

# **Two Cases of Deflected Decentralization: Pakistan and Nepal**

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*This study examines the decentralization strategies of Pakistan and Nepal which undertook decentralization reforms during the same period. Decentralization in these two countries was initiated in response to overcentralization. However, the effects of decentralization have been limited by some peculiarities in the political, economic, social, and security situation of Pakistan and Nepal. This study takes a comparative look at the differences between the two countries and how such have contributed to the slow pace of decentralization. These differences include contrasts in their democratization history, system of government, political stability and insurgency.*

## **Introduction**

### *Geographic Location*

Both Pakistan and Nepal form part of the great South Asian sub-continent. Both share difficult borders with India and China. However, Pakistan also has problematic borders with Afghanistan and Iran.

Urban organized human culture has existed in the area of Pakistan for almost 10,000 years. The water flowing through the Indus River has been the major resource for economic activities and remains a major international and intrastate source of tension today. Evidence of highly organized habitation in Nepal dates to only 1,000 years ago.

### *Population*

Pakistan is an Islamic republic, but around eight percent of the population is non-Muslim. Nepal is the only Hindu Kingdom in the world

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today; however, there are substantial numbers of adherents of other religions living there as well. The people of Nepal originate from a number of different ethnic stocks from India, Tibet, and Central Asia.

The 1998 census counted the population of Pakistan at about 131 million. In 2001, the Government estimated the population at 142 million, with an estimated annual growth rate of 2.2 percent (an increase of 3.16 million persons per annum), and an estimated doubling time of 32 years. In addition, the total fertility rate at 5.4 percent is still one of the highest in Asia. The population is projected to be 200 million by 2021.

While Nepal's population (about 25 million) is only a fraction of Pakistan's, its useable land area is far less, leading to significantly higher population densities and concomitant resource destruction. The population is growing at almost three percent per year. Although only ten percent of the citizens are urban dwellers, the capital, Kathmandu, is a densely crowded and heavily polluted city.

The demographic issues facing both Pakistan and Nepal have major implications for national and subnational development. This is compounded by a steadily falling economic growth rate. The rapidly increasing population swallows up any small economic gains achieved. The population composition is heavily weighted towards younger and unproductive ages. This will continue to put pressure on labor markets and contribute to higher unemployment rates, if jobs are not available for new entrants in the labor market. In Pakistan, currently, 40 percent of all new entrants into the labor market fail to find work. This amounts to almost 500,000 additional unemployed each year.

Poverty in both countries is widespread. Recent estimates indicate that at least 49 percent of the Nepalese population live in abject poverty and are not benefiting from any prevailing development activity. Pakistan's poverty rate has climbed steeply from 18 percent in 1988 to over 33 percent in 2000. Designated by the United Nations (UN) as being one of the nine least developed countries of the world, with a per capita Gross Domestic Product (GDP) of US\$200, Nepal relies on foreign assistance for 70 percent of its national budget.

### *Political Divisions*

Pakistan's political divisions are complex. Part of the complexity stems from the consequences of colonial rule and partly from the ethnic makeup of the country. Pakistan was formed at the end of the British rule by carving out a separate state comprised of peripheral areas in India that were predominately Muslim. Both Pakistan and India were created as federal

states, with provinces being the subnational unit in Pakistan. However, the strong central government has always dominated over provincial considerations. This unequal relationship deteriorated to such an extent, with respect to the province of East Pakistan, that this region separated from Pakistan to become the independent state of Bangladesh following a civil war in 1971.

Pakistan is currently divided into four provinces and federally administered areas known as the Capital Territory, Tribal Areas, Northern Areas, and Azad Jammu Kashmir (Muslim districts that broke from Indian-held Kashmir at the time of partition). The provinces essentially represent the four major cultures of Pakistan: Punjabi, Pushtoon, Baloch, and Sindhi. The provinces of Pakistan are currently divided into 97 districts. The districts are further divided into 286 tehsils and 4,600 unions.

Nepal's divisions are simpler than those of Pakistan. The country is a unitary state divided into 75 subnational political units called Districts. The districts are divided into about 4,000 Villages. While District boundaries have remained fixed since the early 1960s, village administration boundaries have changed frequently. Highly urbanized areas have been designated as municipalities and are administered separately from the districts. The country is also divided into five regions from east to west, strictly for central planning purposes.

In addition, development planning usually recognizes three ecological regions of Nepal from south to north: flatlands (terai), mid-hills, and high mountains. The hill population lives mostly in scattered settlements on steep hills surrounded by terraced farmland and forests, connected by footpaths and suspension bridges. Those on the plains live in densely settled villages surrounded by either rice fields or industrial complexes, connected by roads and cart tracks. The mountainous terrain has severely hindered the development of infrastructure that could effectively link the hills with the plains. The road network has been improved significantly during the past decade, but many villages and at least 15 district capitals cannot be reached by motorcar. All these factors have a strong influence on the type and quality of viable local governance.

### **Status of Experience with Decentralization**

#### *Pakistan*

The military regime in Pakistan initiated a radical devolution policy in August 2001. This policy, as designed, has the potential to initiate a fundamental shift of power relations both between the state and the

individual as well as between the elite class and the majority of the population. However, the current situation in Pakistan regarding its devolution policy represents a unique, and unfortunate, mix of highly unstable external relations with its major neighbors, wavering national political will to follow through on reform (exacerbated by the fact that the military regime will leave in October), strong bureaucratic opposition to any lessening of their power, a total lack of tradition for participatory local governance and apparent apathy on the part of the general public. The assessment below attempts to identify the important elements of this institutional environment that are relevant for determining the potential for success of the Pakistan Devolution Policy.

At the time of the preparation of this article, Pakistan's international position remained an unsteady one. The Indian and Pakistani armies were still eyeing each other across their border. Pakistani troops have recently been killed in an encounter with al-Qaeda forces in the tribal areas on the Afghan border. Numerous development missions and embassies have been depleted of international staff following the terrorist attacks in Pakistan and the lingering possibility of war with India. The President, himself, has been attacked at least once in recent months.

Conversely, the military regime, although beleaguered on many fronts, is steadily pressing ahead with its political, administrative, and economic reform agenda, including a serious effort at devolution. The President recently decreed that a return to democracy would be heralded by parliamentary elections scheduled for 10 October 2002. Recent efforts of the current military regime would also appear, on the surface at least, to support the contention that the state has now rejected the principle that Pakistani society should be ruled through fundamentalist theocratic principles. The regime recognized that a reversal of the social paradigms that dominated the past two decades was necessary if Pakistan was to survive as a viable state and society.

*Pakistan's Inherent Political Instability.* Political instability throughout the history of its independent existence has led to a total lack of policy continuity. The citizenry's inability to articulate demands through the political process has been almost constant throughout the nation's history. However, even when policies have been introduced by political governments, they have invariably been overturned or undermined by successive democratic or dictatorial regimes.

In the last 15 years there have been frequent changes in government. Eleven governments in all have been at the helm of affairs since 1979. General Zia's regime (1978-1988) was the longest lasting and the most effective in creating a stable policy environment. Unfortunately for the

nation and many future generations yet to come, it is precisely the bigoted, coercive social paradigms that underpinned those policies that lie at the root of many of the institutional problems faced by Pakistanis today.

It is not by accident that the military has been able to dominate political life in the country since the 1950s. The wounds caused by the abrupt bifurcation of British India into the new states of India and Pakistan have never healed. As a result, the two countries have fought three major wars (1948, 1965, and 1971). The presence of a contested border with a neighbor over five times in size has led to a massive amount of each annual budget being spent on military appropriations. This expenditure, while also building the country's ability to present a strong defense, has created the military as the strongest and most stable institution in Pakistan's governance framework while starving any attempts at equitable social development for the masses.

The civil service has been badly affected by the politically shifting tides of the last three decades. Beginning at least in 1973, when Zulfikar Bhutto abolished the elite ranks of the civil service and created the opportunity for 'lateral entry' (a euphemism for nepotism and patronage), the bureaucracy, as an institution, has been an adversary of political governments. This institutional antipathy towards political leaders coupled with a lack of tangible performance evaluation for civil servants has stymied any attempt at increasing administrative efficiency.

One of the most telling manifestations of the crisis of governance in Pakistan is the plummeting of both domestic and foreign investment in Pakistan over the past decade. This manifestation has far reaching effects in a causal relationship with poverty reduction and human capacity development. Most of the public sector organizations like those concerned with delivery of health, education, and water supply have seen significant slippage in their targets. This administrative malaise was one of the critical push factors for reinstituting a system of decentralized governance.

### *Nepal*

Decentralization in Nepal was introduced as one of the first major pieces of legislation of the newly elected democratic Parliament in 1991. The first elections for village and district governments were conducted in May 1992. Local governments were reelected in 1997, and a revised and strengthened Local Self-Government Act was promulgated in 1999.

Unfortunately, the central government of Nepal is in a precarious position. A civil rebellion has been building in the countryside over the past ten years. It has come to the point now where the rebels have the ability to attack and destroy police and military outposts and bombs have been exploded

in the capital city. Compounding this mostly rural instability, the royal family of Nepal was annihilated last year by the Crown Prince. This unprecedented occurrence has further weakened a democracy that has seen more than ten Prime Ministers since its introduction following a popular uprising in 1990. At the time of this writing, the local governments have been disbanded and replaced by an interim administrative setup.

### **Historical Influence on Decentralization Policy Framework**

Is there any tradition of participatory local governance in either state? One of the critical factors influencing the success or failure of a decentralization policy is whether there is any prevailing social paradigm that supports the notions of self-governance, autonomy, or subsidiarity. The following notes point to the difficulties of identifying evidence of these principles in the state histories of either Pakistan or Nepal. However, the importance of self-governing practices among the communities of Nepal will be highlighted.

#### *Pakistan's Governance History*

There are a number of ways of assessing local governance traditions, but it can be said unambiguously that there is no broadbased participatory local governance tradition in Pakistan. There is a tradition of rule from the center with occasional, brief periods of elected councils, which, until recently, never represented the concerns of the women of their communities. Until 14 August 2001, at no time in Pakistan's history had local elected representatives held power over the deconcentrated government functionaries located in their areas. Additionally, only in the 1970s and 1990s have democratic institutions existed for any length of time at the national or provincial level.

*Moghul Period.* Local communities governed themselves under the Moghul regime through various leadership structures called Panchayats, jirgas, and others. In rural areas of Punjab, these panchayats were responsible for assessing and collecting the Emperor's share of the harvest and turning this over to the revenue functionaries. They also discharged judicial functions by resolving village feuds, arranging village festivals and imposing a code of conduct on the local society. It is important to note that women were rarely, if ever, members of these community leadership structures.

*The British Raj.* After the fall of the Moghuls these self-government institutions almost disappeared from towns and greatly decayed in villages. The British Colonial rule emphasized the role of the administrator to manage

revenue collections and adjudicate disputes. The Colonial Government of India Resolution (or the Panchayat Act) of 1870 served as the basis for the formal recreation of local committees. These were appointed by the colonial government, not elected. However, these committees were far different from the panchayats as they were responsible for very large areas, not small communities. Union committees were assigned to oversee the construction of roads, bridges, drains, and dispensaries, but local bureaucrats worked to stifle any attempt at local self-government.

In 1892, a form of indirect democracy was introduced into local government traditions. Members of the Union Councils were given the right to elect some members of the provincial legislatures, who, in turn, elected a limited number of central legislative members. (This pattern was repeated in the 1960s under General Ayub.) Despite these innovations, the Indian Statutory Commission of 1929 observed that "no real attempt was made to inaugurate a system amenable to the will of local inhabitants."

The colonial structure required an executive system of district administration independent of political institutions. The district officer was head of police, magistracy and revenue administration and coordinated all other services functioning in the district. The taxes approved by the local body were to be collected and released by him, and he was the Chief Executive of the local body. All checks were signed by him. The district officer took over all functions of the local body if the political members were suspended, which happened often.

*Independence.* Following the dissolution of British India into the separate nation-states of India and Pakistan, the tradition of local government deteriorated. While both countries adopted a federal constitutional structure, each maintained the strong local executive command functions firmly in the hands of the national bureaucracy. There were no elected local bodies in Pakistan during the 1950s.

*General Ayub.* In 1959, General Ayub Khan took control of Pakistan and introduced a form of popular sovereignty through his system of 'Basic Democracies.' These started with elected union councils. Around 120,000 'Basic Democrats' were elected to serve in multitiered local government institutions. The members selected their own head and he automatically became a member of the Tehsil council. This continued through the district and divisional councils and the provincial and national assemblies. Separate legislation, the Municipal Administration Ordinance of 1960, set up the urban councils. (The current policy promotes a reversal of this rural/urban divide.)

President Ayub was forced to resign in 1969 following a series of street riots. His successor, General Yahya Khan called for the first adult franchise

national election in 1970. However, the Awami League of East Pakistan won an absolute majority in Parliament. Zulfikar Ali Bhutto's Pakistan People's Party ran on a platform of socioeconomic wealth redistribution. Bhutto attempted to have the election results overturned, to retain national leadership in West Pakistan. The result was civil war and the dissolution of the original Pakistani state.

Bhutto did nothing to rebuild Ayub's local councils during his tenure. He struggled with myriad other issues, especially opposition from the religious right. The next election in 1977 was clearly rigged and the military, under General Zia ul-Haq, overthrew Bhutto on that pretext. Mr. Bhutto was later hanged (for involvement in a political murder) and political parties were banned for over a decade.

*General Zia and His Aftermath.* General Zia opted for local non-party elections, which were first held in September 1979 and again in 1983. The system instituted under the Local Governance Ordinance of 1979 was similar to Ayub's. Under this system, some tasks of development administration (along with increased financial powers) were transferred from the district administrator to the local councils. However, the law contained many provisions for continuing government controls over the decisions and actions of local bodies.

From 1993 until 2001, the local councils were run strictly by the District administrators. In 1998, elections were held in parts of the country, but the local councils never assumed actual power. Overturning this historic power imbalance is perhaps the fundamental institutional paradigm shift in the current devolution policy.

### *Nepal's Historical Context*

Throughout most of their history, the people of Nepal were subjected to a long series of different autocratic regimes based in Kathmandu. Over 200 years ago, a minor hill prince created the Kingdom by conquering and amalgamating numerous nominally independent mountain principalities scattered across the face of the Himalayas. The primary purpose of governance in the Kingdom seems always to have been the acquisition of personal wealth by the rulers.

The Kingdom developed into what is now a geographically and ethnically complex entity, composed of myriad landscapes and cultures. In 1816, Nepal battled with the British in India and lost extensive territory in the eastern and western hills and in the southern plains. However, after Nepal sent troops to save the British during the First Indian War of Independence in 1857, the Kingdom's continued independence was assured.



In 1846, the King became a virtual figurehead and the country was ruled by a succession of hereditary Prime Ministers of the Rana clan who used the Kingdom's wealth for personal gain. The Kingdom remained almost totally isolated from the outside world until 1951 when King Tribhuvan and democratic forces overthrew the totalitarian Rana regime.

Ever since that original democratic revolution, politicians have openly debated decentralization strategies as one means to overcome the overwhelming geographic constraints to Nepal's development. Until 1990, however, political opposition to decentralization remained strong at the center, thwarting all attempts at serious devolution of state authority. A recent review (Gurung 2002) does point to some early attempts at decentralization such as a 1919 regulation providing the administrators of the Kathmandu Municipality with the authority to look after petty judicial cases and town sanitation. However, all such institutions existed as appendages of the central state.

A politically unstable period following the 1951 revolution culminated in democratic elections for Parliament in 1958. In 1960, King Mahendra, sensing increasing instability in the country, dissolved the multiparty parliament and suspended the democratic constitution. This marked the return of authoritarian rule for the following thirty years under the so-called Panchayat regime.

It was during the Panchayat period that the current structure of 75 districts was created. Leadership selection in the districts was tightly controlled by the center. Between the central government and the districts the country was divided into 14 quasi-political Zones. Over 3,000 Villages units were organized arbitrarily on a population basis. Although a decentralization plan was conceived and pilots were initiated to assess the potential for local revenue collection, no real authority was devolved. In fact, the local land revenue experiment was halted precisely because the center realized that this had the potential to reduce their total control over the periphery (Quentin 1991).

During the next thirty years significant advances were made in turning Nepal into a modern state as international donors channeled an ever-increasing amount of development aid into the Kingdom. Several national plans were used to introduce various approaches to decentralization, but all failed to win support from the central ministries. Most of the benefits of this externally financed development still accrued to the rulers and the urban elite. Traditionally all development projects were chosen, designed and implemented according to the top down dictates of the Panchayat system in which decisionmaking was highly centralized and there was limited governmental accountability. Among the many reasons given for the failure

of these projects to achieve lasting impact were lack of attention to local needs, an insufficient understanding of traditional resource management practices, limited efforts to engage local beneficiaries in the development process and misguided attempts by the center (aided by donors) to impose centrally determined output targets on the rural populace.

This review of state institutional development in Nepal gives a completely false impression regarding the propensity of Nepali communities for self-governance. The combination of the isolated nature of rural settlements in Nepal and the lack of concern for citizen welfare from the successive regimes led to the creation of a wide array of local self-governing institutions, particularly those designed to manage communal resources such as water and forests. Unfortunately for the Nepali communities, international development agencies failed to understand the complex nature of these institutions and often helped the central bureaucracies to completely overpower them in their attempts at 'rational development.' Numerous studies<sup>1</sup> have documented the superior economic outcomes of self-organized resource management regimes in Nepal over state managed systems.

In the late 1980s, a major global power shift had a significant impact on governance in Nepal. In April 1990, after two months of riots, strikes, and demonstrations, the King was forced to become a constitutional monarch. Immediately, plans were laid to create an open, democratic society. An Interim Government prepared a constitution in November 1990 that established the main responsibility of the state as that of maximizing the participation of the people in the governance of the Kingdom through the decentralization of central authority. Decentralization is therefore officially mandated, although not rigorously defined, by Nepal's present constitution.

Democratic, multiparty elections for Parliament were held in May 1991. Within its first year, Parliament passed four bills on local governance. Multiparty elections were held for 45,000 posts in village and municipal councils in May 1992. As a further link in power sharing, the village councilors then indirectly elected 75 District Development Committees (DDC) from among their own peers.

Ever since the 1991 election, democracy in Nepal has proved to be a somewhat fragile institution. In 1994 internal weaknesses in the governing Congress Party led to the dissolution of Parliament and a call for new elections. The inconclusive results of that election led to the united Communists forming a minority government that lasted eight months. Since mid-1995 the country has been ruled by a rapid succession of Prime Ministers from various parties.

Village and district councils were reelected in 1997, but their tenure ended in July 2002 without any formal notification of an election. They were

sent home and an interim bureaucratic arrangement has been put in place, ostensibly until the countryside becomes more stable.

### **Policy Framework**

#### *General Pervez Musharaf's Approach to Governance in Pakistan*

There have been a number of proposals to reform Pakistan's governance systems over the years, including studies by various commissions and attempts to reduce staffing. None of these has been successful. Most have never been completed. In 1998, a combined World Bank, Asian Development Bank, and Department for International Development study found that the governance crisis in Pakistan had become widely systemic throughout all levels of government service. The key points they noted were inappropriate use of political authority, exploitative exercise of control over society, and frequent mismanagement of resources for social and economic development. The report identified four main obstacles to good governance in Pakistan:

- Perverse incentives that reward self-seeking, inefficient, dishonest or exploitative behavior that is not conducive to the common good;
- Increasingly unmanageable inequality that is reflected in and perpetuated in the social structure and skewed land ownership;
- Lack of full freedom of information and lack of a vigorous non-profit sector that is able to influence political and bureaucratic decisions in a participatory manner;
- A lack of social cohesion that has caused a severe gap between the visions of the modernizing elements of Pakistan civil society and the more traditional rural elements.

Against this overwhelmingly negative backdrop, the Government of Pakistan is attempting a radical restructuring of its basic political and administrative structures and devolution of power from the center to the periphery. Most observers inside and outside of Pakistan argue that there is no alternative.

The current devolution experiment has perhaps the greatest potential for introducing systemic change into Pakistan's governance framework. Numerous innovations have been included in this one policy: (1) removal of the district administration system, one of the last holdouts of the colonial order; (2) placing locally elected leaders in charge of outposted bureaucrats; (3) providing local councils with the right to obtain information on

departmental operations and to sanction non-performance; (4) allowing properly registered citizen groups to gain direct access to a proportion of the local councils' development budgets; and (5) creating a 'municipal' entity responsible for maintenance and development of basic municipal services such as water, sanitation, streets, lighting, parks, and business regulation.

However, at the time of the preparation of this study, the process of devolution was yet incomplete. Political and administrative foundations for local councils have been created, but fiscal decentralization has yet to fully take place. Retention of most of the civil servants in the local governments in federal and provincial cadres has also weakened the administrative decentralization process. The experiment is less than one-year-old; if it survives the reintroduction of political governments at the provincial and national level, there is reason to surmise that further improvements can be made. These might not be automatic and will require deliberate policy priority and action. A nationwide public service quality survey in every district is currently underway to establish a baseline for ascertaining progress over the coming years.

The devolved system is nascent and in need of capacity development. There are chances that either fiscal decentralization may not make headway or recentralization of functions may occur in some sectors. There are indications for both already. Largely, this is due to the efforts of the provincial bureaucracies, attuned to administrative control as the sole option for achieving policy integration. Lack of clear norms and standards, mechanisms and options for intergovernmental relations is underlying cause for this situation.

*Political Will to Carry Out the Reforms.* Political will is the level of commitment a country demonstrates, particularly by, but not exclusively, its national government leaders—to carry out its own policies, in this case, decentralization and the development of participatory local governance. Considering the current situation in Pakistan, political will needs to be subdivided into three component parts: (1) the national (military) leadership, (2) the bureaucracy, and (3) the political parties.

The current military government in Pakistan has shown an exceptional level of political will in developing and initiating its devolution plan. By late 1999, with increasing external pressures on Pakistan's politics and economy, and growing internal political divisions, government policymaking and service delivery were failing. In October 1999, the military leadership acted to end civilian rule. The present government intends to remain in power until October 2002 at which time it expects to return power, in some form, to civilian politicians.

The present government quickly announced a seven point agenda to address the institutional crisis and to advance national "reconstruction." This agenda included: (1) rebuilding national confidence and morale, (2) strengthening the federation while removing interprovincial disharmony, (3) reviving and restoring investor confidence, (4) ensuring law and order and dispensing speedy justice, (5) depoliticizing state institutions, (6) devolving power to the grassroots level, and (7) ensuring across the board accountability.

The underlying objective of the Devolution Policy is to initiate a transformation of Pakistani society. As expressed by the National Reconstruction Bureau (NRB)<sup>2</sup> leadership, while government is to become more people-centered and service oriented, people must also recognize their responsibilities to be meaningfully involved in ensuring that government performs. The NRB has adopted the concept of subsidiarity as its operating principle in carrying out this transformation.

A two-phase devolution reform program developed by NRB has been underway since 31 December 2000. Initially, it was thought this program would come to an end with the reintroduction of elected political governments at federal and provincial levels in October 2002. However, recent statements by the head of the NRB point to an ongoing military involvement in public policy development.

Phase 1 was designed to devolve political, administrative and fiscal power from the provincial to district level, and generate demand for service performance and accountability at the district level. This phase included clarification and assignment of district government functions and personnel, training and the complete restructuring of the civil service structures and political systems for the district.

Phase 2 involves the devolution of functions from the federal to the provincial governments and the implementation of new political and administrative structures at these two levels simultaneous with the refinement of the local government structures and systems. This process has been fraught with complications given the intense resistance from the central bureaucracy. A series of constitutional amendments are currently in the process of being brought out of NRB for public discussion. The purpose of these amendments is ostensibly to further strengthen the role of the President (and thereby the military) in "guiding" the return to democratic rule. An amendment to ensure the continuation of district governments has been mentioned, but, at the time of this writing, had not been brought out.

*The Role of the Bureaucracy.* Taken on their own, the national policy and legislative preparations point favorably to an assessment of strong

political will for devolution in Pakistan. However, the second component of political will to consider is how supportive has the bureaucracy been during both the design and implementation phases of the decentralization policy. In Pakistan the situation is not good. While the military government is maintaining a steady course towards the creation of functional local governments, the federal and provincial bureaucracies are far less supportive. This is not surprising. The bureaucracy of Pakistan has maintained its power and privileges through every change in government, beginning with the shift from colonial rule to independence. The Multi-Donor Support Unit (MSU) that managed the Social Action Program (SAP) for almost ten years identified bureaucratic intransigence as the major hurdle to effective implementation of both SAP II and the Devolution Plan.

MSU issued a series of reports in 2000 that catalog the shortcomings of SAP. Three rounds of observation reviewed site selection, procurement, recruitment, and absentee monitoring systems in all provinces. A selection of the findings of the last three rounds of Third Party Validation (TPV) indicates:

- The presence of absentee monitoring systems in the education sector fell from 41 percent to 23 percent.
- In health, compliance in both recruitment and absentee monitoring systems showed a decline, while procurement did not change. Site selection was rare.
- Absentee monitoring declined in the population sector.
- In the water and sanitation sector, adherence to criteria in procurement by the Public Health Education departments declined while there were some improvements in site selection.

These points indicate that continuation of the centralized bureaucratic approach to social service delivery would not result in improved performance. The decline in absentee monitoring systems, starting from a poor standard, is clear evidence that there are no mechanisms to induce public sector managers to properly supervise their staff. The only choice remaining was to implement a devolution plan that would bring local staff under political accountability.

*The Role of the Political Parties.* Many observers are concerned that these transformative policies have been developed by a military regime without political parties being involved in the process. Local government policies were implemented by previous military governments. However, in each of those cases, the military leaders ostensibly used the local government elections as a means of shoring up support for the military government. In

this case it appears there is a difference. First, the leadership has gone out of its way to allow freedom of expression. This freedom is so pervasive that the government has had to pull back from several of its other policy reforms that were strongly attacked, particularly by the religious right. In the case of devolution, there has been no great uproar from the right. Secondly, it is clear that the political parties were heavily involved in the local election campaigns. They struggled behind the scenes to put up both men and women candidates at the union level to ensure their control of the district.

What is unknown is what will happen once the political parties are again in power at the provincial level after October. While the political parties were seen vying behind the scenes for positions on the Union Councils, there is no historical evidence to support the contention that they will continue to be so interested once provincial assemblies have been restored.

A recently promulgated ordinance requiring open and democratic management of the strongly patriarchal, personality-based, political parties of the country will be a start towards strengthening accountability of the electoral process. Currently, they offer few opportunities for marginalized interest groups to seek redress or articulate interests through the political process. It will be important to observe whether this law is implemented as a means of controlling parties that are not aligned with the current regime or whether it will be implemented across the board. A set of maturing political parties is a requirement if the current reform process is to have any lasting effect.

*The Role of Civil Society.* The new devolution policy was initiated through a series of elections for local councils throughout the four provinces. This process has been analyzed and recognized as being a more open and representative process than typically is the case in Pakistani elections.

Among the characteristics of this process was the participation of marginalized groups, including women. Special seats were set aside to be contested by these groups. The major women's organizations are emphatic that implementation of the devolution policy and plan will provide a qualitative change in Pakistani society that cannot be reversed. They see this cultural shift in Pakistan as caused by the vast numbers of women who will be involved with local development issues. In all, almost 40,000 women now have positions in mainstream politics.<sup>3</sup> By this fact alone, devolution must be seen as a highly innovative and forward looking policy with wide ranging effects on future Pakistani social makeup. As women are more involved in government, their families will be more involved and family issues will get greater emphasis.

However, during the local elections, few people from the general public enthusiastically anticipated the new local governments. People have no

history upon which to base any hope. They were unsure whether local elites would capture the resources. Most were hopeful that a change would be positive, but no one was taking bets. The evidence thus far is that the local system, while confused and constrained, is not performing any worse than the previous provincially managed system.

### *Initiation of Decentralization in Nepal*

The place of decentralization within the context of a reform agenda and resulting structure of local governments in Nepal is somewhat similar to that in Pakistan, but the process of moving to that point could not be more different. As discussed above, decentralization followed quickly on the heels of the popular toppling of the autocratic monarchy, the establishment of a democratic constitution, and the election of Parliament. Decentralization was considered to be a practical tool for solidifying democratic values all the way down to the grassroots. At first there was considerable dissension within the ruling Congress Party as to whether local elections should be party based, but the then Prime Minister, Girija Koirala, decided that it would be best.<sup>4</sup>

A decentralization policy note was prepared and a bill was drafted by a team of Nepali lawyers. Civil society provided substantial support to the idea of elected local governments. The opposition parties, even more than the ruling party, strongly supported the idea as well. The bill was debated briefly in Parliament and passed without major amendments. The resultant Act could be considered to be more of a piece of enabling legislation than a complete local public administration code (like that of the Philippines). The purpose, as seen by the originators, was to provide space for local decisionmaking, to allow local leaders to develop some capabilities, but not to set a complete system in place. In the beginning, the central leadership showed strong political will in following through on promised party based election and in ensuring that the newly elected entities were not undermined by the central bureaucracy.<sup>5</sup>

Nepal's approach to a Decentralization Policy was also far less intricately developed than that of Pakistan. It was initiated as a policy experiment and essentially operated as such for seven years until the Local Self-Government Act of 1999 was passed. The following are the six key elements of the Government's initial decentralization program:

1. Review of the existing laws and regulations to reduce inconsistency.
2. Improvement in the information system of local authorities.
3. Arrangement of training for local authorities.



4. Determining the appropriate role for the Center in the development of local authorities.
5. Creation of financial resource base and improvement of financial management.
6. Arrangement for technical assistance to the local authorities.

### **Structure of Decentralization Reforms**

#### *The Pakistan Local Government Ordinance 2001*

*Basic Structure.* The local government structure is now composed of 97 Districts. Each District has been divided into Tehsils which are further divided into Unions. The number of Unions in a District is a function of population. Certain Districts have been classed as City Districts where certain population density and development criteria are met.

Initially, however, only the provincial capitals have been classed as City Districts, with others to be named later. Of critical relevance to the discussion of Karachi's institutional structure, the law stipulates that on the creation of a City District, all organizations or authorities providing municipal facilities will come under the control of the City District Government. This process of transferring assets, personnel and authorities from the plethora of existing agencies to the City Government is ongoing.

#### *Districts*

The District Government has a District Chairman as its executive head. The District Chairman is assisted by provincially appointed District Coordination Officer (DCO) and a District Police Officer. The DCO is the replacement of the District administrator. This post does not have any of the executive authority of the latter. The District Administration has been divided into a maximum of twelve groups of district departments and offices. The Union Chairmen of the entire district comprise the District Council. It is convened by the Vice Chairman of the District, his sole function. One of the interesting new roles of the Council is that its members are to sit on district monitoring committees for each department to evaluate its performance.

#### *Tehsil/Town*

The Tehsil is headed by a Chairman selected by all the Union councilors of the Tehsil. The Tehsil administration does not have independent offices for most of the local government services. With few exceptions, these are

implemented as district functions through outposted Deputy District Officers. However, there are four significant functions that fall under the Tehsil's responsibility: (1) municipal services; (2) municipal infrastructure; (3) sewerage, drainage, solid waste management, roads and streets, street lighting, parks; and (4) rural-urban planning/land use and building control.

Importantly, all water and sanitation agencies have been placed under the control of tehsil/town municipal administration.<sup>6</sup> Never before has water supply been managed by a local entity, accountable to local leadership.

The Chairman leads the municipal administration, overseeing the formulation and execution of plans and delivery of services. Importantly, the Tehsil administration has the authority to contract out services when approved by tehsil/town council. This is important in the context of the provision/production distinction made earlier.

Monitoring committees for the specific Tehsil functions are to be formed by the Tehsil Council. The council is made up of the Vice Chairmen of the Unions of the Tehsil and convened by the Vice Chair of the Tehsil.

### *Unions*

The Union Chairman is the only directly elected leader in the local government structure. This makes this position potentially important for donors that choose to focus on strengthening participatory local governance.

Much of the purpose of the Union Municipal administration appears to manage the intervillage municipal infrastructure. The drafters of the law have been careful not to place too great an administrative burden on the lower administrative levels. However, they are expected to identify gaps in delivery of services by the higher authorities and to make recommendations. In order to build greater linkages into the system, the Union is specifically required to cooperate with public, private or voluntary organizations engaged in activities similar to those of the Union.

*Citizen Community Boards.* These are totally new entities in civil society that can access government resources. Once established they can be empowered by law to: monitor a service provision facility, develop a new project or existing facility, manage a service providing facility, and monitor a specific elected institution of local government.

On paper at least, the Citizen Community Boards (CCBs) appear to be excellent entry points for enhancing citizen 'voice' in governance. The Monitoring Committees of each Council will be made up exclusively of Councilors. The CCBs, on the other hand, have the potential to be truly

citizen watchdog committees. To date, only a few CCBs have been formed, but the Government is in the process of creating a supportive mechanism to assist in their development.

*Checks and Balances.* In order to avoid abuse of authority vis-a-vis power of both appointed and elected officials (i.e., Chairman, District Chairman, Tehsil Chairman and Union Chairman), there are instituted checks and balance mechanisms.

a. *Recall*

Any Chairman can be recalled by his own council with a two-thirds majority.

Similarly, the District Chairman can suspend a Tehsil Chairman and the Tehsil Chairman can suspend a Union Chairman. It is unclear whether all of these external recall mechanisms will actually improve accountability. Given the 'backroom' nature of indirect elections for chairmen at Tehsil and District levels, local governments could easily get into a 'bloodletting' game of political retribution, adding little accountability to the system.

b. *Monitoring*

Internal supervision, monitoring and inquiries are allowed in order to enhance accountability and transparency. Monitoring committees must produce a quarterly report on departmental performance.

An internal Ethics Committee can recommend removal of elected representatives. There will be an internal auditor, regular annual external audits, and there are provisions for a special audit by the LGC. In all cases, the Chairmen accept personal liability for loss, misappropriation, waste or misapplication of money or property.

c. *Public Safety Commission*

The police will be directly under the executive management of the District Chairman, but the District Council has the authority to create a Public Safety Commission that has oversight functions to ensure the police are not used inappropriately as well as to ensure the welfare of the police cadre.

d. *District Ombudsmen*

An office of Ombudsman will be set up at the district level for redress of complaints against maladministration. The Ombudsman will be appointed by the District Council to a four-year term appointment with no reappointment allowed.

e. *Citizens Tribunal*

Of special interest to human rights concerns, a Citizens Tribunal will be established at the Union level. All cases falling under the Fourth Schedule of the Code of Criminal Procedure 1898 must be referred to this Tribunal. No civil or criminal court will have jurisdiction to try any such case, but an adjudication can be appealed to a district judge.

*Reconfiguring District Government in Nepal*

In 1999 the Government of Nepal passed a revised decentralization law. The law expanded the role and authorities of local governments. There are unique provisions in the 1999 law for long term restructuring of the bureaucracy enabling the local governments to take over many of the standard central functions, if they show the capability. However, there are no clear provisions to aid in avoiding duplication of services as districts build up their capability while central departments continue to operate. The Act also requires all central agencies to jointly plan their activities with the local bodies. There is, again, no clear provision in the Act to specify whether the local government or the central departments should have the final say on determining development programming. The anticipation is that the districts will eventually have superior authority over all development activities in their area. There is, of course, serious resistance from the bureaucracy for these measures.

The present local development situation remains a highly complex mélange of projects, programs and staffing arrangements primarily directed by individual international donor agencies. The district officers representing the central departments are not yet responsive to the requests from the local governments. The administrative authority of the district remains subject to the control of the Ministry of Local Development. This external management control undermines the ability of the local governments to meet the increased expectations of their constituents.

At the time of the passage of the 1999 Act, the future for local government appeared to be irreversible. The quality of local leadership

continued to improve. Central departments were increasingly turning to local governments to collaborate on local service delivery. International donors had finally understood the importance of decentralization, after years of continued support to central systems and outright undermining of local government efforts. Civil society was growing in size and capability and increasingly engaging with local governments in positive action. It was expected that the democratic system, while weak and divided, would improve. However, the continued mismanagement of the national economy by the central government has allowed the rural Maoist rebellion to clearly undermine much of the gains in local democratic development achieved in the 1990s. The future of local government is now solely dependent upon the ability of the central government to reorient the direction of the state.

### **Fiscal Decentralization**

#### *Pakistan*

In Pakistan there are two levels of fiscal decentralization. First, the National Finance Commission must apportion the national revenues between the federal departments and the provinces, including a fixed allocation among the four provinces. Then there is to be a fiscal transfer under the supervision of a Provincial Finance Commission (PFC) to the districts. The PFCs were only established in June 2002 and the allocations are currently being worked out for this fiscal year. In subsequent years the amount to be allocated to the districts must be notified prior to the beginning of the fiscal year (FY). While the PFCs determine the amount to be distributed, it may not be less than that directly distributed in FY 2001-2002, plus the amounts allocated for salaries and other routine expenditures paid directly by the province. The allocated funds are to be considered as a 'charged expenditure' on the province and not subject to review.

All revenues received by a local government, either internal or external, form part of the Local Government Fund. An intradistrict allocation is expected to be made from the fund through a process of bottom up planning. Within three years, the budget must be at least 40 percent development and 60 percent recurrent costs. Fifty percent of the development budget should be spent on the basis of bottom up planning conducted by the unions. These expenditures are to be matched by local contributions.

District accounts are to be open for inspection by the federal Auditor General and not by the Province. Monthly and annual reports of expenditures and revenues are to be presented publicly by the districts and an internal auditor is to be appointed.

Although a local council may levy taxes and fees, the precise rates to be charged have not been finalized. An interesting innovation in the ordinance is that up to 30 percent of the salary component of the budget can be reserved for performance incentives to be paid to individual employees. As a step to diminish the potential for district indebtedness, local governments are required to operate on fiscal transfers and their own resources. No debt will be allowed.

### *Nepal*

It is only lately that fiscal decentralization has received much attention in Nepal. A study carried out revealed that the local bodies receive less than four percent of the national budget and ten percent of the development budget. Many local bodies also lack adequate financial management capacity to enhance their internal revenue. The Government has recently formed a Fiscal Commission to look into local fiscal issues. The issues being debated are: (1) an increased share of grants to local bodies; (2) design of a national budget allocation system to the local bodies; (3) addressing equity issues on fiscal transfers; and (4) strengthening fiscal management capacity by enhancing their internal revenue base through taxation, fees, and service charges.

The 1999 law gave considerable new powers to the districts to collect and manage funds. Districts can establish taxes on local infrastructure and natural products as well as set service charges for use of specified local facilities and various fees, especially related to tourism activities. The districts are charged with the responsibility to share with the villages or municipalities where the activity or product is located. The districts may enter into revenue generating activities with the private sector using local resources and infrastructure. The districts are also entitled to borrow from banks or other entities, but such loans must be approved by the central government.

Central government redistribution mechanisms must continue to play an important role in local revenues. The geography of Nepal determines that many of the districts of the kingdom will always have limited revenue generation potential. In fact, the difference between lowest and highest local revenue producing districts is 21,000 percent. Most districts that have significant local revenue are either located in the Kathmandu valley or are on the border with India or China. According to a recent survey (Gurung 2002), out of 75 districts, only eleven maintain a surplus budget based on own source revenues, primarily from customs collection, tourism fees, or industrial excise taxation.

The financial management authority of the districts is seriously diluted since no politician has control over the funds. The District Development Fund, into which all central and local revenue is deposited, is controlled by the outposted central governments staff, Local Development and the District Accountant. Despite this, the central government has yet to establish a set of uniform standards of accounting and financial recording. As a result, there is little comprehensive understanding of the total picture of local financial management. Additionally, external finance management (by staff who are easily transferred) without clear standards can lead to corrupt practices for which the local governments can be blamed.

During the 1990s, the development grants to the districts and villages were increased steadily. This was partly a result of political patronage from the center to keep the local leaders on the side of whichever party was in power at the time. However, in 2001, the villages received only 50 percent of their allotment and district and municipalities received only 75 percent. The central government said this was due to a 'one-time' need to increase the internal security budget. However, this had a serious impact on the local government's ability to carry out development works as planned in their budget.

### Central-Local Relations

#### *Pakistan*

The following discussion is centered on the new relations between the Province and the District. The reform process of 'defederalization' of powers from the center to the provinces is still continuing. There are no clear indications of which roles will be mandated as provincial subjects. Up to the present time, however, the federal government has usually determined for itself what its role will be in relation to the provinces. Provinces have been able to balance power with the federal government only on certain issues that are particularly sensitive with the voters, such as water management, especially the setting of large dams and reservoirs.

The district will function within the provincial framework. The new legislation has not created a 'third tier' of government in Pakistan. The law provides that provinces can give direction, guidance, and advice to District Chairman on emergency relief; implementation of provincial policy goals; prevention of grave threats to public peace and order; and protection of economic, environmental and territorial security of the province.

According to the act, the province is not supposed to, except in policy matters, issue any direction to a district government in relation to the

management and staffing of the departments or on transfer of local funds or their utilization by any local government. In addition, the province cannot legislate any unfunded mandates.<sup>7</sup> Conversely, in keeping with the concept of subsidiarity, the district government may, with the consent of the province, entrust certain functions to the province for implementation. However, in practice, the provincial departments have issued a steady stream of directives aimed at controlling all possible aspects of decisionmaking at the local level.

*Local Government Commission.* A Local Government Commission (LGC) will be established at the provincial level as an Oversight Committee for the Local Government Ordinance. The committee will have a chairman from the private sector who will be nominated by provincial government. The membership of the committee will include two members of the provincial assembly and two provincial technocrats from the civil service. The purpose of the LGC will be the resolution of disputes between districts, between provincial departments and district governments, or between District Chairman and District Ombudsman. The strength of the LGC will come from its relationship with the Provincial Chief Executive.

*External Recall.* The Provincial Chief Minister can suspend or recall a District Chairman, but this must be ratified by the provincial assembly members within 30 days. This is a sharp departure from the past when a Chief Minister could dissolve an entire District Assembly without requiring any ratification. This clearly strengthens the viability of the local government system, and purports to add to the requirements for personal accountability of the District Chairman.

### *Nepal*

As mentioned, Nepal is a unitary government and the districts are not seen actually as local governments, but as governing bodies of His Majesty's Government of Nepal. As such, the actions of the districts and villages remain heavily controlled by the Ministry of Local Development. The situation has improved significantly from the Panchayat period when the districts were merely political appendages of the ruling clique in Kathmandu, and the prospect is there for further autonomy embodied in the 1999 law. However, the political climate in Nepal, heavily influenced by the Maoist rural rebellion, is not conducive to the promotion of local autonomy at the moment.

The most significant aspect of center-local relations in Nepal relates to the role taken by the Association of District Development Committees, Nepal (ADDCN). This body was formed in 1995<sup>8</sup> of all district chairmen of the country, irrespective of political affiliation. The body saw its primary role as



preserving the limited autonomy that had been acquired by the local governments under the decentralization laws of 1992. Soon after formation, there was a change in the national government and one of the new government's first moves was to institute a process of channeling grants directly to villages, bypassing the districts. This was in contravention with the existing law, so the ADDCN (by unanimous accord) took the case to the Supreme Court and won. Later the ADDCN took the Ministry of Local Development to Court over an issue of appointment of village cadre where they won again.

These two landmark cases marked a sea change in center-local relations in Nepal. Thereafter major policy decisions regarding decentralization took the ADDCN's views into consideration. The ADDCN was a member of the panel that drew up the 1999 law and they sat on the Decentralization Implementation and Monitoring Committee when it was functioning.

### **Decentralization Implementation Issues and Concerns**

#### *General Administrative Issues in Pakistan*

Pakistan's Local Government Ordinance 2001 came into being on 14 August. Earlier assessments of the devolution process placed considerable doubt on whether this change would actually happen. Thus far, the initiation process has gone smoother than many had predicted. There are difficulties, but, to quote the former Commissioner of Karachi, "the sky has not fallen." Nevertheless, formidable forces continue to search for ways to block or undermine the devolution process. Without political representatives at the provincial level, the senior bureaucrats are claiming to be defending provincial autonomy, when they are really defending their own control over the system. This opposition is particularly evident in two areas: finance and security. The federal and provincial governments have been exceedingly slow in implementing the new financial rules. The central bureaucracy is still lobbying to regain control over the police, and the new Ordinance has still not been enacted.

It appears clear that the devolution scenario in Pakistan can be characterized by "Mediocre Will and Weak Traditions." There are few as yet that have any clear sense of how this new system is supposed to work. Additionally, the fact that District Chairmen have been 'elected' indirectly by councilors means that they do not have a direct relationship with the voters. However, the will to put the effort into place is much stronger than expected, despite continued opposition within the establishment. Also, it seems more likely that the system will remain in place for some time, as the military

appears to be entrenching itself even deeper into the national political framework.<sup>9</sup>

*Principle of Subsidiarity.* The devolution policy is fundamentally based on the principle of subsidiarity. The Government leadership has stated this clearly and repeatedly. This concept simply means that the local authorities will have the authority and responsibility to address all problems that are, in their determination, within their ability to solve. They may, of course, request assistance from the Government, if necessary. In recent years many governments around the world have initiated devolution plans, but few have elected to undertake such a radical and immediate power shift. The Government of Pakistan appears certain that such a move is required to break the country out of the long-term deterioration of public services and quality of life.

*Political Leaders Assume Administrative Control.* The most significant change that devolution brings to governance in Pakistan is placing the elected Chairman as the administrative manager of a local body. Never before in Pakistan's history have elected local representatives been given the authority to direct the activities of government bureaucrats. The police now report to the elected leader and a Public Safety Commission will be created for oversight. The devolution ordinance is actually replete with checks and balances operating at many levels. Chairmen can request the removal of administrators and Police chiefs. Councils, in turn, can vote for the removal of Chairmen. A Provincial Chief Minister can suspend a Chairman and remove him completely with a majority of the Assembly. The system appears cumbersome, and possibly fraught with potential for misuse, but it is a far cry from the old system where whomever got to the top ruled the pile without question—until he, in turn, was knocked off.

*Creation of Municipal Authorities.* Of considerable importance is the creation of municipal authorities at the Tehsil level. This change has important implications for two almost opposing reasons. First, under the previous local government structure, municipal Town Committees were formed for numerous small urban clusters. These centers had the right to collect the medieval octroi tax (tax levied on goods passing into or out of a town). This tax had long been seen as a regressive tax on agricultural development. In addition, the tax was only spent in the towns and not in the surrounding countryside (the rural Union Councils), which produced most of the products being taxed. The new system has eliminated the town committees and supplanted them with an elected council and mayor at the Tehsil level (which had previously been just an administrative level). The Tehsil Municipal Administration is designed to serve the municipal needs of all Union Councils in its territory. The primary function of the new municipal authority is to manage the planning and operations of physical infrastructure.

This most importantly includes water and sanitation. Second, the creation of a Tehsil that is administratively separate from the district aids in the creation of true municipalities in the urban parts of ordinary districts. This move should aid both government and donors to recognize the growing urbanization issues in the country.

There is no water and sanitation department at the common district level (although there is in city districts). This very clearly indicates the intent of government to place many decisionmaking points at the lowest level possible (subsidiarity). Tehsil Chairmen will be responsible for the supply of water to all unions within their territory, where feasible. Water sources located outside the boundaries of the Tehsil may be tapped only with agreement from the neighboring territory. It is important to understand, however, that although schools and health posts are located in Tehsils, they come under the direct supervision of the District. The tehsil education and health officers do not report to the tehsil, but to their respective department heads in the District.

*Reflecting on Devolution Implementation in Pakistan.* At the present time, it is impossible to predict what the long-term impact of devolution will be. Despite the radical shift in political philosophy at the top, the districts will still be staffed by personnel from the provincial cadre and will receive the bulk of their financial resources from the provincial treasury. However, unless either the new local politicians try to capture all public goods for their personal gain or the provincial bureaucracy attempts to totally subvert the process, one should not expect to witness a further deterioration in the quality of public goods and services delivered at the local level in most local jurisdictions.

In May 2002, the Northwest Frontier Province held a workshop to reflect on the early implementation of the devolution policy. A wide array of local government leaders and functionaries attended the workshop. The report of the workshop noted that no one in attendance questioned the rationale or overall direction of the devolution policy. Although an overall positive picture of devolution implementation emerged, numerous issues were raised regarding better information dissemination, clearer guidelines, better communication between elected leaders, and administrators as well as between different tiers of local government. The most critical issues were raised against the method of intergovernmental transfer of funds from the province to the districts and tehsils. Funds for the 2001-2002 fiscal year were only released in the final quarter of the year. The local governments did not have the capacity to use the funds and they were returned to the province. Beginning in fiscal year 2002-2003 funds designated for bottom up planning activities will not lapse if left unspent at the end of the fiscal year.

### *Implementation Issues in Nepal*

On 8 January 2002, the Decentralization Implementation and Monitoring Committee (DIMC), chaired by Prime Minister Sher Bahadur Deuba, approved a Decentralization Implementation Plan. This plan entails a significant departure from Nepal's previous decentralization efforts in two ways. First, it called for a time-bound implementation of decentralization reform initiatives in Nepal to operationalize the provisions of the 1999 Local Self-Governance Act. Second, it specifically noted that for the first time in its development history, Nepal had embarked on true devolution—thus allowing local bodies to gradually assume sectoral functions managed hitherto by the sectoral line agencies.

A national framework document jointly prepared by National Planning Commission and the Ministry of Local Development on decentralized governance and capacity building elaborated the activities of the Decentralization Implementation Plan into specific outputs. Further, the Government announced that information on central projects would be unbundled by activities and level of intervention to facilitate transparent operations. This was expected to be the basis for the donors to take a uniform and coordinated approach to decentralization reform.

The sectoral devolution process had been gathering momentum. The Government, through its Budget Speech (FY 2001/2002), decided to devolve the following sectors to the local bodies: (1) Agriculture and Livestock; (2) Primary Health; (3) Primary Education; (4) Postal Services; and (5) Infrastructure Development Work. However, it was recognized that for sectoral devolution to actually materialize, a Local Service Act would need to be drafted and passed by Parliament.

A major effort will be required to bring District operations up to the new level required to direct the development efforts of the district and to effectively manage the additional scope of operations resulting from the increase in discretionary revenue and the increase in service delivery responsibilities. Revised structures and new systems would be needed, and staff numbers and qualifications adjusted. Now, however, all this is held in abeyance and the political events in the next couple of months will have significant bearing on the way devolution process moves ahead.

### **Impact of Decentralization**

Given the currently unstable political settings in both Nepal and Pakistan, this is not an appropriate time to attempt to differentiate the impact of local governments from that of the overall institutional framework

operating in these countries. The following are some brief notes for illustrative purposes only.

### *Peace and Development*

Pakistan's decentralization effort is too new to assess whether there will be any lasting impact on peace or development issues in the country. There is anecdotal evidence that indicates the street riots of October 2001 were held in check because elected leaders from the communities were in charge of the police rather than the federal district administrators. It is impossible to ascertain the veracity of these claims since the military was in ultimate control of the situation.

The rebellion in Nepal is clearly aimed at the unresponsive and highly corrupt practices of the central government. Local governments have not been the target of the Maoist attacks, but the rebels have seriously undermined the effectiveness of local government operations in many areas. A more detailed study needs to be conducted to ascertain whether there was anything more the local governments could have done, given their resource and authority limitations, to mitigate the growth of this rebellion. It is becoming clear, however, that the rebellion may prove to be the unmaking of the devolution process in Nepal if the disbanded local governments are not quickly reelected.

### *Environment Management*

As mentioned above, much of the progress in institutional development of local governments in Nepal grew out of local experience in communal resource management. Conversely, as local governments obtained the ability to operate somewhat independently of central government (read international donor) projects, some have been able to support more environmentally friendly operations. Both urban and rural management issues have been able to be raised and addressed in ways unthought of under central bureaucratic direction.

### *Women's Role in Political Development*

Recent information from Nepal indicates that participation of women in the local governance process is still low. However, dialogues with the elected and nominated women ward members indicate that their awareness of and responsibility towards local development have significantly increased over the years. The capacity building measures and other training programs have

resulted in increased recognition of women members as equal partners in governance processes while enhancing their capacity and self-respect among each other.

### **Major Lessons Learned from the Nepali Experience**

The Pakistan experience is too new to derive any useful lessons at this point, except one, that is those who argued that initiating the devolution process would lead to immediate disaster were dead wrong.

The specific lessons and benefits from the Nepali experience can be summarized as:

*Maximize diversity* – allow for a pluralistic approach to creating new structures and capabilities to flourish within parameters that control transparency and accountability.

*Build on what already exists* – all too often international agencies feel it is their duty to impose totally new governance institutional frameworks on developing and post-communist countries. The evolution of decentralization in Nepal has resulted from a continual interaction between indigenous knowledge and international concepts. The wealth of examples of local patterns of self-governance in Nepal is sometimes overwhelming. Just as overwhelming is the realization of the decades lost by the donor community before they collectively became aware of the indigenous potential inherent in the people of Nepal to manage their own development.

*Shift Governing Tendencies from Control to Empowerment* – Improving ability without altering prevailing behavioral patterns can often be counterproductive. If local authorities have greater access to information about what others are doing, but use that information in a manipulative way, the end result will be a degradation of the previously existing stock of social capital. If they fail to be transparent and accountable in their own decisionmaking and financial transactions, their position will be undermined.

*Promote Participation not Decentralization* – The passage of the 1992 Acts of Local Governance assured the legitimacy of a non-centralized development alternative in Nepal. This was a milestone in the effort to substantiate the argument that enhancing the potential for participatory development is a political process, not an administrative option. But the potential benefits in a participatory approach to development are not achieved simply through a process of replacing the center with local politicians.

*Decentralization does not take place in a vacuum* – adherence to democratic norms at the center, equitable economic growth all impinge upon

the potential for successful decentralization policies. The local governments survived and improved their capabilities throughout the 1990s while the national government was steadily deteriorating. However, it now appears that the failures of the center will be borne by the periphery—both through the waging of the rebellion and with the dissolution of the councils.

*Encourage horizontal support and learning* – The creation of the association of district chairmen in 1995 proved to be a major catalyst in creating a supportive network that served both as a center for capacity building as well as a body that was useful in aggregating the views of the districts for presentation to the center.

### Endnotes

<sup>1</sup>Especially those guided by Rlinor Ostrom of the University of Indiana Workshop of Political Theory and Policy Analysis.

<sup>2</sup>A think tank set up by the military chief executive to analyze the institutional shortcomings and prepare a package of legislative reforms.

<sup>3</sup>In some of the most extremely conservative districts women were not allowed to stand. In many others, they have not been allowed to attend meetings or their votes do not count. This is a major social paradigm shift that will take time to be fully implemented.

<sup>4</sup>He was proven correct when his party polled over 50 percent of the total votes and ended up controlling 70 districts.

<sup>5</sup>Although support was strong from the center, still it was the role of the bureaucracy to write the implementing rules and regulations. Many observers argue that much of the liberal nature of the Act was undermined by these rules. However, the enabling spirit of the legislation proved to be a valuable asset that was used by the new leadership to experiment with novel pathways for local development.

<sup>6</sup>The exception to this will be in city districts where these functions will remain at the City District level.

<sup>7</sup>Unfunded mandates are a typical means by which legislatures at higher levels undermine the basic principles of decentralization by issuing instructions for lower levels to carry out certain specified tasks without providing the necessary funding for implementation. Until recently this was a standard practice of the United States Congress.

<sup>8</sup>The idea for the association came after a group of six district chairmen visited the Philippines in 1994 and came away impressed with the utility of the Leagues of Local Government they saw there.

<sup>9</sup>The current terrorist/Indian/Afghan situation makes predicting the future in Pakistan very uncertain, but, all things being equal, decentralization appears here to stay.

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