

Issues in Decentralized Municipal Service Delivery and Reforms to Improve Services – Case Study from NWFP, Pakistan

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Background

Provision of water and sanitation remained a provincial/state level subject since creation of Pakistan in 1947. In all four provinces of Pakistan the provincial office of Public Health Engineering Department (PHED) was responsible for dealing all affairs related to water and sanitation from policy; feasibility; designing; contract supervision to O&M of tube well based water supply schemes and drainage/sewerage schemes.

Defunct PHED was a provincial department hence decision making was centralized. The chain of command from field offices to central office maintained and ensured check and balance both administrative and technical, at one end, but at the same time it also causes extraordinary delays particularly at implementation stages.

Beside PHED Municipal Corporations (MCs) and Development Authorities (DAs) were also providing municipal services particularly in the urban centres of Pakistan. Both MCs and DAs were also working under the provincial administration.

Apart from above mentioned entities there were other organizations, Local Government & Rural Development Department (LG&RDD) etc, provincial and federal vertical projects/programs which were also working on municipal service delivery.

The defunct system in which various agencies i.e. PHED; LG&RDD; MCs, DAs etc were working on municipal services created multiple problems. Lack of coordination, absence of accountability and non-standardised specification were few among many problems.

Introduction of new System

In 1999 the new government in Pakistan announced a seven point agenda which also featured introducing a new governance system. A think tank, national Reconstruction Bureau (NRB) was established to evolve an effective, accountable, grass root based system to improve social services sectors. All four provincial governments promulgated Provincial Local Government Ordinance (PLGO) in their respective provinces on 14th August 2001. The basic elements of LGO are:

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- Devolution of Political Power
- Decentralization of Executive Authority
- De-concentration of management functions
- Distribution of financial Resources
- Diffusion of power authority Nexus

Governance reforms through LGO sought:

- Political devolution*, through the establishment of elected local governments;
- Fiscal decentralisation*, through the transfer of funds to local governments;
- Administrative decentralization* to correspond with the new devolved political and fiscal arrangements.

Tiers of new Governance System

Under the new system over 6000 Local Governments (LGs) were established at three levels

Union Administration: Entire population of the union council elects the eleven members (councillors) and *Nazim* and *Naib Nazim* of the Union Council. Union *Nazim* becomes member of *Zila* (District) Council and *Naib Union Nazim* becomes member of *Tehsil* Council.

Functions:

- Undertake local development projects; prepare Annual Development Plans-recommend to TMA and District.
- Monitor citizens' rights, security and services
- Work with village/neighbourhood councils and Citizen Community Boards
- Tax assessment and collection.
- Conciliation of civil, criminal, family disputes

Tehsil Municipal Administration (TMA): Comprises of elected representatives (Tehsil Councillors) and government functionaries (administration). The *Tehsil* council comprises of all Union *Naib Nazims* of respective *Tehsil* and reserved seats member and elected *Tehsil Nazim* and *Tehsil Naib Nazim*. The administration comprises of government functionaries working under the *Tehsil Nazim*.

Functions:

- Provide all municipal services including spatial planning – villages and urban areas.

District Government (GD): Comprises of elected representatives (District Councillors) and government functionaries (administration). The district council comprises of all Union *Nazims* of respective district and reserved seats member and elected district *Nazim* and district *Naib Nazim*. The administration comprises of government functionaries working under the District *Nazim*.

Functions:

- To over see and execute macro level functions particularly in health, education, agriculture, roads and buildings etc
- To coordinate planning and development in district vis-à-vis at Union, TMA and district level

Among these three tiers TMA was a new tier which was established as body corporate to

- conceive
- plan
- design
- implement and
- manage

all municipal services that include water, sanitation (drainage, sewerage, solid waste) street lights, parks and slaughter houses etc.

The creation of *tehsil* in rural and urban areas was anticipated to benefit the poor in several respects, financial gains were envisaged from realizing economies of scale; efficiency was to be improved through embedding capacity and decision making powers in these new local institutions, and equity enhanced across rural and urban areas.

It was envisaged, in LGO, that all the staff of defunct municipal service provider entities (PHED, LG&RDD, MCs, DAs etc) would be merged into a single entity i.e. TMA in their respective area. It was also envisaged that with the abolition of all other municipal services provider entities the coordination and duplication issue would be resolved. The abolition of defunct centralized entities would have also brought the decision making power to grass root level.

Issues faced by TMAs

Although the provincial governments promulgated the LGO and established TMAs but unfortunately the Dejure and Defecto situation is quiet different due to various administrative, technical, political and financial reasons. Unfortunately but quiet naturally the system is facing the teething problems like any new reform system but expectations are that with the passage of time these will be eased out. Incomplete devolution, capacity and skill of TMA staff, lack of rules of business; bye-laws and procedures, lack of operational funds and disabling provincial framework are some of the major issues confronted by TMAs.

Incomplete devolution is major stumbling block in operationalization of effective TMAs as envisaged in the LGO. The devolution process is not yet complete with nearly all TMAs only delivering water and Sanitation in urban areas only and not in the entire jurisdiction. Only the structures of local Government Ordinance (LGO) 2001 and some fiscal innovations have been established. However, many of the systems (planning, Institutional options for delivery, monitoring and oversight and inspection and intervention) are still lacking. In none of the TMA all the sanctioned staffs against sanctioned post is posted by the provincial government. Non –existence of some of the key staff is hampering the over all efficiency and quality of services provided by the TMA. Existence of other service providers, in parallel to TMA, under the auspices of provincial government is brining back the duplication issue and inefficient use of public funds.

Capacity and Skill of Staff of TMA is a central constraint to improved planning and service delivery. Problems in this regard are caused by two main issues: drawing TMA staff from the surplus pool, the system in which surplus staffs from different department are waiting for

there turn to absorb in other department and some time non-technical are adjusted against the technical post. The dilemma in case of TMA are in the initial days, the ban on new recruitment which bar them to recruit the technical hand people for the post of TO Planning has resulted in limited innovation and no institutional home for planning. The hierarchy of the civil service in terms of control over posting and transfer, incentives, career paths, and skills are generally higher in the provincial than in local government. The biggest capacity issue arise because on non-devolution defunct PHED staff to TMA. Before LGO PHED was the only recognized organ with enormous human resource in all fields of municipal service delivery particularly of Water and Sanitation. It was envisaged that the experienced technical staff from PHED will be devolved to TMA to plug the capacity gap of the new tier. Unfortunately it hadn't happened and still PHED is operational in various forms that not only causes duplication of services and wasteful utilization of resources but also has become main cause of under-capacitated TMAs.

Weak capacity of local governments and the overlapping mandates of sector institutions – as a result of incomplete devolution- threaten to undermine the devolution process.

New **System and Procedures** were warranted for the new system. Since the LGO concentrated political, administrative and fiscal powers at a local level which were earlier exercised at various level and were centralized so new system required new rules of business, new bye-laws, new budget codes, new audit and accounting procedures and new M&E system. Model bye-laws were prepared by the provincial government but the TMAs were to come up with their own rules of business and other operational procedures in conformity with new system. In some cases the provincial and federal government were suppose to take lead in developing new systems, like new budget code, and than train the TMA staff in operationalising and institutionalizing these. In most cases both the provincial and federal government took its time to fulfill its responsibility. The procedure adopted to capacitate the TMA staff on new systems and procedures also lack institutional arrangements. In most cases one to two days capacity building workshops/seminars were arranged for the TMA staff. No functional arrangements were made for technical backstopping, hand holding and on job training of TMA staff on new system.

The **disabling provincial framework** is also quoted as hampering factor. Capacity constraints experienced by LGs can be primarily attributed to the disabling policy, fiscal and regulatory frameworks at the Provincial level. For instance, the weak capacity of the TMAs is not attributable to a lack of capacity in the sector as PHED has experienced staff but experienced staff of the sector is accountable to the wrong tier of government. While the functions, as per LGO, are assigned to TMA but the PHED is executing these functions operating from district tier. The differences of de jure and de facto situation merits alignment in sector capacity (funds & functionaries) with the assignment of functions under LGO 2001.

In a similar manner, unsupportive Provincial government frameworks restrict the autonomy of TMA in setting tariffs, passing bye-laws and establish their own corporate HR policies. This suggests that strengthening municipal service delivery is as much about addressing the disabling Provincial incentives, as it is about training alone the TMA staff to undertake their new roles.

What is to be done by whom to have a performing system?

Following are some of the actions/recommendations need to be undertaken by relevant stakeholders to ensure improvement is municipal service delivery system.

TMA Level

- Gathering baseline information on the status of present infrastructure and demand for municipal services.
- Developing procedure, bylaws and standard operating procedure for services provision and quality assessment.
- Establishment of linkages with different actors working in the sector.
- Monitoring mechanism need to revive in coordination with elected representative and public functionaries.

Provincial Level

- To clarify the functional ambiguities in the implementation of LGO 2001
 1. Licensing / regulation / monitoring
 2. District & Tehsil levels
 3. Regulatory functions (EPA, Health Dep't, WRM)
- Establishing a clear and transparent financial flows to LGs
- Institutionalization of capacity development mechanisms and processes for TMAs
- Coordinating interventions to avoid duplications of interventions
- Clarification & publishing the functional assignment to TMAs
- Revise legislation & rules of business based on TMA learning
- Establishing conflict resolution mechanisms (UC/Tehsil/District)
- Establishing evaluation Mechanisms
- Development and testing of different manuals/guidelines for use TMA staff.

Federal Level

- Cleaning-up of ambiguities in LGO 2001
- Development of manuals / guidelines
- Identification and sharing of best practices
- Incentives for Provincial reforms
- Development of National Policies:
 1. Water
 2. Sanitation
 3. Water Quality

Support to Reform

Right from the day one major multi and bilateral donors like Asian Development Bank; World Bank; UN; Dfid; USAID; JICA and others have been supporting government, federal and provincial, to strengthen the reform based governance system. Various new projects and programs were designed to provide financial and technical support to LGs and to strengthen the new system.

Some of the projects are programs are covering all four provinces. This paper discusses the projects and programs which are being executed in NWFP.

Decentralization Support Program (DSP)

The Decentralization Support Programme is an initiative of the Government of Pakistan, being implemented with the partial funding support of Asian Development Bank, to carry forward reforms in the areas of decentralization, fiscal restructuring and local governance. It is an innovative, demand-driven and output oriented program, serving a range of clients at all level of governments. DSP's objective is improved local government representation; accountability and efficiency, resulting in improved service delivery. This is US\$ 300 M project of which US\$ 23 M – TA 1- are earmarked for “Local Government Performances Enhancement”.

DSP was designed to achieve the following objectives:

1. Sufficient and effective Federal support for decentralization and related reforms, including gender and social development
2. Effective and sustainable provincial-local intergovernmental relations
3. Local government institutions managing resources accountably and equitably, contributing to efficient and equitable delivery of services by public and private sector agencies according to clearly established norms of public participation, access to information and accountability.

DSP seeks to achieve these objectives by addressing some of the main problem areas in implementation - lack of operational funds, lack of capacity, and lack of systems - in the following ways:

- Improving the effectiveness of local government institutions
- Ensuring they get regular and predictable funds
- Making accounting a transparent process
- Putting necessary systems in place and training people in their use
- Promoting monitoring of service delivery
- Promoting participation of relevant stakeholders in decision processes
- Installing systems for access to information and citizen accountability

DSP is primarily working on the following themes:

- Audit
- Accounts
- Communication, Strategic Monitoring and Social Audit process
- Province training, capacity building and mentoring arrangements
- Local government regulation and inter-governmental relations
- Intergovernmental fiscal transfers and local revenue generation
- Performance Budgeting and Service Delivery - operational funds
- Public access, information and internal audit/quality assurance systems
- Improving the effectiveness of local government institutions

In NWFP DSP has trained the relevant staff of DG and TMAs budget preparation based on new budget codes. Beside that various orientation sessions were organized for the newly elected representatives of the Districts and Tehsils.

The Provincial LGE&RDD of NWFP is overseeing three major projects, funded by Asian Development Bank (ADB), World Bank (WB) and Department for International Development (DfID) which are being executed by the TMAs in respective districts.

Community Infrastructure Project CIP-II

This five year program started by the Provincial LGE&RDD and with the financial assistance of World Bank in July 2004. The total cost of the project is US\$ 53.13 M. The basic underlying objective of the project is to strengthen the LG system and enhance the capacity of the TMAs to effectively utilize the development funds in participatory manners. The specific objectives of the project are:

1. Supporting investments in community development activities and basic small scale social and productive infrastructure, utilizing proven and effective participatory approaches.
2. Strengthening the role and capabilities of the new devolved local governments to extend institutional, financial and technical support to Citizen Community boards (CCBs).
3. Mobilizing and empowering the Citizen Community Boards (CCBs), to increase their participation in development activities.

The project is very much community driven and designed on participatory approaches in line with the LGO. All the three tiers i.e. District Government, TMA and Union Administration and legally bound to set aside 25% of their development fund, which they receive from provincial government, for CCBs. CCB is a voluntary registered group of citizens who can participate in the welfare and development projects by contributing 20% of the project cost while the rest comes from the LGs development fund – earmarked for CCBs.

The fund earmarked for CCBs can not be utilized for any other non-CCB project. These funds are non-lapsable. Due to various reasons CCBs could not be established and consequently a huge amount kept on piling and lied unspent. Lack of capacity of LG tiers – to steer the process of establishing the CCBs - was one of the major for non- utilization of this fund. CIP-II is enhancing the capacity of TMAs to establish CCBs in their areas and capacitating the CCB in identification of need based projects, preparing cost estimates, collection of community contribution and training the CCB members in O&M of the completed projects.

The project has established regional offices and has given additional staff to each TMA to work on project and non project CCB related issues.

An effort is made to institutionalize the whole process so when the project concludes TMAs must have developed the capacity to continue undertaking all the functions, presently performed with the assistance of the project staff, on its own and without any external support.

NWFP Urban Development Project (NUDP)

NUDP is another LGE&RDD project executed with the financial assistance of Asian Development bank (ADB). The total cost of this five year project is US\$ 20.86 Million. The project is executed by the TMAs located in urban centers of the province. The main objectives of the project are:

- Strengthening of Local Government Institutes
- Intervention in urban services through improved infrastructure
- Improved management and resource mobilization

The project is heavily focused on financial and management reforms in the TMAs apart from undertaking infrastructure interventions in the TMAs.

The project demand some up front actions by TMAs to become eligible for receiving funds as NUDP partner TMA beside selection criterions of TMAs. These up front actions are:

- Increase in overall revenue (own source) through Financial Management Plans
- Increase of water tariff through tehsil council
- Increase in tariff collection by adopting computerized billing system

The projects has various components to build the “Financial management Capacity” of TMAs by undertaking various interventions. The project, for each partner TMA will prepare

- Financial and management plan
- Management Information System

Finance & Planning are equally amongst the weakest areas of each TMA as either the staff responsible for finance and planning is non-relevant, does not exist or has very limited knowledge of these important sectors. The project is helping each partner TMA to develop its financial plan focusing on the present and future financial information – expenditures & income/revenue – and helping in developing rolling plans.

Another weak area of TMAs is lack of information about financial, technical, HR and asset data. Very few TMAs have complete picture of their functional and non functional assets. The project is also working with its partner TMAs to develop system to track and keep record of all their assets, investments and activities.

The management plan, prepared by TMAs with the assistance of projects focuses on improvements in revenue collection, monitoring of schemes and contracts.

The project is also building the capacity of TMA staff in development and implementation of computerized accounting system. Project has also designed system for TMAs to generate computerized water and sanitation bills and have built the capacity of partner TMAs in management of this system.

“Urban Immovable Property tax” is one of the major sources of revenue of each TMA. Most TMAs are unaware of their potential income from UIPT. Since UIPT is collected by the provincial government and transferred to TMAs – after deduction of collection charges - so they are least bothered about tax base and improvement in the tax base.

The project is trying to establish a working relation between district based Excise and Taxation officer (ETO) and TMA to ensure that all new property in urban areas come under the tax net that is collected by ETO and transferred to TMA.

On infrastructure side project is working to rehabilitate and construct following

- Water supply schemes
- Drainage and Sewerage

- Solid Waste Management
- Roads & Buildings

Rural Water and Sanitation Project (RWSSP)

Department for International Development (DfID) is supporting the LGE&RDD and TMAs in execution of this project. RWSSP was launched in July 2005, and is expected to complete 2109 schemes by June 2006.

The project has a number of innovative features such as:

- Support to and development of appropriate institutional relations between different tiers of Government (Provincial , district, and tehsil/town)
- Integrate WatSan, with hygiene promotion as an essential component
- Institutional capacity building of the TMAs and GoNWFP, LGE&RDD
- Facilitating the TMAs in providing integrated WatSan services to one million poorer people of NWFP by installing some 5500 schemes
- Increase community contribution in the capital cost of schemes (from 20% in the beginning to 30% towards the end of the project) and full O&M responsibility
- Women mandatory role in decision-making
- Poverty focused resource allocation
- An effective data collection and management information system (MIS)
- A comprehensive monitoring at all level, including the community level
- Coordination with all capacity building projects in NWFP

Water and Sanitation Program-South Asia (WSP-SA) is undertaking an exercise to study the existing provincial framework and its implications of TMAs performance.

Phase I of the study has revealed the following findings

- Unclear functional assignment
(*de jure* water & sanitation is assigned to TMA, *de facto* it is split between the district and tehsil)
- Regulatory function is not clearly defined
- Financing is not yet based on functional assignment of responsibility
- Financing patterns continue to focus on asset creation and NOT on operation & maintenance
- Policies and legal framework are ambiguous
- Systems and procedures supporting legal framework are not yet 'in place'
- Customer orientation is almost missing
- Political accountability is missing while political interference is high

In Phase-II qualitative and quantitative information is being gathered from selected TMAs to support the above arguments. The final report will be presented to provincial government and supported to take actions to bringing improvements and clarity in the system.

Outcome of Reform Projects

As said earlier LG system in NWFP and Pakistan is in nascent stage and facing all possible problems. The commitment of the top policy makers, and allied institutions, of the country and support of external support agencies will make this system a “workable” and “performing system”.

The NWFP government with the support of above mentioned projects/activities is on the path of reaching to a state where roles & responsibilities of each tier are cleared, systems and procedures are established, policy and strategies are in place, capacity issues of TMA are addressed and institutional arrangements are made for performance evaluation, monitoring & evaluations and release of performance grants/awards. Some of the major outcomes – on completion - of the above interventions are described below.

- Provincial Sanitation Strategy on the principles described in recently drafted National Sanitation Policy. Work on provincial water strategy start soon. These strategies will set the course of action for TMA and will give them broader framework under which they, TMA, can prepare their action/work plans.
- The TMA and provincial government will have relevant system, rules, procedures and by laws to effectively implement the relevant clauses of LGO.
- Provincial government will address the duplication of interventions at TMA level by effectively coordinating stakeholders and will eventually come up with a “Provincial Sector Vision”.
- The TMAs will have workable financial and management plans to control their expenditures and increase their revenues.
- Cleared Institutional arrangements for sector “functions”, “funds” and “functionaries” would be placed to have a workable, performing and clear mechanism of service delivery.
- Institutional arrangements would be made to address the TMA Capacity issue.
- Creation of demand based, sustainable and performing infrastructure to deliver water and sanitation services.

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