Municipal Corporations and Municipal Committees Union Councils for both urban and rural areas (except for Lahore) All councils to be led by chairman and vice chairman	Metropolitan Corporations in urban areas District Councils in rural areas Municipal Corporations and Municipal Committees Union Councils for both urban and rural areas All councils to be led by chairman and vice chairman
	Reserved Seats	Women: 2 at UC and maximum of 15 at district levels Peasant/laborer: 1 seat at UC and maximum 3 at district levels Minorities: 1 seat at UC, 10 at Metropolitan Corporation, maximum 5 each at District Council and Municipal Corporation, maximum 3 at Municipal Committee Youth: 1 seat at UC, 1 at District Council, 2 at Metropolitan Corporation, 1 at Municipal Corporation, and 1 at Municipal Committee	Women: 1 seat at UC and 22% at remaining tiers Peasant/laborer: 1 seat at UC and 5% at district level Minorities: 1 seat at UC and 5% at district level Youth: no reserved seats
	Key Functions	Municipal functions of health and education under indirectly elected members and technocrats	LGs Council municipal mandate includes functions of water, health, education, and town planning
	Public Safety/ Policing Function	Allows for urban local councils to maintain such police force as directed by the government or create a municipal police Rural councils may report to the police the commission of offenses and assist local police in investigating and preventing crimes and arresting criminals Public safety measures related only to fire, flood, hailstorm, earthquake, famine, and other natural calamities and disasters No mention of Police Order 2002 in Act	Public safety measures limited to firefighting, civil defense, floods, famine, and dangerous and offensive objects and lines of work No mention of the role of local elected officials or citizens in matters related to police or community policing No mention of Police Act 1861



Khyber Pakhtunkhwa Local Government Act 2013

City District Councils
 District Councils
 Tehsils/Town Councils
 Village Councils for rural areas
 Neighborhood Councils for urban areas
 The tier of Unions has been omitted in the Act
 All councils to be led by union mayors (*nazim*) and Naib Nazim

Women: 2 at Village and Neighborhood Council level and 33% at the district level
 Peasant/laborer: 1 seat at VNC and 5% at district level
 Minorities: 1 seat at VNC and 5% at district level
 Youth: 1 seat at VNC and 5% at district

LGs Council municipal mandate includes functions of health, education, social welfare, revenue and estate, rural development, and so forth

Local government may requisition a police contingent in accordance with Police Order 2002
 Village Council may supervise performance of police and undertake accountability by making inquiries and sending quarterly performance reports to the concerned authorities



Balochistan Local Government Act 2014



Metropolitan Corporations in urban areas
 District Councils in rural areas
 Municipal Corporations and Municipal Committees
 Union Councils for both urban and rural areas
 All councils to be led by chairman and vice chairman

New category of professional/social worker has been created for all local councils
 Women: 33% of the number of general seats at all levels
 Peasant/worker: 5% at UC and district levels (peasant and worker categories have been merged)
 Minorities: 5% at UC and district levels
 Youth: no reserved seats

LGs Council municipal mandate includes functions of health, education, town planning, public safety, and so forth

Public safety is limited to providing relief during natural disasters
 No mention of the role of local elected officials or citizens in matters related to police or community policing
 No mention of the Balochistan Police Act 2011

TABLE A9.1 Powers given to local governments under provincial Local Government Acts
(continued)

			
Powers	Category	Punjab Local Government Act 2013	Sindh Local Government Act 2013
Political	Elections	Party-based elections at all tiers Direct election at union level	Party-based elections at all tiers Indirect election at all tiers
	Tenure	5-year term of office	4-year term of office
	Provincial Authority over LG	Punjab chief minister can suspend elected LG heads for 90 days	Sindh LG minister may suspend elected LG heads for 6 months, as well as LG departments and institutions
	Political Independence	Local Councils administer local affairs as prescribed by provincial government	Provincial government is empowered to supervise and inspect local councils
Financial	Finance & Revenue	LG councils dependent on Provincial Finance Commission Award Revenue departments work under control of provincial governments	LG councils dependent on Provincial Finance Commission Award Revenue departments work under control of provincial governments

Source: Authors.

Note: UC = Union Council; VNC = Village and Neighborhood Council; LG = local government; KPK = Khyber Pakhtunkhwa.



Khyber Pakhtunkhwa Local Government Act 2013

Nonparty-based elections for Village and Neighborhood Councils
 Party-based elections for Tehsil and District Councils
 Direct election at VNC levels
 Indirect election at district and tehsil tiers
 4-year term of office
 KPK chief minister may suspend elected LG heads for maximum of 30 days

LG Councils empowered to appoint inspecting officers

LG councils dependent on Provincial Finance Commission Award
 Revenue departments work under control of provincial governments



Balochistan Local Government Act 2014

Party-based elections at all tiers, according to procedure to be prescribed by the provincial government
 4-year term of office
 Balochistan Provincial Government is empowered to remove elected LG heads or council members

Provincial government empowered to supervise and inspect local councils
 Local Councils administer local affairs as prescribed by provincial government

LG councils dependent on Provincial Finance Commission Award
 Revenue departments work under control of provincial governments