

Strategic Assessment of Punjab's 2019 Local Government Institutions in Punjab

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Executive Summary

The 2019 Local Government Reforms: Changes in structure, accountabilities, assignment and oversight mechanisms

Punjab's 2019 local government reforms consist of two laws, the Punjab Local Government Act 2019 (PLGA 2019) and the Punjab Village *Panchayats* and Neighborhood Councils Act (PVPNCA 2019). The passage of these laws has radically altered the structure of local government in Punjab.

The 2019 reforms have led to the proliferation of upper tier local governments. In rural areas this is a consequence of recognizing *tehsils* instead of districts as the unit of rural local government. The number of upper tier urban local governments has also proliferated because the law has granted urban status to 101 additional local areas compared to the preceding system. The 2019 reforms have abolished the union council, instead they have recognized existing revenue estates (*mouzas*) as lower tier councils in rural areas called village *panchayats*. These changes will bring local government closer to the people. In the preceding system, an average rural local government served 3 million citizens, in the reformed system the new *tehsil* government will serve a much smaller base of 0.45 million citizens. Similarly, the average rural union council served around 20,000 citizens in the old system, as opposed to this the new village *panchayats* will serve a much smaller agglomeration of around 2,700 citizens.

The reforms have radically altered the electoral and political accountability arrangements of local governments. It has replaced the previous system's weak-mayor form of government with a strong mayor-council model of government at the upper tier level. The key features of the new model are direct elections of mayors on a partisan basis and the elections of upper tier councilors on the basis of a party-based closed-list proportional representation system. A consequence of these reforms is that mayoral candidates and parties will have to seek larger mandates and elections are likely to be much more competitive. Although, under the new system elections for lower tier councils will be held on a non-partisan basis, the reforms have revived the direct elections of reserved seat candidates and increased the representation of women at this level.

The 2019 reforms represent a significant step towards fiscal devolution as there is a commitment to increase the funds available to elected local governments by 8 times compared to the preceding system. This is because this is the first local government law in Pakistan's history to stipulate a minimum threshold for transfer of provincial funds, in this case 26% of gross revenue receipts, to local governments. This is also the first law to require rule-based transfers of these funds, through the Provincial Finance Commission (PFC) Award, to both upper and lower tiers of local government. As a result, over 20,000 revenue villages (*mouza*) in Punjab will be receive direct rule-based transfers of funds.

The reforms have devolved a much larger set of functions to both tiers of local government. The big change at the upper tier level is the devolution of functions related to education, preventive health, environment, population control and economic development to elected local governments. At the lower tier the enhanced assignment includes poor and sick relief, population control, measures to support the realization of universal education, public health, the construction and maintenance of neighborhood assets and economic development in the case of village *panchayats*.

The 2019 reforms have introduced a number of mechanisms to strengthen provincial and civic oversight over local governments and councils. It has made extensive changes to the scope and responsibilities of the PFC, in addition to its main function of managing inter-governmental transfers. The main additional measures include: public review of local government fiscal performance, scrutiny of local tax measures, the design of a robust performance grant system and technical assistance to local governments on fiscal matters. The reforms envisage the PFC to function as an official Independent Financial Institution (IFI), which are new innovations being introduced globally.

The use of independent third-party audits is another mechanism that has been introduced to strengthen provincial oversight and accountability. The reforms have also introduced two new institutional mechanisms of provincial oversight, the Inspectorate of Local Governments and the Local Boards. The purpose of the Inspectorate is to assess whether the quality of public services provided by local governments is meeting stipulated standards. The purpose of the Local Boards is to inquire into allegations of misconduct by lower tier councils.

The 2019 reforms have introduced the Common Assembly (CA) as a central institution of civic oversight over village *panchayats* and neighborhood councils. The CA is a deliberative assembly of all residents of a village or a neighborhood council. The reforms grant it powers to call information and pass reasonable directions on the sources and use of public funds expended by the council, seek clarification from a local official on any matter related to his official duty and require the chairperson to approach the government or an upper tier local government in relation to the common needs of its residents.

2019 Local Government Reforms: Systemic challenges

This ambitious reform is being built on the foundations of systemic capacity deficits in local governments, institutional uncertainty, weak fiscal accountability, restructuring management and service delivery capacity in education and environmental services and structural constraints to electoral and civic accountability.

Systemic capacity deficits: The analysis of capacity deficits relies on the findings of a primary survey of 256 top managers serving in 6 key positions³ in a random sample of 129 (out of 193) urban local governments in Punjab in 2019 (IDEAS 2019). The survey elicits information from the top local government managers on several dimensions of capacity and related themes. Evidence from the survey suggests the existence of serious shortages of technical and managerial skills in local governments and acute deficits associated with the inability of local governments to fill vacant positions for important technical and managerial posts. It also finds the existence of serious deficits related to the adoption of automated systems of human resource management and public financial management. It appears that local governments are embroiled in systemic inefficiencies related to the use of low skill human capital and antiquated systems. It also finds that the absence of the use of performance incentives is endemic and is associated with poor budget utilization. The survey also finds that transactions cost associated with provincial controls - related to spending, planning permissions and budget releases - are acting as impediments on the functioning of local governments because they make the system uncertain and unpredictable.

Institutional uncertainty: The review of the PLGA (2019) suggests that the manner in which functions have been assigned to upper tier local governments is likely to exacerbate institutional uncertainty. The law makes a distinction between Part 1 and Part 2 functions assigned to upper tier governments. Part 2 functions are fully devolved functions, as government cannot alter this assignment without legislative consent. However, Part 1 functions are weakly devolved functions as the law gives the Chief Minister the authority to reassign these functions to provincial entities without legislative consent. The review of the reformed functional assignment shows that the enhanced assignment is almost entirely included in the Part 1 list, which makes the system weakly devolved and subject to considerable institutional uncertainty and risk. Furthermore, the reforms give limited authority to local governments over the HR function, which will make it costlier for them to address the serious capacity deficits related to human capital.

Weak fiscal accountability: The devolution literature shows that partial decentralization – where expenditure decentralization is not complemented by strong own-source revenue bases - can weaken local government accountability and lead to poor service delivery outcomes. We find that both these challenges are endemic in Punjab’s local government system and pose significant risks to the effective functioning of the devolved system. Evidence shows that local governments in Punjab have been highly dependent on provincial transfers. Upper tier urban governments are the only type of local governments with robust own-source bases. However, we find that they are performing extremely poorly against regional comparators because of distortions in the property tax policy and valuation framework. We also find that fiscal accountability is weak in cities because the administration of municipal functions is divided between

³ Surveys were conducted with officers holding the offices of Chief Officer (CO), Municipal Officer Finance (MOF), Municipal Officer Infrastructure (MOI), Municipal Officer Planning (MOP), Municipal Officer Regulation (MOR) and Municipal Officer Services (MOS) in the sample urban local governments.

provincial development authorities and municipal agencies and local city governments. This structure weakens fiscal accountability by devolving partial functions to elected local governments and by creating overlapping functions between provincial and local government entities.

Restructuring management and service delivery functions and capacity in education: One of the biggest challenges for the 2019 reforms is restructuring the service delivery system in education. Historically, the organizational capacity to run and manage education has been created at the district level and based around a provincial cadre of education managers. The reforms have devolved this function to *tehsils*, towns and cities which are subunits of the district. Effective devolution of education will require building robust capacities at the level of these subunits. This will, in turn, require the development of a framework for unbundling education functions and determining an appropriate functional assignment between provincial and local government departments. It will also require appropriate amendments to the promotion and induction system of the provincial cadre of education managers.

Building robust capacity to tackle environmental problems: Environment is an important function that has been devolved to upper tier governments, which, at present, severely lack the capacity of environmental assessment, planning, monitoring and enforcement. Given the rising burden of environmental problems in the province, it is important to build local government capacity to discharge this function efficiently.

Structural challenges for electoral and civic accountability: The high gender-gap in electoral participation in Punjab is a headwind that has the potential to attenuate the benefits of stronger electoral accountability under these reforms. Although rigorous estimates are not available on minority and disabled voter turnout, qualitative evidence on the 2018 General Elections shows that they face considerable barriers that are likely to lower turnout in these groups (CDIP 2019). Lower rates of turnout are likely to weaken accountability by making these groups of voters less salient electorally. The second headwind relates to the dominance of dynastic families as gatekeepers in Punjab's politics. This poses two challenges that are likely to weaken electoral accountability. First, dynastic dominance raises barriers to entry for non-dynastic candidates and distorts the selection of candidates who end up holding office. Second, there is evidence that voters in past local government elections placed a large premium on political connections of local candidates instead of their performance (Liaqat et al. 2019). Gulzar and Khan (2018) show that well-designed candidacy mobilization campaigns are an effective tool to address these challenges by increasing the supply of candidates from non-elite groups, at least at the lower tier level.

The enactment of the common assembly as a deliberative forum is a radical innovation that has been introduced by the 2019 local government reforms. However, evidence from the Indian experience, which has institutionalized similar deliberative institutions, shows that not all groups are equally likely to participate in these institutions at the very local level. In particular, the literature finds that women are less likely to attend and there are concerns that this may be true of other socially excluded groups. This

suggests that there is a need to introduce measures that are designed to increase the ability and opportunities of social excluded groups to participate in common assemblies if these are truly going to emerge as inclusive institutions of citizen voice, deliberation, budgeting and planning.

The global evidence on political and civic accountability suggests that the pathways of success are complex and involve devising systemic solutions that are built around multiple actors including the community, media, politicians and higher level institutions of oversight (Khemani et al. 2016 and World Bank 2016). The evidence finds that political and civic accountability tools are likely to succeed if they are: (i) tied to institutions that enable community mobilization; (ii) based on sources of information that citizens find credible; and (iii) backed by oversight institutions that are willing and able to act on information about the malfeasance and non-performance of governments and politicians. This suggests that strengthening local government accountability will require formulating a systemic approach to strengthening local accountability.

Recommended areas of focus

The assessment of the 2019 local government reforms and the systemic challenges confronting it suggest that need of a local government capacity strengthening program that includes the following components, which are detailed in the last section:

- (1) *Institutionalizing a systemic framework to strengthen fiscal and political accountability*: We recommend building this framework around transparent and pro-active disclosures by provincial oversight institutions to citizens in common assemblies, which are institutionalized as critical forums of civic oversight. There is a need for the framework to enable two-way communication between common assemblies and provincial oversight institutions. To ensure 'inclusive governance,' we would recommend the formation of special select committees of women and minorities in the common assemblies.
- (2) *Strengthening fiscal, financial and HR capacities of local governments*: This includes formulating an implementable plan for the modernization of public financial management, HR and procurement systems in local government. This would also involve the reform of the urban property tax system to strengthen fiscal accountability and a plan to augment technical and managerial HR capacity in local governments.
- (3) *Institutional strengthening of local governments*: This involves building robust budgeting and planning capacity in the mayoral office and strengthening the oversight capacity of councils. It includes framing institutional rules to ensure predictability and independence in the transfer of funds to local government and placing limitations on discretionary provincial powers. This also includes creating a framework to effectively devolve the education and environmental control functions. Finally, it involves the design of institutional frameworks to ensure effective coordination between local governments and between the lower and upper tiers of local government.

- (4) *Strengthening provincial oversight institutions*: This includes providing technical assistance to enable the PFC to function as an effective IFI and to design and institutionalize performance grants as part of the transfer system. It involves building the capacity of the provincial government and the PFC to commission and use third-party audits as a tool of oversight and accountability. Finally, it involves capacity building of Local Boards and the Inspectorate of Local Governments to define services standards and to measure performance against these standards.
- (5) *Strengthening civic oversight*: This includes designing campaigns to mobilize and build the capacity of social excluded groups - including women, disabled and minorities - to participate in the electoral process and to meaningfully participate in common assemblies.

1. Punjab's Local Government Reforms 2019

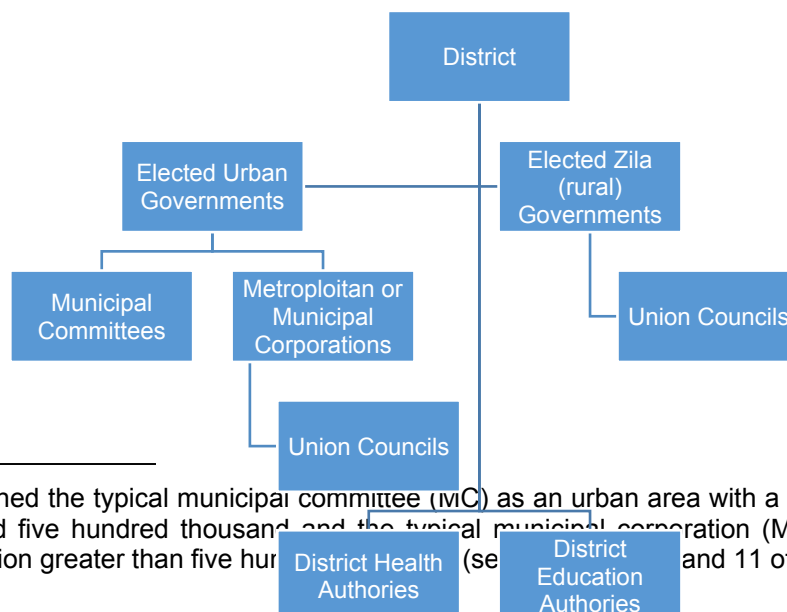
In May 2019, the Punjab Assembly passed two laws - the Punjab Local Government Act (PLGA 2019) and the Punjab Village *Panchayats* and Neighborhood Councils Act (PVPNCA 2019) – that have fundamentally altered the local government system in Punjab. This section describes the implications of these two laws for the structure and functional assignment of local governments in Punjab against the backdrop of the preceding system institutionalized by the Punjab Local Government Act (PLGA 2013).

a. Changes in the structure of local governments

A basic feature of the preceding system was the creation of separate elected local governments for urban and rural areas. Urban areas⁴ in a district were designated as municipal committees (MCs), municipal corporations (MCorps) and the capital city district of Lahore was designated a metropolitan corporation (Figure 1). The residual rural area of every district was classified as a *Zila* (district) Council (ZC), which constituted the upper tier of rural local government (Figure 1). These local governments were placed under the direct political authority of elected local governments and were granted service delivery, regulatory and revenue powers.

The 2013 Act created a two-tier system of elected local councils in *Zila* Councils and in urban metropolitan and municipal corporations. The lower tier in these areas was called the union council (UC).

Figure 1: Structure of upper tier local governments under PLGA (2013)



⁴ PLGA (2013) defined the typical municipal committee (MC) as an urban area with a population between thirty thousand and five hundred thousand and the typical municipal corporation (MCorp) as an urban area with a population greater than five hundred thousand (see sections 10 and 11 of PLGA 2013).

PLGA (2013) also created separate district education and health authorities,⁵ which were deconcentrated structures responsible for provincial education and health functions. However, these were not devolved structures as they were not placed under the direct political authority of elected local governments. In Pakistan, districts are the most important units of civil administration at the provincial level and typically consist of multiple cities and urban towns of different sizes along with designated rural areas. Punjab consists of 36 districts that are subdivided into 144 tehsils, which is a lower sub-unit of provincial civil administration.⁶ The 2013 law created these deconcentrated authorities at the level of districts.

The PLGA (2019) and the PVPNCA (2019) have radically altered the structure of local governments in Punjab. While PLGA (2019) has maintained the separation of urban and rural local governments, it has constituted rural governments at the level of *tehsils* instead of districts (Figure 2). It has also abolished district education and district health authorities and devolved education to elected rural and urban local governments or joint authorities⁷ of these governments.

The new law has also changed the classification of urban local governments (Figure 2). It has classified nine cities as metropolitan corporations⁸, instead of only one city under the previous law. The remaining urban areas with a population of 75,000 or more and urban areas designated as tehsil headquarters have been classified as municipalities. It has also recognized urban areas with a population of 20,000 or more that don't fall in the previous two categories as town committees⁹.

Figure 2: Structure of upper tier local governments under PLGA (2019)

⁵ Section 11(1)(e) of PLGA (2013).

⁶ The population of an average district in Punjab is 3 million and the population of an average tehsil is slightly more than 0.7 million.

⁷ Chapter VII of PLGA (2019) deals with joint authorities.

⁸ These include the city district of Lahore and the cities of Bahawalpur, Dera Ghazi Khan, Faisalabad, Gujranwala, Multan, Rawalpindi, Sahiwal and Sargodha (section 9(2) of PLGA 2019).

⁹ Sections 9 and 15 of PLGA (2019)

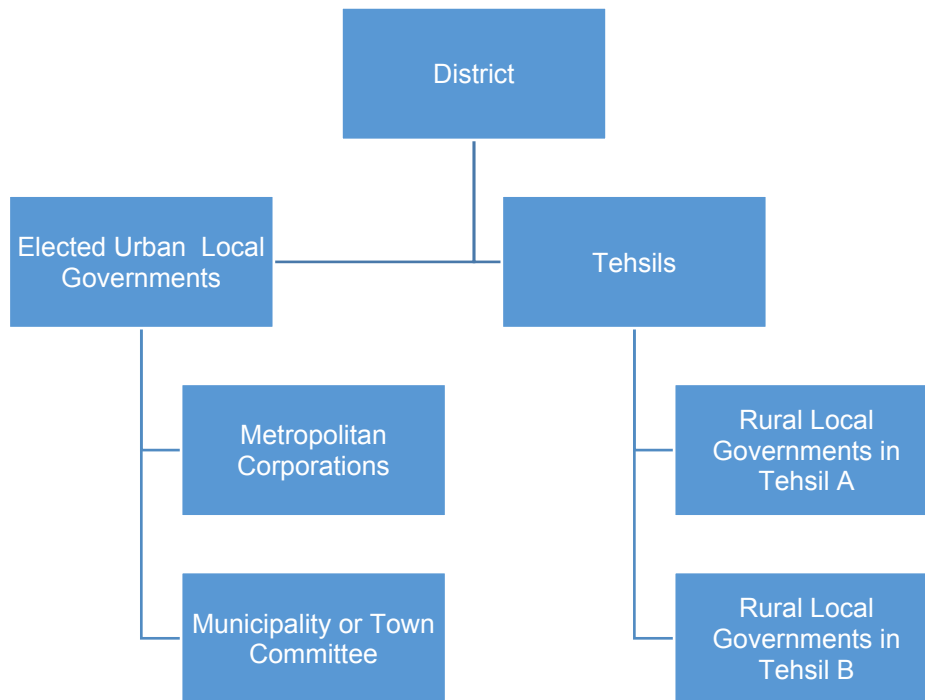
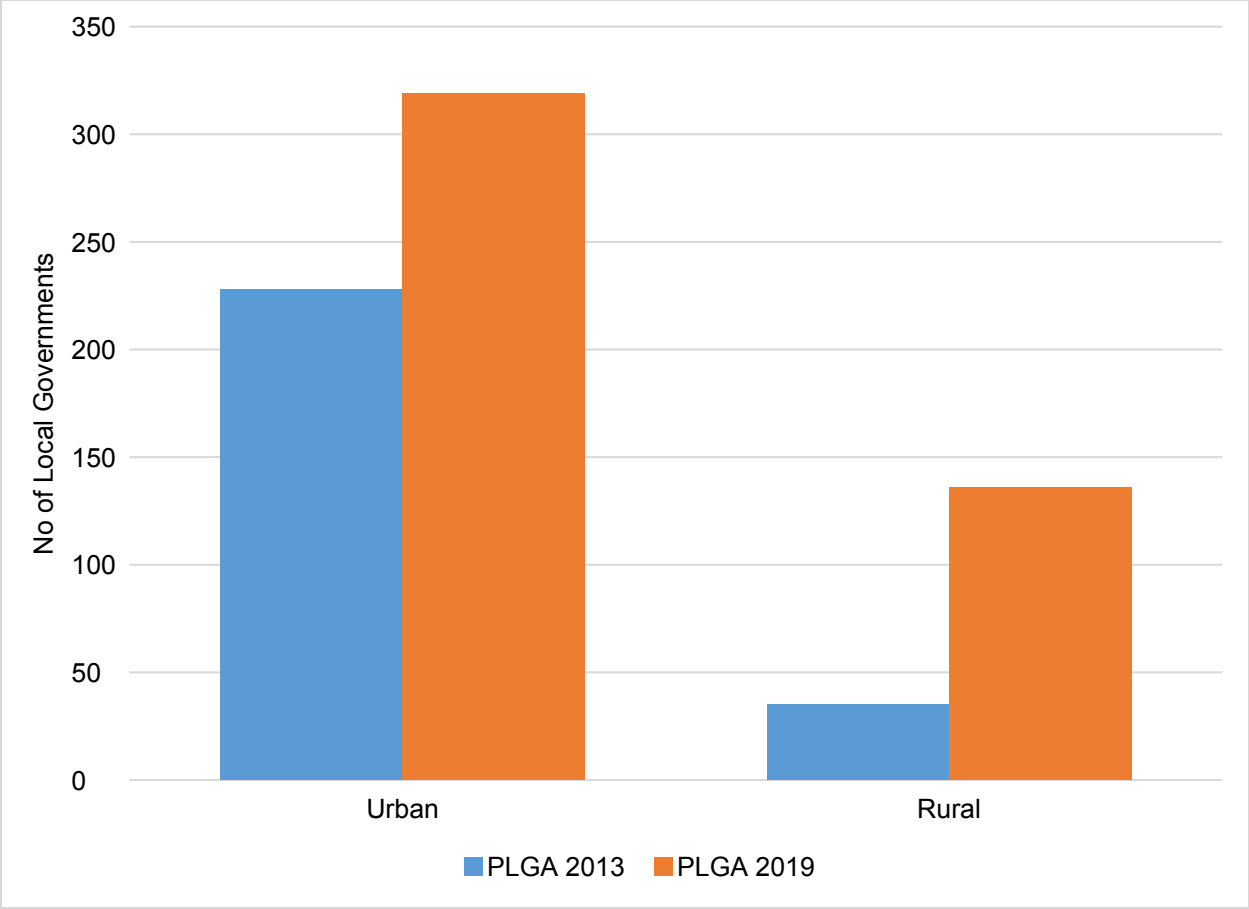


Figure 3 shows that these changes have led to a proliferation of elected local governments in Punjab. The number of urban local governments have increased from 228 to 319 and the new system has resulted in the creation of 101 additional rural local governments.

Figure 3: Number of local governments under the two laws



Finally, PLGA (2019) has abolished UCs as the lower tier of local councils. Instead the PVPNCA (2019) has created elected associations of residents at the level of villages and urban neighborhoods, called village *panchayats* and neighborhood councils respectively. While, PVPNCA (2019) conceptualizes these entities as civic associations, they are fundamental units of local governance in the new system because many functions of the erstwhile UCs have been assigned to them and the PLGA (2019) requires the government to make direct transfers of provincial resources to them. These changes have resulted in a massive increase in the number of lower tier elected councils, which have increased by over 16,000 in rural areas¹⁰.

b. Changes in functional assignment

¹⁰ The figure for urban lower tier councils is unavailable as the delimitation exercise is ongoing, however given the provisions of PVPNCA (2019) the number of neighborhoods councils will also witness a large increase.

The tables in appendix A compare the assignment of functions for different types of local governments and councils under the current system with the assignment under the preceding system. The PLGA (2019) makes an important distinction between Part 1 and Part 2 functions assigned to upper tier local governments. Part 2 functions are fully devolved functions, as government cannot alter this assignment without legislative consent. However, Part 1 functions are weakly devolved functions as the law gives the Chief Minister the authority to reassign these functions to provincial entities without legislative consent.

Tables A.1 and A.2 show that PLGA (2019) has devolved a much larger set of functions to upper tier elected local governments in comparison to the earlier system. The big change is the devolution of functions related to education, preventive health, environment, population control and economic development. However, a close reading of the tables shows that a major part of the enhanced assignment has been included in the Part 1 list, which suggests that the extended set of functions is weakly devolved and subject to considerable institutional risk.

Table A.3 compares the assignment to UCs under the preceding system with the assignment to village *panchayats* and neighborhood councils under PVPNCA (2019). It shows that the reformed local government system has assigned village *panchayats* and neighborhood councils a wider range of functions. These include functions related to poor and sick relief, population control, measures to support the realization of universal education, public health, the construction and maintenance of village assets and economic development in the case of village *panchayats*.

c. Electoral and political accountability

PLGA (2019) has also radically altered the electoral and political accountability arrangements of upper tier local governments. Under the 2013 law upper tier local governments were headed by chairpersons (or mayors) who were indirectly elected by members of the local council, whereas councilors were directly elected on a partisan basis. PLGA (2019) created 35 rural Zila councils and 228 urban councils that were governed through a weak-mayor form of government (Gaebler and Roesel 2019, Sweeting 2017, Schragger 2006).

PLGA (2019) has radically changed the electoral arrangement and adopted a strong mayor-council model of government (Gaebler and Roesel 2019, Sweeting 2017, Schragger 2006). The Act has introduced direct elections of mayors¹¹ on a partisan basis in both rural and urban areas, which is considered a key feature of this model. Under the new law, local councilors will be directly elected on the basis of a partisan closed list proportional representation system.¹² An entire local government area will be a single member ward for the election of the mayor and a multi-member ward for councilor elections. An important implication of this change is that political parties and their mayoral candidates will have to seek a much larger electoral mandate than was

¹¹ Section 83(2) of PLGA (2019).

¹² Section 83(3) of PLGA (2019).

needed under the previous system. The expectation is that the new electoral system will be extremely competitive, as electoral competition was intense in a majority of Punjab's constituencies in the 2018 General Election.

PLGA (2019) has also created a separation of executive and legislative functions, which is another important feature of a strong mayor-council model. Executive functions have been assigned to the office of the mayor, while the unicameral council has been assigned legislative and oversight functions. The power to propose the budget, development plans and the spending plan falls under the purview of the mayor¹³ whereas the council has the power to approve and review mayoral actions¹⁴ and the power to bring a vote of no-confidence against the mayor¹⁵. Finally, the new law allows a mayor to appoint a cabinet consisting of elected councilors and unelected professionals¹⁶, which is another feature that is found in international examples of the strong mayor-council model.

In the preceding system, union councilors on general seats and UC chairpersons and vice chairpersons were elected on a partisan basis through plurality elections from single-member electoral wards. Reserved seat councilors, which included women, were, however, indirectly elected by the directly elected members of union councils. The 2013 system also created linkages between union councils and upper-tier *Zila* Councils and MCorps by recognizing union council chairpersons as members of the upper-tier council in these areas.

PVPNCA (2019) has also radically reformed the preceding structure. Member of village *panchayats* and neighborhood councils will now be elected on a non-partisan basis through a multi-member plurality election with the village or neighborhood council as the electoral ward. The candidate receiving the highest votes will be declared the chairperson of the village *panchayat* or neighborhood council. Another radical departure from the preceding system is that councilors elected on reserved seats, including women councilors, will be directly elected by voters of their area. PVPNCA (2019) has also increased the representation of women by increasing the proportion of reserved seats for women in council¹⁷. However, it has delinked the upper and lower tiers of local councils as members of village or neighborhood councils no longer have representation in the upper tier councils in the new system.

¹³ Section 42 of PLGA 2019 describes the duties and powers of the mayor. Sections 131, 157 and 251 give the mayor the powers to propose the budget, local tax procedures and local development plan respectively.

¹⁴ Section 18(c) of PLGA 2019 describes the duties of councilors. Sections 131, 157 and 251 describe the powers of the council to review and approve the budget, local tax procedures and local development plan respectively. Section 202 describes the power of the council to remove a mayor.

¹⁵ Section 42 of PLGA 2019 describes the duties and powers of the mayor. Sections 131, 157 and 251 give the mayor the powers to propose the budget, local tax procedures and local development plan respectively.

¹⁶ Section 19 of PLGA 2019 describes the composition of the mayoral cabinet. .

¹⁷ The previous system mandated a 16.6% reservation for women councilors in the union council (see First Schedule of PLGA 2013). The reservation for women councilor seats ranges between 20-28.5% in the current system (see Second and Third Schedules of PVPNCA 2019).

d. Devolution of finances and the HR function

The institutionalization of an independent Finance Commission consisting of government and independent members¹⁸ is a fundamental feature of both laws. The main function of the Finance Commission is to recommend a rule-based fiscal transfer award that determines the distribution of provincial revenue receipts between the provincial and local governments as well as its horizontal distribution between local governments and councils. An important difference between the two laws is that PLGA (2019) has introduced a provision that requires the Punjab Government to devolve at least 26% of its general revenue receipts to elected local governments,¹⁹ including village *panchayats* and neighborhood councils²⁰. Rule-based transfers to lower tier councils will result in over 20,000 revenue villages (*mouza*) in Punjab receiving direct rule-based transfers of funds.

This provision of the PLGA (2019) represents a significant step towards fiscal devolution as it will increase the funds available to elected local governments by 8 times compared to the amount disbursed in 2017-18 under the previous government. This enactment has been introduced to place a check on the historic tendency of provincial governments to transfer meagre funds to local governments. . There is little change in the devolution of fiscal powers, taxes on property and transfer of property remain the most important components of own-source revenues of upper tier governments under the new system.

Both laws give limited authority to local governments over hiring and firing of personnel and the creation of new posts and no authority over pay-setting. Any action pertaining to hiring, firing and creation of new posts requires the consent of the provincial government. Importantly the power to appoint Chief Officers (the administrative heads of local government) rests with the provincial government. While PLGA (2019) grants the mayor the authority to conduct an annual performance review of the Chief Officer, it is unclear whether this provision gives the mayor the authority to prescribe suspension or transfer in the case of poor performance and reward good performance. The new law appears to continue the historic tendency to assign the control of the local human resource function to the provincial government.

e. Summary

Punjab's recent local government reforms have resulted in a proliferation of elected upper tier local governments and elected lower tier councils in the province. This is a consequence of bringing local government closer to the people. In the preceding system an average rural local government served 3 million citizens, in the reformed system the average *tehsil* council will instead serve a much smaller base of around 0.45 million

¹⁸ Chapter XIV of PLGA (2013) and chapters XXII and XXIII of PLGA (2019) deal with the Finance Commission.

¹⁹ Section 189(1) of PLGA (2019).

²⁰ The new law requires the Punjab Government to transfer at least 10% of the devolved amount to village *panchayats* and neighborhood councils (Section 190 of PLGA 2019).

citizens. Similarly, the average rural union council in the preceding system served around 20,000 citizens, whereas a village *panchayat* will now serve a much smaller pool of approximately 2,700 citizens.

Under the reformed system, candidates for upper tier office will have to seek much larger mandates and these elections are also likely to be extremely competitive. These features, along with the stipulated increase in the transfer of resources, are likely to increase citizen expectations of their local elected representatives, which can only be met by building a system that has strong accountability mechanisms and is able to function effectively and efficiently. This will require building effective institutional and organizational capacity to support and oversee the new local governments. The next section reviews the institutional oversight mechanisms introduced by the 2019 reforms. Section 3 analyses the challenges that the reformed system is likely to face because of the weak institutional and organizational capacities that the new local governments will inherit.

2. Reform of Institutional Oversight Mechanisms

a. Provincial oversight mechanisms

PLGA (2019) has introduced a number of measures to strengthen the institutional mechanisms of provincial oversight. **It has made extensive changes to the scope and responsibilities of the Provincial Finance Commission (PFC).** The main function of the PFC, in the preceding system, was to devise and recommend the inter-governmental transfer award for upper tier governments and oversee its implementation. PLGA (2019) has broadened this role and envisages the PFC to function as an official independent fiscal institution (IFI) of the provincial government. The broadened role makes it part of a growing number of IFIs that have been established across the world, such as the Office for Budget Responsibility (OBR) in the UK. IFIs are an important accountability and capacity support innovation happening globally to provide non-partisan analysis of public finance and fiscal policies in order to enhance fiscal transparency and performance. The expanded scope requires the PFC to: (1) produce forecasts of local public finances on an annual basis, (2) use the forecasts to judge the performance of local governments against their fiscal and spending targets, (3) scrutinize tax measures adopted by local governments and make recommendations to the government in case a measure is considered unfair, (4) provide an annual report on the performance of local governments to the provincial assembly, (5) design and implement a robust performance grant system and (6) support local governments in affecting improvements in their fiscal capacity and performance. In order to ensure independence the 2019 reforms have introduced checks to make sure that the incumbent party at the provincial level is not assured a guaranteed majority in the Commission.

PLGA (2019) has introduced provisions that allow the provincial government and the PFC to commission independent third-party audits of local governments,

which is another mechanism that has been introduced to strengthen provincial oversight. Research shows that disclosure of audit reports conducted by third parties can have a significant impact on curbing corruption in local governments (Bobonis, Cámara Fuertes, and Schwabe 2016; Larreguy, Marshall, and Snyder 2014; Ferraz and Finan 2008). Evidence shows that building effective capacity to commission and use third-party independent audits as a tool of oversight and accountability can have a significant positive impact on the performance of local governments.

PLGA (2019) and PVPNCA (2019) have introduced two new institutional mechanisms – the Inspectorate of Local Governments and Local Boards – to provide oversight over upper tier local governments and lower tier councils respectively. The purpose of the Inspectorate of Local Governments is to assess whether the quality of public services provided by local governments is able to meet specified standards. The purpose of Local Boards is to inquire into allegations of misconduct against a chairperson or member of the lower-tier council. Institutionalizing these bodies is essential for the implementation of effective standards of service delivery and as a check against corruption and misconduct in lower-tier councils.

b. Institutions of civic oversight

PVPNCA (2019) has introduced the Common Assembly (CA) as a central institution of civic oversight over village *panchayats* and neighborhood councils. The CAs are deliberative assemblies of all residents of villages or neighborhood councils. The reforms grant it powers to call information and pass reasonable directions on the sources and use of public funds expended by the council, seek clarification from a local official on any matter related to his official duty and require the chairperson to approach the government or an upper tier local government in relation to the common needs of its residents.

Likewise, the PLGA (2019) requires the head of upper tier local governments to convene a general meeting of residents on a bi-annual basis and provide a report on the performance of their government. It also requires upper tier governments to allocate at least five percent of total expenditure to the construction of works proposed by residents of village *panchayats* and neighborhood councils²¹. These bottom up institutions are the main forums of civic oversight over upper and lower tier local governments and their effective institutionalization can go a long way in strengthening accountability and creating deliberative forums between citizens and governments. These institutions can also be used to provide a foundation for citizen-based budgeting and planning.

3. Systemic Challenges in Punjab's Local Government System

²¹ Section 214 of PLGA (2019)

The demanding local government reforms introduced by the Punjab Assembly in 2019 are being implemented on the foundation of local government administrative structures that are riddled with serious systemic challenges, have witnessed little modernization of public financial management and human resource systems and continue to struggle with weak human resource capacity. This section describes the nature of capacity deficits constraining the existing structure of local governments in Punjab. The section also analyses challenges related to strengthening local fiscal accountability, restructuring management and service delivery capacity in education and environmental control and local electoral and political accountability by reviewing existing structures, analyzing existing data and reviewing the recent literature on local political accountability in South Asia.

The analysis of capacity deficits relies on the findings of a primary survey of 256 top managers serving in 6 key positions²² in a random sample of 129 (out of 193) urban local governments in Punjab in 2019 (Cheema et al. 2019). The survey was conducted by the Institute of Development and Economic Alternatives (IDEAS) in collaboration with Punjab's Local Government and Community Development (LGCD) Department. It elicits information from the top bureaucrats of local government on several dimensions of capacity and related themes, including organizational planning, bureaucratic autonomy, budgetary utilization, human capital, physical and managerial capital, performance incentives, interactions with politicians and citizens, and project implementation. The IDEAS Local Government Capacity Survey 2019 is motivated by the World Management Survey²³ and further adapted to the conditions of the public sector in Pakistan. It was two hours long on average, and to the best of our knowledge constitutes the first extensive survey of its type in Pakistan. The survey findings used in this report are complemented by findings from an analysis of administrative data on vacancies among the top 3 managerial positions (Chief Officer, Municipal/District Officer Finance and Municipal/District Officer Infrastructure) in local governments.

a. Systemic capacity deficits in local governments

The IDEAS Local Government Capacity Survey 2019 finds serious capacity deficits in Punjab's local government structure related to human resources, system adoption, performance incentives and transaction costs associated with provincial controls. The survey finds:

1. **The existence of a serious shortage of skilled human capital in Punjab's local government structure.** More than half of the sample of top local government manager's report having either no or only basic computing and IT skills. Over two-thirds of respondents say that less than a quarter of their staff are able to write a memo and nearly half report their subordinate staff as having

²² Surveys were conducted with officers holding the offices of Chief Officer (CO), Municipal Officer Finance (MOF), Municipal Officer Infrastructure (MOI), Municipal Officer Planning (MOP), Municipal Officer Regulation (MOR) and Municipal Officer Services (MOS) in the sample urban local governments.

²³ <https://worldmanagementsurvey.org/>

moderate to poor skills. More than half of the respondents say that these challenges are creating an acute deficit of much needed specialized technical skills and a third say that they are creating a shortage of managerial skills in their organizations. Administrative data shows that almost half of *Zila* councils were unable to fill one or two of the top three positions in their administration. This deficit is much more acute in urban local governments where over three-fourths of Punjab's urban governments were unable to fill one or two of the top three positions.

2. **Serious deficits related to the adoption of automated systems of human resource management and public financial management.** Between half and two-thirds of the top manager's report the need to modernize financial management and planning systems and over three-fourths report the need to upgrade human resource management systems. Recent research has documented the massive wastage that is resulting from weak procurement systems at the provincial level in Punjab (Best and Khan 2019), we would expect these losses to be much more acute at the local government level and this is another area that needs capacity strengthening.
3. **The absence of well-designed performance incentive mechanisms.** The survey includes questions on the existence and ubiquity of incentives to reward performance, which we use to construct an index of incentives used by local governments to incentivize performance. The findings suggest that only a small proportion of local governments use performance incentive schemes. However, we find that the use of incentives has a strong positive association with budget utilization (Cheema et al. 2019).
4. **Transaction costs associated with provincial controls to be an important impediment on effective local government spending.** Nearly two-thirds of the respondents report bans on spending, late budget releases and delays in planning permissions by the provincial government as a serious constraint on their ability to provide services. The discretionary and arbitrary use of levers of provincial control exacerbate uncertainty and make the system unpredictable and prone to disruptions, which is bound to adversely affect performance. They also create a moral hazard as local government managers have developed a tendency to attribute non-performance solely to delays caused by the exercise of levers of control by the province and this appears to weaken accountability. The inclusion of weakly devolved functions under the Part 1 list in the PLGA (2019) is likely to exacerbate the problem of lack of predictability by increasing the institutional risks associated with the arbitrary exercise of provincial power to recentralize functions. These provisions are also likely to increase political risks unless clear limitations are placed on this provincial power, as it may be used to disrupt the functioning of local governments under the control of opposition parties.

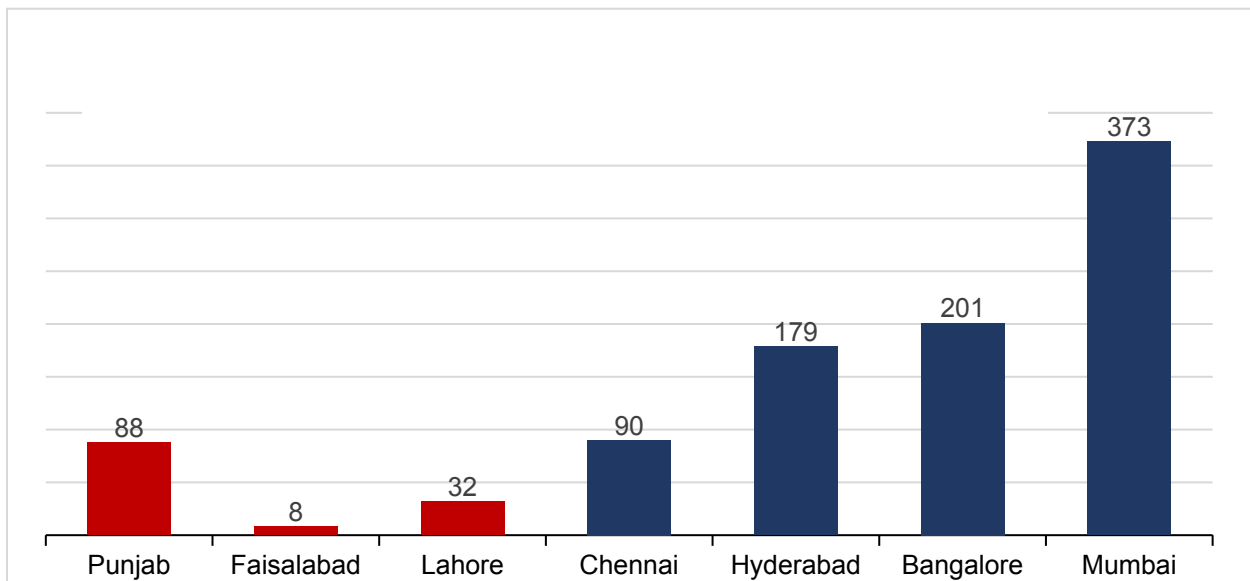
b. Weak fiscal accountability

The devolution literature shows that partial decentralization – where expenditure decentralization is not complemented by strong own-source revenue bases - can

weaken local government accountability and lead to poor service delivery outcomes (Devrajan et al. 2009, Khemani 2015). The literature suggests that partial decentralization weakens accountability because citizens are unable to hold local governments accountable for budgetary allocations and outcomes in their area. This can happen because the citizens residing in a local government jurisdiction aren't paying for the services being provided in their area, or because the agency that is responsible for delivering services against their taxes isn't politically accountable to the electorate of the local area. These broken linkages can result in a vicious cycle by lowering citizens' willingness to pay taxes because the benefits of taxation are not evident to them. This subsection argues that both these challenges are endemic in Punjab's local government system and pose significant risks to the effective functioning of the devolved system.

Local governments in Punjab have historically been highly dependent on provincial transfers (Cheema et al. 2006 and Cheema et al. 2015). The Punjab Provincial Finance Commission's 2018 draft report shows that provincial transfers would have had to account for nearly three-fourths of local government resources, if the adequate PFC Award recommended by the Commission in 2018 had been implemented. It also shows that only upper tier urban local governments had a relatively robust own-source property tax base. However, an analysis of property tax collection performance in South Asian cities finds Punjab's cities performing extremely poorly against regional comparators (Figure 4).

Figure 4: Property Tax Collection in South Asia Cities (2015-16 \$ million)



Source: World Bank and Punjab E&T Department

Note: Punjab (Pakistan) has a population of 110 million: Chennai 7 million, Hyderabad India 8 million, Bangalore 8 million, Mumbai 18 million, Lahore 11 million and Faisalabad City 3 million.

Pilot analysis done on the city of Sargodha's property tax data for Punjab Government's Resource Mobilization Committee shows that this shortfall is because of adherence to an annual rental-based valuation system rather than a land-value system, lower or zero rates of taxation on vacant land and private housing societies and an inefficient demarcation of rating areas (Abbas 2019). It also shows that the current annual rental system is highly regressive in comparison to a system that uses DC-rates to proxy land values and taxes land instead of improvements. This suggests that the policy framework for property taxes and the capacities to support it are in need of radical reform if full, rather than partial, devolution is to be institutionalized in Punjab's cities. It is important to recognize that property tax bases in these cities are rich enough to allow the implementation of full devolution, which would allow citizens to reap the benefits of stronger fiscal accountability.

However, it will not be possible to institutionalize full devolution in Punjab's metropolitan cities unless the administration of all municipal functions is reformed and placed under the control of elected city governments. Currently the administration of municipal functions, such as land-use, building controls, water and sanitation, is fragmented and divided between provincial development authorities and municipal agencies and local city governments. This framework weakens effective service delivery and fiscal accountability by creating overlapping functions between provincial and local government entities, and by devolving only a partial set of these functions to city governments, which are electorally accountable to citizens and taxpayers of these areas

c. Restructuring management and service delivery functions and capacity in education

One of the biggest challenges for the 2019 reforms is restructuring the service delivery system in education. Historically, the organizational capacity to run and manage education has been created at the district level and based around a provincial cadre of education managers. The reforms have devolved this function to *tehsils*, towns and cities which are subunits of the district. Effective devolution of education will require building robust capacities at the level of these subunits. This will, in turn, require the development of a framework for unbundling education functions and determining an appropriate functional assignment between provincial and local government departments. It will also require appropriate amendments to the promotion and induction system of the provincial cadre of education managers.

d. Building robust capacity to tackle environmental problems

Environment is an important function that has been devolved to upper tier governments, which, at present, severely lack the capacity of environmental assessment, planning, monitoring and enforcement. Given the rising burden of environmental problems in the

province, it is important to build local government capacity to discharge this function efficiently.

e. Structural challenges for electoral and civic accountability

Electoral accountability

Punjab's 2019 local government reforms have institutionalized three important changes that are likely to strengthen the representation of women and minorities in council and make local elected representatives accountable to these groups of voters. These include the elections of upper tier councilors on the basis of proportional representation, the direct election of women councilors on reserved seats in upper and lower tier councils and the grant of an additional vote to minority voters for the election of minority candidates.²⁴ The literature suggests that women's representation has historically been higher in countries and local areas that have employed the list-proportional representation (PR) system (Christensen and Bardall 2014, Rule 1987). Party list systems tend to have centralized nomination procedures, which, it is argued, enable them to better respond to political pressures for an increase in women's representation. Another benefit of the PR system, pointed out in the literature is that the focus on party lists, instead of individuals, benefits women candidates (Matland 2005, Norris 1985). There is an expectation that the election of minority candidates on the basis of minority community votes, would increase accountability of minority representatives to their communities. However, the benefits of these reforms in terms of inclusive representation of women and minorities and stronger accountability are at risk of being attenuated because of a number of structural features associated with politics in Punjab.

The high gender-gap in electoral participation is a headwind that has the potential to attenuate the benefits of these reforms. This is a salient concern because among the countries surveyed in the most recent wave of the World Values Survey, Pakistan has the largest gender gap (19.5%) in self-reported voter turnout (Cheema et al. 2019). An analysis of the gender-disaggregated electoral returns data for the 2018 General Elections shows that this is particularly a concern in Punjab's five hundred thousand plus cities where the gender-gap in turnout is over 12%, which is extremely high by national, regional and global standards. Although rigorous estimates are not available on minority and disabled voter turnout, qualitative evidence on the 2018 General Elections shows that they face considerable barriers that are likely to lower turnout in these groups (CDIP 2019). Lower rates of turnout are likely to weaken accountability by making these groups of voters less salient electorally, therefore it is important for reforms to introduce programmatic measures that are designed to increase turnout in these groups of voters.

The second headwind relates to the role of dynastic families as gatekeepers in Punjab's politics. Cheema, Naseer and Sonnet (2019) find that members of dynastic families won 63% of all races for national assembly seats in Punjab between 1985 and 2008. Based on this, Cheema, Javid and Naseer (2013) describe the political class of Punjab as "heavily dominated by dynasties, held together by ties of blood and marriage, which

²⁴ Section 87 of PLGA (2019) and section 29 of PVPNCA (2019).

impede the participation of non-dynastic aspirants to public office.” Punjab’s high levels of dynastic dominance pose two challenges for electoral and political accountability. First, dynastic family dominance raises barriers to entry for non-dynastic candidates and distorts the selection of candidates who end up holding office. Cheema, Naseer and Sonnet (2019) find that candidates who lost races by less than a 10 percentage point vote margin were only dynastic 12.7% of the time, as opposed to those who won by than same margin were dynastic 22.7% of the time. Khan (forthcoming 2020) shows that nearly three-fourths of legislators elected on reserved seats for women in the national assembly in 2008 belonged to dynastic families. Second, there is evidence that voters in past local government elections placed a large premium on political connections of local candidates instead of performance. Liaqat et al. (2019) show that an electoral candidate who had strong connections with both the incumbent MNA and MPA was 26% more likely to win in rural Sargodha’s 2015 union council elections. This advantage clearly distorts the level playing field in electoral politics and blunts competition. They find that this advantage is driven by voter perceptions that local governments are heavily dependent on provincial government largesse.

Strengthening political accountability in this context will require adequate and predictable rule-based transfers to local government, checks on provincial government against encroaching on local government functional mandates and strengthening own-source fiscal bases of local governments. This means that reforms will have to: ensure effective implementation of section 189 of PLGA (2019) which commits to rule-based transfers of a minimum 26% of provincial general revenue receipts through the PFC; place rule-based limitations on section 27 of PLGA (2019) which gives the province the power to recentralize Part 1 functions of local governments without legislative consent; and introduce measures to enhance property tax collections in urban local governments. In addition, it is important for reforms to introduce programmatic measures that are designed to encourage non-elite candidates to run for office at the village *panchayat* and neighborhood council level. Gulzar and Khan (2018) research on KP’s 2015 village council elections shows that well-designed candidacy mobilization campaigns are an effective tool to address these challenges and increase the supply of candidates from non-elite groups.

Civic accountability

The enactment of the common assembly is a radical innovation that has been introduced by the 2019 local government reforms. Common assemblies are deliberative forums that institutionalize the post-election interface between local residents and their local representatives. Their existence provides an institutional opportunity to lay the foundation of bottom-up planning and ensure that minorities, women, non-elites and the disabled are given a voice in the governance system. The Indian local government system consists of similar deliberative bodies called *gram sabhas*. Besley et al. (2004) find that the existence of *gram sabhas* increases the ability of disadvantaged households to benefit from local government poverty alleviation schemes in India. However, evidence from the Indian experience shows that not all groups are equally likely to participate in deliberative institutions at the very local level. In particular, the

literature finds that that women are less likely to attend *gram sabha* meetings (Ban and Rao, 2008; Chattopadhyay and Duflo, 2004) and there are concerns that this may be true of other socially excluded groups. This suggests that there is a need to introduce measures that are designed to increase the ability and opportunities of social excluded groups to participate in common assemblies if these are truly going to emerge as inclusive institutions of citizen voice and deliberation.

The evidence on the inability of socially excluded groups to participate in local deliberative institutions raises the concern that they might find it equally difficult to engage with and benefit from local planning processes and the actions of provincial oversight mechanisms. This should be of grave concern as broken engagement between oversight institutions, the local planning process and these groups will weaken the accountability of the system. Therefore, any reform program must include measures that strengthen the engagement of socially excluded groups in budgeting, local planning processes and with the enacted oversight mechanisms.

The global evidence on political and civic accountability suggests that the pathways of success are complex and involve devising systemic solutions that are built around multiple actors including the community, media, politicians and higher level institutions of oversight (Khemani et al. 2016 and World Bank 2016). The evidence suggests that political and civic accountability tools are likely to succeed if they are: (i) tied to institutions that enable community mobilization; (ii) based on sources of information that citizens find credible; and (iv) backed by oversight institutions that are willing and able to act on information about malfeasance and non-performance of governments and politicians. This suggests that strengthening local government accountability will require formulating a systemic approach to strengthening local accountability.

5. Recommended areas of focus

The assessment of the 2019 local government reforms and the systemic challenges confronting the system suggest the need for introducing a robust reform program. The aim of the program should be to strengthen political, fiscal and administrative accountability, build inclusive governance and ensure full devolution; it should include the following components:

a. Institutionalizing a systemic framework to strengthen fiscal and political accountability:

Transparency, defined as citizen access to publicly available information about the actions and outcomes of local governments, has to be at the heart of this framework.

This means framing “freedom of information” as part of the rules that regulate the functioning of all institutions relevant to the performance of local governments. It also means including rule-based proactive public disclosures

of independent audits commissioned under that laws as well as performance reports by provincial oversight institutions. These recommendations are informed by global evidence which finds that transparency programs that use information from officially endorsed independent agencies are likely to have bigger impact (Bobonis, Cámara Fuertes, and Schwabe 2016; Chong et al. 2015; Larreguy, Marshall, and Snyder 2014; Ferraz and Finan 2008). We would recommend extending the application of independent third party audits to village *panchayats* and neighborhood councils and structuring the functioning of Local Boards around these audits.

Based on a review of global evidence we would also recommend that information on the relative performance of local governments and councils is provided to citizens (Gottlieb 2016, Kendall, Nannicini and Trebbi 2015 and Humpherys and Weintein 2012). This would allow the system to benefit from exploiting yardstick competition. The other important finding from global evidence is that transparency interventions are more likely to have a positive impact when they are embedded in institutions that enable citizen mobilization (Khemani et al. 2016; Björkman, De Walque and Svensson 2014; Pradhan et al. 2014; Björkman and Svensson 2009; Olken 2007). The pivotal institutions for community mobilization in the present system is the common assembly and it is important that it becomes a direct recipients of pro-active disclosures and the capacity of its membership is built to hold public officials accountable for malfeasance and lack of performance. The common assemblies should also been enabled to directly communicate grievances to the provincial oversight mechanisms.

However, given the concerns about poor participation among socially excluded groups, we would recommend that select committees for women and minorities are introduced as part of common assemblies, and are empowered to hold independent accountability meetings. For the effective functioning of these select committees, it is important that budgetary reporting is structured to reveal a budget's different impacts on the socially excluded, including women, minorities and the disabled.

b. Strengthening fiscal, financial and HR capacity:

- i. **Modernization of public financial management, HR and procurement systems in local governments:** The modernization plan should be underpinned by a detailed needs assessment of systems and must take into account the provincial government's current fiscal constraints.
- ii. **Reform of the urban property tax system:** This should include reform of the: valuation system, the framework of tax rates, institutional capacity to conduct valuation and a reform of the system of exemptions. It should also propose institutional measures to strengthen accountability of the provincial collection department to local governments and be designed to lay the foundation of benefit taxation. The reforms should include a

staggered role out plan that allows experimentation, evaluation and scaling based on results.

- iii. **Plan to augment technical and managerial HR capacity in local governments:** The HR capacity building plan should be built on an analysis of the technical and managerial skills needs of local governments, keeping their current assignment of functions under consideration. The plan shouldn't be restricted to the design of the schedule of establishments alone, it should include a strategy to man critical offices and augment capacity through the outsourcing of technical support services. The plan should include a special focus on skills required for budgeting, financial management, management of assets and formulation of development plans and fiscal strategies as the reforms have specified an enhanced range of operational and reporting requirements against these functions (see chapters XVII-XXI of PLGA 2019). The plan should be implementable and in line with the current fiscal envelope available to local governments. The plan must also include the design of performance-based promotion, transfer and recruitment systems. It should also include a restructuring plan for the training programs designed to strengthen the capacity of local government officials.
- c. Institutional strengthening of local governments:
- i. **Building robust budgeting and planning capacity in the mayoral office and strengthening the capacity of councils to review mayoral actions:** The strong mayor-council model is being introduced for the first time in Pakistan. Its effective functioning requires the mayoral office to build strong capacity for budgeting, planning and the council to build robust capacity for review and oversight. The capacity building plan for the mayoral office needs to formulate rules that define the role and responsibilities of unelected members of the mayor's cabinet as well the criteria for selection. It is important that the capacity building plan of local representatives, recommends a system of training for public representatives in rules, procedures, skills required for effective oversight and negotiations.
 - ii. **Framing institutional rules to ensure predictability and independence in the execution of local government functions:** The reform should propose rules that place limitations on the discretionary use of the power of the provincial government to recentralize Part 1 functions. It should also propose rules and systems that ensure the timely and predictable release of transfers awarded by the PFC.
 - iii. **Creating a framework for how to effectively devolve education and environmental functions:** This will require an exercise to unbundle the functions and activities of education and environment, identify the appropriate organizational jurisdictions for assignment and develop an objective criteria for the assignment of functions across different

organizational jurisdictions. This exercise needs to be complemented by a capacity building plan and appropriate amendments to the promotion and induction system of the provincial cadre of education and environmental managers.

- iv. **Design of an institutional framework that ensures effective coordination between local governments:** Efficient service delivery will require effective coordination between local governments, as a number of their functions – such as water, sanitation, and roads – involve inter-jurisdictional externalities. Chapter VII of PLGA (2019) provides joint authorities as a mechanism that allows local governments to work together to realize efficiencies from coordination and internalize the costs and benefits of externalities. However, reforms need to design and introduce an institutional framework that enables local governments to enter into cooperative arrangements at low cost, they also need to build the capacity of local governments to work as part of joint authorities at terms that are beneficial for their citizens.
 - v. **Design of an institutional framework that ensures effective coordination between upper tier local governments and the village *panchayats* and neighborhood councils in their jurisdiction:** This reform is needed because the 2019 local government reforms have delinked the lower tier councils from their upper tier governments and this can result in uncoordinated haphazard planning and actions that adversely affect the functioning of the system. Institutionally integrating common assemblies, and their proposed select committees, into the planning processes of lower tier councils and upper tier local governments can establish a strong foundation for bottom up citizen-based budgeting and planning, which should be an important goal of the proposed institutional framework.
- d. Strengthening provincial oversight institutions:
- i. **Plan to enable the PFC to function as an effective IFI:** PFC is a critical institution of fiscal oversight and support in the new system. There is a need to build critical technical HR capacity in the PFC and also to underpin it with a network of robust information and reporting systems. An important area of focus will be to build capacity in the PFC to design and implement performance grants, a requirement of PLGA (2013), that explicitly tie a proportion of the transfers to well-designed performance outcomes. In addition, it would be important to formulate rules that allow the PFC to work with the provincial government to recommend conditional grants out of the provincial retained amount to improve local service delivery outcomes.
 - ii. **Build capacity to commission and use third-party audits as a tool of oversight and accountability:** The capacity to commission independent audits needs to be created in both the local government department and the PFC.

- iii. **Capacity building of the Inspectorate of Local Governments and Local Boards:** The reforms should propose a framework for building the capacity of these institutions to undertake their oversight functions but also devise rules that place limitations on the exercise of arbitrary power by these institutions. To function effectively the Inspectorate will need to be underpinned by robust information and reporting systems and have the human capital and capacity to set service delivery standards and measure performance against them.

5. Strengthening civic oversight:

- i. **Design campaigns to mobilize and build the capacity of social excluded groups - including women, disabled and minorities - to vote and participate in lower tier council elections as candidates:** Strengthening inclusive political accountability requires the effective participation of these groups as voters and as elected representatives. There is a need to experiment with the design of mobilization campaigns in the upcoming elections to identify effective campaigns that can be scaled up programmatically in future rounds of elections.
- ii. **Build civic networks in villages and neighborhoods to mobilize and build the capacity of member of social excluded groups - including women, disabled and minorities - to meaningfully participate in common assemblies:** Strengthening inclusive civic accountability requires the effective participation of these groups as active members of the common assembly. There is a need to experiment with the design of the structure of these networks to identify effective structures that can be scaled up programmatically.

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Appendix A: Comparison of functional assignment for different tiers of local government under PLGA (2013), PLGA (2019) and PVPNCA (2019)

Table A.1: Functions assigned to upper-tier rural local governments under the two laws

Functions	2013	2019 Part 2 functions	2019 Part 1 functions
Establishment and management of pre-schools		X	
Environmental health and services		X	
Street lights		X	
Slaughtering of animals		X	
Libraries		X	
Parks and landscape development		X	
Sign boards and street advertisement		X	
Arts and recreation		X	
Community safety		X	
Children's services	X ²⁵	X	
Provision and maintenance of burial sites and graveyards	X	X	
Provision and maintenance of rural water supply sources and schemes	X	X	
Organization of public festivals	X	X	
Promotion of sports	X	X	
Land-use and spatial planning and zoning	X		X
Enforcement of municipal laws and regulations	X		X
Provision and maintenance of public ways, streets, and farm to market roads	X		X
Construction of culverts, bridges	X		

²⁵ In PLGA (2013) this function was restricted to playgrounds.

and public buildings			
Promotion of animal husbandry and dairy development	X		X
Organization and regulation of cattle fairs and markets	X		X
Provision of social relief Assistance in provision of relief in event of natural calamities and epidemics	X		X
Prevention and removal of encroachments and nuisance on public ways, streets and properties	X		X
Management of primary, elementary and secondary education			X
School enrollment			X
Monitoring and supervision of primary health facilities			X
Preventive health and hygiene			X
Population Control			X
Solid waste and sewerage			X
Births, deaths, marriages and divorce registration			X
Museums and art galleries			X
Support to provincial agencies in prevention of crime and maintenance of order			X

Table A.2: Functions assigned to upper-tier urban local governments under the two laws

Functions	2013	2019 Part 2 functions	2019 Part 1 functions
Establishment and management of pre-schools		X	
Burials, cremations		X	
Children's services		X	
Community safety		X	
Arts and recreation		X	
Environmental health and services	X ²⁶	X	
Libraries	X	X	
Drinking water supply	X	X	
Public conveniences	X	X	
Public fairs and ceremonies	X	X	
Sports	X	X	
Parks and landscape development	X	X	
Slaughtering of animals	X	X	
Street lights	X	X	
Sign boards and street advertisement	X	X	
Solid waste and sewerage	X		X
Building control and land use	X		X
Births, deaths, marriages and divorce registration	X		X
Museums and art galleries	X ²⁷		X ²⁸
Open markets	X		X ²⁹
Public parking facilities	X		X ³⁰
City roads and traffic management	X		X ³¹
Public transport	X ³²		X ³³

²⁶ In 2013 this function was restricted to metropolitan and municipal corporations.

²⁷ In 2013 this function was restricted to metropolitan and municipal corporations.

²⁸ Under the 2019 reforms this function has been assigned to urban local governments other than town committees.

²⁹ Under the 2019 reforms this function has been assigned to urban local governments other than town committees.

³⁰ Under the 2019 reforms this function has been assigned to urban local governments other than town committees.

³¹ Under the 2019 reforms this function has been assigned to urban local governments other than town committees.

³² In 2013 this function was restricted to metropolitan and municipal corporations.

Table A.3: Functions assigned to union councils and village *panchayats* and neighborhood councils under the two laws

Functions	Union Councils	Village Panchayats	Neighborhood Councils
Maintenance of common spaces including their sanitation	X	X	X
Planting and preservation of trees	X	X	X
Relief in calamities and emergencies	X	X	X
Promotion of hygiene	X	X	X
Support LG in collection and disposal of domestic waste	X	X	X
Organization of public festivals and fairs	X	X	X
Libraries	X	X	X
Community work via mobilizing voluntary labour	X	X	X
Construction, maintenance and repair of public ways	X	X	
Drinking and domestic water supply	X ³⁵	X	
Burial grounds	X	X	
Lighting of public ways and places	X	X	
Animal and cattle ponds	X	X	
Village sewerage and waste water	X	X	
Public gardens and playgrounds	X	X	
Common grazing grounds	X	X	
Public health		X	X
Population welfare and control		X	X
Measures to ensure universal education		X	X
Poor and sick relief		X	X
Construction, repair and maintenance of neighborhood/village assets		X	X
Regulation of encroachment and trespass		X	X
Preventive health and hygiene		X	
Voluntary registration of cattle sale		X	

³⁵ In PLGA (2013) this function was only assigned to rural union councils.

Development of village industries		X	
Promotion of agriculture		X	
Promotion of dairy farming, poultry and fish farming		X	
Births, deaths, marriages and divorce registration	X		
Sports	X		