
WHETHER DECENTRALIZATION IN PAKISTAN IS PURPOSEFUL?
A SURVEY UNDER PUBLIC SECTOR FRAMEWORK

Syed Adnan Haider Ali Shah Bukhari

Muhammad Sabihuddin Butt

And

Qazi Masood Ahmad

The authors are Senior Researchers at Federal Urdu University, KHI, Applied Economics Research Centre, University of Karachi, KHI, and Social Policy and Development Centre, KHI, Pakistan. The usual caveat applies.

*Paper Submitted for the 22nd PSDE Conference, PIDE, Pakistan.

WHETHER DECENTRALIZATION IN PAKISTAN IS PURPOSEFUL? A SURVEY UNDER PUBLIC SECTOR FRAMEWORK

Syed Adnan Haider Ali Shah, Mohammad Sabihuddin Butt, Qazi Masood Ahmad

COVER PAGE

Syed Adnan Haider Ali Shah Bukhari: (Corresponding Author)

Senior Research Fellow / Faculty of Computer Sciences

E-mail: prof.adnan@gmail.com
the_pak_economist@yahoo.co.uk

Department of Computer Science & I.T
Federal Urdu University of Arts, Science and Technology, Karachi Campus
Karachi-75000,
Pakistan.
Tel: (9221) 9243716 – 9244141~9 Ext: 2082
Fax: (9221) 9244141

Muhammad Sabihuddin Butt

Senior Research Economist / Associate Professor of Applied Economics

E-mail: muhammadsabihuddinbutt@yahoo.com
aerc@super.net.pk

Applied economics Research Center
University of Karachi
Karachi—75270,
Pakistan.
Tel: (9221) 9243168 – 9243175 –9243204
Fax: (9221) 4829730

Qazi Masood Ahmad

Senior Research Economist / Head of the Research Staff Unit

E-mail: masoodahmed@spdc.org.pk
aerc@super.net.pk

Social Policy and Development Center
Karachi—75350,
Pakistan.
Tel: (9221) 111113113
Fax: (9221) 4534285

WHETHER DECENTRALIZATION IN PAKISTAN IS PURPOSEFUL? A SURVEY UNDER PUBLIC SECTOR FRAMEWORK

Syed Adnan Haider Ali Shah, Mohammad Sabihuddin Butt, Qazi Masood Ahmad

ABSTRACT

In the era of globalization, many countries of the world, regardless of developed or developing, are trying to promote decentralization. According to Manor [1999]'s argument, decentralization stems from the necessity to strengthen local governments as proxy of civil society to fill the deep gap between the state and civil society. With the end to the Cold War following the collapse of the Soviet Union rendering the cause of the "leadership of the central government to counter communism" meaningless, Manor points out, it has become increasingly difficult to respond flexibly to changes in society under the centralized system. Then, what benefits can be expected from the effectuation of decentralization? Litvack, Ahmad & Bird [1998] cited the four points: (1) attainment of allocative efficiency in the face of different local preferences for local public goods; (2) improvement to government competitiveness; (3) realization of good governance; and (4) enhancement of the legitimacy and sustainability of heterogeneous national states. They all contribute to reducing the economic and social costs of a central government unable to respond to changes in society and enhancing the efficiency of state administration through the delegation of authority to local governments. Here, in this paper we try to assess the success of Pakistan's decentralization critically, which was initiated by Musharraf's Government in 2001-02. The length of time since the introduction of decentralization is one factor that needs to be taken into account in assessing success. This is particularly so since in the policy realm, most discussions of the determinants of success focus on "capacity". However, while the experience of local authorities in administering programs and responding to local needs is an important implementation concern, many other conditions are likely more important, including the institutions of decentralization and the relative incentives of local and central government decision makers. These vary widely across countries that have undertaken decentralization and are at the core of the discussion of this paper.

Keywords: decentralization, local government, local public goods, public sector framework.

JEL Classification: D61, E61, H11, H70, H83

1. INTRODUCTION

According to many political and social economist's view, globalization is not a new phenomenon and that countries pursued it in various ways since the birth of the nation state, nobody denies the fact that the current phase of globalization is different-- different in the sense that it unleashed three major trends. The first is *denationalization* of the state involving major changes in the power of the legislature, the executive and the judiciary and shifts in the relative weight of financial, technological, environmental, security and other organs. The second is the *de-statization* of politics making the state's involvement in society less hierarchical, decentralized, poly-centric and multi-tiered involving both territorial and functional units. And, finally, the *internationalization* of the policy regime increasing the strategic significance of the international context of domestic state action and blurring the distinction between domestic and foreign policy regimes (Jessop, 1999). The main issue of "governance in a global economy is the loss of

monetary and fiscal options for the nation state and subservience to rules sometimes made by the international trade and financial interests" (Bardhan, 2000). Argentina presents an extreme case of the loss of monetary sovereignty. To participate in the global economy, it surrendered its economic policy prerogative to the US. The communications revolution has truly made it possible for different global power centers to execute their agendas almost immediately¹. If this has opened new unforeseen opportunities for global peace and prosperity, at the same time, risks have also multiplied by as many times. The risks of globalization, because of the speed with which information can flow around the world, have posed themselves more starkly for those marginalised by global events in the present day world. Although individual countries themselves have these potential quicksand patches to take care of in their own economies, globally, more than half of the world's population finds itself ignored or exploited by the globalization process. These countries form potential traps, cautioning the world as a whole against completely depending on globalist forces as a reliable way to move forward. Since individual countries will find it very difficult to handle the situation for their own good, they have started forming alliances and blocs to protect not only the prosperity they've achieved so far, but also their identities as well. As a result there are two distinct forces at work to further the transnational cause, which are capable of eroding the boundaries of the nation state. The first is the globalizing tendency of national policies and the second one is the regionalization of national economies. But there is a third force that aims to move away from these two tendencies and work for local benefits, and that is decentralization. Jonathan P. Doh² describes the parallel phenomenon of neo-federalism in the United States and subsidiarity in Europe, which are transferring power from national capitals to regional, state, and sub-central governments. The combination of these two trends is generating competing centrifugal and centripetal forces in relation to corporate strategy and structure. Doh argues that pan-continental economic and regulatory harmonization, combined with the voluntary or involuntary transfer of greater power to lower levels of government, leads to an increasingly complex web of transnational, national, regional, sub-central, and local government policy making and institution building.

The initial rejection of the Maastricht treaty by several European states was a setback for the development of a more integrated political union and a blow to full and complete economic integration. The battle for a single currency called the Euro against countries that want to opt out is a continuation of the centripetal- centrifugal forces going the opposite direction. This could be a very good example of local forces prevailing over globalist or regionalist tendencies in the rejecting countries.

The response of nation-states to these forces of globalization and localization will determine whether incomes in poor countries converge with those in industrial countries and whether efforts to banish poverty are successful, according to Shahid Yussuf, who helped bring out the World

¹ Shahid Yussuf says, "The 1990s could be called the decade of globalization. The General Agreement on Tariffs and Trade (GATT) had 102 members in 1990; its successor, the WTO, had 134 members in 1999. Trade in goods and services has grown twice as fast as GDP during the 1990s, with the share of developing countries in total international trade climbing from 23 per cent to 29 per cent. "All forms of capital are circulating more widely and in far larger amounts than ever before. For instance, developing countries received \$ 155 billion (net) of foreign direct investment in 1998, 16 times the amount they received in 1990. The scale of global production networks is revealed by the extent of trade that flows through them—about one-third of the total." Shahid Yussuf, *Finance & Development*, "The Changing Development Landscape," December 1, 1999 SECTION: Vol. 36. No. 4, p. 15 ; International Monetary Fund.

² Jonathan P. Doh, "Regional market integration and decentralization in Europe and North America" *Business and Society*, December, 1999 SECTION: Vol. 38, No. 4; Pg. 474-507; American University.

Development Report³ that focuses on globalization. Globalization might not have taken off were it not for a seismic shift in attitudes. Countries worldwide have moved to market-based economies and democratic forms of government, the decisive events being the tearing down of the Berlin Wall in 1989 and the spread of democracy during the early 1990s.⁴

These global developments would not have come about without the continuous push by Western countries to democratize the rest of the world. The fact that democratization has remained a vital foreign policy tool of many industrialized countries cannot be ignored. The multilateral institutions have, for their part, been instrumental in bringing about market oriented reforms through their lending and economic development aid instruments. In other words, powerful alliances have been witnessed in the eighties and nineties working hard to bring about globalization, democratization and decentralization. Instead of taking globalization and decentralization as a simultaneous development of the post cold war era, one can look at the increased demand for decentralization as a response to globalizing tendencies of the national governments as well. From this viewpoint, one can see that the global pull has threatened to obliterate vulnerable regions and groups of people. So instead of being sucked into the morass of the global milieu they have stood up to retain their identity by using the decentralization tool. In the case of Pakistan, the present crisis of governance is a direct product of the national government's preference to be dictated to by international conventions, multilateral conditionalities and bilateral political and economic agreements over local development and democratic imperatives. In other words, if the locals do not have a say in their national governments and if they cannot dictate their own agenda, then it might have been a wise choice to create another authority that will- even if the alternate authority is just a local or regional one. Mere setting up of institutions is not going to solve the crisis. The national government's global agenda will just percolate until it reaches the nooks and corners of the country, creating an even bigger crisis. So the creation of these local institutions and the devolution of authority should be done carefully so that the discrepancies and deterioration in governance seen at the national level is avoided at the local level.

This viewpoint is clearly one that calls for urgent remedies at national level policymaking- an orientation to be inclusive of the local aspirations rather than being just a tool of the transnational forces which are indeed rapidly taking on the least prepared most violently. The response in this situation would be for countries to make extensive preparations not to be caught off-guard. This would call for an understanding of the global tendencies in their intent and impact and then creating institutions that check the negative ones from entering the national scene. A more proactive preparation would entail creation and use of devices that would be able to garner benefits for the local constituencies from globalization rather than be swamped by it. This is a challenging task for any country, leave alone a least developed one like Pakistan.

Yussuf argues: "localization is forcing states to take note of sub-national dynamics and accommodate local demands. It has many causes. Dissatisfaction with the ability of the state to deliver on promises of development is one." The strength of local and ethnic identity--reinforced by education, better communications, and the rising concentration of people in urban areas--is another. A third cause, in a world where globalization is leveling cultural differences, is the desire

³ Shahid Yusuf directed the World Bank's World Development Report 1999/2000. *Entering the 21st Century* (New York: Oxford University Press for the World Bank).

⁴ Shahid Yusuf, "The Changing Development Landscape," *Finance & Development*, December 1, 1999, SECTION: Vol. 36, No. 4, P. 15; International Monetary Fund.

to deepen a sense of belonging to a place. And a fourth is the sharpening competition between sub-national units in an open environment, combined with the reluctance of richer communities to share resources with their less well-off neighbors. Yussuf thinks that making embryonic democracies work and using decentralization to improve the quality of services requires a hierarchy of institutions. For instance, electoral rules determine the nature of local representation at the national level and the distribution of power between the executive and other branches. Similarly, local election rules can be designed to increase voter participation and even out representation across social and income groups. Fiscal rules can buttress political autonomy by assigning revenue bases and responsibilities and prescribing revenuesharing arrangements between the center and the localities.

2. DECENTRALIZATION: A THEORETICAL PERSPECTIVE

The need for decentralization is not just an option for countries as a way of good governance. It is increasingly being necessitated by circumstances, both national and international. National pressure for decentralization stems from the openness of the polity that is being increasingly adopted throughout the world. In Pakistan, political openness was institutionalized by restoring multiparty rule. Real democracy requires the people themselves to be involved in shaping their own lives. And decentralization is the only means of devolving authority from the center to the local units of governance.

Another aspect of the national imperative to decentralize for countries like Pakistan comes from a combination of the country's geography and the status of its economic development. Since communication between the center and local governments is not as smooth as it is with countries having adequate infrastructure, one needs a measure of local autonomy to run local affairs, if only to avoid delays in decision-making. Similarly, the diversities existing among the people and places are not conducive for central governments to provide directives for everything. Even simple government tasks like running high school examinations will need to keep the local circumstances in mind. It is not always possible for the center to run local operations. Hence, decentralization becomes an imperative. The international pressure comes from the globalization tendencies of national economies.

At a time when national economies are being pushed by global forces towards centralization of a global scale, there is a need for governments throughout the world to decentralize as much powers as they can so that each local unit can decide on how to protect its own resources from unfair exploitation by global developments and instead extract benefit from them. This means that even for the protection of national identity and national interests, central governments throughout the world will be forced to seek the help of local efforts. There is no alternative to decentralization, the only question is how to go about it. The mere existence of elected government ensures neither decentralization nor good governance. Sharing the prerogatives of power—choosing and deciding-- between the capital city and different regions, towns, and villages of the state is the way to empower the grassroots people by enlisting their participation in the development process, bridging the market inequalities between different regions and people and structuring a socio-economic transformation of the society, economy and polity. And, competition among the multiple layers of units can spur the development of more rational policies and programs and offer solution to distributional conflicts. It is commonly argued that through decentralization efforts, local government, being closer to the people, can make optimal use of local resources to address their basic needs and demands.

In a socially diversified population, the central government's action will often have uneven levels of impact upon their lives. And there is growing recognition that people can secure basic public goods and services only if they are locally available. The emerging critique of statism, of the social thought of centralized planning that legitimized its expansion in society, and the need for the articulation of grassroots concerns have reopened the fundamental discourse on democratic decentralization. Undeniably, this was inspired by the global wave of democracy. It was this discourse that initiated the criticism of both the old centralization paradigm and the new globalization advocacy that purported to subject the state to structural adjustment policies. Both would ultimately bring about a reversal of the democratic order in international capital's favor and thereby further erode the efficiency of national policy.

The "Washington consensus" further reinforced this fear extending the "affirmation of markets beyond the economy to a wider range of society's activities, heretofore subject to economic as well as other forces, and to all societies, those in transition from central planning and to those in transition to statist modes of economic organization. The market has become not just one of several instruments to achieve economic and social objectives but the only instrument. It has become transcendent, over-riding boundaries established by the political process, answerable neither to the public through the political process, nor to the civil society" (Wachtel, 2000:247). Joseph Stiglitz, the Nobel laureate, thus argues that this consensus not only closed the development debate but also reinforced "traditional hierarchical relationships" and, consequently, prevented a successful transformation.

2.1 Typology of Decentralization

Good governance at the local level depends on the reciprocal roles of five kinds of actors. They are: elected representatives, local public officers, the civil society and people's institutions and donors. These actors need to respect the rules of the game in the process of grassroots democratization. This is a prerequisite for strengthening the development process as a whole. Power is a central concept in all aspects of decentralization--political, spatial, economic and administrative-- the capacity of a system to get things done in the interest of collective goals. Only through power can political "authority" make decisions in order to create "policies" to resolve the problems of the society. Disciplining political power for the creation and implementation of policies for the interest of the people is the central motive behind decentralization. People's representatives are presumed to be closely attached to the societies they represent and seek to govern. Local self-governance assumes that people within a certain geographical space are governed by methods emanating from a single source of power in that space. Decentralization of power, therefore, helps to exert social control on the central institutions of governance.

Decentralization generally assumes two forms. **Horizontal decentralization** disperses power among institutions at the same level, for example, constitutional organs at the central level are decentralized with powers and functions apportioned to each of them. Similarly, elected bodies, public officials, non-governmental institutions, and the civil society at the local level are involved in the process of helping the local government to better reach the rural and urban poor, disadvantaged and marginalized people and to increase their participation in the development and governance processes. **Vertical decentralization** allows some of the powers of the central government to be delegated downwards among the tiers of authority such as ministries, departments, municipalities, wards and peoples' institutions. Vertical decentralization can be defined in three ways:

2.1.1. De-concentration

"Merely involves the shifting of workload from central government ministry headquarters to staff located in offices outside of the national capital."(Rondinelli et al: 1989) Decentralization based on de-concentration does not allow the local units ample freedom to take initiatives and decisions without the consent of the

central authority. But, it allows the delegation of certain financial and administrative decision-making powers to local authorities and people do not have to go to the capital city for every decision.

2.1.2. Delegation

“Refers to a situation in which the central government transfers responsibility for decision-making and administration of public functions to local governments or semi-autonomous organizations that are not wholly controlled by the central government but are ultimately accountable to it” (Litvack, et al 1998). Delegation of power thus implies granting of some authority and decision-making powers to local authorities. But central government retains the power to reverse the local decisions and can take these powers back. Local authorities are responsible to carry out only assigned functions. They do not have autonomous policy-making capacity. The delegation of power means the delegation of trust.

2.1.3. Devolution

“A more extensive form of decentralization, refers to a situation in which the central government transfers authority for decision-making, finance, and management to quasi-autonomous units of local government” (Litvack, et al 1998:6). Devolution implies full autonomy to the local units of self-government where central authority exercises only minimal control over areas of vital national interests, such as banking, defense, foreign policy, etc. The devolution process facilitates the growth of autonomous units of self-governance at village, town and district levels. Federal states with plurality of cultures are, by definition, devolved. Every hierarchical polity superimposed from above percolates rigid models to each layer in defiance of the basic democratic values of equality. One such theorist argues that "a self-governing society should operate on the principle that decisions and their implementation are the responsibility of, and should be undertaken by, those affected by them" (Devine, 1998).

An increase in political power of a self-governing society can be attained in proportion to their importance to the general social and economic welfare if decentralized decision-making is based on the social interests of people. This is in contrast to the recourse to market forces in the name of escaping barriers posed by vertical links. A balance between horizontal and vertical centralization and decentralization must be made to increase the scope of participation of functional representative bodies like independent non-governmental organizations (NGOs), the civil society organizations, local governments, consumer groups and self-help organizations. Each of these needs to have clearly defined power, resources and responsibilities without coming in the way of democratic control and coordination. As the meaning of decentralization cannot be conceived of outside an inter-subjective framework it would be of value to advance it from three disciplinary perspectives:

Administrative Decentralization: underlines state control over territorial and administrative units, seeks to encourage the division of labor through functional differentiation and postulates bureaucratic accountability to the people rather than to their superiors through the structuring of rules, procedures and institutions. From an administrative perspective, "decentralization is the transfer of responsibility of planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or public corporations, area wide, regional or functional authorities, or non-governmental private or voluntary organizations" (Rondinelli & Nellis: 1986).

Political Decentralization, as an interactive web of democracy, is about internal party democracy as well as democratization of the state, de-concentration of wealth and social power. It is based on the creation of a civil society through mass mobilization and mass participation in the institutions

of representative bodies. Political decentralization is “the transfer of decision-making authority to previously underrepresented or marginal group”. This is a perspective more likely (though not always) to be local, rather than central, emphasizing the situation of the citizenry at large and the roles of opposition groups and organizations (Samoff:1990). The basic objectives of political decentralization are to increase the efficiency of local political units, citizen representation and participation in decision-making and their freedom of choice in the process of deciding the matter of their primary concern. Political forms of decentralization are "typically used by political scientists interested in democratization and civil societies to identify the transfer of decision-making power to lower-level governmental units or to citizens or their elected representatives" (Cohen and Peterson, 1998).

Political decentralization is a process of sharing power, authority and responsibility by the people for the development of their civic competence in discharging the goals of social justice, democracy and emancipation. The positive attributes of political decentralization are that it can revitalize political participation and enhanced accountability on the part of governing bodies by expanding information flows, curtailing absenteeism and supporting the control of corruption and nepotism.

2.1.4. Economic decentralization

In today’s context, assumes citizens' sovereignty in the choice of public goods and services through the rationality of the market mechanism. This school of thought is nurtured by the World Bank, the International Monetary Fund, USAID, Asian Development Bank and neoclassical macro economic theories of public choice that advocate that "people act rationally, always pursue their economic self-interest, and will make optimal economic choices if left unfettered by government regulations and constraints."(Rondinelli et al,1989).

The critic of this rational choice school views that in the absence of adequate socioeconomic preconditions, the market becomes deficient in allocation of goods and services, anarchic in its operation, unjust in its information base as well as outcome and poor in its motivational postulation. In such a situation, rationality becomes a perfect myth. The majority of poor people show up at the market with absolutely uneven resources, a few with practically nothing at their disposal. In poorer countries, the overwhelming majority fall into the latter category. Others view rational choice theory as ahistorical, actor-oriented, which does not take sequence into account and, in essence, is "driven by theory rather than being problem driven" (Bates et al, 1998:11). The Structural Adjustment Programs executed in many ex-communist and developing countries, for example, have shown no sign of improving the situation of the poor. Instead, the de-politicization of the economy has been able to take away the sovereign citizens’ control from most of the decisions about production and distribution of goods and services. A critic of structural adjustment programs argues that they “were not structural adjustments, but purely conjectural adjustments, consonant with the immediate needs of crisis management. The consequences of such policies constitute the problem, not the solution to it” (Amin,1996).

In the context of Pakistan too, the application of the neoclassical and neo-liberal theories in policy has helped to dismantle an already inadequate and fledgling public sector, worsened the poverty and unemployment situation in the country and subjected the national economy to deregulation, denationalization and globalization in the name of providing entry points for foreign private investment. The key components of economic decentralization common today in the developing countries, including Pakistan, are: privatization, denationalization, deregulation. Each of these components is intended to promote macro economic stabilization by reducing the size of government, budget deficits, subsidies, etc. and purports to subordinate the social and political goal of the people to the whims of the existing international market system which is far from

perfect. All this is in stark contrast to giving the people the necessary power to use the local resources at the local level to determine their own future. This is what decentralization is all about. In other words, economic decentralization discussed here is more of a horizontal exercise, from the state units to the market units, rather than one aimed at empowering the grassroots. For example, decentralization of planning would have taken this vital aspect of production and distribution to the local level. Instead, what we have today is that the central planning authority has been made obsolete—by handing over that power of planning to the market forecasters of large companies most of which are foreign in any case. Hence, economic decentralization discussed thus far is more about paradigm choice rather than one about decentralization per se.

The case of economic decentralization can be strengthened if production or distribution behemoths, the large companies, were also brought to the development debate so that the same analytic tools can be applied to them. Thus, one can superimpose the arguments against state, government or political power centers over the operation of large financial or industrial units and come to conclusions that would serve the decentralization theme pursued by development studies thus far. But this is not usually the case, the neo-classical paradigm appears to be seeking justification in the most unlikely of places, even in a decentralization discourse. Whether decentralization of large economic power centers is desirable or not is one matter, but to bring a case of horizontal decentralization in a discourse about vertical decentralization skews the whole debate to serve particular policy thrusts aimed at serving particular paradigms. And there is no dearth of academic material doing so. The paradigm has been skillfully used by some thinkers to link erosion of central control with decentralization, even though taking away the central powers is no guarantee that it goes to the local level. Central authority could be marginalised by international regimes, bilateral or multilateral agreements, sheer ineptitude of governments and even globalization. Decentralization is not expected to reduce central authority, only create ample space for the local people to run their own lives the way they see fit. For a successful decentralization, it is imperative that there is a strong power at the center.

Weak governments cannot run a successful decentralization scheme. Strength in central power is undermined by the power elite, whether in the party structure or business circles or even the social sector. A government is assumed to be strong if it represents all the sections and yet is autonomous in its functioning. This is also why decentralization has been lumped together with good governance, in contrast to the bad governance that is prevalent when there is an erosion of government control. A better approach to pursuing economic decentralization might be available in looking at small enterprises which are closer to the people and are quick to respond to their needs, instead of the large companies making international rounds and more interested in the flow of international capital and political power rather than meeting the needs of a diverse people.

In other words, the economic space should be more readily available for the small enterprises than for the commercial giants, unless warranted by other longer term strategic needs. Although economic decentralization is the topic of corporate governance, we would still find it relevant to discuss the theoretical justification of the neo-classical paradigm in our context, here.

2.1.5. Privatization

It is the act of reducing the role of government, or increasing the role of the private sector, in an activity or in the ownership of assets." (Savas:1987). It is widely contended that too much state intervention strangles the productive energies of the private sector. In many decommunized and authoritarian regimes, centralized planning contributed to a swelling bureaucracy and helped in sustaining the political status quo. Critics argue that privatization is intended to separate the economy from social control by granting industrialists and business classes autonomy from the

state and society, has fostered different stages of development within the same state and has justified economic growth free from ethics and civic obligations. In nations like the United States, Canada, Brazil and Mexico and the newly industrialized countries of Asia, for example, privatization has produced a rapid decay of the public realm, an indiscriminate depredation of the public good and the maldistribution of market-driven benefits.

2.1.6. Denationalization

It is a particular form of privatization that involves "selling to the private sector (or giving away to the public or the workers) government-owned enterprise or government-owned assets used in producing goods or services; by extension, this form of privatization also encompasses 'demunicipalization', and other forms of 'de-statification'". (Savas, 1987: 89). The defenders of the free-market school of thought have a radical imagination. They imagine that self-help organizations, non-government organizations and private sectors will be able to initiate development only through the erosion of the re-distributive capacity of the welfare state. Besides this, they also favor the free play of market forces as a convenient strategy to empower individuals to build their own fate.

Critics argue that the mobility of capital, technology and information across borders has not only challenged the coherence of democratic governance but also pointed to the withering human values and the very social fabric of democratic accountability. The cost of the actual decline in real wages, job layoffs, the widening gulf between the rich and the poor and de-coupling the fate of the workers from corporate profits has been enormous. In other words, structural adjustment of only the poor people is taking place which, by implication, is causing a democratic deficit. The belief in the capability of market-based transactions to solve all problems, including social ones, has fostered the most narrowly profit-oriented definition of rationality.

2.1.7. Deregulation

Franchises eliminating other price control and entry barriers in order to permit the market to respond to peoples' needs"(Savas, 1989). The reason for deregulation is that bureaucratic control over policy breeds bribery, corruption, commission and patronage and impedes economic growth. Deregulation of labor markets and a reform in the tax structure might induce external investments but these investments must be weighed against the unintended effects in social sector activities, especially the ecology, education, health and welfare. Creating a flexible environment in business and excessive extraction of natural resources for export in the process of becoming market-friendly make the majority of the poor even more deprived of a sustainable livelihood.

Its critics, therefore, argue that without a proper coordination the people of developing countries suffer badly owing to their smaller competitive advantage. They thus remain vulnerable to external market fluctuations. Therefore, cutting of tariffs, privatization, opening the economy to foreign companies and total denationalization of development subvert the various policy-oriented issues including monetary and fiscal policies, expenditure and pricing. Some degree of central control is, therefore, essential to keep various societal elements in balance (such as defense, foreign policy, banking and the social sectors, etc.) and to prevent the possibility of anarchy.

3. DECENTRALIZATION IN PAKISTAN: A REVIEW

On taking power in 1999, the *Musharraf Government* announced a far-reaching reform agenda for "reconstructing the institutions of the state" through the establishment of a democratically

elected system of local government. The government emphasized that the new system was designed to ensure citizen involvement in planning services and to provide mechanisms for citizen oversight of implementation.

Pakistan's decentralization built on a Supreme Court decision that sought to enforce the constitutional principle, disregarded by previous governments, of the separation of the executive from the judiciary, and on Article 37(i) that required government to decentralize its operations to bring them closer to the public. In practice, however, the start of the latest decentralization process is most often linked to the March 2000 release of a National Reconstruction Bureau (NRB) discussion paper that called for a series of bold structural changes to be implemented by 14 August 2001, a deadline that was met. The changes included the abolition of the existing three levels of deconcentrated provincial administration (divisions, districts and *tehsils*) and the creation of a new tier of local governments comprising districts (called city districts in the four provincial capitals), *tehsils* (city towns in the four city districts) and union administrations, and the replacement of the existing municipal bodies by these new local governments. These arrangements apply to all provinces, but not to the Cantonment (military) areas of towns and cities, or the Federally Administered Tribal Areas, or Jammu and Kashmir. To date the arrangements have not been implemented in the Islamabad Capital Territory.

Two main features of Pakistan's constitutional arrangements have proven most challenging and contentious since Partition—the assignment of functions and powers between the federation and provinces, and the separation of powers (in particular, the judicial from legislative and executive powers). The current devolution experience is yet another attempt to deal with these vexed issues.

The reassignment of functions, powers and resources at province and local levels has already been significant. Prior to August 14, 2001, when the Local Government Ordinances (LGOs) were promulgated, the four provinces were divided into three administrative levels, resulting in a national array of 26 divisions, 105 districts and 354 *tehsils*. Other local government bodies existed mainly in urbanized areas and, in decreasing order of size, there were two metropolitan municipal corporations (Lahore and Karachi), 12 municipal corporations, 144 municipal committees and 303 towns committees. There were and still are 41 unelected cantonment boards. In rural areas, district (*zila*) councils were responsible for local services. The districts and divisions were distinct legal entities (created by the Provinces as envisaged by the 1973 Constitution), but unlike the Provinces they lacked constitutional status.

After decentralization, Pakistan remains, constitutionally, a two-tier federal state. However, there are now 6,458 new local governments for the population of 146 million: 97 districts and 4 city districts; 306 *tehsil* municipal administrations and 29 city towns; and 6,022 union administrations. Political reforms have included the election of 126,462 new union councilors, and intricate arrangements for both the internal and external recall of the *nazimeen* in local government.

The LGO (14 August 2001) and the Police Order, (14 August 2002), provide for an unprecedented range of bodies to encourage and accord a mandatory status to citizen engagement in local governance. Most noteworthy are Citizen Community Boards (CCBs), but these are complemented by local arrangements for alternate dispute resolution, monitoring of court conduct, promoting justice, accountability of the police and administrative grievance redressal. Administrative reforms include the creation of district governments divided into 11 departments, and the District Coordination Officer (DCO) established as the highest-ranking civil servant in the district. The office of deputy commissioner has been abolished and its powers divided among the district and sessions judge, district *nazim*, the District Police Officer (DPO) and the DCO.

Local governments have been given the powers to raise some additional revenues and Provincial Finance Commissions (PFCs) have been established to make awards for distribution of resources between the province and local governments as well as distribution among local governments.

District governments have been given functional responsibility for delivering elementary and secondary education, primary and secondary health, agriculture, and intra-district roads. Towns and *tehsils* have been assigned municipal service responsibilities—including local roads and streets, water supply systems and sewers and sanitation. Although union administrations have not been assigned any major service-delivery responsibilities, they are responsible for small-scale development projects that initially have been funded from the District Government allocations under KPP.

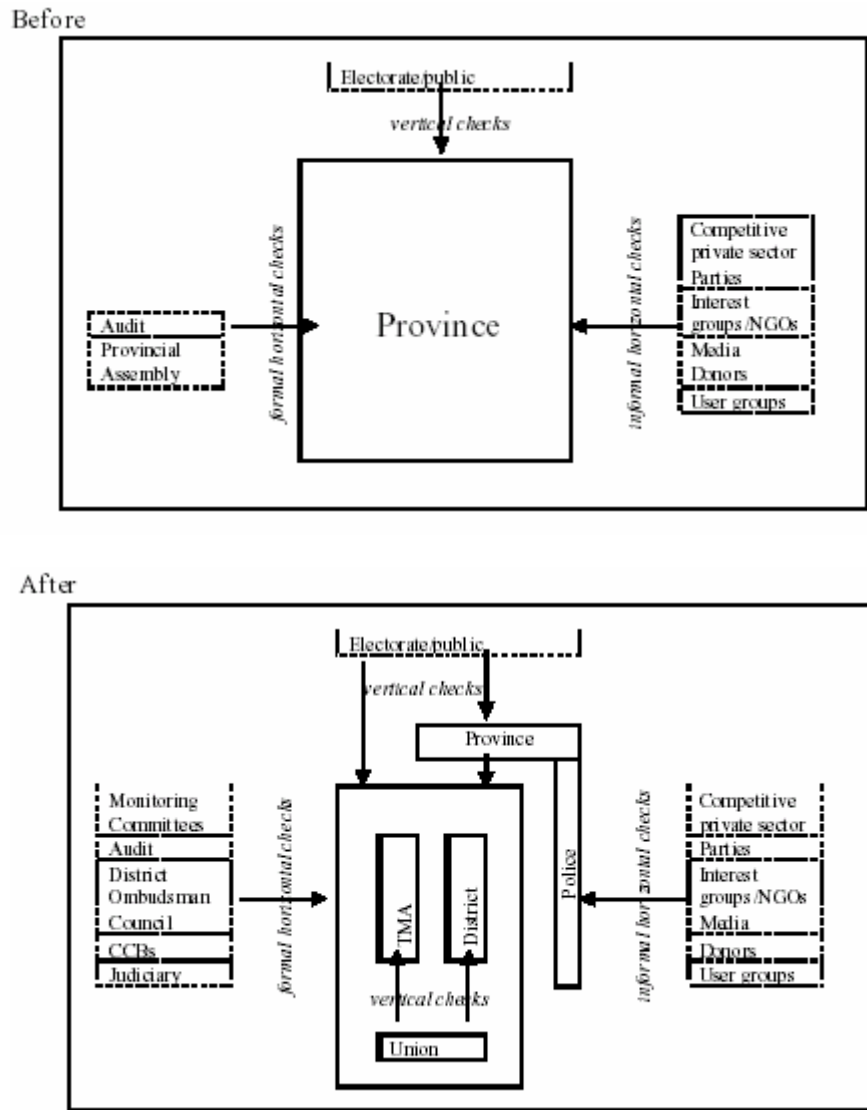
In the context of the separation of powers, under the pre- decentralization system, the office of the deputy commissioner was the local face of the government, having all administrative powers to implement official policy. The creation of the office of the District Coordination Officer has also entailed the abolition of the office of the district magistrate and the cadre of executive magistrates under him. With decentralization, all judicial powers of the executive magistracy are now vested in the judiciary; each civil judge now also acts as a judicial magistrate, while the District and Session Judge exercises the powers of the erstwhile district magistrate. As a result, civil judges now exercise criminal and regulatory jurisdiction under the Criminal Procedure Code and local laws and as a result, the regulatory implementation of laws through administrative fines has assumed the status, form and sequence of criminal trials. This shift has weakened the power of district administrators who must bring every allegation of illegality before the ordinary courts (that is, judicial magistrates) and prove their case against the accused in a court that is no longer presided over by one of their own. More profoundly, vesting the district magistrate's former powers in the District and Session Judge has fundamentally changed the relationship between the district executive and the police. In the past, while the police were not formally controlled by the executive magistrate, the police were required to respond to the executive magistrates in respect of pretrial custody and investigation, whereas the new arrangements vest these responsibilities with the judiciary and provide only weak formal responsibilities—for inspections of police stations, for instance—to the *nazim*. This complex set of institutional changes has created a new framework of accountabilities at the local government level as summarized in Figure 1. Decentralization has changed the nature of both the horizontal checks (relationships between the executive and those players of more or less equal power) and the vertical checks (where power is predominantly on one side). The key aspects of the changed accountability relationships are:

- There are many more actors and accountability relationships:
 - The new system has created new formal horizontal mechanisms, such as monitoring committees, to establish checks on the executive.
 - Increased vertical checks in the form of citizen oversight, both through direct elections as well as through oversight bodies such as District Public Safety Commissions.

- Balanced autonomy and accountability for the police:
 - The Police Order 2002 has reoriented the management of policing in order to insulate it from political interference, placing its professional management under the District Police Officer who becomes responsible for all police professional matters including postings and transfers of officers.
 - New structures of District Public Safety Commission and Police Complaints Authorities provide new routes of accountability, in principle nonpolitical ones.

Local governments have been given constitutional protection under the 17th Constitutional amendment, by placing the LGOs, which are provincial laws, under the Sixth Schedule for six years (or two subsequent rounds of elections) so that during this period they cannot be altered, repealed or amended except with the sanction of the President.

FIGURE 1:



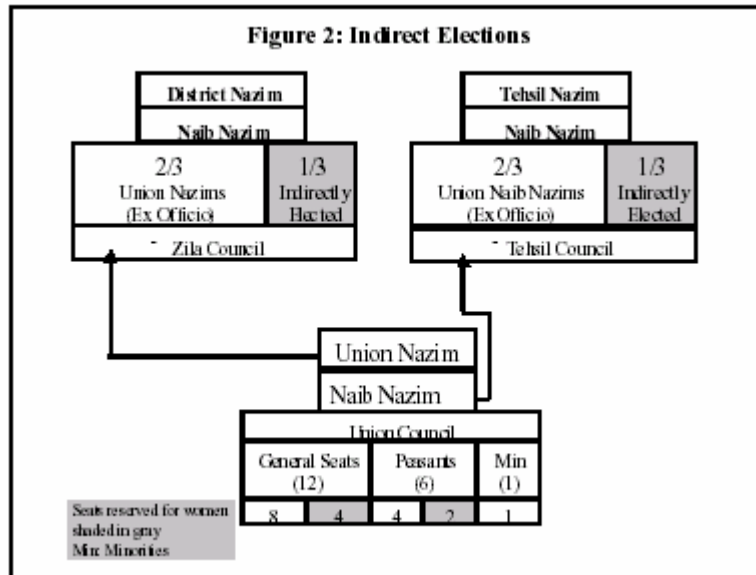
3.1. How Decentralization was Executed?

3.1.1 Political Reform

The foundation of the electoral structure for the three tiers of local government is the union council. The union is a multimember ward for the election of members of the union council (that is, each constituency is on average 25,000), and each union council is composed of 21 directly elected members. The *nazim* and *naib nazim* (mayor and deputy mayor) are elected on a joint ticket. The remaining 19 seats on the union council are allocated as follows:

- 12 Muslim seats, 4 of which are reserved for women
- 6 seats for peasants and workers of which 2 are reserved for women
- 1 seat for minority communities.

The *nazim* of the union council then becomes an ex officio a member of the district council, and the *naib nazim* of the union council becomes an ex officio a member of the *tehsil* council, (figure 2).



The union councilors constitute the Electoral College for the district or *tehsil* councilors-at-large and for the district and *tehsil nazim* and *naib nazim*, none of whom can be union councilors. Elected union councilors are not permitted to stand for election as *nazim* or *naib nazim* of any *tehsil* or district—the *nazim* and *naib nazim* stand as a joint ticket once all the union councilors in their district have been elected. If no joint tickets secure at least 50 percent of the votes for any district or *tehsil*, a runoff election is held within a week between the two pairs that secured the highest number of votes. The joint candidates securing the highest number of votes are declared winners.

One-third of the seats are reserved for women—directly elected at union council level and elected by the electoral college of union councilors at *tehsil* and district levels. This emphasis on women’s participation in politics is a dramatic break from the past. In addition, 5 percent of district and *tehsil* seats have been reserved for peasants (in rural constituencies) or workers (in urban areas), and 5 percent for minorities. Thus, overall, district councils and *tehsil* councils are made up of about two-thirds directly elected members and one-third indirectly elected, including the *nazim* and *naib nazim*. The size of district and *tehsil* councils varies according to the number of unions within the district. Some district councils are of a significant size and larger than provincial assemblies.

Table 1: The Arithmetic of Local Government Elections

Assume a district with 60 union councils (UCs), grouped in three *tehsils* of the same size (20 UCs per *tehsil*)

	<i>Union Councils</i>	
Direct elections	<ul style="list-style-type: none"> There are direct elections for all 21 UC councilors. 19 are elected individually, but the UC <i>nazim</i> and <i>naib nazim</i> are elected on a joint ticket. In this example, there are therefore 1,260 UC councilors overall. 	
	<i>Tehsil Councils</i>	<i>District Council</i>
Indirect elections	<ul style="list-style-type: none"> Each UC <i>naib nazim</i> is automatically a member of the <i>tehsil</i> council; In addition to the 20 UC <i>naib nazim</i>, each of the three <i>tehsil</i> councils has a <i>tehsil nazim</i> and <i>naib nazim</i>, plus 9 additional members: 7 women councilors, 1 peasant or worker councilor and 1 minority councilor; The <i>tehsil nazim</i>, the <i>tehsil naib nazim</i> and the additional 9 councilors are elected by the 420 UC councilors (20 UCs in the <i>tehsil</i> x 21 UC councilors per UC). 	<ul style="list-style-type: none"> Each UC <i>nazim</i> is automatically a member of the district council; In addition to the 60 UC <i>nazim</i>, the district council has a district <i>nazim</i> and <i>naib nazim</i>, and 26 additional members: 20 women councilors,¹ 3 peasant-workers and 3 minority councilors; The district <i>nazim</i>, the district <i>naib nazim</i> and the additional 26 councilors are elected by the 1,260 UC councilors.

¹The 33 percent special seats for women on the district council applies regardless of how many are already on the district council by virtue of their having been elected as UC *nazimeen*. So in theory if a large proportion of women were elected as UC *nazimeen*, an additional number of at-large seats would still be provided, giving women a majority on the council.

Each tier of local government has a term of office of four years, with a two-term limit for *nazimeen* and *naib nazimeen* at all levels of government.

3.1.2 The Administrative Changes

The executive branch of each district government is divided into 10 to 13 departments, depending upon the province, to carry out its functions. (See table 2).

The District Coordination Officer (DCO), the highest-ranking civil servant in the district, heads the District Coordination department. An Executive District Officer (EDO) heads each of the remaining departments. In *tehsils*, the TMA Municipal Officer (TMO) performs coordination functions similar to those of the DCO at the district level. There are four *tehsil*, *taluka*, or town officers (TOs) reporting to the TMO: TO (Regulation), TO (Infrastructure and services), TO (Finance), and TO (Planning).

The staffing inheritance of the districts

Three groups of employees were assigned to the new district governments. These included staff from:

- o Federal employment groups, primarily District Management Group (DMG) and the Audits and Accounts Group;
- o Former rural district council employees; and
- o Provincial employment groups, particularly Public Health Engineering, Rural Development, Local Government, Health and Education.

The overwhelming majority of district staff formerly belonged to the provincial employment groups, particularly education. Most are in grades 1–15 (90 percent of district staff in NWFP and

83 percent in Sindh). TMAs inherited staff from the former urban councils, and from rural district councils and also some provincial PHED staff where these have been devolved.

Table 2: Executive Structure of the Districts

Department name	Statutory basis	Responsibilities	
Finance and Planning		Finance and Budget, Planning and Development, Accounts, Enterprise and Investment Promotion	
Information Technology		Information Technology Development, Information Technology Promotion, and Database	
Law (Magistracy) ^a		Litigation, Legal advice, Legislation	
Agriculture	Required under the Balochistan LGO Required under N WFP, Punjab, and Sindh LGOs	Agriculture (Extension), Livestock, Farm Water Management, Soil Conservation, Soil Fertility, Fisheries, Forests and Wildlife, Environment	
Community Development		Community Organization, Labor, Social Welfare, Sports and Culture, Cooperatives, and Registration office	
District Coordination		Coordination, Human Resource Management and Civil Defense	
Education		Boys Schools, Girls Schools, Technical Education, Colleges, (other than professional) Sports (Education) and Special Education	
Health		Public Health, Basic and Rural Health, Child and Woman Health, Population Welfare, District and <i>Tehsil</i> (Headquarters.) hospitals	
Literacy		Literacy Campaigns, Continuing Education, and Vocational Education	
Revenue		Land Revenue and Estate and Excise and Taxation	
Works and Services		Housing, Urban and Rural Development, District Roads and Buildings, Energy and Transport	
Public Health Engineering		Water supply and sanitation	
Livestock		Livestock	
Enterprise and Industrial Promotion		City District	
Public Transport			
a. The Magistracy appears in the First Schedule to the Local Government Ordinances but as a policy decision stands abolished. The provinces may relocate (deconcentrate) this office but it will not be a separate district department.			

4. CRITICAL ANALYSIS OF DECENTRALIZATION AND LOCAL GOVERNMENT SYSTEM IN PAKISTAN

4.1 Decentralization Detail Under Public Sector Framework

Prior to decentralization, the structure of government in Pakistan was similar to that throughout South Asia and little changed from the legacy of British colonial rule. It divided the country into four administrative tiers: the center, the province, the division and the district. The districts and divisions were distinct legal entities, while the provinces had constitutional status. During most of the 1990s, both central and provincial government were elected and parliamentary. However, the center controlled funding and administration.

Administratively, the federal government, through the Public Service Commission, recruited the elite District Management Group (DMG) on the basis of a competitive examination; personnel from the DMG filled 40 to 60 percent of the posts of Deputy Commissioner in the districts. The remainders were filled by the provincial governments. The Deputy Commissioner controlled all executive, judicial and developmental functions in a district, while each sector of local administration (e.g., education) was managed by the parent provincial line department.

The government of President Musharraf introduced an ambitious plan to devolve administrative and fiscal powers to a series of new local governments: districts or zilas (called city districts in the four provincial capitals), tehsils (called towns in the four city districts) and union councils. The National Reconstruction Bureau (NRB) implemented the plan over the period 2001-02, holding several waves of local elections. There are now elected governments in Pakistan's 96 districts (92 Districts and 4 City districts); 307 tehsils and 30 city towns; and 6022 union councils for a population of 141 million.⁵ The elections for each of these bodies were held sequentially during the period December 2000 to September 2001. With some exceptions, they were perceived as fair and impartial. The participation rate overall was 52.5 percent, ranging from a low of 33 percent in Balochistan to 59 percent in Punjab.

There is no constitutional guarantee for the new structure. Although local government is a provincial subject under the 1973 Constitution, empowering provinces to create both administrative units through decree and local governments through ordinances, such bodies have no constitutional status or protection from the parent province at any time. It remains constitutionally permissible for local governments to be disbanded by the parent province at any time.

The new plan reserves a third of the seats in the districts councils and other tiers of local governments for women, addressing a long-standing demand of human rights and women's rights groups. In a major departure from past practice, the plan would, at least in theory, make the district administration answerable to the elected chief executive of the district rather than provincial or central government authorities. Although there have been prior attempts at decentralization in Pakistan, these never involved, even in principle, such delegation to locally elected officials.

A key feature of decentralization is the substantial reliance on indirect election. Only union officials are directly elected by citizens. Unions are meant to be approximately equal in size across a district, with each union corresponding to a group of villages. Each union council is composed of 19 directly elected members elected at large in the union on a non-party basis. The precise electoral rules (how many votes each voter gets, for example) are not in the local government ordinance (article 151) and unclear; it appears, however, that each voter in the union receives only one vote, and the top 19 vote-getters win. Twelve seats are reserved for Muslims, of which four are reserved for women; six are reserved for peasants and workers, of which two are reserved for women, and one seat is reserved for minority communities. In addition, each union has a nazim (head of administration) and naib nazim (deputy nazim), both of whom are members of the union council, but are elected on a joint ticket at large by the whole union.

Each level of local government has councils, nazims and naib nazims. Decision-making authority and control over the bulk of local government resources largely resides with the district government, however. District councils are composed of the union council nazims. Seats for women on the district council must equal 33 percent of the total number of union councils in the district; women are elected in electoral districts defined by the district tehsils. Peasants (in the countryside) and workers (in the city) comprise another five percent of seats, as must minorities.

⁵ The system applies to all provinces, but not to the Cantonment (military) areas of towns and cities which remain under the control of non-elected boards headed by military commanders. Nor are the Federally Administrated Tribal Areas (FATA) currently included in devolution system, although discussions on bringing these into the devolution structure in the near future are taking place.

These groups are elected at large, in the whole district. However, although 33 percent of the seats were reserved for women, only 17 percent of new Union Councilors' seats went to them.

District nazims are the single most important official in local government, but they are indirectly elected by an electoral college comprised of all union councilors in a district. Similarly, though they are much less powerful, the electoral college for tehsil nazims and naib nazims is comprised of all the union councilors in the tehsil. Most of positions for District and Tehsil Nazims and Naib Nazims seem to have been won by people with prior political backgrounds.

The discussion of administrative and fiscal decentralization below demonstrates that devolution is incomplete in Pakistan – centrally appointed administrative officers prepare the first draft of district budgets, and funds for local government come almost entirely from upper level governments with strings attached. A key characteristic of local government is nevertheless the allocation of decision-making authority among local government officials in the formation of local budgets. The existing ordinances governing Pakistani devolution suggest that the district councils may have little influence over budget preparation or implementation and that the district nazims will exercise significant influence over district government.

First, the district nazim has proposal power – the council must consider the budget proposed by the district nazim rather than a budget that is elaborates itself. Second, council failure to approve any budget leads to zero spending fourteen days after the expiration of the financial year (SBNP Local Government Ordinance 2001, Article 112 (5)). Failure to pass the nazim's budget therefore leaves the council in the position of shutting down government. Third, there is no explicit amendment authority given to the Council. Instead, Article 112 speaks only of Council votes to approve the budget submitted by the nazim, even noting in (1) "Provided that the charged expenditure may be discussed but shall not be voted upon by the Councils." Finally, the Local Government Ordinance requires that the naib nazim be the chairperson of the council – but since the naib nazim is elected on the nazim's ticket, this gives the executive substantial authority over the affairs of the legislative body, without corresponding influence (e.g., as in a parliamentary system) of the legislative body on the political future of the nazim.

The final important characteristic of devolution in Pakistan is that it is still incomplete. With respect to fiscal authority, for example, the provincial governments designed the budgets of the new local governments. Administratively, pending rationalization of the employees of the former provincial government who would presumably pass to the new district governments, the new local governments have been barred from hiring staff.

More generally, nearly all resources for local government flow from the provincial government. The formula for provincial allocations, and the conditions on those allocations, are decided by the Provincial Finance Commission (PFC) and, ultimately, by the provincial governor. The members of the PFC are provincial officers or others nominated by the provincial government; there is no automatic representation of locally elected officials on the PFC. Though provincial governments themselves are, currently, all directly appointed by the central government in Islamabad, there are significant and inexplicable differences in the PFC recommendations among Sindh, NWFP and Balochistan, illustrating the discretionary powers of the PFC. Detailed information on transfers are available only for Sindh and are described here.⁶

⁶ "The Interim Provincial Financial Commission Awards 2002 in Sindh (2002)". The first PFC Award would be an interim Award to be reviewed and reconfirmed by the end of the first quarter of financial year 02-03. However, it is not clear whether the PFC Award has been confirmed or not.

Provinces get more than 80 percent of their revenues from federal transfers, either federal tax assignments or straight transfers of royalties on oil and gas or excise duties on gas and development surcharges on gas. Sindh’s federal tax assignment constitutes 69% of its federal transfers and income from straight transfers constitutes the remainder. Although in theory district governments, like other levels of government, have both current and development (or capital) accounts, the latter is unfunded. Transfers to fund current expenditures of local governments are quite complicated, but many of the details are not relevant for this discussion. It is sufficient to note three points. First, there is some need-based component to the grants; according to the PFC Award of Sindh (2002), 40 percent of the one significant category of transfers to districts should be based on an index of backwardness.⁷ At the same time, it is not clear how this index is constructed and updated to reflect changing situations, and to what extent it does measure the relative needs of the districts.

Second, districts rely overwhelmingly on provincial funds. The vast majority of transfers to districts are called “divisible pool transfers”. District governments collect limited user charges for their own account. Table 3 shows that own funds of district governments in Sindh account for only 1.3 % of the total revenue.

Table 3:
The share of own funds in the revenues of District Governments

<i>Revenue of Districts</i>	<i>Rs. (Million)</i>	<i>Share (%)</i>
User Charges	345.6	2.3
Division Pool Trasfers	25692.4	98.7
Total:	29038	

Source: The PFC Award (2002)

Unfortunately, there are substantial limitations on district government discretion regarding the use of transfers. Transfers are made into several “accounts.” The bulk of transfers go to Account I, which mainly consists of expenditures on salaries that, in turn, cannot be used for other purposes – district governments have little power to hire and fire. Non-salary expenditures come out of Account IV, which as Table 4 shows are a fraction of Account I. The administrative structure under devolution leaves substantial authority in the hands of centrally appointed civil servants. Devolution created the post of District Coordinating Officer (DCO), replacing the former Deputy Commissioner. The DCO lacks many of the legal powers of the Deputy Commissioner, but still has significant executive and managerial responsibilities. Not the least of these is the authority to prepare the first draft of the district budget and control over district personnel. The key change under devolution is that the DCO reports to the district nazim. The nazim’s authority over the DCO is limited, however. He can request the transfer of the DCO and initiate the DCO’s performance evaluation, but the transfer goes through only if the provincial government concurs and the nazim’s performance evaluation is valid only if countersigned by the chief secretary and chief minister of the provincial government. Similarly, the ten to twelve executive district officers, responsible for sectors such as education, who formerly reported to the parent line departments in the provincial government, now report to both the DCO and the nazim. Once again, though, the nazim can only request that the provincial government transfer these officials and provincial

⁷ The total revenue for current expenditures of the Sindh Provincial Government can be divided into “Divisible pool” (75 percent of total revenue), “Non-Divisible pool” (14 percent) and “Grant from 2.5 percent GST” (11 percent). According to the Interim PFC Award of Sindh (2002), 40 percent of the Divisible Pool should be transferred to the Districts based on the index of backwardness attached in the PFC Award of Sindh (2002); it also appears implicitly that 75 percent of the Grant for 2.5% GST are meant to be transferred to districts.

governments retain sole authority to appoint them. Moreover, district nazims are prohibited from hiring any “advisors, special assistants or political secretaries other than support staff allocated to his office from amongst the officials available in the district.” (SBNP Local Government Ordinance 2001, Article 18 (2)).

Table 4:
The discretionary power of District Governments

<i>Current Expenditure of Districts</i>	<i>Rs. (Million)</i>	<i>Account</i>	<i>Share (%)</i>
Expenditure on Salary	20853	Account I	80.5
Utilities	2500	Account IV	9.7
Other Non-Salary Expenditures	2548	Account IV	9.8
Total:	25901		

Source: The PFC Award

The strict control exercised by the central over local governments in Pakistan brings to the fore a difficult issue that has been little addressed in the literature. What are the incentives of central governments to permit decentralization in the first place? Central governments ultimately make the decision to decentralize; they rarely do so without taking into account the implications of decentralization for their own political futures. In particular, central governments do not decentralize if they expect newly empowered local government authorities to oppose them. Given a choice between decentralizing in a way that strengthens them politically and in a way that does not, they are liable to choose the first even if it entails a sacrifice with respect to public service provision. In the Pakistani case, the institutional arrangements of decentralization reflect a fundamental mistrust or concern on the part of the central government that local governments would not make decisions appropriately.⁸

4.2. Strategies Warp and Their Implications for Decentralization in Pakistan

Dramatic change in public sector outcomes in Pakistan clearly awaits a loosening of the tight limits on the autonomy of locally elected decision makers. That change can either be positive or negative depending on whether local political competition moderates or exacerbates the sources of policy distortion. The pure public economics of decentralization suggests that under many circumstances, the former should be the case. Decentralization substantially mitigates two obstacles to efficient public sector performance: divergent public good preferences among large groups of citizens, and difficulties confronting large groups of citizens seeking to hold public officials accountable for their performance.

However, as Bardhan and Mookherjee (1999) argue, the mere proximity of citizens to their leaders and the simple reduction in the number of citizens in a governance unit may be neither necessary nor sufficient to enable them to hold locally elected officials accountable. Instead, political distortions that afflict central government decision-making might even be exacerbated at local levels. Their arguments reflect considerable concern with the potential “capture” of government decision making by special interests, often invoked as a real danger of decentralization. This section explores the arguments surrounding the vulnerability of local

⁸ Grindle (2000) argues that, at least in some Latin American countries, decentralization was driven by key decision makers who were intrinsically reform-oriented, interested in enhancing democracy and improving public sector performance. She is not clear, however, about the electoral costs and benefits of reform for either these decision makers or the other government decision makers who might have opposed reform.

governments to capture, but also a number of other potential sources of distortion in policy making, ranging from the lack of credibility of political competitors to inter- and intra-governmental conflicts of interest.

4.2.1 Feudalism and Traditional Arguments about the Economic Structure of Pakistan

Analyses of the political economy of Pakistani policy making have traditionally been grounded in the role of a landed – even feudal – elite. The “rural gentry” is said to have captured 70 percent of the seats in local elections in December 2000.⁹ To the extent that landlord influence on policy making is significant, one would expect decentralization to worsen, or at best leave unchanged, policy outcomes in rural jurisdictions where decentralization would perhaps strengthen their authority; on the other hand, it might improve outcomes in urban areas previously ignored by rural-dominated national political institutions.

The mere fact that “rural gentry” have emerged as a political force in newly created local governments is not, however, *prima facie* evidence that decentralization will fail, nor is the evidence of landlord influence on policy making in the 1990s overwhelming. First, landlords are not a monolithic class and compete vigorously among themselves for political office. Many landlords, including the most feudal, lost their parliamentary seats in the 1990s. Second, anthropological evidence shows that rural inhabitants were less reliant on landowners in the 1990s than earlier, reducing the leverage of landowners over the voters in their areas. For example, landlords were less likely to offer support in the event of family illness, since the offspring of traditionally powerful landlord families now spend more time in the city (Beall, et al. 1993). Third, the regression analysis described above demonstrates that one channel through which one might expect landlord influence to be manifested, land concentration, seems not to be the main source of policy outcomes in rural areas.

Finally, a careful survey of 125 primary schools in selected rural locales (Gazdar, 2000) further underlines the difficulty of tracing the failures in the provision of government services back to “elite capture” by the landlords. Specific landlord influence was visible in several of the observed cases of non-functional or poorly functioning schools, but it was neither unambiguously pernicious, nor was it sufficient to explain the pervasive breakdown of the educational system that was observed. In some cases, school buildings were used for the landowners’ personal purposes. However, in other cases, when for instance the landlords’ children attended the school, they tended to function better. It is also easy to overstate the extent to which political and rural elites ignore the poor. Rather, the evidence suggests that they are selective in what they provide the poor. Pakistan’s relatively high – and commendable – rate of access to potable water is an example of elected officials’ emphasis on providing targeted benefits.¹⁰

If landlords do not undermine democratic processes, at least directly, and if electoral competition really has been serious in Pakistan, then one must look elsewhere to discover the roots of policy distortion, and to analyze the likely influence of decentralization. One of these is the susceptibility of central and local governments to capture by special interests because of political competitors’ needs for campaign finance.

⁹ Country Report for Pakistan, 2001-02 (The Economic Intelligence Unit)

¹⁰ Compared to countries with similar incomes per capita and population characteristics, access to potable water in Pakistan in 2000 was 25 percentage points higher than expected – compared to 20 percentage points less in the case of primary school enrollment.

4.2.2 Lobbying, special interests and Decentralization in Pakistan

While there are no exact figures on the role and magnitude of campaign finance in Pakistani politics, vote buying and the growing expense of elections are widely noted.¹¹ Shafqat (1999) has argued that campaign spending rose to \$120,000 per parliamentarian in the 1997 elections. To provide some context, the electoral system that most closely resembles Pakistan's is the United Kingdom's. There, spending per constituency amounted to less than \$10,000 in the 1992 elections.¹² Bardhan and Mookherjee (1999) develop a model of electoral competition under uncertainty in which, in the style of Baron-Grossman-Helpman lobbying models, campaign expenditures from the rich help to persuade uninformed voters. The rich (special interests) are more influential to the extent that they are cohesive, electoral competition is limited, loyalty or ideological biases of voters are significant, voters are uninformed, poor voters are disproportionately uninformed and, somewhat more ambiguously, uncertainty about the ideological or loyalty biases of voters is greater. Evaluating each of these in the case of Pakistan suggests a somewhat mixed, but overall optimistic picture about the likely effects of decentralization on policy outcomes.

First, special interests, whether they be landowners or family or clan lines (zaats), appear to be no more cohesive at the local than national levels. In some rural areas, a single family or landowner is dominant; in those circumstances, decentralization will increase special interest cohesiveness; in most areas, however, there are multiple clans and landowners who are often at loggerheads and do not form political alliances; special interests are therefore likely to be divided rather than cohesive in both national and local elections.

Second, the recent local elections were much more competitive than national elections of the 1990s (and, obviously, than national elections since the 1990s, when none have been held). In the 1990s, it was well understood that military dissatisfaction with the incumbent parties would ensure that the opposition would take power. There were two manifestations of this. First, voter abstention but, second, the widespread willingness of candidates for office to buy their way onto the lists of one party and not the other.

Third, by the same logic, electoral outcomes are less certain in local than they have historically been in national elections in Pakistan. Bardhan and Mookherjee (1999) argue that this uncertainty reduces the payoffs to special interests of making payments to candidates in the first place, reducing their influence on candidate positions.

Fourth, ideological biases of voters are likely to matter more in national than in local elections. Voters in Punjab and in Sindh, the two most populous states in Pakistan exhibited a large and persistent bias towards either the Muslim League headed by Nawaz Sharif and the People's Party of Benazir Bhutto. Decentralization in this context forces politics to a lower level where intra-party rivalries are more likely to emerge and where pronounced biases towards one or another candidate independent of performance are likely to be attenuated. This is particularly true given the prohibition of party-based competition in local elections under the Pakistani devolution plan. The relative absence of strong biases in local elections would discourage local politicians from sacrificing voter concerns to the demands of special interests.

¹¹ see, e.g., Wilder, page 206

¹² The information comes from Pattie et al (1995)

Optimism about decentralization in Pakistan is tempered by the fifth factor, information considerations related to voter ability to identify which policy makers are responsible for outcomes. There is significant uncertainty about the specific institutional characteristics of Pakistani devolution. As the discussion below makes clear, these characteristics are particularly complex, particularly with regard to the ability of voters to identify and hold accountable key decision makers. Voters do not directly elect key decision makers and elected local government decision makers have little control over important aspects of policy implementation. Poor performance by those officials whom voters can directly elect is therefore difficult to evaluate. In particular, the institutional structure makes it difficult for voters to verify whether candidate failure to fulfill promises is a result of candidate shirking or incompetence, or because of exogenous institutional and fiscal factors outside of the candidate's control undermine. By this logic, decentralization should worsen public sector performance.¹³

4.2.3 Intra- and Inter-Governmental Conflict and Decentralization

The discussion so far assumes that governments are unitary actors. In fact, governments are comprised of multiple actors, each of whose actions typically influences the welfare of the others (or the others' constituencies). These relationships give rise to conflicts of interest that lead to significant shifts in policy if the multiple actors cannot make credible agreements with each other. Persson and Tabellini (2000, chapter 9) describe a stylized system in which one decision maker controls the agenda for spending and the other for taxation. Unable to make credible commitments to each other, these decision makers can agree only on a much smaller government than would otherwise be the case. Officials with the authority to set taxes, not believing promises that their constituents will benefit from the decisions of officials who control spending, either set taxes at a low level or they impose tight constraints on the spending authority's discretion.

In the context of decentralization, conflicts of interest operate at two levels: among decision makers all located at the local level, and between the local and national governments. Pakistani devolution tightly limits local government discretion: local governments cannot hire and fire most service providers in their jurisdiction, are restricted in their ability to raise taxes, and are limited in the discretion that they can exercise regarding the allocation of funds coming from higher levels of government. This simply means that decentralization is less likely to change outcomes than would otherwise be the case.

With respect to the first, one would like to know whether conflicts of interest among decision makers at the local level are worse than conflicts of interest at the national level, but also whether decentralization, per se, relieves conflicts at the national level. These two comparisons turn out to operate in different directions. At the national level, under the elected governments of the 1990s, the political regime type was parliamentary. In theory, in parliamentary systems the conflict of interest between legislature and executive is mitigated because legislators can remove the prime minister. In practice, Nawaz Sharif and Benazir Bhutto had unassailable positions atop their parties; the parliamentary majority could therefore do little to ensure that their spending priorities

¹³ Information about outcomes, however, is less likely to plague decentralization. Voters – even poor voters – are at least as well-informed about policy performance at the local level as at the national level as it pertains to the policy issues that have been delegated to local authorities (e.g., whether a school has been built or a teacher has been absent). Similarly, low media incentives to report relevant political events, analyzed by Strömberg (forthcoming) may be particularly weak for local government. Certainly, media coverage of local issues is weak in Pakistan and in rural areas practically non-existent. However, these issues have never been reliably covered in Pakistani media, regardless of the level of government in charge of them.

would be included in the budget in the first place, or implemented if they were included. This would have led legislators to resist increased taxes.¹⁴

At the local level, conflicts of interest are almost precisely the same, though the institutional structure is different. District nazims control spending and budget policies, but need council approval of tax increases. The system is more “presidential” than “parliamentary”, however, since the district nazims are elected by a college of all union councilors rather than by the district councilors. Since they cannot easily remove or impeach the nazim, therefore, and since they cannot easily control the nazim’s spending and budget decisions, we would expect that the district council would be at least as reluctant to fund government (e.g., to fund public goods) as the national legislature.

There is a key difference, however, between the two levels of government. Most funding for local government – as much as 98 percent – is projected to come from revenues authorized and collected by higher level governments. The quantity of government spending on public goods therefore depends largely on political incentives at the national level to send resources to local governments. In fact, under two conditions, decentralization may help resolve conflict of interest problems at the national level. First, if legislators feel that they have greater influence over local governments or that they will get political credit for transfers to local government; second, to the extent that they believe such transfers are “automatic” and will not be subverted by the prime minister. Given these, legislators would likely be more eager to increase tax revenues under decentralization than they were when the prime minister controlled both budgets and implementation. It is not yet possible to say whether these two conditions are met in Pakistan, since there is currently no national elected government.

4.2.4 Limited Horizons and Political Incentives Under Decentralization

The shorter are politician horizons, the less likely they are to pursue public policies with payoffs further in the future and the more likely they are to pursue rents. These effects are mitigated to the extent that politicians expect to return to office or expect that their actions in office will affect the pecuniary and non-pecuniary rents they can achieve when out of office. National and provincial governments were characterized by short horizons in the 1990s, with the threat and reality of expulsion from office a permanent condition. It has been evident since the late 1990s that both of the chief political actors of the 1990s, Nawaz Sharif and Benazir Bhutto, intended to return to office.

Decentralization in Pakistan would be expected to improve outcomes to the extent that local officials enjoy longer horizons or expect that malfeasance will have greater negative consequences for their post-official life. Given the extraordinary circumstances of the 1990s for national level politicians, this might seem an easily achieved advantage of decentralization. Military governments intervened several times to bring to a premature end the term of office of

¹⁴ One might argue that the threat of exclusion from party lists would force majority party members of parliament to support any legislation submitted by the prime minister. However, in a clientelist system, where personal credibility is key, an MP with an extensive local network of “clients” would have been very costly, politically, to exclude from the list. There is evidence that seemingly contradicts this argument: candidates purchased their candidacies from party leaders with cash. This, however, relates to a different issue, the fact that for most elections in the 1990s, candidates and voters knew that the military and security services would work against one or the other incumbent party that had not met their expectations. In “normal” times, with competitive elections, we would expect the reverse, extensive efforts to persuade candidates to ally with one or the other political party.

elected prime ministers; one would not expect any particular local government to feel threatened by such an occurrence. However, decentralization itself, the powers of local officials, and the ability of the unelected central government to easily remove any officials suggests that horizons of local officials could easily be shorter than those of national politicians of the 1990s. Evidence on this point, however, is not available.

4.2.5 The Credibility of Pre-Electoral Promises and the Benefits of Decentralization in Pakistan

Models of capture and special interest influence do not directly capture several other political phenomena that also influence the likely effects of decentralization. The first of these is the credibility of the pre-electoral promises of candidates. In Grossman-Helpman style models, these promises are assumed to be credible. However, in Pakistan, as in countries ranging from Bolivia and Indonesia to the Philippines and Bangladesh, political parties project no credible policy stances to voters on issues ranging from education to trade reform. On issues where parties are credible, it is on matters such as religion that are not directly relevant to economic and social policies. For large parties in such democracies, any credible positions they have rarely diverge and are therefore not relevant for political competition. The largest Indian and Pakistani political parties, for example, are united in their respective positions regarding conflicts between India and Pakistan. The lack of credibility has a significant negative impact on policy outcomes. If elections at local levels present voters with competitors able to make more credible promises to them on a broader range of policy issues, decentralization could therefore improve policy outcomes.

Credibility is a crucial element in political competition. A large class of models, including lobbying models, assumes that pre-electoral promises are entirely credible to the voters who know about them. There are two possible outcomes if voters believe no promises whatsoever. The worst is that no public goods at all are provided. This is the case in the political economy models of Acemoglu and Robinson (1990). Ferejohn (1986) describes conditions under which a moderately better outcome, with some positive, but still low level of public goods is possible.

The better outcome results because voters are able to coordinate on an ex post voting rule. Using this rule, policy performance must meet a certain threshold or voters reject the incumbent regardless of the promises of the (non-credible) challenger. In these models of ex post voting, an excessively high threshold leads politicians to forego re-election and the non-pecuniary rents from holding office, and to abscond with all public resources in the form of rents. High rent-seeking and low levels of government performance result. Ferejohn's model seems to be more realistic, since we observe voters applying ex post sanctions to non-credible politicians whose policies have disastrous consequences; we also observe positive levels of public good provision, such as education, in nearly every country. Neither of these would be evident if voters had no leverage at all in a society.

Some anomalies remain, however, even when using Ferejohn-style models of political credibility. Persson and Tabellini (2000, chapter 8) develop a model as in Ferejohn (1986), but allow politicians to spend resources either on narrow, targeted goods or on broad public goods. Non-credible political actors in these models have an incentive only to provide a low level of broad public goods, but no government services or goods targeted to specific voters, and to retain substantial rents for themselves. This result is somewhat anomalous because politicians confronting election in most developing countries are desperate to provide narrow, targeted public goods.

Keefer (2002) adjusts the credibility assumptions to yield results consistent both with the proliferation of narrow targeted goods and with an early literature on clientelism. Even if the policy stances of candidates or parties are not credible to voters broadly, legislators or other politicians can still rely on their personal reputations for providing goods, jobs and government access to individuals with whom they have had contact. These relationships with voters are often termed “clientelist”. Such candidates have little incentive, however, to provide public goods that benefit a broad range of the public. When voters have only at most one “patron”, candidates competing in a clientelist electoral milieu offer a modicum of targeted goods to their clients, extract large rents, and leave citizens lacking patrons with the same public services that they receive were no electoral promises credible. If some voters have credible personal relationships with more than one candidate, however, all of the rents that candidates would otherwise have retained for themselves are competed away in the form of targeted transfers to these voters. Where the number of such voters is large, it becomes worthwhile for candidates to promise public goods that benefit all.

The foregoing arguments suggest several conditions under which decentralization in Pakistan might change policy outcomes. First, political competitors at local levels might simply be more credible, at least regarding issues that are within local government jurisdiction, than are political competitors at provincial or national levels regarding those same issues. In general, the credibility of pre-electoral promises does not seem to have been the hallmark of the first elections under Pakistan’s new devolution plan, however. Candidates for local office were either new to the political game or had held national office; in neither case is it possible to argue that they were more credible, and some reason to think that their reputations were weaker. In addition, parties were entirely disallowed in the recent local elections, depriving voters of one important vehicle by which politicians can bind themselves to policy promises. At the same time, though, party reputations are typically strongest and most useful to candidates for national level issues (national defense, trade, inflation and employment). In any case, in this regard as well it is difficult to argue that politicians were more credible in the recent local elections.

Second, if the non-pecuniary rents from holding office are higher for local government office than for higher government office, decentralization would improve policy performance by making politicians more reluctant to pursue rents at the expense of office-holding. However, it is more likely that non-pecuniary rents from holding national office are substantially greater than those from local office. In this case, we might expect policy performance to be worse in decentralized systems where political promises are non-credible.

Third, though, the clientelism analysis suggests that an increase in the number of decision makers, which always occurs under decentralization, should also increase the number of decision makers, each with their own client base. Any given voter is therefore more likely to have a patron in office and benefit from some targeted transfers. This might be the situation in Pakistan. The extent to which this is the case, however, may be lessened by the weak decision making authority of the councils and the extent to which the complicated system of indirect elections attenuates the influence of voters on the most important decision makers, the district nazims. These institutional considerations are discussed further below.

Fourth, quality public good provision is more likely as the number of voters rises who are able to believe the promises of competing candidates. Decentralization therefore improves outcomes if it increases the number of decision makers at the local level relative to the national level, or if it raises the likelihood that political competitors compete for the votes of a larger number of mutual clients. Again, the magnitude of the effect depends on the extent to which elections of union

council members and union nazims allow voters to influence the decisions of indirectly elected district councils and nazims.

Evidence reported in Gazdar (2002) implies that rural voters, as individuals, are not likely to be able to have multiple patrons and to extract competing offers from candidates. Based on extensive fieldwork in 13 rural villages throughout Pakistan, he finds that voters are almost always identified with exclusive and well-defined voting blocs, each headed by an influential person (a zaat head, a teacher, a landlord). Defection is very rare, making it unlikely that voters have credible relations with multiple potential candidates for local office (i.e., belong to multiple voting blocs). The heads of the voting blocs, on the other hand, may be able to extract competing promises (one aspect of the attractiveness of membership in a voting bloc), but may need only to pass on a fraction of the benefits of competition to the voters in the bloc as a condition of maintaining bloc cohesion.

All of the credibility models discussed so far assume that the resources available to the new local governments, the powers that they can exercise, and the process of decision making and the relative strength of the players inside the new governments is well-known to voters and political competitors. In fact, there is considerable uncertainty about these matters in Pakistan. This makes it even more difficult for credible promises to be made to voters prior to election, since voters know that verification of compliance will be difficult. This is a difficulty, perhaps only transitory, that decentralization confronts but that central government decision makers have not. It undermines the ability of even candidates who enjoy strong reputations with voters to make credible promises, since they do not know the resources or powers that they will have at their disposal to fulfill the promises. This uncertainty would suppress the benefits of decentralization in Pakistan.

4.2.6 The Effects of Decentralization on Corruption in Pakistan

Models in the Grossman-Helpman tradition do not explicitly consider the possibility that politicians divert rents to themselves, as opposed to special interests. Models as those of Persson and Tabellini (2000) or Keefer (2002), on the other hand, abstract from special interest influence but do allow for rent-seeking. Rent-seeking is useful to consider since rents that serve no purpose but to enrich politicians are a significant source of distortion in policymaking and one that often triggers interest in decentralization. All models conclude that rents are high when voters cannot force politicians to compete them away in the form of promises of better public sector performance.

One factor that relaxes competitive pressures on politicians is the absence of credibility, as the previous discussion demonstrates. In addition, though, greater electoral uncertainty – for example, about the ideological or loyalty biases of voters – also influences rents. However, although uncertainty reduces special interest incentives to peddle influence in lobbying models, as Bardhan and Mookherjee (1999) show, it actually encourages politicians to pursue rents. There is no inconsistency between the models: uncertainty in both cases reduces the probability of election, for any given policy announcement, which devalues both the expected value of the privileges that special interests seek and the value of seeking office.

Decentralization encourages or discourages rent-seeking, therefore, depending on the competitive pressures to which candidates for office are exposed and the level of electoral uncertainty in local compared to national elections. The earlier discussion suggests that in Pakistan, it need not be the case that voters believe the promises of competing local candidates when they did not previously believe the promises of competing provincial or national candidates. Electoral uncertainty, though,

is likely to be greater at the local level in Pakistan, certainly for the foreseeable future, in light of the earlier discussion. Decentralization, even if it suppresses special interest influence, may therefore increase politician incentives to pursue rents.

4.2.7 Political Incentives to Provide Private and Public Goods and the Impact of Decentralization in Pakistan

Many models of political competition assume that policy is on a single dimension, such as the provision of a homogeneous public good or a particular policy. Mayhew (1974), though, showed that the provision of targeted goods is a consuming concern of US legislators. Persson and Tabellini-style models allow governments to choose between spending on public goods and the provision of narrowly targeted (nearly private) government goods and services. Distortion arises because any given amount of spending on public goods delivers larger benefits to voters than the same amount of targeted spending. Under many circumstances, however, political decision makers have greater incentives than others to provide targetable private goods rather than public goods. In particular, as the earlier discussion suggests, in a country where politics is largely clientelist and where electoral promises are generally not credible, the tendency to focus on targeted goods is likely to be exaggerated. The earlier discussion suggests that decentralization may offer little relief from clientelism in Pakistan, however, leaving unchanged this motivation for political decision makers to continue to focus on targeted transfers at the expense of broad public good provision.

Electoral rules are complicated at the local level, but they provide some reason to expect a greater focus on public goods relative to elections at the national level. The district nazim is elected by an electoral college of officials (union councilors) who are themselves elected at large in the unions.¹⁵ A union council candidate is sure to take office, therefore, if he or she wins 1/19 of the total vote, but could win with considerably less if there are a large number of competitors or if one candidate wins a disproportionate number of votes (assuming that each union voter has only one vote to cast). The district nazim requires the support of 10/19 of all union councilors to win election (at least in the first round). What, then, is the relationship of the district nazim to the union voters? If every union councilor was elected with 1/19 of the vote, then the district nazim must effectively keep 10/19 of the voters happy. However, union council elections are likely to be skewed, such that there are many candidates who divide the vote, or there are one or two candidates who receive large pluralities. In that case, the average union councilor could represent much less than 1/19 of the vote of the union, and the district nazim could therefore take office needing, indirectly, the support of many fewer than one-half of all voters in the district. The fewer the voters whose support is required, the lower the incentives of the district nazims to provide broad public goods and the greater their incentive to provide targeted transfers.

In contrast, the executives of provincial or national governments in the 1990s took power only if their MPs and the MPs of possible coalition partners, each elected in first past the post, single member district elections, won a majority of parliamentary seats. To win, a prime minister needed at least the majority of seats in parliament, and the winner of each seat required at least a plurality of the votes in the constituency, but not more than one half of all the votes. At most, the prime minister therefore required the support of just one-fourth of all voters, mitigating their incentives to supply public goods. To the extent that the district nazims are forced to seek the support of

¹⁵ If a nazim/naib nazim ticket does not receive a majority of all votes in the first round, a second round of elections is held in which the ticket obtaining a plurality of votes wins.

union councilors who collectively need the support of more than one-fourth of all voters, therefore, the electoral rules under devolution should improve public good outcomes.

However, there are many circumstances in which this may not be the case, and the number may fall substantially below one-fourth.

4.2.8 The Indirect Election of District Nazims and Political Accountability to Voters

The likely effects of decentralization are likely to be conditioned on two additional dimensions: the fact of indirect election of key decision makers at the local level in Pakistan, and the horizons of elected leaders at the local level. With respect to the first, an important advantage of decentralization is meant to be the greater ability of voters to hold local decision makers accountable for their actions. Discussions of decentralization usually assume, however, that voters directly elect these decision makers. As the foregoing makes clear, however, in Pakistan the indirect election of the main local decision makers, the district nazims, constitutes a notable departure from this model. Though there is little research on this question, the introduction of indirect elections seems to yield several opposing effects on accountability.

One is related to the earlier arguments about electoral rules. Lizzeri and Persico (2001) argue that electoral colleges of the type used to elect the US president concentrate candidate attention on a few swing states, depressing their incentives to provide broad public goods. They assume that candidate promises are credible. Since the electoral college arrangement means candidates need only win a bare majority of votes in states that represent a bare majority of electoral votes, states with large numbers of core supporters for one or the other candidate are ignored by both candidates – winning non-core voters in those states does not affect the electoral college votes of either candidate. Instead, both candidates focus all of their attention on a few swing states, whom it is most advantageous to target with narrow transfers.

Unlike presidential candidates in Lizzeri and Persico, candidates for district nazim are not credible, although the arguments from the previous section suggest results in the same spirit – the larger the number of voters represented by the union councilors whose support the district nazims need, the greater the incentives for public good provision. Because union councilors are not obliged to vote for any particular district nazim candidate, however, results from parliamentary or electoral college analyses do not speak to the fundamental issue of accountability and the ability of voters to use their votes for union councilors to discipline the behavior of district nazims. In a world of perfectly informed voters in which the district nazim makes all key decisions and elections for union nazim are as or more competitive than direct elections for district nazim would otherwise be, it would not matter whether district nazims were directly or indirectly elected. Voters could observe bad performance and reject union nazims who voted for the district nazim. None of these three assumptions is likely to hold.

Voter welfare is likely the product of both politician actions and exogenous shocks, and voters are unlikely to observe either perfectly. Information asymmetry creates a dilemma for voters. They prefer not to penalize politicians whose beneficial decisions on voters' behalf are masked by negative shocks that result in observed bad outcomes, but they also prefer not to shield politicians whose shirking is disguised by positive shocks that result in observed good outcomes. In such a – quite common – model, the propensity to shirk is likely to be high. To the extent that union nazims are better informed about the actions of district nazims and shocks unobservable to voters, outcomes could improve.

To the extent that union nazim elections are less competitive than direct elections for district nazim would have been, however, indirect election undermines accountability. Crudely put, under these circumstances, the rents left over for the district nazim are higher after bribing the union councilors under indirect elections than they would be if the nazims had to persuade voters to support them under direct elections.¹⁶ Finally, and more generally, the more that the specific identity of a union nazim matters for voters above and beyond the decisions of a district nazim, the greater the costs to voters of punishing union nazims for their support of district nazims who perform poorly. The latter two conditions are likely, in Pakistan, to outweigh the information advantage of union nazims and undermine the ability of voters to hold district nazims accountable for their actions.

5. AREAS OF REFORM AND POLICY IMPLICATIONS

In Pakistan, there are no other options but to decentralized to empower people to resolve their own problems. The geography and remoteness of Pakistan pose special challenges for service delivery, often solutions need to be found locally. There are striking disparities between rural and urban areas and between different regions of the country. And the current fiscal situation is straining central government. The Pakistan's Government views decentralization as a means to improve the quality and distribution of public expenditures towards improved service delivery and addressing inequalities. Through decentralization it expects to:

- ✓ improve accountability of local bodies to the people;
- ✓ improve resource allocation;
- ✓ improve service delivery;
- ✓ address regional disparities;
- ✓ increase development efforts for local resource mobilization.

Recognizing this, The Government try to Plan which articulates the link between self-governance and more effective rural development. Then Plan for "poverty reduction" as the overarching goal to be achieved through greater participation of the local bodies, NGOs, CBOs and local institutions in providing service delivery. To this end, Government committed to decentralization as the means to ensure delivery services to the people by the people themselves.

5.1 The Priority Ahead

The government's high commitment towards decentralization is clearly spelled out. However, initiatives from the sectoral ministry is imperative to develop a devolution package consisting of functions and responsibilities; budget and a clear fund flow mechanism; staffing arrangements and their accountability towards LB's. They will be included in the sectoral strategies, and be monitored and reviewed at a later stage making sectoral ministry responsible and accountable to decentralized commitment for that sector.

As discussed above the issue is not where to go on decentralization. The Government spells this out clearly and there is little discord on this. The issue is how to get there, what to do first, how to sequence and prioritize reforms. We believe that the immediate priority should be building the

¹⁶ Behm and Grüner (2002) conclude, however, that if constituency-specific shocks that affect voter preferences for candidates are large, indirect election of a welfare-maximizing president through an electoral college is more likely than through direct elections.

capacity of local bodies to enable them to manage the newly inherited powers. But we do not believe that capacity building of local bodies should precede the decentralization of powers. International experience suggests that driving a capacity program prior to decentralizing powers often leads to a top-down, supply side delivery of capacity support. Instead, international lessons point to potential synergy between decentralization (devolution of powers) and capacity building efforts in the public sector simply put, local bodies that are given powers and are held accountable for their newly earned responsibilities have a greater incentive to define and seek out the type of capacity support needed to deliver on their obligations.

Capacity building programs have the potential of becoming more demand driven in the context of decentralization. In sum, decentralization, i.e. transfer of fiscal and administrative powers, can help accelerate the capacity building process. But, the potential synergy between decentralization and capacity building is not automatic. Effective capacity building requires at the minimum:

- ✓ a clear fiscal decentralization framework
- ✓ a clear accountability for the devolved responsibilities
- ✓ markets and institutions able to respond to the emerging demand for capacity support
- ✓ a minimum level of capacity within local bodies to manage a program of capacity building

Central government is committed to put these conditions in place and will play an important but critical role to support the growth of capacity at the local level. Government strategy for decentralization in Pakistan is based on a three part system linking central government with local bodies. One leg is a fiscal support, the second leg is a capacity support, and the third leg is the monitoring and evaluation system.

5.2 Fiscal Support

Government strategy for fiscal support will comprise the following initiatives:

- ✓ Put in place the Fiscal Commission to propose and advise Cabinet on fiscal decentralization policy. The work of the Fiscal Commission will focus initially on the following three areas:
 - ✓ Clarify expenditure assignments between the three levels of government
 - ✓ Set-up a framework for fiscal transfers from central government comprising *current grants* to equalize fiscal capacity and address regional disparities and bridge vertical fiscal imbalances; *capital grants* provided as an incentive to catalyze specific type of expenditures; and a grant to hire a basic number of people as staff members and to set up the minimum administrative capacity. The rules of decentralization will include fiscal controls and a system for hard-budget constraints imposed by central government. Local bodies should realize that abuse of own-financial resources will not lead to a bail-out from upper-tier governments
 - ✓ Clarify revenue assignments and propose effective systems for local revenue administration. While many local taxes and fees can be successfully collected by local bodies as part of an autonomy and capacity building package, others of more technical complexity are better managed by specialized agencies or higher level governments on behalf and for local bodies upper-tier governments should be specified.

5.3 Capacity Support

Having provided the fiscal resources for managing local responsibilities, the second leg of support is a capacity vehicle. The vehicle should have two windows – a demand window and a supply window.

- ✓ The demand window is simply a rapid response grant. As local authorities begin implementation of their responsibilities, different local bodies will face different types of capacity constraints. Some may require assistance in planning; others in community management; others in managing public private partnerships or specific training and so forth. These constraints cannot be predicted, are dynamic in nature, and are best understood by the local authorities themselves. The demand window would provide grant resources for local authorities to define and contract-in the capacity. Some may hire private sector assistance, others will contract in NGOs, and some may commission training institutions to design courses, and so forth.
- ✓ The supply window of the capacity vehicle is more complex and is based on the reality that many local bodies do not even have basics to manage their devolved responsibilities. Basic financial management, personnel management, planning structures, and other administrative elements is often missing or partially missing. And central government requires the implementation of certain basic systems to successfully implement a program of decentralization – statutory requirements to be fulfilled by local authorities in the areas of budgetary, financial, and regulatory matters. An institutional set up dedicated to helping the implementation of the statutory requirements and supporting the cluster of the weakest local authorities (or strengthening of the existing institutions) will be needed to form the supply window of the capacity vehicle.

The mobile nature of the teams enables the capacity vehicle to create a network among the local authorities for a shared learning approach where local authorities learn from each others experience and provide a mutual support in the reform process. Learning can be accelerated between local bodies where stronger local bodies can be mobilized to support others.

Similarly the establishment of District Technical Office shows steps in strengthening of the local technical capacity to deliver the quality services to the local people. This is a step towards development of professionalism, sustainability and quality assurance in the service of the local bodies. The outsourcing and involvement of the non-governmental organization and civil societies in this endeavor needs concerted effort.

The vision of the Local Service has been introduced. The concept has been framed and an approach paper is being developed for wider discussion. This will lead the district to own Government and manage the affairs of the local levels effectively.

Governance through social mobilization is being institutionalized through some strategies. The intervention to poverty alleviation is made through the Local Bodies, who are close and has direct access to the poor community or the people. This effort will be further strengthened to meet the objective of local level service delivery.

5.4 Monitoring and Evaluation

Decentralization of powers and sharing of responsibilities between different tiers of government is a complex process. There are a variety of risks involved and a dynamic form of learning and if need be “correction in mid-stream” is needed. Central government is better placed to do the

monitoring and evaluating the process. The design of an M&E system is as complex as a capacity vehicle. Minimum conditions to be addressed are: What indicators to monitor? Who monitors and where do the results get reported? What are the thresholds that will trigger a policy response, what should these responses be and who should undertake them? These issues have to be address as soon as possible.

6. CONCLUSION

Through the process so far of nation state building, Pakistan has formed initially the framework of the state through the centralization of powers. But that framework may have been just for a fragile master-servant relationship, or an ostensible national unity, buttressed only by the central government's ability to control and ensure security. Decentralization has placed Pakistan in the stage of a true nation state building by letting it step into the question of the real substance of the nation state, or how to shape the future relationship between the central and the local. The historical experience in the strong centralized system was quite valuable in pursuit of a new shape of the state. Decentralization should be promoted steadily by fully digesting and learning from that experience. And local governments, not only the central government, should get involved in the process of the nation state building. The process of the nation state building and pursuit of a new ideal state require changes in the attitudes and consciousness of those participating in the process. Decentralization does not simply signify the transfer of administrative powers from the central to local governments, but provides an important opportunity to learn for a genuine nation state building in Pakistan.

According to the above hypothesis, we analyze the process efficiency of current decentralization system in Pakistan under public sector framework. Since the efficacy of decentralization as a remedy for warp in public policy is, as the analysis here suggests, contingent on numerous factors, ranging from the information of voters to electoral rules to the potential for intra- and inter-governmental conflicts of interest. Moreover, each of these dimensions of political institutions and competition influence public policy outcomes in different ways. Some, such as the credibility of pre-electoral promises and some formal electoral rules, affect both the quantity of public spending and its allocation across different kinds of government goods and services (targeted or broad). Others, such as conflicts of interest between national and sub-national governments, influence whether decentralization will have any change at all on outcomes. Analysis of the efficacy of decentralization must therefore capture several dimensions of public policy making in order to make comprehensive findings. We also provide some future policy framework guidelines for the batter performance of decentralization in Pakistan.

REFERENCE

- [1]. Agrawal, Arun. 2001. "Common Property Institutions and Sustainable Governance of Resources," *World Development*, Vol. 29, No. 10.
- [2]. Agrawal, Arun and Jesse C. Ribot. 2000. "Accountability in Decentralization: A Framework with South Asian and West African Cases," *Institutions and Governance Program*, World Resources Institute, Washington DC, January.
- [3]. Ahmad, Nuzhat and Syed Ashraf Wasti. 2003. "Pakistan" *Intergovernmental Fiscal Transfers in Asia: Current Practice and Challenges for the Future*, ADB Publication Book.
- [4]. Albornoz, Orlando. 1992. *Sociology and the Third World Perspective*, New Delhi: Wiley Eastern Ltd.
- [5]. Asian Development Bank. 2002. "Poverty in Pakistan: Issues, Causes, and Institutional Responses." ADB. Manila.
- [6]. Azfar, Omer, Satu Kähkönen and Patrick Meagher. 2000. "Conditions for Effective Decentralized Governance: A Synthesis of Research Findings." Working Paper, The IRIS Center, University of Maryland (December).

- [7]. Azfar, Omar. 2002. "Conditions for Effective Decentralized Governance: A Synthesis of Research Findings" (http://www.inform.umd.edu/IRIS/IRIS/PEG/synthesis_paper.pdf). Paper presented to the Regional University Consortium Conference: Regional Economic Development in a Decentralizing Indonesia. Center for Institutional Reform and the Informal Sector. College Park MD.
- [8]. Bardhan, Pranab. 1997. *Democracy and Development: A Complex Relationship*, Berkeley: University of California.
- [9]. Bardhan, Pranab. 1999. *Distributive Conflicts, Collective Action and Institutional Economics*, Berkeley: University of California, March.
- [10]. Bardhan, Pranab. 1998. "The State Against Society: The Great Divide in Indian Social Science Discourse," eds. Sugata Bose and Ayesha Jalal, *Nationalism, Democracy and Development*, Delhi: Oxford University Press.
- [11]. Bardhan, Pranab. 1996. "Decentralized Development," *Indian Economic Review*, Vol. XXXI, No.2.
- [12]. Bardhan, Pranab. 2000. *Social Justice in the Global Economy*, Geneva: ILO. Bates, Robert H. et al. 1998. *Analytic Narratives*, New Jersey: Princeton University Press.
- [13]. Bardhan, Pranab and Dilip Mookherjee. 1999. "Relative capture of local and central governments: an essay in the political economy of decentralization." Working paper, first draft (November 30).
- [14]. Beall, Jo, Nazneen Kanji, Farhana Faruqi, Choudry Mohammed Hussain and Mushtaq Mirani. 1993. "Social Safety Nets and Social Networks: Their Role in Poverty Alleviation in Pakistan." DFID (formerly ODA), London.
- [15]. Behm, Martina and Hans Peter Grüner. 2002. "Electoral College, Popular Vote and Regional Information." CEPR Discussion Paper DP 3371 (May).
- [16]. Benhabib, Seyla. 1998. "The Democratic Movement and the Problem of Difference," ed. Seyla Benhabib, *Democracy and Difference: Contesting the Boundaries of the Political*, New Jersey: Princeton University Press.
- [17]. Blair, Harry. 2000, "Participation and Accountability in the Periphery: Democratic Local Governance in Six Countries," *World Development*, Vol. 28, No. 1.
- [18]. Cerny, Philip G. 1995. "Globalization and the Changing Logic of Collective Action," *International Organization*, Vol. 49, No. 4, Autumn.
- [19]. Charlton, Jackie, Robert Ebel, Hanid Mukhtar, Roxanne Scott and Francois Vaillancourt. 2002. "Pakistan Devolution: A Note in Support of the Development Policy Review." World Bank. Washington DC.
- [20]. Cheema, G. Shabbir and Dennis A. Rondinelli. 1989 "Implementing Decentralization Programs: Local Capacity for Rural Development, A Synthesis Report.
- [21]. City District Government. 2003. "City Development Strategy Peshawar." City District Government. Peshawar.
- [22]. Cohen, J.M. 1993. "Building Sustainable Public Sector Management, Professional and Technical Capacity: A Framework for Analysis and Intervention," *Development Discussion Paper*, 473.
- [23]. Cohen, Jean. 1999. "Trust, Voluntary Association and Workable Democracy: The Contemporary American Discourse of Civil Society," ed. Mark E. Warren, *Democracy and Trust*, Cambridge: Cambridge University Press.
- [24]. Cohen, John M. and Stephen B. Peterson. 1998. "Methodological issues in the Analysis of Decentralization." Colletta Nat J. and Michelle L. Cullen. 2000. *Violent Conflict and the Transformation of Social Capital: Lessons from Cambodia, Rwanda, Guatemala and Somalia*, Washington DC: The World Bank.
- [25]. Devine, Pat. 1988. *Democracy and Economic Planning: The Political Economy of a Self-Governing Society*, Cambridge: Polity Press.
- [26]. Escobar, Arturo. 1995. "Power and Visibility: Tales of Power, Women and Environment," in *Encountering Development: The Making and Unmaking of the Third World*, Princeton: Princeton University Press.
- [27]. Evans, Peter. 1996. "Government Action, Social Capital, and Development: Reviewing the Evidence on Synergy," ed. Peter Evans, *State-Society Synergy: Government and Social Capital in Development*, Berkeley: University of California.
- [28]. Evans, Peter. 1996. "The Role of Theory in Comparative Politics: A Symposium," *World Politics*, Vol. 48, No. 1.

- [29]. Faguet, Jean-Paul. 2002. "The Determinants of Central vs. Local Government Investment: Institutions and Politics Matter." Development Studies Institute, London School Of Economics, Working Paper 02-38, October 24.
- [30]. Faux, Jeff. 2000. "Toward a Global Social Contract," Speech presented at The Latin American Faculty of Social Sciences 25th Anniversary Conference, October 25, Mexico.
- [31]. Fesler, James W. 1956. "Approaches to the Understanding of Decentralization," *Journal of Politics*, No. 3.
- [32]. Friedmann, John. 1996. "Rethinking Poverty: Empowerment and Citizen Rights," *International Social Science Journal*.
- [33]. Galtung, Johan. 1996. *Peace by Peaceful Means: Peace and Conflict, Development and Civilization*, London: Sage Publications.
- [34]. Gazdar, Haris. 2002. "A Qualitative Survey of Poverty in Rural Pakistan: Methodology, Data and Main Findings. A background study for World Bank Pakistan Poverty Assessment 2002." Karachi: Collective for Social Science Research.
- [35]. Gilpin, Robert. 1975. *U.S. Power and the Multinational Corporation: The Political Economy of Direct Foreign Investment*, New York: Basic Books.
- [36]. Goetz, Anne Marie et al 1995. "Governing for the Commonwealth: The World Bank's Approach to Poverty and Governance," *IDS Bulletin*, vol. 26, no.2.
- [37]. Goldsworthy, David. 1988. "Thinking Politically About Development," *Development and Change*, Vol. 19.
- [38]. Government of Pakistan. 2001. *The SBNP Local Government Ordinance 2001*
- [39]. Government of Sindh Provincial Finance Secretariat. 2002. *Report and Recommendations of the Provincial Finance Commission (interim)*, June (referred as "The Interim PFC Award of Sindh" in the text).
- [40]. Government of Sindh. 2001, *The Sindh Local Government Ordinance 2001*, August 6
- [41]. Government of Pakistan. 2003. "Accelerating Economic Growth and Reducing Poverty: The Road Ahead (Poverty Reduction Strategy Paper)" (http://www.finance.gov.pk/poverty/prsp_03.pdf). Government of Pakistan. Islamabad.
- [42]. Grindle, Merilee S. 2000. *Audacious Reforms: Institutional Invention and Democracy in Latin America*. Baltimore: Johns Hopkins University Press
- [43]. Gudeman, Stephen. 1996. "Economic Anthropology," eds. Adam Kuper and Jessica Kuper, *The Social Science Encyclopedia*, London: Routledge.
- [44]. Habermas, Jurgen. 1997. *Between Facts and Norms*. Oxford: Blackwell Publishers Ltd.
- [45]. Heinz, Wolfgang S. 1994 "Positive Measures in Development Cooperation: United States and Germany," in Peter Baehr et al eds. *Human Rights in Developing Countries: Year Book 1994*, Deventer: Kluwer Law and Laxation Publishers.
- [46]. Held, David. 1987. *Models of Democracy*, Oxford: Polity Press.
- [47]. Holt, Douglas B. 1999. "Postmodern Markets," *Boston Review*, Summer.
- [48]. Husain, Ishrat. 1999. *Pakistan: The Economy of an Elitist State*. Oxford University Press: Karachi.
- [49]. Jessop, Bob. 1999. "Narrating the Future of the National Economy and the National State? Remarks on Remapping Regulation and Reinventing Governance," ed. George Steinmetz, *State/Culture: State Formation After the Cultural Turn*, Ithaca: Cornell University Press.
- [50]. Keohane, Robert O., and Elinor Ostrom. 1995. "Introduction," eds. Robert O. Keohane and Elinor Ostrom, *Local Commons and Global Interdependence: Heterogeneity and Cooperation in Two Domains*, London: Sage Publication.
- [51]. Lal, Deepak. 1999. *Culture, Democracy and Development: The Impact of Formal and Informal Institutions on Development*, Los Angeles: University of California, September 20.
- [52]. Leftwich, Adrian. 1996. "On the Primacy of Politics in Development," ed. Adrian Leftwich. *Democracy and Development*, Cambridge: Polity Press.
- [53]. Litvack, Jennie, Junaid Ahmad and Richard Bird. 1998. *Rethinking Decentralization in Developing Countries*, Washington D.C.: World Bank.
- [54]. Lohani, Prakash Chandra. 1980. *People's Participation in Development*, Kathmandu: Center for Economic Development and Administration.
- [55]. Manor, James 1999. *The Political Economy of Democratic Decentralization*. Washington, D.C., The World Bank.

- [56]. McGowan, Robert P. and John M. Stevens. 1983. "Local Governments Initiatives in a Climate of Uncertainty," *Public Administration Review*.
- [57]. McLennan, Barbara N. 1975. *Comparative Political Systems*, Massachusetts: Duxbury Press.
- [58]. Michel, Bernard and Grigori Lazarev. 1997. *Eco-Development: People, Power and the Environment*, New York: UNCDF Policy Series.
- [59]. Moore, Mick and James Putzel. 1999. *Politics and Poverty: A Background Paper for the World Development Report 2000/1*, London: DFID.
- [60]. Mouffe, Chantal. 2000. "The Political Community: Universitas or Societas?" ed. Gurpreet Mahajan, *Democracy, Difference and Social Justice*, Oxford: Oxford University Press.
- [61]. National Reconstruction Bureau. 2000. "Local Government Plan." Government of Pakistan. Islamabad.
- [62]. National Reconstruction Bureau. "Devolution of Power and Responsibility." (http://www.nrb.gov.pk/publications/CECD_Guidelines.ppt). Briefing based upon the presentation of the Chairman, NRB, made on January 29, 2001, in the meeting of the Chief Executive's Committee on Devolution. Islamabad.
- [63]. National Reconstruction Bureau. October 2001. "Guidelines for Monitoring Committees of Local Government." Islamabad.
- [64]. North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.
- [65]. Nunnenkamp, Peter. 1995. "What Donors Mean by Good Governance," *IDS Bulletin*, Vol. 26, No. 2.
- [66]. Offe, Claus. 1999. "How Can We Trust our Fellow Citizens?" ed. Mark E. Warren. *Democracy and Trust*, Cambridge: Cambridge University Press.
- [67]. Oakerson, Ronald J. 1999. *Governing Local Public Economics*, Oakland: Institute for Contemporary Studies.
- [68]. Olson, Mancur, et al. 2000. "Governance and Growth: A Simple Hypothesis Explaining Cross-country Differences in Productivity Growth," *Public Choice*, Vol. 102.
- [69]. Olson JR, Mancur. 1969. "The Relationship between Economics and Other Social Sciences: The Province of a Social Report," ed. Seymour Martin Lipset, *Politics and the Social Sciences*, New Delhi: Wiley Eastern Private Ltd.
- [70]. Osborne, David and Ted Graebler. 1992. *Reinventing Government*, New Delhi: Prentice Hall of India.
- [71]. Ostrom, Elinor, Larry Schroeder and Susan Wayne. 1993. *Institutional Incentives and Sustainable Development: Infrastructure Policies in Perspective*, Boulder: Westview Press.
- [72]. Ostrom, Elinor. 1999. "Crossing the Great Divide: Co-Production, Synergy and Development," ed. Michael D. McGinnis, *Poly-Centric Governance and Development*, Ann Arbor: The University of Michigan Press.
- [73]. Ostrom, Elinor. 2001. "Decentralization and Development: The New Panacea," in Keith Dowding et al. Eds. *Challenges to Democracy: Ideas, Involvement and Institutions*, New York: Palgrave Publishers.
- [74]. Patterson, Orlando. 1999. "Liberty Against the Democratic State: on the Historical and Contemporary Sources of American Distrust," ed. Mark E. Warren, *Democracy and Distrust*, Cambridge: Cambridge University Press.
- [75]. Persson, Torsten and Guido Tabellini. 2000. *Political Economics: Explaining Public Policy*. Cambridge, MA: The MIT Press.
- [76]. Prud'homme, Remy, 1995. "The Dangers of Decentralization," *The World Bank Research Observer*, Vol. 10, No.2. August.
- [77]. Qadir, Ghulam. 2003. "Socio-Economic Variances in the Devolution and Service Delivery Study Districts—Working Paper." World Bank/DfID. Islamabad.
- [78]. Rondinelli, Dennis A. et al 1986 "Assessing Decentralization Policies in Developing Countries: A Case for Cautious Optimism," *Development Policy Review*, Vol. 4, No. 1.
- [79]. Samoff, Joel. 1990 "Decentralization: The Politics of Interventionism," *Development and Change*, Vol. 21, No. 3, July.
- [80]. Shah, Anwar and others. February 19, 1996. "Fiscal Federalism in Pakistan: Challenges and Opportunities." Washington DC.
- [81]. Sidat Hyder Morshed Associates (Pvt) Ltd. 2003. "Punjab Local Government Finances—Financial Profiles of Selected Tehsil Municipal Administrations (TMAs)." Karachi.
- [82]. Stiglitz, Joseph. 1998. *Redefining the Role of the State*, Tokyo: Japan.

- [83]. Teune, Henry. 1995. "Local Government and Democratic Political Development," *The Annals*, Vol. 540, July.
- [84]. Tinker, Hugh Russell. 1954. *The Foundations of Local Self-Government in India, Pakistan and Burma*. University of London—Athelone Press.
- [85]. UNDP. 1995. *Public Sector Management, Governance, and Sustainable Human Development*, New York: UNDP.
- [86]. UNDP. 1993. *Human Development Report 1993*, New Delhi: Oxford University Press.
- [87]. USAID. 1991. *Democracy and Governance*, Washington DC,: USAID.
- [88]. Varughese, George and Elinor Ostrom. 2001. "The Contested Role of Heterogeneity in Collective Action: Some Evidence from Community Forestry in Nepal," *World Development*, Vol. 29, No. 5.
- [89]. Wachtel, Howard M. 2000. "World Trade Order and the Beginning of the Decline of the Washington Consensus," *International Politics and Society*, No. 3.
- [90]. Warren, Mark E. 1999. "Democratic Theory and Trust," ed. Mark E. Warren, *Democracy and Trust*, Cambridge: Cambridge University Press.
- [91]. Weiner, Myron. 1989. *The Indian Paradox: Essays in Indian Politics*, New Delhi: Sage Publications.
- [92]. Weiss, John. 1988. *Industry in Developing Countries : Theory, Policy and Evidence*, London : Routledge.
- [93]. Wilder, Andrew. 1999. *The Pakistani Voter: Electoral Politics and Voting Behavior in the Punjab*. Karachi: Oxford University Press.
- [94]. Williamson, John. 1999. "What Should the Bank Think About the Washington Consensus?" paper prepared as a background to the World Bank's World Development Report 2000, July.
- [95]. Wolfe, Marshall. 1996. *Elusive Development*, New Delhi: Vistaar.
- [96]. World Bank, 1989. *Sub-Saharan Africa: From Crisis to Sustainable Development*, Washington D.C.: World Bank.
- [97]. World Bank. 1997. *World Development Report 1997*, Washington DC: World Bank.
- [98]. World Bank. 2002. *Pakistan Poverty Assessment - Poverty in Pakistan, Vulnerabilities, Social Gaps, and Rural Dynamics*, South Asia Region; <http://www.worldbank.org.pk>
- [99]. World Bank. *Implementation Completion Report: Pakistan Social Action Program Project Report No. 18043, Poverty Reduction and Economic Management Division, South Asia Region*.
- [100]. Zurn, Michael. 1999. "The State in the Post-National Constellation: Societal Denationalization and Multi-Level Governance," *Arena Working Papers*, WP.