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# City Development Strategy Peshawar

**Peshawar City District**

**in collaboration with**

**the Cities Alliance**

**U.N. Center for Human Settlements &  
the World Bank**



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# **City Development Strategy Peshawar**

**Volume 2**



## **Peshawar City District Government**

**in collaboration with**

UNCHS



**Cities Alliance**  
Cities Without Slums

World Bank



# Acronyms and Abbreviations

ACR	Annual Confidential Report	LCB	Local Council Board
ADB	Asian Development Bank	LG	Local Government
ADO	Assistant District Officer	LGC	Local Government Commission
ADP	Annual Development Program	LG&RD	Local Government & Rural Development
AE	Agriculture Extension	LGO	Local Government Ordinance
AG	Accountant General	LRG	Local Revenue Generation
AO	Agriculture Officer	LS&DD	Livestock & Dairy Development
ATI	Agriculture Training Institute	LSMF	Life Saving Medical Facility
BHU	Basic Health Unit	MIS	Management Information System
BOS	Bureau of Statistics	MC	Monitoring Committee
BPS	Basic Pay Scale	MCH	Maternal Child Health
CAP	City Assistance Plan	MCP	Municipal Corporation Peshawar
CBO	Community Based Organization	M&E	Monitoring and Evaluation
CCP	Capital City Police	M&R	Maintenance and Rehabilitation
CDMD	City Development and Municipal Department	MS	Municipal Services
CDS	City Development Strategy	MoU	Memorandum of Understanding
CHC	Community Health Center	MVT	Motor Vehicle Tax
CSO	Civil Society Organization	NFC	National Finance Commission
CrPC	Criminal Procedure Code	NGO	Non-Government Organization
CNG	Compressed Natural Gas	NWFP	North West Frontier Province
DBMT	District Based Management Training	OFWM	On-Farm Water Management
DA	District Assembly	O&M	Operation & Maintenance
DC	Deputy Commissioner	OPD	Out-Patient Department
DCO	District Coordination Officer	OZT	Octroi and Zila Tax
DCC	District Coordination Committee	PCD	Peshawar City District
DDC	District Development Committee	PDA	Peshawar Development Authority
DDO	Deputy District Officer	PEP	Primary Education Project
DFI	Development Finance Institution	P&F	Planning and Finance
DG	Director General	PIDA	Provincial Irrigation and Drainage Authority
DHO	District Health Office	PISC	Public Safety Commission
DMC	District Mushawarti Committee	PTA	Parent Teacher Association
DMT	District Monitoring Team	PTCL	Pakistan Telecommunication Company Limited
DO	District Officer	PFC	Provincial Finance Commission
DPO	District Police Officer	PHE	Public Health Engineering
EADA	Extra Assistant Director Agriculture	PITE	Provincial Institute of Teacher Education
EDO	Executive District Officer	PRP	Provincial Reform Program
EPA	Environmental Protection Agency	RHC	Rural Health Center
EMIS	Educational Management Information System	RoB	Rules of Business
EPI	Expanded Program on Immunization	SAC	Structural Adjustment Credit
ESR	Education Sector Reform	SAP	Social Action Plan
E&T	Excise & Taxation	SMBR	Senior Member Board of Revenue
FA	Field Assistant	SOPs	Standard Operating Procedures
FATA	Federally Administered Tribal Areas	TC	Town Council
FHA	Frontier Highway Authority	TMA	Town Municipal Administration
FIR	First Information Report	TOP	Terms of Partnership
FLC	First Level Care	TTIP	Tax on Transfer of Immovable Property
FR	Frontier Region	UA	Union Administration
FSC	Farm Service Center	UC	Union Council
GST	General Sales Tax	UTC	University Town Committee
HMIS	Health Management Information System	UIPT	Urban Immovable Property Tax
HRD	Human Resource Development	V/NCs	Village/Neighbourhood Councils
IBP	Institution Based Practice	VO	Village Organization
IA	Institutional Assessment	WAPDA	Water and Power Development Authority
IUCN	International Union for Conservation of Nature	WHO	World Health Organization
KPP	Khushal Pakistan Program	W&S	Works and Services

A large number of individuals have contributed to this CDS, through their active support, valuable contributions, and consistent guidance during its formulation process. These include officials from the provincial and local governments; elected representatives of the LGs; members of private sector organizations; professionals; academicians; and representatives of NGOs/CBOs. The contribution of each one of them is gratefully acknowledged.

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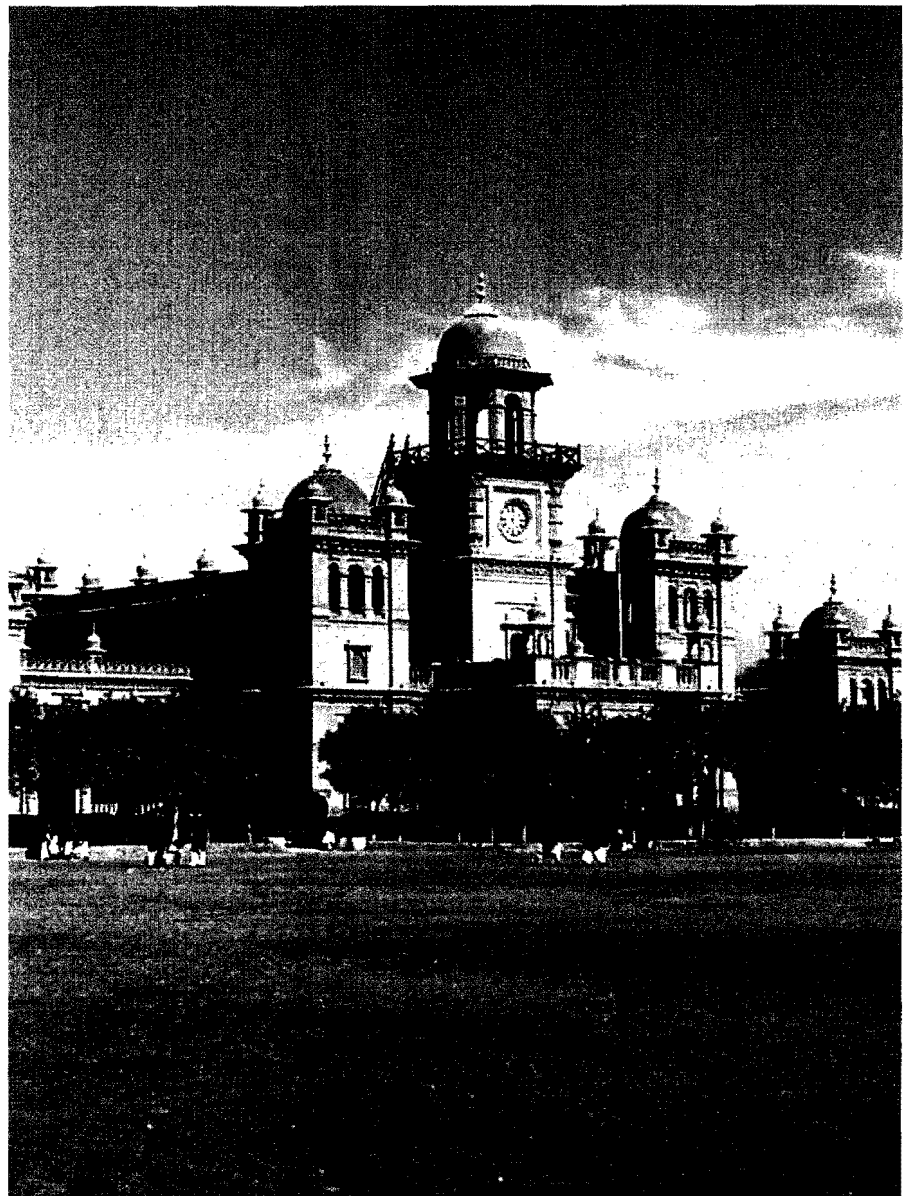
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# Governance





# 1. Assessment of Institutions of Local Governance

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## **I. The City District Government**

### **I.1 Background**

The newly delineated Peshawar City District (PCD) has undergone significant transformations in the past ten years. Originally encompassing the adjoining districts of Charsadda and Nowshera, the district gradually shrunk in size after both sub-divisions acquired a district status of their own in the mid-nineties. However, as the provincial capital, Peshawar continues to enjoy a special status within NWFP. It houses the provincial parliament, headquarters of all provincial public sector agencies, major Banks, DFIs, academic institutions, NGOs, industry, various trading houses, and major private sector institutions.

The city's social and economic infrastructure has not only attracted a heavy migration of people from other parts of the province, but has also drawn the largest influx of Afghan refugees since 1979. By one estimate, the city and its surrounding suburbs are host to over six hundred thousand Afghan refugees. Most are fairly well integrated in the city's fabric, although a number of refugee camps still exist on the city's outskirts. The resulting situation has not only altered the demographic character of the entire city, but has also heavily impacted on an already stretched social and economic infrastructure, the city's environment, as well as the security condition of its inhabitants.

Over two million people co-exist in Peshawar in an environment that is marked by a high incidence of poverty, unemployment, poor access to quality social services, alarming levels of air and water pollution, and a worsening law and order situation. Their aggregate effect is that Peshawar has not only become a less desirable city from the perspective of the common citizenry, but more importantly, from the perspective of the local and international business community, that is so critical for its long-term growth. Rapid changes in the federal and the provincial governments have also adversely impacted on systems of governance. As a result, the development environment is characterized by a high degree of politicization, adhoc policies, inadequate planning, poor accountability, and generally weak capacities.

In the context of local level institutions, the NWFP Local Government Ordinance (LGO) 1979 served as the basis for defining the various tiers and mandates of the Local Governments (LGs) in NWFP. Due to its large rural and urban constituencies, district Peshawar has traditionally maintained a Peshawar Municipal Corporation (PMC), as well as a District Council structure—the latter being responsible for managing the civic services and basic infrastructure of its rural areas. However, despite clearly defined mandates and rules of engagement, the LG institutions have remained weak for a variety of reasons. The provincial governments have traditionally viewed them as entities that might weaken or undermine their own authorities. Successive provincial governments have typically side-lined and/or undermined the LG institutions by suspending elections to the respective Councils, reverting municipal authorities to provincially controlled managers, assigning LG functions to provincial departments and special programs, as well as through poor management and wasteful use of their meager resources. These factors have combined to inhibit the growth of the local institutions, and many are now seriously handicapped to effectively plan or manage the municipal functions of a large metropolis.

## **1.2 Institutions in Transition**

The institutional landscape of the Northwest Frontier has undergone a dramatic transformation as a result of the LGO 2001. Over fifty years of centralized control is giving way to radically decentralized systems for policy formulation, development planning, resource allocation, implementation, and above all, people's participation in decision-making. Although yet to be clearly understood or internalized within the District government, the changes are likely to usher a new era of governance, that until recently was largely reflective of the systems established during the Colonial rule.

Aiming at people's empowerment, the devolution plan calls for a fundamental re-distribution of powers to the grassroot institutions. Mandates that were previously the exclusive domain of the provincial government or re-centralized over time by them, have been transferred to the newly elected bodies established at the City, Town and Union levels. Of equal significance is the major reform initiative that has led to the administrative decentralization of virtually the entire provincial government. All developmental functions in areas of Planning and Development, Social Services, Infrastructure, Natural Resource Management and several others have been decentralized (and in some areas fully devolved) to the new District and City governments. In parallel, the provincial government is in the process of redefining its own mandate, which will presumably cover responsibilities for macro planning, policy advice, inter-district co-ordination, broad oversight, and its core functions in relation to the federal government.

The new mandates are also forcing far-reaching restructuring of the provincial institutions. Some have been merged and consolidated while others have been right sized to conform to the new requirements. In addition, the devolution plan has also necessitated the creation of several new institutions to manage responsibilities that cannot be feasibly handled by the concerned district/City governments. The creation of the Local Government Commission (LGC), the Provincial Finance Commission (PFC) and the proposed establishment of new municipal and infrastructure development agencies are some examples of the emerging needs.

## **1.3 The Local Government Structures**

The Nazim is the head of the City government, while the Naib Nazim heads the City District Assembly (DA), which is the legislative arm of the district government. A new District Co-ordination Office (DCO) has been created, which will primarily serve to coordinate and control all development agencies within the district, and also function as the Secretariat to the District Nazim and the PCD Assembly. The DA comprises of the Nazims of all 92 Union Councils (UCs), with 33% reserved seats for women, and 5% seats each for the peasant/workers and the minorities (as do the UCs and the Town Councils - TCs). The total number of seats of the PCD Assembly is 132.

The PCD has been divided into four towns for better management of municipal services. Each town represents approximately one quarter of the total PCD population. Towns 1 and 3 are predominantly urban in nature, while Towns 2 and 4 are largely rural. The towns are represented by the elected TCs, and are supported by a Town Municipal Administration (TMA)

that comprises of various technical and administrative staff. The TMAs are responsible for municipal service delivery in respective towns. More recently, the provincial government has also notified the creation of a City Development and Municipal Department (CDMD), which will be responsible for macro-municipal services and their co-ordination between the four PCD towns.

Below the Town level, the LGO has resulted in the creation of elected UCs and an attached Union Administration (UA) for an average population cluster of 25,000 each. The City district has a total of ninety-two UCs. All heads of the 92 UCs (Union Nazims) are members of the DA. There is also a reserved membership for women (33%), peasants/workers (5%), and the minorities (5%). Each UC has twenty-one members who are directly elected, including the Nazim and Naib Nazim. The Nazim is the administrative head of the UC and Naib Nazim is the designated speaker of the house. A two-member skeletal staff assists the Union Nazim in UC administration.

The next lower level of LG institutions includes the proposed Neighborhood Councils (NCs). However, the elections or the creation of this tier has been deferred due to intense disagreements of the district government on further expanding (and deepening) the current base of the LGs. Preliminary discussions indicate a strong opposition to the very creation of this tier. The opposition is based on the argument that the twenty-one member representations at the UC level adequately cover all mohallah/wards of the City district. Most TC and UC Councilors believe that further divisions of the small constituencies will not only undermine UC authorities, but also create conflicts and competition for scarce municipal resources.

The LGO 2001 identifies Citizens Community Boards (CCBs) as an important grassroots vehicle for identifying, organizing and implementing local initiatives, and supplementing the formal channels of service delivery through the TMAs and the UAs. Operating on a voluntary basis, the CCBs are expected to operate much like the large number of community-based organizations, VOs, and NGOs currently working in various parts of the NWFP. To ensure widespread and active support of the grassroots organizations, the LGO 2001 contains significant provisions. The most important is the requirement for LGs to set aside twenty-five percent of their annual development budgets for matching grants, which would support a variety of self-help community-led initiatives. These are also yet to take off for several reasons, including the weak presence of civil society organizations on a city-wide basis; a strong perception that representative LG forums should retain control; an obvious lack of resources, and a weak advocacy of the proposed initiative by the provincial and district governments.

The PCD structure also shows a new grouping of several public sector organizations previously operating under the direct control of the provincial government. These include the newly created Agriculture department that comprises of eight sub-departments; the newly created department for Works and Services (W&S) as the successor to the provincial Communication and Works (C&W) and Public Health Engineering (PHE) departments; the new agency for macro municipal services (CMDD), as well as other agencies that have been re-organized and decentralized to the district levels.

Among other institutions, many federal government agencies are expected to continue playing an important role in the development as well as service delivery at local level. These include the NHA, PTCL, and PR etc. However, the devolution plan does not identify mechanisms to ensure their co-ordination and integrated planning with the existing PCD institutions. Likewise, there are un-devolved provincial agencies including Provincial Irrigation and Drainage Authority (PIDA), the newly created Frontier Highway Authority (FHA), and some others that will continue to maintain presence in the PCD, but whose relationships and rules of engagement with the PCD remain unclear.

The assessments indicate that the devolution plan allowed little time to prepare for the massive changes that followed. The process steered by the federal government is widely seen to have sidelined the provincial government. There is currently insufficient information at the local level on the basis for the structure, staffing, and functions of the various district line agencies created within the PCD. In general, the provincial government appears to have adopted a strategy of accommodation by retaining (to the extent possible) the district level hierarchies and staff, operating prior to August 14, 2001. Yet there has been a significant re-organization within the district as well as the provincial cadres. The sheer pace of reform has resulted in hastily designed structures and mandates of several institutions. Indeed some of these already appear to be in need of an urgent review.

Anticipating such a situation, the devolution plan had identified in-built mechanisms that would enable the respective District/City governments to assess and respond to the local needs by making appropriate adjustments, where required. However, the PCD government has been unable to invoke many of these critical provisions, as the provincial government gradually retracted some of the key authorities that the devolution plan had originally conceived for LGs. Several senior officials have argued that despite a diluted version of the devolution plan, the change still represents a radical departure from the past, and that managing such a major transformation will be a long and an on-going process. They further argue that given the need for continuing changes, the provincial government has been taking steps to ensure that all key elements of the devolution plan are operationalized during the transition period, likely to last till the end of the current year.

In the meantime, the PCD government is still struggling to adjust to the ground realities, while the newly created key institutions are faced with a variety of constraints. Many of these relate to low capacities, lack of resources, low awareness, as well as lacking systems and procedures for local governance. The heads of the elected bodies have taken charge and monthly sessions of the District, Town, and the Union Councils are being held. The elected representatives are gradually coming to grips with the situation, although awareness levels are generally very low in terms of the new responsibilities. This is also true of the many development agencies, where even the top cadres are still not fully aware of what devolution plan truly entails.

Among other aspects, the devolution plan also contains significant provisions for enhancing the role of women, and other marginalized groups including the peasants, workers, and the minorities, in the affairs of the LGs. However, despite a significant representation in each tier of

the LG, very few women seem to be playing any role in the affairs of the district government. Indeed, many have indicated a total ignorance about their roles, and lament the lack of co-operation from their male counterparts. The situation is particularly grave at the lower levels including the TCs and UCs, where women's participation appears to be virtually non-existent. Moreover, although widely acknowledged as important players in development, the role of the Private Sector (PS) and Civil Society Organizations (CSOs) has yet to be clearly defined, and no formal mechanisms are currently in place to ensure their participation in planning or decision-making.

## **2. The District Assembly**

### **2.1 Institutional Mandate**

Major functions of the DA include the approval of byelaws and taxation, short and long-term development plans, annual budgetary proposals, as well as maintaining checks and balances over the district government through a system of monitoring. The latter calls for the establishment of monitoring several committees (MCs) comprised of the elected LG representatives, who would maintain a broad (and non-intrusive) oversight over virtually all sectoral line agencies of the district government. In addition, the DA is required to elect an Insaaf (or Justice) Committee, and the Public Safety Commission (PSC), which would maintain oversight over the District police. The LGO also calls for the election of a Code of Conduct Committee, and Zila Accounts Committee, to maintain transparency and accountability.

A very important function of the DA is the review and approval of the proposals for changes in the number of official posts and employees of the decentralized offices at the district and tehsil levels, as well as the TMAs. Other listed functions include review of the performance and audit reports of the district government, as well as approval of honoraria for the Zila, Town and Union Nazims and Naib Nazims.

The specific functions of the Zila Council applicable to the City district include the approval of master plans, zoning and land use plans, environmental control, and macro municipal infrastructure schemes (major roads, mass transit, water sources, solid waste and treatment plants etc.) impacting on the entire City district. The detailed functions and responsibilities of the DA are stated in Annex-I.

### **2.2 Assessment of the Mandate**

The assessment shows that the DA is currently constrained in discharging many of these responsibilities. The constraints stem from a variety of factors including the following:

- (a) The Naib Nazim (as the speaker of the DA) is expected to maintain checks and balances, and ensure neutrality in matters dealing with the Executive (or the Nazim-e-ala) representing the District government. However, this position is compromised due to multiple factors. The conflict is inherent in the nature of the system of elections that calls for electing the two positions (Nazim/Naib Nazim) on a joint electoral ticket. This system of election has created an umbilical relationship between the Naib Nazim and the

Nazim-e-ala, with an expectation that the two will always stay on the same side of the fence, despite distinctly different responsibilities and the obvious conflict of interest that each position logically entails.

- (b) The Naib Nazim is also faced with some practical difficulties. The Nazim has enormous administrative (and other) responsibilities that are reportedly difficult to manage in the available time. As a result, a large number of the administrative responsibilities fall on the shoulders of the Naib Nazim, who as the next senior person in the political hierarchy has little choice but to discharge them, to keep the district government running. As a consequence, the impartiality or the neutrality of the Naib Nazim, and therefore the DA's role as the watchdog over the Executive, is compromised.
- (c) A more serious problem is a growing perception of lacking authorities of the DA, and its ability to take and implement decisions in the interest of the City district. The Assembly has reportedly passed numerous resolutions. However, these have been shelved or are considered un-enforceable. A review of the records shows that while some issues were beyond the purview of the DA, several could have been followed up, but were ignored by the district as well as the provincial governments.
- (d) The lacking authorities impact all areas of governance but more importantly such areas as recruitments, and rationalization of staffing. The Naib Nazim repeatedly pointed out that neither the district government nor the DA had the authority to hire or change staff at any level. Despite a critical need in several areas, the district has been unable to recruit staff even in the lowest possible grades. Among other examples, the Naib Nazim cited the case of the provincial government unilaterally deciding to delete budgetary provisions for such small items as Rs. 500,000 for sporting events and scholarships. The GoNWFP directed that this be deleted, well after the DA had debated and approved the budget line item.
- (e) The Naib Nazim was of the view that the DCO is supposed to facilitate and support the proceedings of the house. However, he has been unable to provide this support due to a variety of other engagements. The DCO's absence also results in the lack of interest among other line agency heads, who also prefer to stay away and instead rely on junior staff to participate in the various sessions. This not only impacts on the quality of inputs but also wastes considerable time, as juniors are ill informed about policy issues.
- (f) Another difficulty relates to the marginalization of the general councilors. These include the female, peasant/worker, and minority councilors. Although the LGO 2001 does not distinguish between the various categories, there is a strong perception that the general councilors are less equal than their counterparts or the Nazims representing the 92 UCs of the PCD. This perception is fueled by various privileges and facilities (such as salaries/phones etc.) and a relatively larger governmental access, that the general councilors do not enjoy. As a result, the general councilors (particularly the female members) openly categorize themselves as category "B" councilors, to express their sense of frustration at the current state of discrimination and apathy by the district

government. The situation clearly does not help the intention of empowering women and other vulnerable groups, who already feel left out during the very first year of LGO implementation.

- (g) Among other designated responsibilities, the DA has been unable to make progress on the review and approval of byelaws, approval of taxes, or development planning. The expectation that the various DA committees will engage in any planning or vision development is viewed to be unrealistic, due to limited capacities and an almost total lack of support available for their operations. Interestingly, many in the district government are counting on the CDS to provide a vision for the planning and development of the City district.
- (h) The LGO also calls on the DA to review the performance reports submitted by the District Nazim. However, as of the writing of the report, no such reports were received other than those prepared by the selected MCs. The DA has also elected six members (2 females and 4 male members) for the District Public Safety Commission. However, these members continue to wait for the notification of the Commission, pending formal enforcement of the New Police Ordinance.
- (i) On legal matters, the DA does not directly coordinate with the members of the judiciary, although the Naib Nazim felt a strong need for a judicial commission (at the district level), that could have representation from the DA, the District Insaaf Committee, lawyers etc, with a specific mandate to address local problems. On the question of law and order, there was a feeling that the district should have a full-fledged department of law such as in Sindh, which is working under the Nazim like the other decentralized agencies. If created, this department can be entrusted with responsibilities to review/vet various byelaws, and other provisions of law that impact and/or support the LGs.

It is therefore not surprising to hear strong views from the highest level of the district government that the LGO is an eye wash, and that the much needed administrative and financial authorities are still concentrated at the provincial level. These matters have been reportedly discussed at the highest levels of the government, including the Governor NWFP. However, there has been no resolution.

When discussed at the level of the National Reconstruction Bureau (NRB), the PCD Naib Nazim was advised that the use of the term District government was a misnomer, and that the district's elected body and administration should be treated as an "Extension" of the provincial government. Several key members of the DA appear convinced that the provincial government was not even willing to entertain the DA resolutions as district concerns, much less treat these as binding or worthy of enforcement. As a consequence, the situation has led to an almost total loss of interest across all levels of the LG. The councilors are rightly questioning the utility of the DA, where a variety of serious issues have been debated and resolutions passed for adoption, but no actions taken. The speaker of the DA (Naib Nazim) indicated that there is currently no instrument or mechanism to address this situation.



In the area of accountability or Checks and Balances, the LGO 2001 calls for the formation of several committees of the house to monitor the performance of the district government. Over the past year, the DA has formed nine Monitoring Committees (MCs) in the areas of Health, Education (two), Agriculture, Enterprise and Investment Promotion, Social Welfare, Water and Sanitation etc. The committees were formed through elections in which Chairpersons and other office bearers were chosen. With the exception of a couple, most of the MCs are dormant. The key reasons are the lack of support from the District government, and the virtual absence of budgets to cover the operational costs.

The lacking support has translated in no budget allocations during the first post-devolution year to the MCs, who were initially very anxious to get started with various activities. The enthusiasm has gradually dwindled, as the DA could not even offer the most basic facilities such as stationary and transport to carry out their responsibilities. For example, a number of female councilors were anxious to oversee the performance of the girls' schools. However, this could not be done for lack of transport. The situation appears to have been compounded by the lack of awareness about specific roles and responsibilities, thus creating further confusion and in some cases considerable friction with the line agencies of the district government.

Despite significant constraints, several committees have still managed to submit at least one quarterly report to the DA, which is a significant achievement. These highlight several problems confronting the City district. However, due to lacking support and ownership, the DA has been unable to follow up, or enforce any of the recommendations. The situation is compounded by the continuing apathy of the provincial government, which has also not responded to the various communications addressed to it on the subject.

As of June 2002, about 80% of the committees are totally dormant and the remaining are barely functioning. The NRB guidelines on the functioning of the MCs were received only recently. However, these do not address the issue of who will provide the resources for their working. The DA has also written to the line agencies to seek support; but they have indicated their inability to support the MC operational costs due to lacking budgets. The situation has improved during FY 2002-2003, as the DA did manage to approve some modest budgets primarily on the recommendation of the CDS team. However, these budgets are viewed to be inadequate.

The following summarize the key observations recorded in focus group discussions held with selected heads of MCs and the district Naib Nazim. Many of these problems are common to the MCs at the town and union levels reviewed during the assessment, and are therefore reproduced as generic problems of governance.

- (a) The biggest problem with the MCs is the lack of official recognition. After a lapse of nearly one year, several MCs are yet to see the official notification from the District government (DCO office). A timely notification would have allowed the MCs to officially operate and gain access to the respective line agencies. The Naib Nazim and others stated that the notifications have recently been issued, and concerned line agencies

informed. Various MC members emphasized their inability to work when a majority of line agencies have never heard of their existence.

- (b) The lack of facilities and operational support is another major area of concern. The MCs have no access to offices, stationary, support staff, transport, or communication facilities. However, driven by a high sense of responsibility, several MCs have still managed to engage in some modest work and have presented their recommendations to the DA.
- (c) Most MC members still do not know their responsibilities. The LGO provides very general information and no details are currently available to them to guide their work. As a result, most MCs do not know if they are working in conformity with their proposed role. The NRB guidelines on MCs were not available with any of the MCs.
- (d) Each MC has met several times (from 3 to over 8 times), and has visited a number of public sector agencies. However, their efforts have not been very productive and none of the recommendations have been followed up. They rightly feel that there should be a close co-ordination and facilitation by the concerned line agencies. Some are also of the opinion that they should be involved in policy review, discussions, and other key events taking place in the respective sectors.
- (e) Many MCs are headed by the UC Nazims, who already have a fairly heavy workload. The composition of the MCs needs to be reconsidered, and other councilors (women, minority/peasant/workers) given a lead role. This is currently not possible because the MCs were formed through in-house elections, and therefore the composition is reflective of the larger numbers of UC Nazims (92).
- (f) The respective MCs were generally unclear on the district policy/direction on health, education, MS, and other areas. Likewise, several representatives pointed out that they were totally un-informed about the process of budget preparation, and the various priorities being determined by the district government. No information was available even as late as a fortnight before the start of the next fiscal year. The MCs felt that the elected representatives should be formally briefed on the district policies and planning, in order to better support the district government's own efforts in various areas.
- (g) There was a very strong perception that the DA (and its MCs) had no say in the affairs of the City district. For example, the Sports/Culture Committee was not consulted during the massive NWFP centenary celebrations held in Peshawar over 2002. Likewise, the Transport Committee has also met several times, but remains sidelined in important matters related to traffic and transport. The concerned MC was not consulted in the district-wide traffic week, or the crucial meetings held in relation to traffic management. And yet MCs are expected to support the district government and help improve service delivery in various areas.

## **2.3 Resources**

### **2.3.1 District Assembly Secretariat**

During FY 2001-2002, the required support and infrastructure for the functioning of the DA were severely short, thus making it difficult to even document, print, and disseminate the assembly proceedings. Until June 2002, the administrative staff had no access to office equipment or communication facilities, although a computer, fax, as well as furniture/fixtures have now been committed. The administrative work largely relied on borrowed help, which was also difficult to negotiate.

As of the writing of this report, the support staff was clearly inadequate for the assigned responsibilities that include coordination with a number of the MCs, recording and disseminating the assembly proceedings, managing the administrative work of the Naib Nazim, and a host of other activities. The Naib Nazim had a skeletal staff of barely three members, although the staff strength has now been raised to 19 members (refer Annex-3). In terms of the physical premises, the DA operated out of a rented building (the NWFP Archives hall) during the first year. However, a purpose-built facility is now available to accommodate the DA as well as its administrative staff.

Budget for the DA Secretariat is provided from the local fund resources of the District. The District Nazim, with the assistance of the DCO is responsible for preparation of the budget for approval by the DA. Current local fund sources are bus/truck terminals, rent of properties inherited from defunct MCP, 10% of the Zila tax grant, and earning from colleges run by the District government. For FY 2001-2002, provisions for establishment and other office related expenditures of the DA Secretariat was provided in the District budget for nine months. However, due to lacking capacities the record of expenditures is inadequate and does not permit an analysis of the current situation.

The budgeted expenditure for the FY 2002-2003 shows that 34.89% of the total expenditure of the DA Secretariat has been provided for salaries of the staff, 8.71% for the purchase of furniture and other durable goods, 3.23% for repairs of the durable goods, 5.90% for transportation including running and maintenance of the vehicles, 14.05% for the DA meetings, and 2.18% for the MC meetings. The budgetary provision for MCs is worth noting as there was none during the first year, and therefore they were largely unable to perform. However, at current levels, the operational needs are unlikely to be met.

### **2.3.2 District Nazim Secretariat**

Budget for the District Nazim Secretariat is also provided from the local fund resources of the District. In addition, the provincial government has provided Rs. 144,000 each for the FY 2001-2002 and FY 2002-2003 as Honoraria for the District Nazim. Furthermore, a sum of Rs. 230,000 in FY 2001-2002 and Rs. 333,000 in FY 2002-2003 has also been allocated for the District Nazim under repairs, transportation and communication heads.

The budgeted expenditure for FY 2002-2003 of Rs. 3,350,053 shows that 24.03% of the total expenditure of the District Nazim Secretariat has been provided for salaries of the staff, 13.43% for the purchase of furniture and other durable goods, 2.39% for repairs of the durable goods, 7.76% for transportation including running and maintenance of the vehicles, 6.27% for communication, 5.07% for utilities, 2.99% for the law charges and 11.94% for entertainment of District Nazim office.

## **2.4 Systems and Processes**

### **2.4.1 Fiscal Transfers and Local Resources**

The PCD government manages two distinct sources of funding. These include resources that are internally generated by the PCD, and a significantly larger chunk received on account of transfers from the provincial government. The city exercises a high degree of autonomy in planning and decision-making with regards to funds generated through its own sources. In contrast, planning for, and development through, the provincial grants require conformity with provincial policies, as well as formal appraisal and implementation through various decentralized provincial agencies.

Over the past years, the modest provincial transfers for developmental activities followed adhoc arrangements, which were typically dictated by political considerations. However, in future the provincial grants are likely to be transferred through a new system for resource allocation. A key objective is to introduce equity and transparency in provincial resource allocations, through introduction of a rational developmental criterion. This is aimed at minimizing political interference and adhoc decision-making. The NWFP PFC Award formula is based on the district Population (50%), Backwardness (25%), and Lag in Infrastructure (25%). A province-wide Multi-indicator cluster survey, funded by the UNICEF, provided the basis for preparing the development indices. Based on the PFC Award, the provincial transfers for development activities to respective districts are required to be distributed between the three tiers of the LG. A minimum of 10% is required to be transferred to the UCs, 30% to the TCs, and 60% can be retained at the district level.

The federal transfers to the districts for FY 2002-2003 were based on an interim PFC Award formula. Prior to this, each district generated substantial levels of local resources through Octroi and Zila (OZT) taxes, which were abolished in 1999. The interim policy calls for federal grants in lieu of the now defunct Zila tax (on district exports) and Octroi (imports). During FY 2001-2002, the federal grant on account of Zila tax was evenly distributed among all 92 UCs. The PCD government retained 10 % of this amount to cover its management costs. On the other hand, the federal grant in lieu of Octroi was directly transferred to the respective Towns. The number of urban UCs in each town determined the basis for receipt of funds by each town. As a result Towns 1 and 3 received bulk of these funds, while Towns 2 and 4 (with only 2 urban UCs each) received a small percentage of the total Octroi transfers. During FY 2001-2002, the provincial transfers to the district largely covered the recurring budgets of the decentralized agencies of the provincial government. There was virtually no budgetary support for developmental activities. During the same year, the district also received federal grants through

KPP transfers of Rs. 150 million, which accounted for the biggest (and the only) funding available for any development activities.

The LGO 2001 provides for substantial local resource generation avenues at each LG level. However, the District (and lower tiers) is yet to evolve a clear policy on resource generation as well as its distribution among the various tiers. All UCs and TCs are currently reliant on the operational grants by the district and the federal government. The district and town governments generated resources through the returns on assets (from the defunct MCP and the DA), user charges, as well as variety of other heads. However, on aggregate the locally generated resources cover barely 45% of the annual operational needs for each town. Despite a predominantly urban nature of Towns 1 and 3 and rural of Towns 2 and 4, there is not a large variation across three of the four PCD towns in terms of capacity to generate their own operational costs. The remaining operational costs and developmental activities are managed through external transfers.

During FY 2001-2002, all UCs primarily relied on the federal grants in lieu of Zila tax for meeting their operational as well as development expenditures. During FY 2001-2002 these included an average of Rs. 0.771 million for each UC. In addition, federal grants also enabled modest development activities at each UC, through the KPP. However, these were implemented by the District government through its regular line agencies, and not by the UAs. The prospects for local resource generation exist at each level, although these are yet to be fully identified and/or tapped due to the weak capacities of the District, Town, and Union administrations. The situation is particularly grave at the UA level, which have virtually no staff and resources to manage their mandates.

#### **2.4.2 Planning and Budgeting**

The district government, with technical assistance from the private sector, managed to prepare and approve its annual development plans/budget for FY 2001-2002 and FY 2002-2003. The budgets provided the basis for the PCD expenditures across various sectors as well as downward to the four TMAs and the 92 UAs. The TCs also managed to prepare annual plans and budgets within the envelope of resources projected at the level of the PCD. However, the assessment shows that all TMAs are severely constrained by the large establishment costs (inherited from the defunct MCP/DAs), and have virtually no resources to carry out any development in their respective jurisdiction.

At the next lower level of UCs, the budgeting, planning, and development processes faced several difficulties due to lacking capacities and the absence of clear procedures. As a result, virtually all UCs experienced significant delays in the preparation of their annual plans and budgets. Well into the fiscal year did the PCD government transfer the first installment of grants to the UCs. However, specific modalities for the use of these funds remained unclear. More importantly, the UCs were severely constrained due to lacking capacities for preparation and management of development activities, for which they are currently reliant on the TMA infrastructure. This is widely considered to be a less than optimal arrangement.

The Rules of Business (RoB) for development planning and implementation are available but widely considered to be inadequate. The UAs and the TMAs are still in the process of understanding and adjusting to the ground realities. Their operations have suffered due to the absence of detailed guidelines for translating the devolution plan into practice. This important and much delayed requirement, is now being met by several agencies including the federal NRB and various donors providing support for capacity building in NWFP.

The Standard Operating Procedures (SOPs) for use of the provincial grants have been prepared as P&D guidelines. These guidelines call for bottom-up approaches. The identification and prioritization of the sectoral initiatives take place at the level of UCs. These are subsequently aggregated, short-listed, and recommended for processing at the level of the District Coordination Committee (DCC) headed by the Nazim-e-ala. The selected schemes are then forwarded to the concerned line agencies of PCD for preparation of scheme feasibility. Following the feasibility or scheme preparation (PC-Is etc.), the District P&F department carries out an appraisal and develops recommendations for consideration by the DCC. On approval, the sub-projects are implemented by the concerned line agencies of the PCD.

However, the entire development process is currently bogged down by a variety of institutional issues. These mainly relate to resource constraints, lack of clarity on the new RoB including questions with regard to authorities for administrative and technical sanctions, posting and transfers, as well as inter-district and vertical co-ordination with the provincial and the federal governments. CDS assessments indicate that ambiguities in the new roles and responsibilities, and weak co-ordination are some of the major institutional issues, confronting virtually all the PCD institutions. These are only preceded by the lack of human, material, and financial resources, which is widely considered as the key issue.

Within the PCD, a number of formal structures and mechanisms have been developed per the LGO for strategic planning, inter-sectoral co-ordination, conflict resolution, and monitoring. Strategic planning and resolution of inter-town conflicts is the mandate of the District Mushawarti Committee (DMC), and the district P&F department. The Naib Nazim also identified strategic planning and conflict resolution as two important areas of concern for which the DMC serves as a key instrument. During FY 2001-2002, the DMC was only able to meet twice, despite the repeated requests by several Town Nazims as well as the DCO. The meetings were made possible due for the efforts of the CDS team. The lack of interest by the Nazim-e-ala and continuing transition problems were identified as key reasons for delayed meetings. However, more recent information from the DCO office indicates that the DMC meetings have become more regular, and have greatly helped in resolving several outstanding issues among the district and the four town governments. Similarly, the EDO Committee is responsible for resolution of any cross-sectoral and inter-agency issues.

Several important portfolios including general law enforcement, environment, irrigation, power, and telecommunications remain under provincial or federal control. A recent federal Ordinance has brought major changes to the area of law enforcement, under which the district governments and other stakeholders will have an enhanced role in police oversight. Despite the gravity of environmental problems within the NWFP, the environment portfolio remains the

weakest in terms of institutional support as well as enforcement. Due to limited financial and technical capacity for environmental management, the GoNWFP has now finalized a plan for zonal, as opposed to a district-based, environmental control and management. The PCD will be managed through one of the four zonal departments being organized on a province-wide basis. The new organizations will ensure effective adoption of the National Environmental Quality Standards (NEQS) and the enforcement of the Pakistan Environment Protection Act 1997, which until now remains ineffectual due to lack of political commitment, resources, as well as the absence of implementation procedures.

Similarly, the Peshawar Electric Supply Corporation (PESCO) has been identified as a major problem at all UCs and TCs, and PIDA is another agency with major impact on the City district. However, the DA has no means to influence them or obtain commitments for improved service delivery. Similarly, another federal agency, the Zakat/Ushr department is out of the purview of the DA, even though poverty and the absence of an effective system for social welfare is a major concern across the entire district. The elected representatives agree that the situation can be improved if the federal/provincial government introduces mandatory coordination and some degree of accountability of these agencies at the level of the district government. More recently, some federal and provincial agencies (such as SNGPL and PIDA) have started responding to the various letters issued by the Naib Nazim and the resolutions passed by the DA. However, in general the response is poor and the district mandate is considered ineffective to bring any meaningful change in the working of federal or non-decentralized agencies of the provincial government.

Likewise, due to lacking systems of coordination and management across the LG tiers, the relationship between the District, Town, and Union Councils remains weak. This has resulted in a variety of problems including lack of trust and cooperation, to outright disputes over taxation and several other areas. To quote one example, the UCs (across and within each Town) have started charging varying rates for the issuance of birth and death certificates, thus raising complaints from the general public. The DA made an effort to streamline these by requesting for consistency. However, the UCs objected and termed it as interference in the affairs of the Union. These and other issues indicate that the current arrangements between the three tiers of LGs need streamlining, although a policy debate on the desirability, or otherwise, of maintaining consistency of policies in various areas of LG operations is yet to be initiated.

### **3. The District Coordination Office**

#### **3.1 Institutional Background**

The District Coordination Office is a pivotal organization, created in the post-devolution period to provide support to the district government. On behalf of the provincial government, the District Coordination Officer (DCO) also provides policy guidelines, ensures coordination, and serves as an overall administrator for the decentralized provincial agencies operating at the district level. Although there is no precedent for such a body in the pre-devolution period, the nearest equivalent could be the colonial establishment of the Deputy Commissioner (DC), which has now been abolished as a result of the LGO 2001. In the pre-devolution period, the

development planning and overall management functions were more directly managed by the provincial hierarchy and its extensions in the districts, although the DCs also enjoyed certain powers of coordination. In addition, they also enjoyed certain judicial and executive authorities, which have been withdrawn and/or re-distributed among various organs of the district, including the elected Nazim, Police, Judiciary, as well as the DCO.

Hierarchically, the DCO is the highest-level government functionary in the district, and is typically a career civil service employee of the federal or the provincial government. The DCO serves as the focal point for transmission of provincial policies, coordination of the groups of offices decentralized to the district, general supervision of district level programs/projects, and also works as the principal accounting officer of the District government.

In matters of policy and important decisions, the DCO is required to obtain the approval of District Nazim before communicating matters or decisions to the provincial government. The district Nazim is also responsible for the performance review of the DCO, and may advise the provincial government to pre-maturely transfer the officer in case of non-performance. On behalf of the provincial government, the annual performance evaluation of the DCOs rests with the Chief Secretary, GoNWFP, who is the designated counter-signing officer in addition to the Chief Executive of the Province.

### **3.2 Institutional Mandate**

The DCO's institutional mandate has been specified in the LGO and further detailed in the District government RoB. These include three broad areas of responsibilities covering: (a) District Coordination; (b) Human Resource Development (HRD); and (c) Responsibilities in relation to Civil Defense (refer Annex-4):

- (a) The DCOs coordination responsibilities extend to all decentralized agencies of the government. Post-devolution, all departments/groups of offices operate under the overall supervision of the DCO, headed by the respective Executive District Officers (EDOs). Coordination among these agencies is ensured through monthly meetings of the EDOs chaired by the DCO. The first year witnessed few such meetings due to several transition-related difficulties, as well as dual responsibilities of the DCO, Peshawar who was also concurrently serving as the Secretary to the Governor, NWFP. As Vice-Chairman of the DCC, the DCO also interacts with agency heads in the DCC forums, regularly called for purposes of scheme approvals. Other coordination mechanisms include needs-based meetings and interactions necessitated by the new administrative and financial rules. These require financial and administrative sanctions for a variety of development and non-development expenditures (above a certain threshold), as well as performance evaluation of EDOs (and DOs) through the DCO. Closely working with the District Nazim, the DCO is responsible for administrative and financial discipline, and maintaining efficiency in the discharge of the functions assigned to the district administration.



Other important responsibilities involve assisting the Zila Nazim in preparing reports on the implementation of the development plan of the district government. The DCO also prepares responses, and is responsible for follow-up actions on the DA Resolutions, and questions raised during its monthly sessions. The LGO also empowers the DCO to act and perform functions of the Collector.

- (b) The responsibilities for HRD extend to the management of Service Rules and their interpretation at the District level, other than those falling under the purview of provincial or federal governments. The DCO is also responsible for organizing training in Organization and Methods, preparation of Manuals, extending support for career development of District government employees; holding departmental examination in respect of District government employees, as well as in-service/pre-service training of ministerial employees of the District government. The assessment shows that the DCO establishment is severely constrained in discharging many of these functions due to shortage of staff.
- (c) The broad responsibilities for Civil Defense include training/monitoring programs and the implementation of civil defense schemes in the District. However, these were not assessed under the current study.

The assessment shows that several new responsibilities have been added to the DCO's portfolio. However, these are not accompanied by a commensurate increase in staff and material resources. The new responsibilities include issuance of licenses for CNG/Patrol pumps, cinematography, management and operations of the huge Benevolent Fund (BF), arms licenses, and several other responsibilities. Most of these responsibilities were previously managed by the now defunct office of the Deputy Commissioner. However, post-devolution these remained unassigned to any district agency. The BF Management is a particularly huge task as it involves dealing with several thousand people, for which the DCO's establishment has little capacity.

A formal request for additional staff has been taken up with the provincial government. However, there has been no response till date. The DCO reported that the provincial finance department has sanctioned the posts for each district agency, which they are presently unable to change. In the meantime, the LGO 2001 provides the DA with an authority to change the number of posts of officials and employees of the decentralized offices of the district administration and the TMAs. However, surprisingly this important provision is yet to be exercised.<sup>1</sup>

The restructuring of line agencies at the provincial and district levels has led to a large number of staff being rendered surplus. While the province-wide figure exceeds 6000, the surplus staff specific to the PCD is currently about 100. This staff continues to draw salaries, but remain unassigned to any permanent position. The DCO views this pool as a possible source to strengthen various district agencies. However, the pool does not have many technical staff that can be used for functions required at the level of DCO. In addition, wherever deployed on

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<sup>1</sup> LGO 2001, Section 38 (m).

temporary postings (through the DCO's executive orders), there has been little or no change in the level of services. In the absence of sanctioned posts, most temporary staff is generally unresponsive and even unwilling to work.

Other major responsibilities (not listed in the District government RoB) relate to the overall management of the development process under the Khushal Pakistan Program (KPP). Despite an obvious lack of technical and management capacity for such a huge program, the federal government has directed that the KPP be directly managed by the DCO's establishment. As a result, the DCO not only gets involved with the scheme selection and approval, but also in such matters as processing and clearance of contractors bills for the hundreds of schemes being implemented in the City district. It is yet unclear as to what is the rationale for assigning this function to a non-specialist organization, when specialist agencies are available in the district to more effectively implement this program. Despite the DCO's repeated requests to the GoNWFP to re-assign this responsibility to other competent bodies such as the Works and Services (W&S) department and/or the TMAs, the procedures have not been changed.

The KPP rules also state that payments should be made on work done basis. However, the DCO's office has no staff to measure work, nor the requisite accounting staff to handle the contractors' bills. As a result, the work is being assigned to various individuals on an adhoc basis, who neither have the training nor the time for these functions. The meager staff available with the District P&F department is typically asked to do the field checking. Likewise, the skeletal accounts staff of the DCO's establishment (as well as in the P&F) are in theory responsible for reviewing the contractors running bills, but due to lacking capacities are only able to focus on the peripheral aspects such as certifying that the Administrative Approval is granted; ensuring that the Technical Sanctions are on the record, and the required pre-audit is carried out. This typically takes at least a week for each running bill, thus consuming significant time and energy. In addition, the DCO perforce gets directly (and very frequently) involved in clarifying the consequent delays in payments and related questions tied to physical implementation of the KPP.<sup>2</sup> This continues to draw the limited capacity away from other (and more critical) management functions in the City district. Another disturbing aspect of this unwanted responsibility is the reported change in the culture of a management organization, whose staff is now investing a great deal of time and effort in brick and mortar aspects instead of focusing on their core functions.

More recent responsibilities of the DCO relate to the management of the City district resources (real estate management, certain macro municipal functions still unassigned to any entity, local resource distribution etc.), that until recently were controlled by CDMD. However, in contrast with other responsibilities, the DCO has been successful in tapping the required resources for managing these new functions through a re-assignment of the staff posted in the CDMD and certain TMAs. To help manage these functions, a new Directorate of Coordination has been established under the DCO (in July 2002), which also ensures coordination among the four TMAs and the CDMD. Given this change is fairly new, the current assessment has not focused on the adequacy or otherwise of this directorate (refer Annex-6).

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<sup>2</sup> During the interview session, the DCO attended at least three calls; all related to the release of contractors bills under KPP.

### 3.3 Resources

The DCO core establishment has a staff strength of 25, which does not include the Civil Defense establishment (21 staff members), many of whom were still not in place at the time of this assessment. This figure also does not include the very large Directorate of Coordination (with over 400 staff), which also joined the DCO's fold, effective July 2002.

Among the key staff are an Assistant Coordination Officer (ACO) in grade-18 and two officers in grade-17; one each for Finance and HRD. The remaining 20 staff members fall in support categories from grade-1 through 16 (refer Annex-5). The current staffing is reported to be short at various levels, but particularly in the supporting categories. In addition, staff capacities are considered to be a major issue. Notwithstanding the positive impacts of devolution, the pace of re-structuring has reportedly created serious problems. Staff postings have been hastily done with insufficient attention to individual qualifications and/or experiences for a variety of positions. As a result, wrong people have been posted at wrong places.

The DCO establishment appears to have absorbed the bulk of lower order staff from the defunct offices of the Commissioner and Deputy Commissioner. Although this staff is reported to have extensive experience with district administration, they have little understanding of development planning and coordination, HRD, and other critical functions that are fairly new. There is also a related, but important, question of adjusting to a vastly different culture, where the DCO is no longer a central and all-powerful authority, but a facilitator working within a very changed context. Although the provincial government viewed the DCO's institution as a natural home for such staff, the new district establishment (for coordination) has a vastly different mandate, and therefore the need for a different and a more diverse mix of human resources than what is currently available.

The DCO reported several problems, particularly in the area of finance and accounting, where none of the staff posted by the provincial government had the qualification or experience to manage their responsibilities. The District P&F department also works very closely with the DCO and provides support for budget preparation, accounting as well as appraisal of development activities. However, the DCO reported many of the P&F functions are severely constrained due to limited capacities. As a result, several critical functions including the budget preparation process, as well as district level planning have been delayed or are being performed at sub-optimal levels. In addition to staff shortages, the issue of staff capacities is a major concern that continues to drain the DCOs time due to personal involvement with tasks that could be effectively performed at lower levels.

A key concern relates to the prospects for vertical movement for lower order staff. Given the large difference in staff grades, there is little prospect for promotions, and therefore incentive for improved performance. In addition, both the numbers as well as staff mix is considered to be inadequate for the range of responsibilities assigned to the DCO establishment.

The post-devolution budgets show a decline in budgetary allocations for general administration from Rs. 4.66 million (in FY 2001-2002) to Rs. 2.93 million (in FY 2002-2003). The reduction is mainly the result of a surprising reduction in sanctioned staff, including the deletion of two officer cadre positions (a Training Officer and a Program Officer), as well as several junior positions for computer operators. The DCO establishment will need to rely more on possible support from the newly established Directorate for Coordination, funded through the District's local funds. The non-salary budgets account for approximately 21% of the annual budgets (in the current year). However, staff interviews suggest that these are grossly inadequate. Insufficient budgets have been allocated for several important needs, including stationary, repairs, and maintenance of equipment, medical bills, and POL provisions.

The DCO office is also in need of basic office equipment including computers, typewriters, and photocopiers, which were not available at the time of assessment. However, a case has been moved to the provincial government to allow critical procurements at a short notice. Located in the heart of the City district, the DCO establishment is now housed in a refurbished DA premises, which also houses the offices of the Nazim and Naib Nazim, as well as other district government offices. No major complaints were reported about the availability or adequacy of space. In terms of logistical support, the DCO office appears to be having fewer problems compared to other line agencies, although there were several complaints about the condition of the vehicles.

### **3.4 Systems and Processes**

#### **3.4.1 Planning and Budgeting**

Planning and budgeting remained a weak area in the first two years of the PCD. Several transition issues including lacking clarity on the RoB, shortage of staff, the absence of a full time DCO, and weak staff capacities resulted in insufficient attention to several critical functions. The district budgets for both fiscal years were largely facilitated by technical assistance from the private sector, while planning remained largely confined to adhoc approvals and appraisal of selected schemes in various sectors.

During the first year, the financial management system dealing with the provincial transfers fared relatively well. However, the virtual absence of systems for management of the district local funds assumed a crisis proportion. A high level of uncertainty on resource availability at the level of TMAs and the UAs contributed to extreme frustration among the LG representatives. The situation deteriorated to a point where many LG offices were operating on a month-to-month basis, and ensuring municipal service delivery to the old urban areas became increasingly difficult.

The situation was compounded by the absence of a District local fund account, due to which the District's local receipts and expenditures were managed through a temporary account in the CDMD. However, lacking RoB within the CDMD, and weak capacities not only led to questions of accounts and book keeping, but also led to serious processing delays to other service providers (particularly the TMAs). The City district finally managed to open a District Local

Fund Account in June, 2002 and started focusing on a financial system to streamline resource management, and the control of resources effectively shifted to the DCO.

In the context of district local funds, the DCO has taken practical steps towards the introduction of various budgetary heads for the Nazim (managed by Nazim/DCO), the DA (managed by the Naib Nazim), as well as for the expenditures tied to functions previously supported by the CDMD. Under the new procedures, the DA appropriates and approves budgets for various expenditure heads, including those for the DCO's establishment. These checks and balances have already resulted in significant financial discipline and improved governance of the City district.

The control over the City district's resources has also enabled the DCO to release the desperately needed operational grants to various TMAs, who until recently were unable to even manage their staff salaries on a monthly basis. An improved handle on the City district resources has also allowed the DCO to think ahead and plan for next year's development program, particularly counting on the support and capacities of the TMAs, which were largely ignored during the first two years. The DCO's control of the district local resources/assets is generally viewed as a positive step considering the organization is very closely and directly responsible to the Zila Nazim, and is in a better position to address the district concerns, as well as maintain equity among the TMAs and UAs with highly diverse needs.

### **3.4.2 Coordination and Support to the District Assembly**

The DCO establishment provides support to the DA, although most councilors are reportedly unaware of the procedures and seek support in an adhoc manner. Despite clear provisions in the LGO 2001, the PCD assembly is yet to evolve a code of conduct for its operation. As a result there is considerable confusion and at times even friction.

The DCO rightly felt that there should be clear procedures for making queries, and seeking clarifications on the affairs of the district line agencies. All questions in the DA should be addressed to the Nazim-e-ala, who in turn could seek the views of the DCO/Line agency heads. The questions and responses should be provided in writing rather than a verbal discussion, which on several occasions has degenerated into a very negative and unproductive debate. Moreover, informed views can only be provided by the district officials, when the DCO and/or the concerned staff are given time to review and analyze the specific case in question. The experience with the DA sessions shows, that the councilors continue to debate numerous issues without any agreement on a code of conduct, and thus are unable to productively use the house for its intended functions.

On the question of providing support to the DMC, the DCO agreed that until recently, the district government's support has been minimal and the MC members are rightly unhappy over the state of affairs. However, their key complaints in terms of lacking guidelines and required resources are being gradually met through enhanced budgetary allocations during FY 2002-2003.<sup>3</sup> On the question of follow-up support and actions for the DA resolutions, the DCO was

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<sup>3</sup> No budgets were provided during FY 2001-2002; while the FY 2002-2003 budgets show a token provision of Rs. 0.1 million for all MC.

of the view that the resolutions are generally not backed by the required homework, and many cannot be followed for practical reasons. There is a strong need to build awareness about the PCD mandate as contained in the LGO 2001, as well as the manner in which resolutions should be passed.

### **3.4.3 Financial and Administrative**

The delegation of powers under the new Financial Rules, 2001 (and powers of re-appropriation rules) lays down certain parameters for conferment of financial powers, as well as specific limitations on the exercise of these powers to administrative departments and officers of various categories. The re-structuring of the provincial government and the devolution of powers has led to certain fundamental changes. In the context of financial and administrative authorities, the general nature of these changes include:

- (a) The up-gradation of financial/administrative categories for a number of officers, due to which they can now exercise more financial powers. The DCO is declared as a Category-I officer; the EDO is Category-II, and DDO is Category-III officers.
- (b) Maximum financial autonomy has been conferred to the administrative Departments and the District government. The DCO has been declared as an Administrative Department.
- (c) Due to escalation in prices since 1992, powers of various officers have been substantially revised upward.

The DCO as the Principle Accounting Officers in the District, has a vital role in terms of monitoring, timely reconciliation of accounts, and ensuring financial discipline within his respective areas of responsibility. However, despite the decentralization and devolution of authorities, the provincial Finance department continues to exercise a high degree of influence and control. For instance, the most recent direction notes that: "The powers delegated shall be exercised by the authorities subject to actual release of funds by the Finance department, and not on the basis of budget allocations, nor in anticipation of funds." In addition, the concerned officers (in the districts) are required to observe all codal formalities, conditions prescribed by the provincial government from time to time, the general or specific conditions laid down in the schedule to these rules, or in any other rules of the provincial government. In addition, the provincial finance rules also specify that "where the district (or other) proposals involve creation of new posts or purchase of vehicles, that portion of the schemes shall be separately cleared from the finance department prior to its consideration and approval."

In terms of the new financial and administrative authorities, the following table illustrates the new authorities (in selected areas) that are now available to the district government. However, it is important to highlight that these remain subject to the very broad qualifications noted above:

**Delegation of Powers and Authorities under the Financial Rules (2001)**  
(Selected areas noted for illustration only)

S/No.	Nature of Powers	To whom Delegated	Extent and Conditions if any
1.	Powers to abolish posts	(a) Administrative Department (b) Officers in Category-I (c) Officers in Category-II	Full powers Full powers in respect of all posts up to BPS-17 Full powers in respect of Non-gazetted posts
2.	Local purchase of indigenous stores (other than stationary)	(a) Administrative Department (b) Officers in Category-I (c) Officers in Category-II	Full powers Full powers Each item not exceeding Rs. 50,000/-
3.	Power to incur expenditures on Development Schemes	(a) Administrative Department (b) Heads of Department in Category-I (c) Officers in Category-I who are not heads of departments	Rs. 1.5 million Rs. 1.0 million Rs. 0.45 million
4.	Powers to incur expenditures on debitable heads (including durable goods, M&R of durable goods, communication and services etc.)	(a) Admin Department (b) Officers in Category-I (c) Officers in Category-II	Full powers Full powers Rs. 100,000/-
5.	Administrative approvals to Works/Development schemes	(a) DDC. (b) Heads of Department (c) Officers in Category-I who are not heads of department	Rs. 10.0 million Rs. 0.5 million Rs. 0.2 million
6.	Re-appropriation of funds	(a) Administrative Department (b) Officers in Category-I	Full powers Full powers

The assessment indicates that while many of these powers are highly useful at the level of the district government, the qualifications attached by the provincial government and the limited staff capacities have constrained the district from using these provisions to its advantage. Other difficulties stem from the continuing (new) directives being issued by the provincial Finance department (as well as others) that supercede previous instructions. This has made local decision-making in financial and administrative areas difficult as well as risky.

The situation is also influenced by the on-going accountability drive in the country/province, because of which there is now a much higher concern for rules and regulations, particularly in

the area of finance. Although a positive development in its own right, this has also inhibited the individual drive and initiative among the high achievers in the public sector, who are now seen to be maintaining the status quo, and largely unwilling to take chances with the changing system.

#### **3.4.4 HRD and Career Development**

HRD is a major area of responsibility under the DCO (refer Annex-4). Discussions with the HRD Officer indicate a lack of understanding of the provisions for HRD, and the various activities identified under the broad title of Organization and Methods.<sup>4</sup> The current HRD staff is clearly inadequate to manage the proposed responsibilities. The DCO acknowledged this serious constraint, but highlighted that alternative staff is currently unavailable with the provincial government, nor do the current rules allow the district to induct people from the private sector. As a result the HRD mandate remains largely unimplementable.

#### **3.4.5 Monitoring and Evaluation**

The current system for internal monitoring is largely confined to monthly progress reports from the district line agencies, monthly meetings of the EDO's Committee, as well as adhoc inspection of line agencies and selected field activities on behalf of the District Nazim. Line agency level monitoring is the responsibility of the respective EDOs. The DCO is responsible to review their annual performance through formal performance evaluation reports that are also required to be countersigned by the District Nazim. The Nazim may request premature transfer of the DCO as well as the EDOs (and other sub-ordinate staff), if performance is found to be unsatisfactory.

The external monitoring is ensured through several mechanisms including the MCs of the District, Town, and Union Councils, direct queries by the elected representatives in the DA, as well as assembly resolutions that require corrective actions. Using the provisions of the LGO, the Nazim may also direct the DCO to conduct special inspections and inquiries relating to the staff of various LG agencies and decentralized provincial departments. However, the assessment shows that the various monitoring mechanisms are currently ineffective or non-operational for a variety of reasons. The key reasons remain weak capacities, lacking systems within the agencies being monitored, as well as inadequate resources and absence of guidelines for effective monitoring and evaluation.

### **3.5 Gender Focus**

The DCO currently does not have a mandate from the provincial government that requires a special focus on gender concerns. This fact is also supported by the assessment of several other line agencies of the district government. The assessment also shows that the DCO's establishment as well as the line agencies (with the exception of Health and Education) have minimal representation of women. However, it was pointed out that post-devolution the

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<sup>4</sup> The District government RoB identify several key functions of the DCO, under the broad title of HRD. However, many of these urgently need interpretation, and are totally unclear to the staff currently assigned.



District government may take appropriate steps to start correcting this major imbalance. The DCO establishment is willing to extend whatever support may be required.

Pending a policy debate on the subject, the district government is aiming to address immediate concerns. These relate to finding office accommodation and other facilities for the lady councilors, who have virtually no place to sit together and discuss general or women specific issues. Most female councilors are being forced to use the offices of other district functionaries, while several are unable to participate due to lack of space or *purdah*<sup>5</sup> restrictions. This is not only inconvenient from a practical and cultural perspective, but also prevents free and open discussion.

Among other steps, the district government is also proposing special budgets in support of exclusive women centered programs. Although most female councilors have highlighted these provisions to be highly inadequate and difficult to access (for procedural reasons), effective FY 2001-2002 they have the discretion to identify and approve funding for high priority programs in their areas of concern. The department for Social Welfare and Women Development is being viewed as the main implementer of such programs. However, a rapid assessment indicates that the agency has a very weak field level presence at the district level (with no EDO), and is still undergoing a transformation as a result of the merger between the Social Welfare, Women Development, and the Zakat/Ushr departments. The combination of these agencies is the proposed PCD equivalent of the Community Development department established in Punjab and elsewhere in the country. The assessment of budgetary utilization for women focused programs during FY 2001-2002 shows virtually no expenditures due to delayed appropriation, lacking procedures, unclear scheme selection criteria, and weak implementation capacity.

Among other concerns, awareness on women's roles and responsibilities remains a major concern. Most male councilors as well as various members of the district government, appear to be encouraging the female councilors to confine themselves to women-related issues/programs. This not only undermines the spirit of female representation in local governance, but has also confused a large number of the female councilors who continue to seek clarification on their role and responsibilities in the LG councils.

### **3.6 Devolution and LGO**

Despite major strides over the past two years in implementing devolution, there are several teething problems. Not all district agencies are fully in place, and some are still under-going transformation. The more established agencies including Education, Health, Agriculture, W&S as well as several MS providers (TMAs) appear to be faring better (in terms of staff, systems and resources) than others, such as the department for Social Welfare/Women Development.

The district government structure does not provide for a legal department, despite its provision in the generic district structure proposed by the LGO 2001. The Sindh and Punjab

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<sup>5</sup> Several female councilors observe *purdah* (use of a veil), even during DA sessions, and expect a certain degree of privacy in work place.

governments have reportedly established such departments at the level of each district that are performing very useful functions, particularly in this critical transition period. However, perforce the PCD is relying on short-term solicitors (hired on contract), who are viewed as useful resources, but inadequate to support and protect the district's long-term interests and position on various legal issues. Likewise, despite a critical need and contrary to the LGO provisions, the district government structure still does not show any establishment for information technology.

The first post-devolution year witnessed the transfers of several EDOs and DOs in various line agencies. Many of these were done reportedly without the due process of consultations with the District Nazim and the DCO. The authorities for staff induction (even for lower grade staff) remained largely suspended during the first two years due to a province-wide ban on recruitments. This has been cited as significant constraint by the district government, which views this as interference in local affairs at the expense of service provision. The question of authorities for staff posting and transfers even in the lower grades (in BPS 1-15) remained unclear and contentious for much of the first year. Some clarity has emerged during FY 2002-2003, particularly under Health and Education sectors where intra-district transfers are now taking place through locally formed committees of the Nazim/DCO/EDO concerned.

The current RoB (at the district level) do not adequately cover the issue of provincial reporting, coordination, and administrative authority over the DCOs. As a result the provincial linkage for policy directions and overall management remains weak, and the DCO establishment has had difficulties on soliciting reviews and administrative approvals for various actions falling outside the District's mandate.

The district has also faced difficulties in managing inter-agency conflicts, and addressing certain critical issues involving the City district government and the GoNWFP. However, several important LGO mechanisms such as the DMC specifically created to address and resolve such issues, remained largely inactive during the first year of PCD operations. As a result, small district level issues snowballed to crisis proportions and therefore took longer time and effort to resolve. The DMC has now been activated, and is reportedly meeting more regularly than before. The monthly EDO's meeting is another forum where inter-agency issues and specific problems identified in the DA sessions can be tabled and resolved. However, these meetings were infrequent during the first year. These are now being held on a more regular basis, and have contributed to several improvements.

Finally, the lack of adequate resources for effective management of district services has remained a major issue since the start of the devolution process. Among others, specific recommendations including the transfer of fiscal authorities for various areas (in particular UIPT, professional taxes etc.) have been identified as the key to future improvements. However, due to the absence of a formal mechanism for redressing such issues, no action could be taken. With the establishment of the LG Commission prescribed by the LGO 2001, such issues can now be formally taken up to the provincial government and appropriate decisions taken. However, this would require it's becoming functional and effective.

## **4. Institutions of Law, Order, and Justice**

City-wide consultations have identified a high crime rate and weak systems of justice as significant concerns. A wide cross-section of people identified a generally insecure environment for their lives and livelihoods, that is characterized by a high incidence of kidnapping, car snatching, murders, thefts, smuggling, land disputes, poor state of prisons, corruption, poor attitude of the police, as well as weak accountability.

Most people attribute these problems to a high poverty rate, weak social and economic infrastructure, and a very large Afghan population with insufficient means to support itself, as well as the City district's proximity to the tribal areas where the standard laws of the land do not apply. Although important factors in their own right, the following analysis does not explore these issues and has instead focused on identifying the institutional factors that may be impacting on governance and the law and order issues. The assessment is the result of discussions with the DCO, the district Naib Nazim, selected police officials including the District Police Officer (DPO) and ASP University Town circle, senior judges of the District courts, and selected members of the District/Union Insaaf Committees.

### **4.1 Institutional Mandate**

#### **4.1.1 The District Police**

The LGO 2001 and the recent promulgation of the Police Ordinance (PO) 2002 have introduced significant changes in the institutions responsible for law and order as well as the systems for the provision of justice. Until August 2001, the all-powerful office of the Deputy Commissioner (DC) together with the district extensions of the Police were the key institutions responsible for the management of law and order in the City district. Although the DC's office stands abolished, the latter continues to operate at the district level, albeit in a re-structured manner. The responsibilities previously held by the DC are now shared among three institutions including the District Nazim, the District Police Officer (DPO), and the judicial magistrates. In addition, certain pre-emptive powers including the powers of expulsion, the powers to restrain entry into the district etc. have been re-assigned to the provincial Home Secretary.

Although a central arm of the City district, the DCO does not get involved with law and order issues. Maintenance of law and order is now the domain of the new establishment called the Capital City Police (CCP), which is essentially a restructured police department that existed prior to devolution. It is headed by the senior DPO, who reports to the District Nazim as well as the provincial Inspector General of Police. For all operational purposes, the DPO is more closely linked with the provincial Police establishment. However, the LGO requires close coordination between the DPO and the District Nazim on all important matters of law and order, as well as general security.

Discussions with the DPO indicated that the CCP is proving to be a pioneer in the reforms process, and has adopted several key recommendations contained in the PO 2002 prior to its formal promulgation. Under the old system of policing, the police department was engaged in a

variety of activities that ranged from polling duties, to providing security to the VVIPs, maintenance of law and order, as well as criminal investigations. In addition, the police was frequently called upon by other government agencies (such as WAPDA, SNGPL, Land Collectors etc.) for assistance in cases of large outstanding debts or handling serious cases of disconnections, etc.

The CCP has introduced several structural changes in anticipation of promulgation of the PO 2002. Many old functions are now bi-furcated and responsibilities assigned to distinct units, thus bringing efficiencies without any additional investments. The key area of Investigations was previously combined with the general operations and therefore highly diluted. It is now managed by separate units based in each police station. Likewise, the important area of traffic has been brought under the DPO, as opposed to a previous hierarchy whereby it was outside the control of the key police officials in the City District, formerly the SSP, Peshawar.

The LGO 2001 and the PO 2002 attempt to strike a balance between the need to maintain coordination between the Nazim and the DPO for various critical functions, while ensuring that the DPO is able to perform independently and is not unduly influenced or manipulated by the District government. This is ensured through a system where the DPO is not directly answerable to the Nazim, but does maintain close coordination and provides support for critical functions. This system of matrix management has worked reasonably well, although various elected representatives at lower levels have raised doubts over the system's efficacy in the long-term.

Although the LGO or the PO do not set out formal systems for coordination between the police and the elected LGs, the DPO and lower staff make efforts to engage the elected representatives in routine operations through coordination between the respective tiers. Issues range from managing law and order situations related to WAPDA/PESCO etc., with cutting illegal connections, collections against large liabilities, and other problems leading to law and order situations. The DPO is particularly obliged to provide police force to the Nazim for maintenance of peace.

The DPO acknowledged that the new system had significant advantages, although it was felt that the entire legal system needed more comprehensive reforms. While the administrative system is undergoing changes as a result of the devolution process, many of the old laws under the Criminal Procedures Code (CrPC) were still in place (reportedly 700 laws need changes), while several are in conflict with the new system. In addition, many rules are unclear particularly in areas where the old establishment of DCs and ACs had executive authorities. This has led to several problems in the police operations, but there is also a recognition that it will take time before all laws can be modified.

Among the key changes, the magistracy functions that were previously with the respective DCs, have been transferred to the district Session Judges. Based on police reports, evidence is already emerging on the falling crime rate due to increased efficiencies in the system. The bifurcation and assignment of dedicated units for investigations are noted as a major contributor to the positive change. However, capacity building of the front line staff (constables etc.)

remains a major need. They are currently ill equipped to effectively manage their role/responsibilities. In contrast, the police reform reportedly focuses on qualitative and quantitative changes at the higher levels of police, with insufficient attention to the lower cadres.

Among other urgent needs, the newly created Investigative units do not have adequate office space, as most of the thanas (police stations) are already fairly crowded and unable to accommodate additional staff. The District police also urgently requires more laboratories, DNA testing facilities, as well as logistical support and funds for POL. The lack of funds for POL and logistics is particularly serious as the mobile squads, expected to remain on the roads, are frequently parked and there is little that the police department can do. During emergency operations, the police are typically forced to grab vehicles from the private sector at cheap rates, or increasingly without any payments, as no funds are available for renting vehicles. Policing is also heavily impacted by a poor salary and benefit structure. The lowest cadre (comprising 85% of the 6000 strong police establishment in the City district), in particular, has no incentives for improving performance.

The very long tribal boundary is also viewed as a significant problem, and a cause of many crimes. In the tribal areas, the local police have no jurisdiction, and the chain of command for pursuing criminal cases is fairly long and complex. As a result, a very large number of the cases involving tribal jurisdiction remain unresolved. The DPO strongly advocated the need for fencing the tribal boundary, particularly in the most vulnerable reaches. Currently, it cannot be reportedly controlled with current staff strength. The police are also responsible for the security of over 120 foreign NGOs operating in the City district, several foreign consulates, and special groups, for which there is inadequate staff. The police department has recently initiated the development of an information database for serving multiple purposes. However, it needs to be integrated with the rest of the country, for which there is currently no plan.

The district police is also burdened by the disbandment of the 2000 strong police force funded by the UNHCR, and directly working under the Afghan Commissionerate. There is still a very large Afghan population in the City district (nearly 600,000), but the additional police force is no longer available to address the serious problems associated with the refugee population. Afghans are reportedly involved directly or indirectly in nearly 80% of the heinous crimes in the district. Despite a large need, the City district has one of the lowest per capita police presence at 1:1000 ratio, compared with a recommended ratio of 1: 450.

Women participation in policing is fairly low, and the City district only has a few police stations staffed by women. In most cases, the police stations have to make special requests for female constables, who have to rotate in the City district to address women specific cases.

#### **4.1.2 The Public Safety Commissions**

A radical departure from the past are the key provisions of the PO 2002 that require establishment of the PSCs at the National, Provincial and District levels. At the City district level, the PSC would comprise of three elected members of the DA, three from the Provincial Assembly (including members from the treasury benches and opposition), as well as an equal number of independent members recommended by a selection panel headed by the Chief

Justice of the High Court. The final list of independent members of the PSC would be approved by the Governor of the province.

Key functions of the PSC include protecting the interests of the general public by ensuring that: (a) First Information Reports (FIRs) are properly registered and no citizen is unjustifiably refused justice; (b) ensure that actions are taken to respond to cases of public grievances against the police and federal agencies such as Railway, Motorway and Highway Police etc.; (c) address issues/questions of possible collusion between the Zila Nazim and the Police; (d) address and take actions against unlawful actions requested by district governments; (e) approve and evaluate Annual Policing Plan covering proposed expenditures and performance targets; (f) review Annual Police reports on the district law and order situation; and (g) enhance police-public co-operation.<sup>6</sup>

By the time of this assessment, the District PSC was yet to be established; but there is a widespread feeling that their creation will vastly improve the quality as well as accountability of the police in the entire country.

#### **4.1.3 The Insaaf Committees and Musalhati Jirgas Institutions for grassroots justice**

The LGO 2001 provides for several new mechanisms to improve the provision of justice at the grassroots levels. These include the formation of the very important Insaaf (Justice) Committees at the District, Town and Union levels. The Insaaf Committee at the UC level is charged with the responsibility of selecting a panel of Conciliators (or a Musalhati Jirga) for out-of-court settlement of disputes. The detailed procedure and criteria for the selection of conciliators is outlined in LGO 2001. Likewise the Insaaf Committees at District and Town levels are expected to facilitate access of the people to the Inspection Team of the High Court for redressing their grievances.

At the Union level, the Union Nazim, members of the Insaaf Committee, and Musleheen (Conciliators) are expected to use their offices to achieve amicable settlement of disputes. This is proposed through mediation, conciliation, and arbitration, regardless of whether any proceedings have been instituted in a Court of Law in respect of such disputes of civil or criminal nature. Procedurally, any court of competent jurisdiction may, if it deems appropriate, refer a matter to the Musalhati Jirga through the Union Nazim for settlement. The court may also lay down the procedure for summoning parties, and the terms of reference for the Jirga, including the timeframe for settlement and the manner in which the Jirga should report on the resolution process and its outcomes. The LGO states that the ruling of the Musalhati Jirgas will be treated as a ruling of the Court. However, certain qualifications apply to the nature of cases that can be taken up by them. These relate to cases falling under the Hudood Ordinance, cases against the federal and provincial governments, various statutory bodies operating under their control, as well as against persons under legal disabilities.

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<sup>6</sup> The Police Ordinance 2002.

The field assessment shows that the proposed roles and responsibilities of the Insaaf Committees and the Musalhati Jirgas are yet to be clearly understood by the elected representatives, as well as the Police, and members of the judiciary. While the Insaaf Committees have been reportedly established, many are yet to start functioning due to lacking systems, including a total lack of coordination between the LG, the police, and the judicial establishment on the LGO provisions dealing with operationalizing these grassroots institutions.

Among other mechanisms for improved access to justice, the LGO also calls for the establishment of the office of Zila Muhtasib (Ombudsman), who shall be responsible for redressing citizen's complaints against mal-administration of the holders of public offices. The LGO 2001 provides considerable details on the procedures for the appointment of the Ombudsman, his jurisdiction, powers, and functions, as well as the District government's obligations to enable implementation of its mandate. Till the writing of this report, the office of the district Muhtasib had not been established. The district government acknowledged this provision as a very important instrument for improving the district's governance.

The LGO 2001 also provides for the creation of a separate legal department at the district level for assistance in legal matters, drafting of byelaws, and technical assistance for a variety of regulatory work. However, the PCD government currently does not show such a department. Some other provinces, particularly Sindh, are reported to have created such a body, and the elected representatives strongly feel that the PCD should follow this lead.

#### **4.1.4 The District Judiciary**

The City district's judicial hierarchy includes the Trial courts, which are managed by the civil judges who are in turn headed by a Senior Civil Judge. The civil judges are also called Judicial Magistrates (JMs). The next level is that of the Appellate courts, which include the Sessions court headed by an Additional Session Judge. The higher echelons include the High Court and the Supreme Court, at the provincial and the federal levels respectively.

The judicial system is bifurcated between Civil and Criminal sections. The former are managed by civil judges, while the later are handled by judicial magistrates. Prior to devolution, there was also an additional cadre known as the Executive Magistrates (EMs) who had extensive powers and were working under the now defunct ACs and DCs (also known as District Magistrates).

Before August 14, 2001 the PCD had 14 EMs and 4 JMs. This number has now been reduced to a total of 6 JMs in the entire district.<sup>7</sup> This drastic reduction in staff means that each JM has to manage cases falling in the jurisdiction of about 10 police stations. This is considered to be a major workload, particularly in view of additional responsibilities that were previously looked after by the EMs concerned. These include cases involving breach of peace, traffic violations, and the management of various cases falling under Section 107. As a result, the law and order situation has worsened, and the systems of justice severely stretched.

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<sup>7</sup> Information is based on interviews with Civil Judge/Sr. Civil Judge, Judicial Complex, Peshawar

In the post-devolution period, the district courts are also required to handle additional responsibilities in relation to Bail Bonds, Attestations, Suppression of Terrorist activities, management of the Arms Ordinance as well as cases of Remands, Custody and Confessional statements etc. These were previously the responsibility of the Session courts, but are now routed to the Trial courts, thus adding to the work load to be managed by a reduced number of staff. The Trial courts are also severely short of the District Foot Constables (DFCs), who are required for the important function of communicating summons. As a result, the concerned people cannot be reached in time, thus further delaying the process of securing justice.

PCD is a melting pot with a multiplicity of people from all over the region, including Afghans, Arabs and a number other nationalities. The City district has a large population, one of the highest crime rates, and a variety of social and economic problems—all forcing a very large number of cases coming to district courts. However, the reduced staffing has clearly had negative consequences, causing severe processing delays. Currently, more than 1300 cases are pending in the district Trial courts, and more are being constantly added. Based on the recommendations of the Law Reforms committee, the total number of pending cases should not exceed 500 at any one time. However, under the current circumstances, this benchmark is virtually impossible to meet. As a result, people end up spending several days in the judicial lock-ups for minor offences such as traffic accidents, and encroachments etc. The district judges have raised the issue of providing additional staff strength with the High Court as well as with the provincial government, but no action has been taken so far.

The new institution of Musalhati Jirgas at the grassroots is acknowledged as a very useful instrument that can drastically reduce the burden of the judiciary. However, the judicial representatives were unclear on their operationalization and enforcement of decisions. None of UC Nazims had yet approached the Courts to seek guidance and/or establish any systems of coordination on the subject. Indeed, several members of the district judiciary felt that the still applicable CrPC 1908, does not provide for Musalhati Jirgas, thus raising concerns on how the new law would be applied. Likewise the concept of Insaaf Committees (at the District and Towns level) was acknowledged to be potentially useful, but the Courts had still not received any directions or operating procedures on how these will work, and what could be done to facilitate their operations.

The physical infrastructure available for discharge of judicial functions is in a fairly poor shape. The courtrooms are inadequate in terms of their capacity as well as facilities. Most waiting areas have no fans, water coolers or sitting arrangements, particularly for women, who have to per force be accommodated inside the courtrooms. The lack of proper waiting areas and facilities has also contributed to increasing incidence of violence and insecurity within the court premises. The judicial lockups are in make shift garages with inhuman conditions. These have no fans, no toilets, and no drinking water facilities. Yet these are frequently used to temporarily hold people, while hearing is still pending. Given the number of cases that have to be processed, the temporary wait can run into several days thus creating major problems for inmates.

The Asian Development Bank is currently assisting the federal government and all four provinces with a US\$ 350 million project primarily focused on judicial and police reforms.



Starting in 2001, the High Courts as well as district level courts are receiving technical assistance for improved governance. A key focus is on reducing the number of pending cases, and streamlining the judicial process. The strategy includes preparing inventory of old cases, development of new timelines, improved Case Management and pro-active support. In addition, guidelines are being developed to expedite the processes and avoid haphazard work. As a result, the pilot court in District Peshawar has already achieved significant results, and very old cases have been reportedly finalized in a relatively short period. A steering committee of the High Court is coordinating the project, which meets every three months to review performance.

#### **4.1.5 Local Initiatives for Improving Security**

Over the past few years, the district administration and local police have also experimented with a variety of local initiatives that have brought several improvements in security and related services. These include the promotion of private security agencies who are now responsible for watch and ward in selected localities of the PCD. Most residents' pay for these services, and the trend is rising as more communities are opting for such services.

Within the satellite town of Hayatabad, the PDA (now the CDMD) in association with the local police, started another innovative service called the "999". The initiative combines security services with support for emergency, social, and municipal needs, and aims at ensuring a rapid response to them. The services are reasonably good and range from evacuations in cases of serious sicknesses, to emergency support in the event of major break down of utilities, and immediate assistance for security breaches.

Yet another initiative of the local Police department includes the innovative Safe Home Project, launched with the assistance of the private sector. Although modest in terms of its scale, it addresses the concerns of a large number of security conscious households. It is based on an increasing realization that the district Police does not have the means to ensure security to an over 2 million population. Under the project, the Police provide subsidized support (primarily logistics) to a private sector agency, which installs electronic surveillance equipment in interested households for a monthly fee. The service entails regular monitoring and emergency assistance for security breaches. The results are reportedly good, and the service is gradually expanding to an increasing number of households in the University Town, Cantonment, Hayatabad, as well as selected parts of the inner City.

Among other measures, the district police has also encouraged the introduction of new systems for managing and charging vehicular parking, which has not only started generating revenues for the municipal bodies, but has also radically reduced incidence of car and motorcycle thefts in the City district. The various public/private partnerships have demonstrated considerable success in improving the security environment of the City District. Enhanced LG and provincial government support, and expansion of such services to presently un-serviced areas of the district should be another area of focus for the district government.

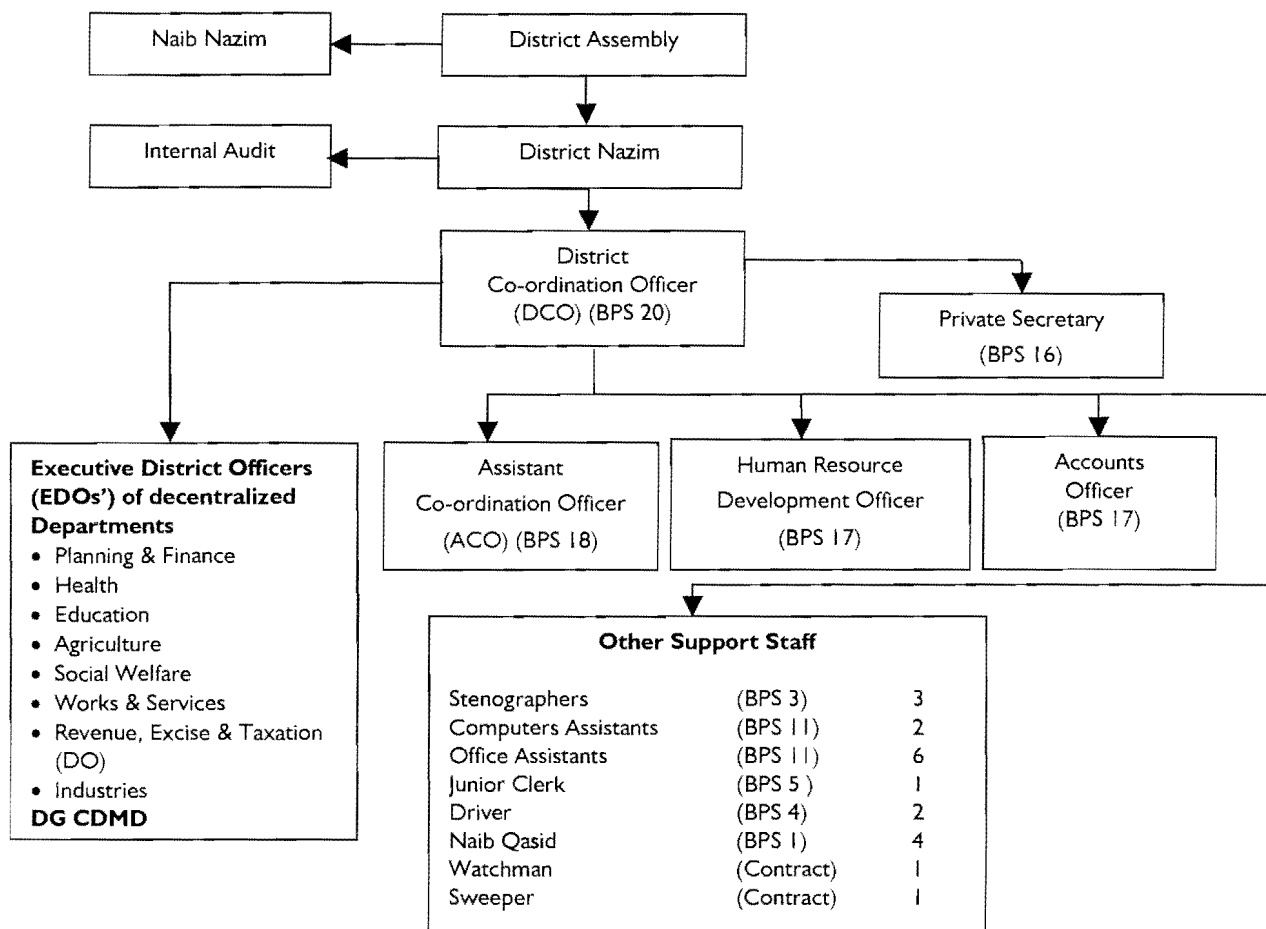
**Functions and Powers of District Assembly**

Its functions and powers, as defined by **Section 39** of the LG Ordinance, 2001 shall be to:

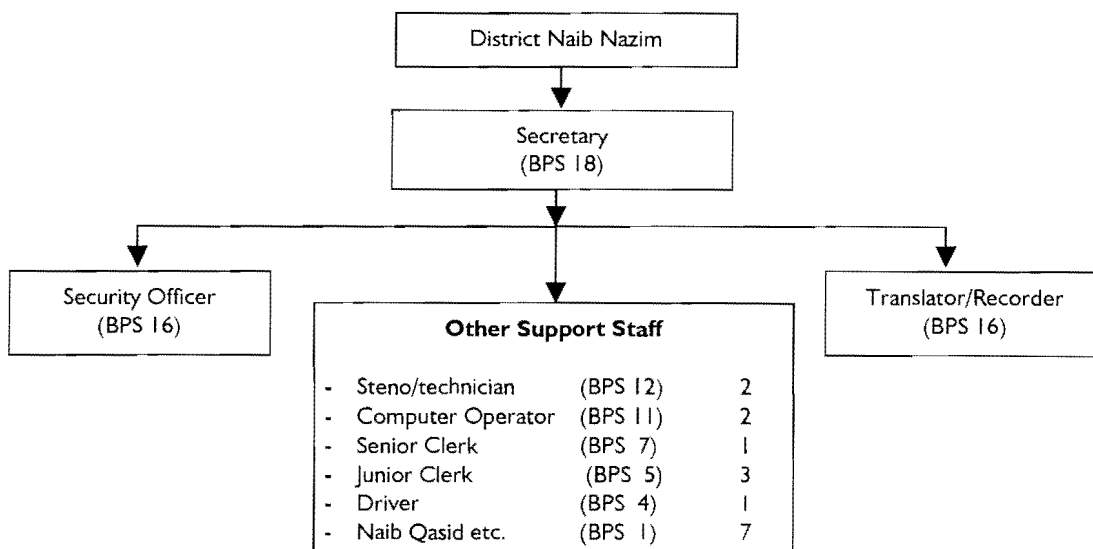
- (a) Approve byelaws proposed by the District government under this Ordinance;
- (b) Approve taxes proposed by the District government on the subjects specified in Part-I of the Second Schedule;
- (c) Approve long-term and short-term development plans, annual and supplementary budget proposals of the District government and, where required, intra-district fiscal transfers;
- (d) Approve annual budget of the Zila Council;
- (e) Elect committees of the Zila Council for monitoring the performance of the District government;
- (f) Ensure the Committees of the Zila Council perform their functions in a non-intrusive manner, without interfering in the day-to-day working of relevant offices of the District government, and do not assume a command and control role;
- (g) Review the Monitoring Committees' quarterly reports on the performance of the District government;
- (h) Elect a Code of Conduct Committee, which shall be responsible for enforcing the code of ethics for regulating the conduct of the members of the Zila Council;
- (i) Elect an Insaaf Committee, which shall facilitate access of the people to members of the Inspection Team of the High Court, for redressing their grievances;
- (j) Elect a Sport and Culture Committee, which shall promote sports and cultural events in the district and youth participation in healthy pursuits;
- (k) Elect the members of the Zila Council for representation in the District Public Safety Commission;
- (l) Elect a Zila Accounts Committee;
- (m) Constitute Farm Produce Market Committee under the relevant law;

- (n) Approve the proposals of the District government for changes in the number of the posts of officials and employees of the decentralized offices of District Administration, Tehsil Municipal Administration, or as the case may be Town Municipal Administration, as part of the budget statement;
- (o) Except during the first two years after election of the Zila Council, approve posts of the staff of Zila Nazim and staff of Zila Council to the restriction imposed under sub-section (11) of section 109;
- (p) Make recommendation to the District government for enhancement of the care of disabled persons, paupers, aged, sick, persons of unsound mind, abandoned minors, juvenile disadvantaged persons;
- (q) Authorize Zila Nazim, Zila Naib Nazim, Tehsil Nazim, Tehsil Naib Nazim, Town Nazim, Town Naib Nazim, Union Nazim, Union Naib Nazim, and members of the Councils to receive honorarium, traveling and daily allowances from respective local funds;
- (r) Provided that the honorarium and rates of traveling and daily allowances shall be fixed with the approval of the government, and any change thereof authorities by the Zila Council with the approval of the government, shall be applicable to the succeeding Nazimeen, Naib Nazimeen, and members of the Councils;
- (s) Provided further that the claims for traveling and daily allowances of Naib Zila Nazimeen shall be sanctioned by the Zila Nazim;
- (t) Review the performance of the District government presented by the Zila Nazim;
- (u) Review the audit reports of the Zila Accounts Committees;
- (v) Review measures for flood relief, and storm water drainage; and
- (w) Require the District government to undertake measure for good governance and improvement in the delivery of services.

### Peshawar City District Government Organogram



### District Assembly Secretariat Organogram



### **Functions and Responsibilities of the District Coordination Office (DCO)**

The following responsibilities of the DCO establishment are contained in the NWFP District RoB, 2001:

#### **A. District Coordination**

- (a) General Coordination within the District level.
- (b) Declaring Local Holidays at District level.
- (c) Preparation of Civil List of employees of District government and Official Gazette of the District.
- (d) Protecting the Rights and interest in respect of employees of District.
- (e) Appointment of Commissions of Inquiry Panel of Officers in cases of misconduct of government servants in respect of District government employees.
- (f) Monitoring the implementation of government policies within the District.
- (g) Identity Cards for Civil Officers of the District government.
- (h) Employees' welfare schemes at District level.

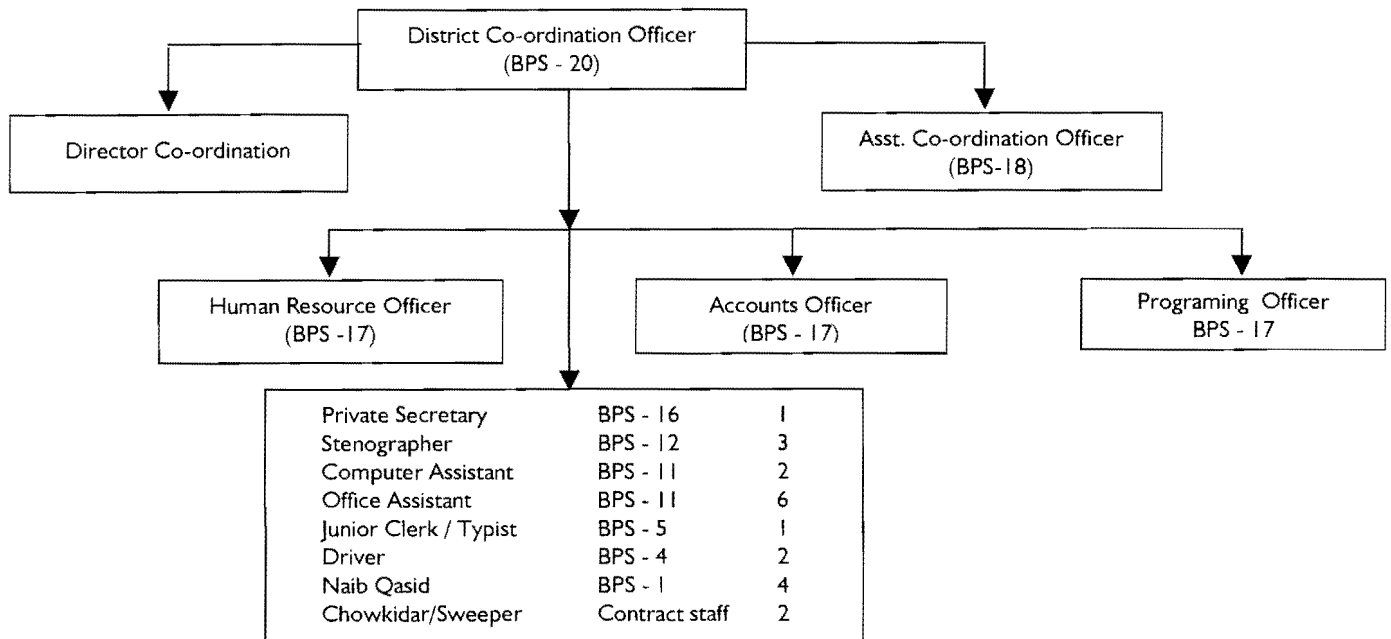
#### **B. Human Resource Management**

- (a) Service Rules (other than Civil Service Rules) relating to various services and posts, and interpretation thereof at District level, except those falling under the purview of provincial or federal government.
- (b) Organization and Methods Including:
  - (i) Improvement of general efficiency and economic execution of government;
  - (ii) Advice regarding proper utilization of stationery and printing resources of the government with the District government;
  - (iii) Training in Organization and Method;
  - (iv) Suggestions for schemes;
  - (v) Preparation of Manuals;
  - (vi) Career pattern of District government employees;
  - (vii) Simplification of forms and procedures within the District;
  - (viii) Departmental examination in respect of District government employees;
  - (ix) In-service/pre-service Training of ministerial employees of District government.
  - (x) Absorption of surplus staff and allied matters in accordance with P.C.S Act 1974 and P.C.S. Rules 1974 within the district, for the posts which do not fall under the purview of federal or provincial government.

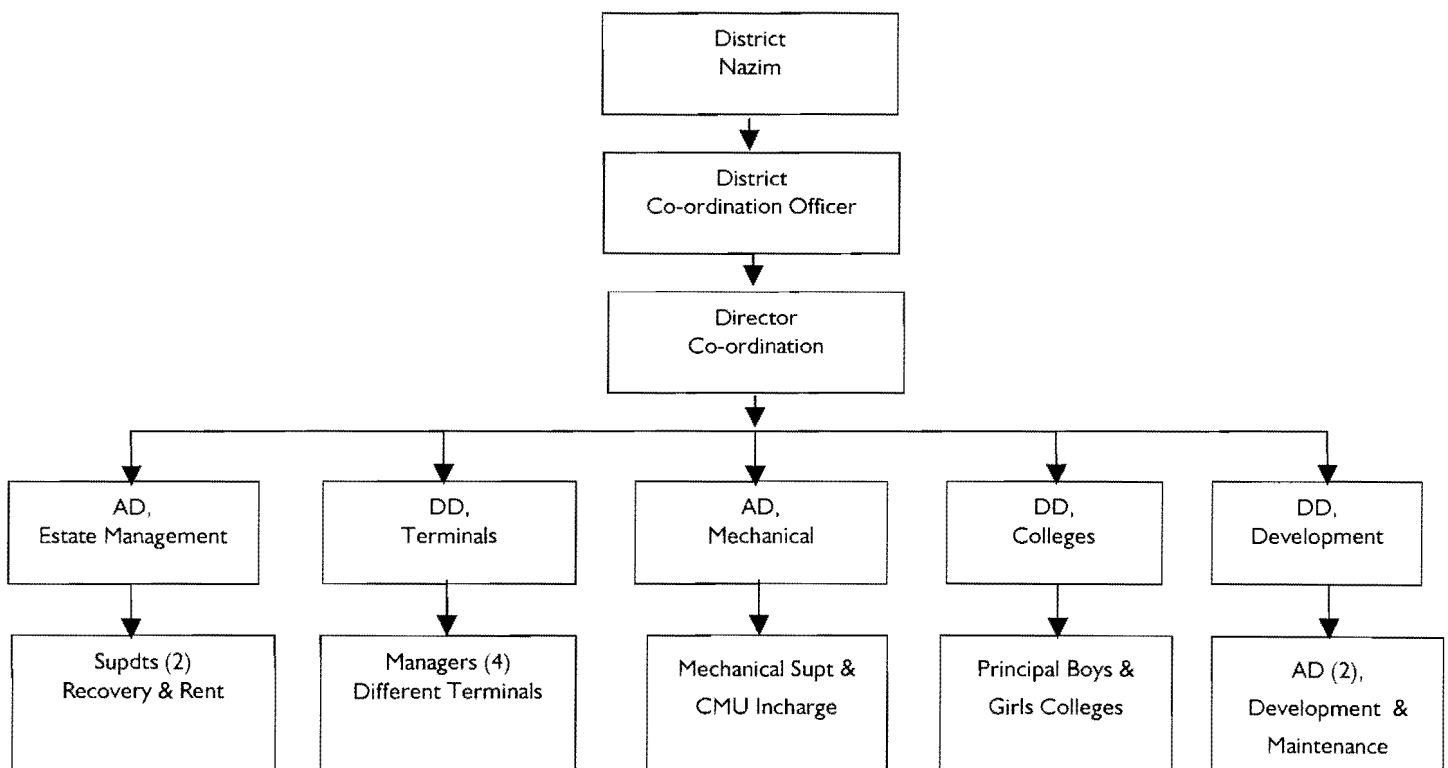
#### **C. Civil Defense**

- (a) To monitor the training programs and implementation of civil defense schemes in the District.

**Organogram: DCO Establishment**



**Organogram: Office of the Director Co-Ordination PCD  
(Located in DCO, Peshawar)**



### The Development Departments of the City District

S. No.	Department	Sub-Components/Main Functions	Comments
1	District Coordination Officer	(i) HRM; (ii) Coordination (iii) Civil Defense	Newly created department.
2	Finance & Planning	(i) Finance & Budget; (ii) Planning & Development; (iii) Local Fund Audit	The provincial government continues to maintain separate Planning and Finance department.
3	Social Welfare, Zakat & Ushr	(i) Social Welfare; (ii) Special Education; (iii) Sports and Culture	
4	Education & Sports	(i) Education (ii) Sports & Culture	Colleges have not been devolved. In addition, the large public sector educational facilities (Peshawar Agriculture and Engineering Universities) remain autonomous or under the provincial / federal control.
5	Agriculture	(i) AE; (ii) On Farm Water Management; (iii) Soil Conservation; (iv) LS & DD; (v) Fisheries; (vi) Forest & Sericulture; (vii) Wildlife; (viii) Cooperatives	Has the largest number of sub-departments. This is the result of a major re-organization of two major provincial agencies: the Agriculture and Forest departments.
6	Health	(i) Public Health (Community Health); (ii) Basic & Rural Health; (iii) Mother & Child Health; (iv) Tehsil & District (HQ) Hospitals	Major health facilities of the PCD, including the large hospitals, are autonomous and/or under the control of the provincial government.
7	Industries	(i) Technical Education; (ii) Manpower & Training; (iii) Regional Transport Authority; (iv) Labor Welfare	
8	Revenue/Excise & Taxation	(i) Revenue & Estate; (ii) Excise & Taxation	Manages systems for provincial revenues only.
9	Works & Services	(i) C&W (ii) W/S & Sanitation.	Is the result of merger of two major provincial agencies, the C&W and the PHE departments.
10.	City Development and Municipal Department	(i) Macro municipal services; (ii) Special infrastructure projects	Newly created department by the PCD government. Is the result of a merger of former MCP and the PDA.

### Allocations for Police Department at the provincial level

About 5-6% of the provincial resources are allocated for the police department. Allocations of the funds at provincial level in FY 2000-2001 (pre-devolution) show that out of the total funds, 85.40% were allocated for salaries and wages, 2.33% for purchase of durable goods (furniture, vehicles, computers and wireless sets etc.), 0.5% for repairs of durable goods, 11.39% for commodities and services (transportation, utilities, printing and stationeries, advertisement etc.), and 0.37% for other miscellaneous items including awards and building rents etc.

During FY 2001-2002 (the first post-devolution year), no significant changes in the pattern of allocation of the total budgets were observed. The total allocation for police department was enhanced by Rs. 82.68 million (3.81%). This increase was attributed to an increase of Rs. 86.03 million in salaries and wages (6.68%), off-set by a decrease of Rs. 2.73 million in commodities and services (1.11%), and a decrease of Rs. 6.69 million in the remaining heads of account (9.71%). There was however, a significant increase in overall staff by **1,514** (4.53%). The strength was increased for Officers by 41 (19.07%), Inspectors 49 (24.13%), PI, SI, PSI and ASIs by 240 (12.05%), Head Constables by 377 (9.84%), Constables by 803 (3.18%), and other office staff by 4 (0.20%).

The second post-devolution year however has seen a significant change in budget allocations for the Police department. Though there is an overall decrease of 195 staff, allocations have been enhanced by Rs. 494.074 million (22.12%) with a corresponding increase in all heads of account including salaries with 11.06%, purchase of durable goods with 370.07%, repairs of durable goods with 1.16%, and commodities and services with 43.01%. There has been a 13.36% decrease in other budgetary allocations.

### Allocation for Police Department at PCD level

The provincial government, under the PFCA, allocates funds for operation of the Police Department. Non-development allocations for the pre- and post-devolution periods for the Capital City Police Chief's Office, Peshawar have been compared. They show that for FY 2000-2001, 90.41% of the funds were allocated for salaries and wages, no allocations for purchase of durable goods, 0.58% for repair of goods, 8.84% for services and commodities, and 0.16% for miscellaneous.

In FY 2001-2002 (first year post-devolution), no significant changes in the pattern of allocation of the total budgets were observed for police department. The total allocations were enhanced by Rs. 55.809 million (20.04%). The increase was however attributed to an increase of Rs. 41.795 million in salaries and wages (16.60%), and Rs. 14.646 million in commodities and services (59.48%), while other heads of accounts saw an overall decrease of Rs. 0.632 million (30.61%). There was, however, an increase in the overall staff strength by 180 (3.78%) by induction of 5 Officers (11.90%), 6 Inspectors (23.08%), 37 PI, SI, PSI and ASIs (13.12%), 25 Head Constables (5.11%), 100 Constables (2.69%), and 7 other office staff (3.47%).



In FY 2002-2003, there has been a reduction in both staff and fund allocations for the PCD police department. There is a decrease of Rs. 45.656 million in total funds allocation (13.66%), and 91 staff members. Funds allocations have been curtailed for all heads of account including salaries with 7.61%, commodities and services with 56.49 %, repairs of durable goods with 68.61%, and miscellaneous head with 80.11%. Details of allocations of non-development funds for PCD police department are:

Category	Pre-devolution		Post-devolution			
	FY 2000-2001	% of the total budget	FY 2001-2002	% of the total budget	FY 2002-2003	% of the total budget
Salaries/Wages	251.730	90.41%	293.525	87.82%	271.200	93.98%
Purchase of durable goods	-	0.00%	-	0.00%	-	0.00%
Repairs of durable goods	1.616	0.58%	0.908	0.27%	0.285	0.10%
Commodities & Services	24.624	8.84%	39.270	11.75%	17.087	5.92%
Miscellaneous	0.449	0.16%	0.525	0.16%	-	0.00%
<b>Total</b>	<b>278.419</b>	<b>100%</b>	<b>334.228</b>	<b>100%</b>	<b>288.572</b>	<b>100%</b>

PCD Police staff strength for pre and post-devolution periods is appended below:

PCD Police Staff	Pre-devolution		Post-devolution			
	FY 2000-2001	% of the total budget	FY 2001-2002	% of the total budget	FY 2002-2003	% of the total budget
Officers	42	0.88%	47	0.95%	41	0.85%
Inspectors	26	0.55%	32	0.65%	32	0.66%
PI, SI, PSI and ASI	282	5.93%	319	6.46%	311	6.42%
Head Constables	489	10.28%	514	10.41%	514	10.61%
Constables	3,716	78.12%	3,816	77.29%	3,816	78.75%
Others	202	4.25%	209	4.23%	132	2.72%
<b>Total</b>	<b>4,757</b>	<b>100%</b>	<b>4,937</b>	<b>100%</b>	<b>4,846</b>	<b>100%</b>

# Municipal Services





# **2. Assessment of Municipal Service Institutions**

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## **I. Institutional Context**

The responsibilities for Municipal Service (MS) provision were shared by several provincial and LG organizations prior to the implementation of the Devolution Plan. However, the bulk of the services provided were accessible to Peshawar's urban residents, representing only 50% of the current PCD population. The rural suburbs, falling outside the then municipal limits, had minimal services – mostly confined to sporadic systems for intermittent supply of drinking water.

The key agencies servicing the urban areas were the two LG institutions; the PMC and the relatively small UTC. The PDA, a provincial agency, was managing the development and maintenance of services for the adjoining satellite town of Hayatabad. The Peshawar Cantonment Board (CB, working under the federal Ministry of Defense) was, and still continues to, serve a large urban population falling within its limits. The adjoining rural areas that now fall under the PCD were served by another LG institution, the District Council Peshawar, as well as several provincially controlled agencies including the PHE and the Rural Development departments. However, their services were largely confined to drinking water supply and a very modest provision of streets and drainage.

### **1.1 The Post-Devolution Paradigm**

Since August 2001, Pakistan's administrative system has undergone a major transformation with the de-concentration of federal and provincial functions, and the devolution of fiscal and financial responsibilities and authorities to the LGs. The overlaps of responsibility in service provision between the provincial and local institutions have been largely removed or rationalized. Municipal functions have been decentralized to the Tehsil (sub-district) level in the Common Districts and to the Town (sub-city) level in the City districts. An equally significant development is the abolition of the urban and rural divide, resulting in the merger of the urban and rural UCs under one service delivery structure.

Under the LGO 2001, responsibilities for provision of MS have been entrusted to a new organization called the TMA. The TMA is a body corporate and has the exclusive responsibility for spatial planning and MS provision, and is expected to closely work with the UCs, the yet to be created V/NCs, and other civil society and private sector organizations. The PCD has been divided into four Towns with their respective TMAs.

The TMA resources consist of transfers from higher levels of government previously meant for the defunct Municipal Corporations, Town Committees, and District Councils, as well as the provincial agencies that have been rationalized and merged into the TMAs. These include the: (a) LG&RD; (b) Public Health Engineering; and (c) Housing and Physical Planning departments, whose district and tehsil staff has been assigned to the TMAs, except for that retained at the District level, for retention of a nucleus office within the district for intra-district co-ordination and provision of macro-municipal services.

At the provincial level, the former LG&RDD has been reduced to a highly skeletal organization that continues to be headed by a Secretary, who is typically a career senior civil

service employee of the federal government. The Secretary LG&RDD maintains administrative authority over the respective District Nazims (although for several reasons these authorities cannot be fully exercised), in addition to responsibilities for provincial policy, FATA areas, and overall coordination on behalf of the provincial government.

The TMA consists of an elected Tehsil Nazim (mayor) and several technical and administrative staff, who are responsible to the TC. Each TC comprises of 21 members with 33% representation of women, and 1 member each from minorities and workers/peasants. The TMA is responsible for: (a) Planning & Coordination including spatial planning covering land use planning/zoning etc., building control and coordination of development plans, and projects with Union/Village councils and other LGs; (b) MS including water supply, sewerage, drainage, sanitation (solid waste), roads and streets, street lights, graveyards, fire fighting, traffic engineering, parks and open spaces etc.; (c) Regulation covering licensing, management of municipal lands/estates, properties, facilities, laws and byelaws etc.; and (d) Financial Management including budgets, revenue, and accounts. The TMA responsibilities extend over urban and rural areas within the jurisdiction of the entire Town. There is no distinction in the law between a rural and an urban area in a Town, as the administrative divide has been removed.

The TMA is responsible for planning, capital investments, and operations and maintenance of MS. However, the situation in relation to MS delivery is still evolving. The RoB circulated in September 2001 are being reviewed and re-framed at the Union, Tehsil and the District levels. Similarly, the responsibilities for macro-municipal functions, city-wide policy formulation, inter-town co-ordination, and certain other functions are being handed over to a newly created CDMD at the district level. This new organization is currently in the process of defining its broad mandate, structure, and specific responsibilities.

The following sections provide a detailed assessment of the institutions responsible for MS provision in the PCD. The assessment was undertaken in light of the large number of issues regarding MS identified during the city-wide consultations. The assessment is based on a review of CDMD, two TMAs (one urban of Town-1, one rural of Town-4), and selected rural UCs. The institutional assessment of the CDMD could not be undertaken in the depth initially planned for, due to reasons beyond the Team's control. However, all significant aspects of the organization have been captured and the findings noted.

## **2. City Development and Municipal Department (CDMD)**

The CDMD is the successor to two development agencies previously operating at the PCD level: the MCP and the PDA. Both agencies have been de-notified and subsequently re-structured in the post devolution period. The MCP operated as an LG agency of the Peshawar District created under the LGO 1979, while the PDA owed its legal mandate to the NWFP Urban Planning Ordinance (NUPO) promulgated in 1978. The MCP was formerly responsible for the provision of MS in the urban areas of Peshawar (largely Town-1 and selected UCs of Town-3), while the PDA was primarily responsible for planning, development, and maintenance of the satellite town of Hayatabad.

The NUPO also provided for the creation of a semi-autonomous Provincial Urban Development Board (PUDB) at the provincial level, and the setting up of self-financing local area authorities such as the PDA. Key responsibilities of the PUDB included: (a) Ensuring integration of the provincial urban development planning with development plans of the federal, regional and local agencies; (b) Administration and enforcement of the land development regulations; (c) Preparation of plans and programs for special development projects; and as required (d) Provision of technical guidance and support for the development and co-ordination of urban planning in NWFP.<sup>1</sup> Likewise, the PDA was entrusted with functions of planning and implementation involving development of new areas especially housing schemes, area regulations, and other functions as delegated by the PUDB.

As a result of the LGO 2001, major changes have taken place in the entire system of development administration, most significantly in the context of MS provision. The rural-urban divide has been eliminated and bulk of the responsibility for planning and development of the MS devolved to the Town/Tehsil levels. In addition, the LGO 2001 also calls for the transfer of administrative and financial authorities of the Local Area Authorities to the respective district governments. Forced by such major changes in the legislative framework, the NUPO 1978 has been repealed and the PUDB de-notified. While the LGO 2001 envisages MS provision by Tehsils/Towns in the common districts, the City districts have been provided the flexibility to establish additional department(s) on need-basis for the City's unique requirements. One such department opted for by the PCD is the CDMD. However, unlike other line agencies of the City district, the CDMD does not have a parent organization at the provincial level, and operates as a City district agency under the exclusive control of the District Nazim.

With the closure of the PUDB and PDA, their staff has been transferred to CDMD. Since the decision to establish CDMD initially took time, as of the writing of this report the CDMD remains in a state of transition. It is still in the process of chalking out its mandate amidst growing conflicts over issues of responsibilities with other district and town agencies, such as the Works and Services (W&S) department and the TMAs.

## **2.1 Institutional Mandate**

CDMD is one of the several PCD agencies currently working under the administrative authorities of the District Nazim. The LGO 2001 states that: "the City district government may vary grouping of offices (identified in Part C of the LGO), and set up district municipal offices for the integrated development and management of a wide range of MS". The specific MS have been identified in the LGO 2001 and cover such services as large water source development, treatment plants, sewerage and drainage, flood control, natural disaster mitigation and civil defense, solid waste management, recreational facilities, urban and housing development, environmental control, as well as master planning, land use and zoning functions, among several others.

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<sup>1</sup> NWFP Urban Planning Ordinance, 1978 (Chapter 1; PUDB functions).



This specific provision was subsequently followed by an amendment by the GoNWFP to the LGO 2001 (Clause-54, subsection-3) which states that: “the government (GoNWFP) may, for purposes of better co-ordination, more organized management of development works, and more effective administration and financial control of development authorities, constitute a CDMD in the City district or, as the case may be, a TMA. Building on this legal provision, the GoNWFP issued a notification (May 14, 2002) which empowers the CDMD to assume functions of the devolved PDA, as well as other macro municipal functions that may be assigned to it from time to time.

While CDMD’s specific mandate is being evolved, the agency has the defacto responsibilities for: (a) selected macro municipal functions including, among others, the management of the defunct PDA/MCP/District Council assets; (b) development and management of the new Regi Lalma Township of over 5000 acres; and (c) planning and implementation of special development projects in the PCD. A comparison with the mandates of W&S and TMAs shows several overlaps between their and CDMD’s responsibilities. These include the planning and development of new projects covering: (a) roads and buildings; (b) spatial planning (e.g. on-going work on Peshawar’s Structure Plan); and (c) municipal functions that remain to be categorized as Macro or Micro municipal. Until recently, the CDMD was also responsible for PCD asset management; however this function has now been relinquished to the District Coordination Office.

## **2.2 Organizational Structure**

A formal structure of the CDMD is yet to evolve, although the GoNWFP has approved two distinctly different structures successively since its creation in September 2001. The current structure shows over six hundred staff placed at six tiers of the CDMD hierarchy. Headed by the DG (equivalent to an EDO), the lower tiers comprise of the three Directors responsible for core functions of Administration, Budget and Accounts, and Estate Management, and a General Manager (with rank of a Director) looking after all development functions. The latter oversees a number of Project Managers, Deputy Project Managers, Assistant Project Managers, and supporting staff, assigned to specific short-term projects (refer Annex-2).

In the absence of a clear mandate, the structure appears to aim at the adjustment of all PDA/PUDB employees affected by the de-notification of the agencies, rather than a rational assessment of the core, long-term functions of the organization. This assessment is supported by the current placement of a large number of CDMD staff against short-term projects that are likely to be closed within the next two years. There is currently no information on where the staff will be placed once the on-going projects are completed. The structure also does not show any nexus with the four TMAs to ensure co-ordination and effective management of the proposed macro municipal functions. The division of tasks between sub-sections of the CDMD is generally understood by the CDMD staff, although specific section or individual responsibilities in the form of job descriptions are yet to be developed. Co-ordination with other relevant line agencies such as the W&S, P&F, CB (responsible for MS in the federally managed cantonment area), as well as various provincial and other federal agencies is currently on an adhoc or need basis.

Preliminary discussions with the core CDMD staff indicate that decision-making is highly centralized, and staff is generally not involved in the various decisions that have been taken since the creation of the new agency. A key factor impacting on the administrative and financial authorities (at various tiers) is the absence of business rules and procedures that would facilitate decentralized decision-making. The agency has recently hired expertise from the private sector for the preparation of its ROB.

## 2.3 Inputs

**(a) Financial Resources<sup>2</sup>:** The two year approved budgets of CDMD show a significant increase in the financial outlay from Rs. 451 million in FY 2001-2002, to over Rs. 2.1 billion in FY 2002-2003. This is primarily due to the addition of the self-financed Regi Model Town project (Rs. 1,659 million), which is likely to recommence implementation in full swing during FY 2002-2003, after remaining shelved since 1989-90. Its capital outlay is approximately Rs. 7.5 billion (US \$ 125 million), and the project is expected to generate significant profits on completion, forecasted at Rs. 3.00 billion (US \$ 5.00 million) over a 4-5 year period. No forecasting from this revenue head has been made as the project is at a very initial stage of implementation.

CDMD budgets for FY 2001-2002 and FY 2002-2003 excluding Regi Model Town were:

	<b>Revised Estimates FY 2001-2002</b>	<b>Budget Estimates FY 2002-2003</b>
	(Rs. million)	(Rs. million)
<b>Revenues:</b>		
Toll on vehicles		12.000
Rent of properties	30.066	34.000
Sale of plots	33.559	35.000
Interest on deposits	38.000	30.000
Building control and advertisement on N-5	3.989	4.160
Overheads on Provincial works	0.500	12.000
Miscellaneous income	7.809	4.922
<b>Total</b>	<b>113.923</b>	<b>132.082</b>
<b>Expenditures:</b>		
Salaries & Wages	31.729	36.213
Contingencies	8.439	14.966
Grant for micro municipal services Hayatabad	44.348	53.900
<b>Total</b>	<b>84.516</b>	<b>105.078</b>
<b>Surplus</b>	<b>29.407</b>	<b>27.004</b>

**(b) Budget Analysis and Fund Flows:** The CDMD's current jurisdiction mainly extends to the areas and functions performed by the defunct PDA. During the first year of its operations,

<sup>2</sup> A detailed financial analysis of key PCD MS institutions is available on the files. It includes historical trends of revenue and expenditure patterns, and their projections over the next 5 years. A summary of the financial analysis is annexed to Chapter-6 of this Volume.

the micro MS functions within Hayatabad Township were assigned to a designated section of the CDMD, headed by a Chief Officer, Hayatabad Town. However, these responsibilities have now been reassigned to TMA-3, and related staff placed at its disposal. The CDMD has committed an annual grant to the TMA, to subsidize the funding shortfall on account of maintenance of water supply and sanitation services for Hayatabad. The grant is on a declining basis over six years.

Own-source revenue generation consists of interest on bank accounts (33.36%), rent of commercial buildings and leases of shops (26.39%), overheads charged to provincial government @ 3% on execution of development schemes (0.44%), building control and advertisement along N-5 (3.5%), and other miscellaneous sources (6.85%). The DA has recently approved imposition of toll tax on all entries to PCD, from which Rs. 12.00 million revenue has been forecasted for the FY 2002-2003. Significant assets worth Rs. 2-3 billion are at the disposal of CDMD in the shape of commercial buildings, and residential and commercial plots (located in Hayatabad) etc. If an efficient utilization plan is prepared and implemented, these assets can substantially increase the annual returns/ revenues of CDMD.

CDMD had received Rs. 167.108 million in FY 2001-2002 from GoNWFP, for development activities in PCD. It anticipates receiving another Rs. 335.263 million during FY 2002-2003. The efficient implementation of the provincial government schemes would generate significant revenue for the Department in shape of overhead charges, normally at 3% of the project completion cost. Future financial viability of the Department depends upon the efficient and economical implementation of Regi Model Town, and the efficient utilization/planning of the resources inherited from the defunct PDA.

Non-development expenditure includes salaries and wages, and retirement benefits of the employees (27.90% of the own-source revenue), office and related operational expenditures (7.40% of the own-source revenue), and grant to the Chief Officer, Hayatabad (38.92% of the own-source revenue). The Department is responsible for the maintenance of N-5 Road passing through the urban areas of PCD, its lighting expenses, and beautification of the Road.

There is a gap of Rs. 7.996 million for FY 2002-2003 between the revenues generated from own sources, excluding the sale of properties (Rs. 97.082 million), and non-development expenditures (Rs. 105.078 million). This gap needs to be checked through the efficient utilization of available resources, without selling the assets of the Department, as has been done in the past by PDA as well. The budgetary assessment shows that a large part of the annual allocations are consumed by recurring liabilities, and a significant part of recurring liability needs still continue to be met out of the sale of CDMD assets.

**(c) Staffing and Facilities:** The CDMD has a current staff strength of 629, which includes the senior and mid-level management (grade 16-19) and support staff in various categories. The status of staff contracts was identified as a potential issue, as a large number of the staff are reportedly regular but not permanent staff of the PUDB. The contracts provide for termination on a one-month notice. However, the matter has been challenged in the High Court, and some relief given.

The senior management indicated shortfalls and weaknesses in several categories including the Planning Cell which is in need of additional staff, while the finance staff is considered inadequate in terms of their current capacities as well as the number available. In addition, the support staff is deficient in several Directorates. In general, the capacity issues were reported to be higher at the lower tiers of the CDMD. However, the agency is yet to develop formal systems for performance review, to permit identification of specific deficiencies in individual expertise. Similar to their counterparts in other PCD agencies, the staff salaries and benefits are considered highly inadequate.

The CDMD has inherited a number of assets and until July 2002, also managed the properties owned by the defunct MCP, PDA and the District Council, Peshawar. As a result, its financial health and material resources are relatively better than the other LG agencies operating in the City district. The MCP assets have been recently handed over to the District Coordination Office, where a special Directorate has been created for assets management of the defunct MCP and District Council. The new Directorate is also responsible for distribution and management of resources common to all four towns. As a result, the CDMD has essentially reverted to the mandate that was assigned to the PDA pre-devolution.

## **2.4 Outputs**

Since the mandate of the CDMD is yet to be defined, the outputs meant to be achieved are unclear. However, currently the agency is engaged in the management of its assets in Hayatabad, the development of a 4700 acre Regi Model Town (RMT) on the outskirts of Peshawar, the construction of several special projects in the City district, as well as the development/maintenance of the macro municipal infrastructure. This includes the extension of the GT road (or N-5 within the City district limits), and the large sewerage systems including treatment plants and the tertiary network. Both the RMT and the special projects are fairly new developments in the PCD. Over the past 6-7 years, no such initiatives had been undertaken in the PCD by any of the multitude of development agencies that existed prior to devolution.

## **2.5 Systems and Processes**

The defacto mandate has not translated into clear development objectives, nor has any policy debate taken place at the level of the district government. The first year of CDMD operations has been fairly turbulent, and was largely consumed in crisis management and defining a new role for the agency in the district government. The organization currently does not follow a system of annual work planning. Performance review of on-going activities is typically managed through need based (or adhoc) meetings, and the decision-making is mainly centralized at the level of DG, CDMD.

Lacking clarity regarding the mandate and the absence of RoBs has led to some uncertainty about the financial and administrative procedures. In the meantime, the agency is following the accounting manual of the PUDB, and the guidelines of the Finance department as contained in the General Financial Rules of the Finance Department (GFR). For technical management, the CDMD is using the standard engineering practices prevalent in the Works and Services

department. The DG exercises the powers as contained in the 1978 PUDB Ordinance, and the RoB that had been framed for its implementation. The Ordinance now stands repealed.

### **2.5.1 Planning and Budgeting**

In terms of its planning systems, the agency maintains a modest database. However, it is being updated with the technical assistance of a private sector consulting firm. A major output of the technical assistance will include an updated version of the Peshawar Structure Plan, originally prepared in the mid-eighties. The Structure Plan will define the physical growth of the City district, and identify several strategic interventions in the area of macro-MS. The review and approval of the Structure Plan will also involve the District and Town assemblies of the PCD. The latter, through their respective TMAs, are expected to implement and regulate various aspects of the plan, including the key provisions for land use planning and zoning in the respective towns.

HRD is felt to be an important requirement by the CDMD staff. However, the agency does not have any system for staff and career development. This, and the shortage of financial resources were identified as the main issues. A private sector training institution had recently approached the organization to provide free promotional training in computer applications. The CDMD staff intend to capitalize on this opportunity, though the scope of such training is clearly limited. The agency currently does not have any system for new recruitments, although the pre-devolution rules allowed the PDA to engage contract staff. Such appointments are currently not possible due to a province-wide ban on all recruitments. However, short-term technical assistance can be contracted, using the established procedures for consultant selection in the province.

The project implementation cycle follows two distinct channels. The provincial government transfers funds for specified development activities in the form of deposit funds. Under this category, several high priority projects were undertaken during FY 2001-2002 and are likely to be completed during the current or the next fiscal year. These include the: (a) up-gradation of a major railway underpass; (b) widening of the North Circular road; (c) renovation of several historical buildings etc. The provincial Chief Executive has reportedly taken a keen interest in the quick approval and resource allocation for these schemes, which explains the very high pace of implementation.

Under the second channel, the CDMD generates its own funds and appropriates these for a variety of development activities for: (a) up-gradation of the municipal infrastructure in Hayatabad and Regi Model town; and (b) macro municipal development works in the rest of the City district. In the former category, several schemes for up-gradation of roads, electrification, and a feasibility study for shifting of the Hayatabad Sewerage Treatment Plant have been included during the current year budget. For the latter category, the CDMD has allocated budgets for a large composting facility to treat and recycle the City's solid waste.

Due to lack of the agency RoB, the project process for both provincially funded and self-financed schemes is currently unclear. During FY 2001-2002, virtually all provincially funded

schemes were directly approved by the provincial Chief Executive. These were subsequently presented to the DA for review and ratification, since the PCD government (using its pre-devolution budgets) was also a co-financer for some of the development activities. The CDMD staff prepared, appraised, and implemented the schemes through the old procedures of PDA. These did not require the involvement of the provincial/district P&F department or the DDC. In case of the self-financed schemes, the CDMD budgetary proposals require review and approval through the DA. These budgets were recently submitted, and an approval granted. Similar to provincially sponsored schemes, the CDMD will be responsible for scheme preparation and implementation. However, whether these would also require an appraisal through the District P&F (as required for other departments) is yet unclear.

The CDMD has inherited a computerized accounting and financial management database and operational systems from the defunct PDA. However, these were reported to be in need of up-gradation.

### **2.5.2 Coordination and Reporting**

In terms of coordination, a CDMD representative (typically the DG) participates in the monthly EDO Committee meeting called at the level of the DCO. However, the agency has no formal linkages with the TMAs, who are considered as the front line agencies for MS provision in each town. In the post-devolution period, the CDMD is not expected to maintain direct coordination with the GoNWFP, although some system for coordination with the provincial and federal service providers (PIDA, WAPDA, SNGPL, and PTCL etc.) is strongly recommended, for improved planning, implementation, and management of macro MS.

The CDMD is increasingly beginning to involve the private sector in MS provision. It is slowly engaging the private sector in a variety of successful partnerships, with a joint venture for a large composting facility as its newest addition to a string of other achievements. Two years ago, it successfully tapped private sector funds to construct several major pedestrian crossings under the GT and Jamrud roads. These underpasses included a large number of shops, which were subsequently let to the project financers on a long-term lease. Likewise, the agency also successfully built (and continues to maintain) green belts and intersections on the main city roads, with the collaboration of local educational institutions. Its other innovations include collaboration with local advertising companies for displaying very useful information boards on the city roads, and innovative partnership with the local police for providing enhanced security and emergency support to the residents in Hayatabad township. These examples demonstrate the tremendous potential for enhanced collaboration between the private and public sector agencies, for improving service delivery at the local level.

### **2.5.3 Monitoring and Evaluation**

The organization does not have a formal system for monitoring and evaluation, and most operations are supervised through the personal initiatives of the DG, CDMD and/or other staff members.

For performance reviews of staff, the old ACR system is still in place, although it is widely considered to be ineffective or even redundant. Based on available information, it has never been used to penalize any staff nor has it provided any incentives to good workers. Several staff were of the view that more frequent performance reviews (ACRs), and continued presence at one station (or position) are needed to determine staff improvements or otherwise. Neither are possible due to frequent turnover and the system of annual reviews currently in place.

In the area of accountability, the agency has a system for internal and external audits through the office of the Accountant General. It also undertakes a commercial audit. At the time of this assessment, the district MCs established for sector reviews, were yet to initiate a formal review of the organization's work.

## **2.6 Poverty and Gender Focus**

The organization does not have a specific focus on the poor, although its predecessor had developed about 400 (3-marla) plots for the poorer groups. Due to a weak screening criteria, these have been largely hijacked by influentials for personal use or rental purposes. Under a previous ADB-funded project, several city slums were upgraded through improvements in basic MS. These sites have now been handed over to the TMAs, while the larger assets constructed under the project (sewerage treatment plants, trunk sewerage systems etc.) continue to be managed by the CDMD. Likewise, the CDMD does not have special women-focused programs, and there are virtually no females working for the organization.

## **2.7 Environmental Focus**

Despite major environmental concerns in the City district, routine activities of the CDMD do not go through any environmental examination, nor does the organization have any environmental positions. However, the larger projects (such as the Regi Model Town) required an Initial Environmental Examination (IEE), which was carried out with the assistance of the private sector.

## **2.8 External Factors**

During the first year of its operations, the political conditions were generally not very conducive for the working of the organization, although the CDMD received full support from the highest level of the provincial government. The lack of clarity in the organization's mandate resulted in considerable friction with the TMAs as well as an overlap with another City district agency, the W&S. The delay in handing over the MCP assets to a common citywide management under the DCO's office (finalized in July 2002) and the absence of financial management systems, also contributed to resource shortages at the TMA levels and further aggravated the situation.

The unilateral decision of the provincial government to use the defunct District Council funds for a variety of development activities, and a fairly direct control by it during the first year, led many to believe that the authorities of the PCD government were being undermined. As a

result, both the District as well as several Towns issued strong resolutions calling for the abolishment of the CDMD, and reverting the macro-municipal authorities to the district/town levels. The tension has recently subsided, although the larger issue of overlapping mandates, and division of responsibilities between the CDMD, W&S, and the TMAs still remains.

### **3. Town Municipal Administration (TMA) and Union Administration (UA)**

#### **3.1 Institutional Mandate**

The functions currently assigned to the newly formed TMAs cover four broad areas. These include the following:

- Planning & Coordination including: (a) Spatial Planning (Landuse Planning and Zoning); (b) Building Control; (c) Coordination of development plans with Union, Village, and other LGs.
- Infrastructure and Services including new service provision as well as operations and maintenance of existing services in: (a) Water supply; (b) Sewerage; (c) Drainage; (d) Sanitation (Solid waste); (e) Roads and Streets; (f) Street lights; (g) Fire fighting; (h) Traffic engineering; (i) Parks and open spaces; (j) Abattoirs and management of Graveyards.
- Regulation including licensing, management of municipal lands/estates, properties, and facilities, as well as enforcement of laws/byelaws.
- Finance covering budgeting, revenue, and accounts.

The detailed roles and responsibilities of the TMAs as outlined in the LGO 2001 are attached at Annex-3.

The Planning & Coordination role of the PCD municipal agencies (the CDMD and the TMAs) is largely confined to the satellite town of Hayatabad, and the urban centers previously serviced by the MCP. The capacity to effectively manage these functions even within the current areas is severely limited. However, a policy decision has been reportedly taken to expand the building control activities to the outlying rural areas falling within the expanded limits of the City district.

In terms of spatial planning, the PCD does not have a land use or a zoning plan although the CDMD is in the process of updating a Peshawar Structure Plan. The new work builds on the broad recommendations developed in 1986, and will provide the basis for the physical growth and a regulatory framework for land use. However, given the pre-devolution origin of the TA, the plan reportedly provides for an urban, district-level framework. Its application to the sub-districts (or towns) and a concurrent municipal focus on the rural settlements is yet to be addressed. The TMAs currently do not have the capacity to develop town specific land use or zoning plans.



In the area of Infrastructure and Services, the historical focus of the municipal entities (now the TMAs) has been on the provision of water supply (nearly 84% coverage), a highly modest sewerage network (barely 7% coverage), and an even lower infrastructure of street lighting, parks, and other facilities. The service provision is at low efficiency levels due to a severe crunch on the financial, human, and material resources available to the respective towns. The situation is compounded by the abolition of the rural/urban divide, and the raised expectations from the rural constituencies, who now expect a minimal level of MS available to the urban centers. Other factors contributing to weak service provision include an irrational distribution of MCP and District Council assets, delays in issuance of the TMA RoB, as well as the absence of SOPs or operational guidelines that are still not available to the TMA functionaries.

Both TMAs assessed under this study reported weak Regulatory capacities; a fact compounded by the absence of land-use plans, zoning, clear byelaws, and inadequate staff and related resources. The financial management systems have been inherited from the MCP/District Councils. These continue to follow the single entry system for accounts and bookkeeping, and the use of computers is yet to be introduced. The finance staff is in the process of introducing new resource generation measures, streamlining systems of revenue collection, and budget making.

The UAs are responsible for the provision of MS at the grassroots level. The official mandate of the UA is attached at Annex-8. Despite a heavy emphasis on grassroots development, the UAs are clearly the weakest institution in the devolved set up. The devolution plan heavily relies on the lower formations of the LG, including the UCs, the V/NCs, as well as voluntary grassroots organizations. This is particularly true for MS, in which these organizations are expected to play a fundamental role. Their key responsibilities range from community data gathering, local level planning, scheme identification, implementation supervision and monitoring, community mobilization for self-help initiatives, as well as O&M.

However, despite a wide-ranging mandate, there is no evidence of the needed institutional capacities to effectively discharge the assigned responsibilities. Without the needed support from of these organizations, the entire basis of a new service delivery system appears to be in need of an urgent review. At a policy level, the question of LG reliance on community mobilization and support is also unclear. Under the devolution plan, significant responsibilities have been assigned to local communities, but no capacity or systems are in place to make it happen. Although there is variation across the TMAs as well as within selected UAs, the assessment shows the following trends that are common to all municipal entities and LG tiers:

- Awareness levels about the roles and responsibilities of the TMAs are generally low among all councilors. However, this is particularly true for a high percentage of the female councilors. Many have highlighted that they are being treated as mere “show pieces”, with no responsibilities or authorities. This is primarily attributed to the fact that the LG system was introduced without any prior awareness building, resulting in considerable chaos and confusion. In addition, very few have access to the LGO 2001 document. Among those who have received the document, many have not read the various provisions while several who have, are unable to comprehend the provisions

applicable to the TCs and the TMAs. At the union level, a large number of the councilors have not received the LGO. Among those who have had access to it, many are unable to understand the English version. The provincial and the federal governments have reportedly taken some modest steps towards capacity building. However, these clearly fall short of the immediate requirements.

- Both the TMA and UA functionaries feel that there are several overlaps or ambiguities between the mandates of TMAs and UAs in areas of taxation like market fees and cattle markets, as well as service provision. As a result, a number of disputes have arisen. The conflicts have grown in the past year due to the continuing lack of clarity by the district and provincial governments.
- The TMA managements (including the Town Nazims) strongly feel that the institutions are unviable due to lack of resources and the non-transferal of provincial authorities for taxation in several high return areas including UIPT and Professional tax.
- The current human, material, and financial resources of the TMAs and UAs are grossly inadequate to meet the demand for MS, particularly in the rural areas.
- The available TMA capacities are being under-utilized by transferring all federal resources under KPP to the district-controlled W&S department. This is also viewed as an equity or governance issue, whereby the towns are seen to be deprived of a large and practically the only investment opportunity in the PCD, to allocate resources for priority development activities.
- Some TMAs are of the view that the direct transfer of development assistance to the UCs (by the District government) undermines the Town authorities and the ability to effectively plan and manage MS in TMA jurisdiction. In contrast, the UCs are of the view that the new system should have allowed a greater capacity as well as the required flexibility at the UC level, currently constrained by a number of factors including the defacto technical backstopping from, and guidelines issued by, the TMAs on the use of UC resources.
- There is a strong feeling in the TMAs and the UAs that there are no systems for formal coordination with the district, provincial, and federal agencies. In many cases these are critical to identify and address local needs, and to harness the grassroots potential generated in the post-devolution period. The LGO should have allowed for formal linkages between the TCs and the UCs. The mere presence of the UC Naib Nazim in the TCs is currently inadequate to ensure coordination on a variety of areas related to MS provision.
- The TMAs can only operate effectively when the key resource generating centers are under their control or at least accessible, to create the fiscal space required for carrying out their mandates. During the first year of TMA operations, these were controlled by

the CDMD, which in the absence of financial procedures, led to serious difficulties for supporting MS provision in the city district. These have now been handed over to the district government under the administrative control of the DCO (June, 2002).

- The TMAs are faced with large pre-devolution liabilities from WAPDA, employees' pensions, and large MCP loans contracted for macro MS in the city district (under the ADB funded SUDP). Given the financial position of the TMAs, these cannot be paid and an alternative funding source (of the GoNWFP) needs to be identified.
- A key provincial agency (the PHED) responsible for water supply and sanitation was to be merged with the TMA structure. However, this is yet to materialize. As a result, each town is confronted with a variety of problems that cannot be addressed due to lack of technical staff.
- There is a widespread feeling at the level of both TCs and UCs that the authorities for decision-making are centralized with the town or union Nazims. The respective councils are either sidelined, or not consulted in important decision-making, thus creating a sense of disempowerment. Likewise, the important MCs of each house (town and union) are not being taken seriously by the TMAs or the UAs, a situation compounded by the lacking access to MC guidelines, and the required operational resources for their functioning.

## **3.2 TMA Resources**

### **3.2.1 Budget Preparation**

The Town Nazim is responsible for the preparation and presentation of the budget for approval of the respective TCs. Subsequently, the execution and implementation is the responsibility of the TMA under the overall supervision of the Town Nazim. The approval of revised estimates requires authorization by the TC, and re-adjustment of the budget with enhancement/reduction in various heads of income and expenditures. Budget for the FY 2001-2002 was based on nine months income and expenditures, whereas budget for the FY 2002-2003 has been prepared on a twelve month basis.

### **3.2.2 Budget Analysis**

A budget analysis of two PCD towns was carried out to understand their receipts as well as expenditure outlays, and the effect of their funds flow on City district. One rural (Town-4) and one urban (Town-1) town was selected for purposes of comparison.

**(a) Incomes:** Revised budget estimates for the FY 2001-2002 and budget estimates for the FY 2002-2003 show that the major sources of income for the Towns are the transfers in lieu of Octroi and against UIPT collections, and an operational grant from the District government. The federal government releases the Octroi grant, whereas UIPT is collected and distributed by

the provincial E&T department. Since devolution, no funds have been released so far on account of UIPT. It is assumed that the towns' share is adjusted against the electricity liability. The district government's operational grant releases were to constitute a major source of revenue. However, the incomes from bus stands and rented properties have been retained by the district government, which were major sources of revenue for the urban UCs pre-devolution.

The external receipts for Town-I, represent 56.79% of the total receipts against the revised estimates of FY 2001-2002, and 71.14% against the FY 2002-2003 budgets. The increase for the FY 2002-2003 is the result of a budgetary provision for UIPT amounting to Rs. 54.26 million, though the chances of its releases are considered remote. The external receipts for Town-4 represent 52.43% of the total receipts against the revised estimates of FY 2001-2002, and 55.73% if assessed as a percentage of FY 2002-2003 budgets. The increase for the FY 2002-2003 is the result of budgetary provision for UIPT amounting to Rs. 0.97 million.

Other major sources of revenue for Town-I are TTIP at 8.98% for FY 2001-2002 and 8.44% for FY 2002-2003; receipts from MS charges at 11.80% for FY 2001-2002 and 10.02% for FY 2002-2003; receipts for licenses and fairs at 7.07% for FY 2001-2002 and 3.41% for FY 2002-2003; and miscellaneous sources at 10.64% for FY 2001-2002 and 5.06% for FY 2002-2003. For Town-4, the other major source of revenue is the TTIP at 9.55% for FY 2001-2002 and 30.63 % for FY 2002-2003.

**(b) Expenditures:** The salaries bill accounts for the biggest expenditure head in both towns. For Town-I it was 54.39% of the revenue against revised estimates for FY 2001-2002. It shows a significant increase of 67.66% against the budgets for FY 2002-2003, because of provision of a 33% increase in basic salaries, although other towns do not show such an increase. Likewise for Town-4, the salaries head represents 52.95% of the revised estimates of FY 2001-2002 and 69.13% of the budget estimates of FY 2002-2003.

Contingencies and charge expenditures for Town-I amount to 20.34% of the revenues based on the revised estimates for FY 2001-2002, and 42.54% of the estimates for FY 2002-2003. For Town-4 these translate into 26.34% of the revenues for revised estimates of FY 2001-2002, and 41.89% for FY 2002-2003. Repairs and development of the MS infrastructure for Town-I is 25.27% of the revenue for revised estimates of FY 2001-2002, with a deficit of Rs. 19.349 million (10.21% of the revenue), after reflecting electricity charges for FY 2002-2003. For Town-4 these amounts are 20.71% of the revenue for revised estimates FY 2001-2002 with a deficit of Rs. 1.870 million (11.02% of the revenue), after reflecting electricity charges for FY 2002-2003.

The Towns have not accounted for their full liability on account of electricity charges for supply of drinking water. During the FY 2001-2002, a sum of Rs. 50 million of electricity expenditure was provided in the original budget. However, only Rs. 10 million has been paid during the year. During FY 2002-2003, only Rs. 5 million have been provided, despite the fact that the provision of Rs. 52.26 million against UIPT collections is routinely adjusted towards electricity liabilities of the LGs. In Town-I, a significant expenditure is on Street Lighting, against which no charges are being recovered. The revised estimate for FY 2001-2002 was Rs. 4.425

million, and budgeted estimate of Rs. 5.808 million for FY 2002-2003. For Town-4 a significant increase in pension contribution of Rs. 2.499 million, and a sum of Rs. 2.593 million as liability for FY 2001-2002 has been provided in the FY 2002-2003, the basis for which could not be confirmed.

It is important to note that the TMAs are counting on funds that were never fully realized in the past. These include UIPT transfers, and enhanced user charges for services. The former is still controlled by the provincial government, while the latter has been contracted to the private sector at least in Town-I. The efficacy of the private sector operations is yet to be established. In addition, the very large loan portfolio related to WAPDA, the ADB-funded SUDP, as well as the employees' pensions remain unclear. If the liabilities were added to the respective TMA budgets, virtually all of them would show huge deficits. A policy decision on this issue by the provincial government is urgently required.

The future financial viability of all the Towns depends upon implementation of the PFC Award, under which the Towns are entitled for receipts of 30% of the respective district divisible funds. Further, the replacement of Octroi grant by 2.5% Sales Tax distribution by the federal government to TMAs is expected to provide another significant increase in revenues of the Towns. Based on the figures for FY 2001-2002, the proposed Sales Tax distribution would result in a 64% increase in the Octroi grant. In case, the PFC Award is not implemented as expected, and future Octroi grants remain at current levels, there would be a continuous pressure on resources of the Towns due to the high cost of MS, the cost recovery from which is very low.

### 3.2.3 Privatization of Service Charge Collection

In Town-I, a significant development has been the collection of service charges of water supply and sanitation through private contractors. This is a positive step, but the cost recovery ratio is still below the desired levels, as is clear from the attached table:

<b>Water Supply</b>	<b>Sanctioned Budget FY 2001-2002</b>	<b>Revised Estimates FY 2001-2002</b>	<b>Budget Estimates FY 2002-2003</b>
Cost of water supply as per budgets (excluding electricity expenditure)	56,152,274	26,414,813	85,759,000
Recoveries thereof as per budgets	17,147,500	11,986,000	14,250,000
Cost recovery ratio (excluding electricity expenditure for FY 2001-2002)	30.54%	45.38%	15.56%
<b>Sanitation</b>			
Cost of sanitation as per budgets ***	45,400,552	36,024,816	66,304,750
Recoveries thereof as per budgets	3,577,500	3,895,000	4,475,000
Cost recovery ratio	7.88%	10.81%	6.75%

\*\*\*The high cost recovery ratio for the revised estimates of FY 2001-2002 is because of full year revenues shown against sanitation services, but only nine months expenditure paid by the Towns.

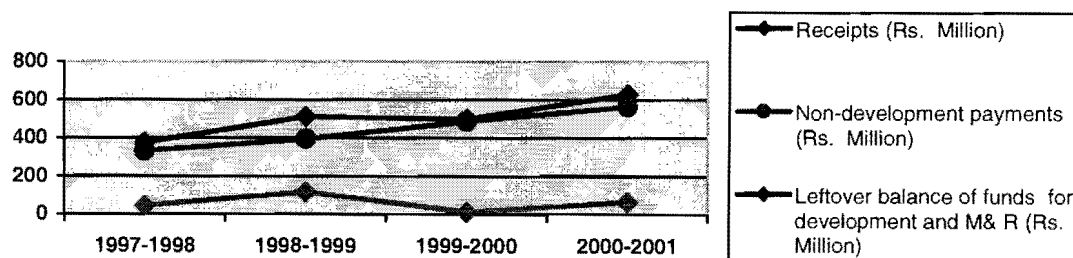
### 3.2.4 Historical Financial Analysis

Prior to the new LG set-up of August 2001, the DCP, MCP, PDA, and the UTC were the LG institutions involved in MS provision in what is now the PCD. Concurrently, the provincial PHE and Communication and Works (C&W; for the construction and maintenance of all the provincial buildings and roads) departments were also providing urban services within the jurisdictions of these LGs. The GoNWFP was providing finances for PHE & C&W departments, whereas the LG institutions were meant to be essentially self-sustaining.

A financial review of the historic revenue and expenditure trends shows that the LG agencies were unable to mobilize sufficient resources to enhance the quality and coverage of MS. The table below shows the consolidated figures for the resources mobilized, non-development expenditures made, and balance leftover for essential M&R, and extension of the MS infrastructure:

	1997-1998 (Rs. million)	1998-1999 (Rs. million)	1999-2000 (Rs. million)	2000-2001 (Rs. million)	Average (Rs. million)
Receipts	374.409	511.122	498.471	627.480	502.871
Non-development expenditures	330.798	394.181	486.694	562.264	443.484
Balance for development expenditures	43.611	116.942	11.778	65.216	59.387

Receipts, non-development payments and leftover funds for development and M & R.



During the same years, the federal and provincial resource allocations for MS in the PCD area were Rs. 34.070 million, Rs. 39.782 million, Rs. 58.885 million and Rs. 69.001 million respectively, for investments in urban infrastructure and services. The average allocation per annum was Rs. 50.434 million. The next table shows the per capita allocation of development funds by the four LG institutions, and by the provincial and federal governments for MS.

	1997-1998 (Rs. million)	1998-1999 (Rs. million)	1999-2000 (Rs. million)	2000-2001 (Rs. million)	Average (Rs. million)
Per capita allocation by LG agencies	22.25	58.17	5.71	30.84	29.24
Per capita allocation by provincial/federal governments	17.38	19.78	28.55	32.62	24.58
<b>Total per capita allocation</b>	<b>39.63</b>	<b>77.95</b>	<b>34.26</b>	<b>63.46</b>	<b>53.82</b>

A detailed analysis of the historic revenue and expenditure trends of the LG institutions that existed in the PCD pre-devolution is available in the files.

### **3.4 Manpower**

The four PCD TMAs show a large variation in staff strength with the maximum number of staff in Town-1 (2279) to the lowest in Town-4 (241). Although the TMA staff is not distributed on a UC basis, this translates into an average of 90 TMA employees per UC in the urban TMA (Town-1) to about 10 TMA staff per UC in the rural TMA (Town-4). At each UA, representing an average population of 23,000, there are only two paid employees including a peon (in grade-1) and a Union Secretary (in grade-5). Nearly 70% of the staff in the TMAs falls in the support staff categories of grade 1-4.

Within each TMA, the Town Municipal Officer (TMO) works as the co-ordination and administrative officer, and supervises four key sub-sections: (a) Planning; (b) Infrastructure and Services; (c) Regulation; and (d) Finance. During the transition period, an additional officer (Chief Officer from within the previous hierarchy), has been retained to ensure un-interrupted O&M of town-wide services. In terms of the administrative authorities over the TMAs, the DCO exercises the powers of the head of department in respect of civil servants of the decentralized government departments, while the Secretary, Local Council Board (LCB) exercises the administrative authority (including posting, transfers, and disciplinary actions) in respect of staff of the defunct Local Councils.

The UAs currently form the lowest tier of MS delivery. The LGO 2001 also provides for the formation of elected NCs at the village level, as well as voluntary CCBs, who may operate like the traditional community based organizations and/or NGOs. The PCD has 92 UCs, which have been operating for over one year. However, the village level NCs and the CCBs are yet to be formed, given the strong reservations about their creation among the current LG tiers.

In general, the staffing shows inadequacies as well redundancies in various categories. The distribution of staff in the four TMAs as well as the UAs, is clearly inconsistent with the field requirements. For example, in TMA-4 there is a large provision of gardeners while the town does not have any parks or recreational areas. The TMA-4 is short of staff for drafting, technical supervision, and typists. However, the TMA is having to contend with a large number of class-4 employees, who are not required for any special purpose, and continue draining its resources which the agency can ill afford.

Likewise Town-1 has a severe need for sanitary workers, but a large number of these have been assigned to the rural Towns 2 and 4, where MS are highly modest or non-existent. In addition, weak staff skills has been identified as an issue although a detailed assessment is currently unavailable. The staffing and capacity issues are of particular concern in the area of regulation and planning. Several sessions of the TC have exclusively focused on new measures for taxation, which can improve the resource availability by manifold. However, the TMA currently does not have the staff to follow up on many of the proposed initiatives. Discussions

with key staff indicate that the TMAs cannot take unilateral action to rationalize staff, nor are the TMAs allowed to declare staff as surplus to create the fiscal space for other needed resources.

At the UA level, several Nazims highlighted that the staffing needs can only be ascertained after a clear understanding of responsibilities, about which there is currently a very low level of awareness. However, a preliminary assessment shows that the UAs desperately need more staff to carry out their mandate. The LGO provides for two additional positions of Union Secretaries, which have not been provided. In addition, the technical support for physical surveys, preparation of estimates, and implementation of physical infrastructure is not available. As a result, the UAs largely look up to the TMAs for help, who are unable to extend the level of support expected by the UAs. The weak support by the TMAs is contributing to the continuing friction between the two LG tiers. The policy on contracting private sector support is presently unclear, although several UAs see this as a possibility. The technical capacity of the UC secretaries is clearly limited for the range of activities expected. These include managing the Council sessions, administrative support, accounting, coordination with UC members and TMAs, as well as follow-up on implementation activities.

In terms of the staff salaries and benefits, there was a unanimous agreement among TMA staff that these are highly inadequate, and are the root cause of many of the problems that plague the public sector. Several key staff members do not have access to transport, while government accommodation is only available to a few officers. The rest are forced to live in rented accommodations that they can ill-afford at current salary levels. Other benefits in the form of TA/DA and medical allowances are also scarce, due to an overall crunch on the operational budgets. The lack of operational budgets also impact on the day-to-day working, translating into issues that range from lack of stationary for writing and printing, to meeting the basic maintenance needs for MS.

### **3.5 Infrastructure**

The existing office accommodations are considered to be inadequate by all TMAs, and are not able to meet the needs of staff. The equipment and facilities are particularly an issue for TMA-1, which has the largest number of staff and represents the inner city area with the largest concentration of MS. With devolution, the MCP assets have been distributed among the four towns. However, all towns are complaining about an irrational and inadequate distribution, with little financial capacity available to augment these in the short term. In general, the best equipment, vehicles, staff, and other resources are believed to have been retained by the CDMD and Town-1. The TMA-4 operates from the premises of the defunct District Council building, which was even before considered to be inadequate with a relatively lower staff strength of the District Council. The situation has only worsened with additional staff. Moreover, a part of the premises is still occupied by Town-3.

The state of office equipment, communications and transport facilities is also a major concern. Virtually all TMAs have indicated that they are unable to carry out their responsibilities due to lack of water tankers, waste disposal trucks, sanitation and fire fighting equipment, as well as transport to carry staff to the various sites. In addition, the rural TMAs feel that there is a



strong need for a wireless system due to their large geographic spread, which is currently available to the urban TMAs only. The TMAs have also highlighted a total lack of access to computers, printers, fax machines, and survey and testing equipment. A request has been recently initiated to procure critically needed assets. The information database is weak, and despite a large set-up the organizations do not maintain a library on technical sources of information. The various guidelines, manuals, codes, and design standards are only accessible through adhoc or personal arrangements.

Across the 92 UCs, the physical infrastructure is in fairly bad shape and a large number are housed in make-shift facilities. Several are housed in the hujras of local Nazims, which clearly presents an access issue for the female councilors. In addition, virtually all complain about the lack of furniture and fixtures, basic equipment, communications, and the lack of mobility to coordinate with representatives of the TMAs and within the UAs.

### **3.6 Outputs**

Neither the TMAs nor the UAs currently follow a system of annual work planning, due to which it is not possible to realistically comment on the agency outputs. However, it is clear that neither of them were able to make a lot of progress during the past year. This is attributed to a variety of transition issues including unclear systems and procedures, lack of resource availability, delayed releases, and limited capacities. The UAs were also effected due to lack of familiarity with the RoB, and the tendering system introduced by the TMAs.

The UC representatives believe that they could have accomplished much more, had they been allowed to follow the old system of implementation, through project committees of local councilors. During FY 2001-2002, the provincial government had banned the use of project committees because large irregularities were discovered in the committee-based system of project implementation.

The TMAs are yet to undertake any significant activities, other than the routine management and modest expansion of MS. These included water supply and sanitation services, execution of a small KPP component, maintenance of tube wells, street lighting, parks, and collection of solid waste. Most TMA staff confirmed that during the past year the agencies were unable to engage in any major planning or building control functions, nor was the staff able to undertake any sizeable infrastructure implementation.

### **3.7 Organizational Structure**

The TMAs represent a grouping of various previous LG and provincially decentralized agencies that have been merged to rationalize service provision at the Tehsil/Town levels. Under the new arrangements, the PHED (formerly a provincial service provider for water supply) is to be merged within the TMAs. However, in practice, the merger has not taken effect as of the writing of this report. This is directly impacting on the institutional capacities of the TMAs, who are not in a position to manage or maintain the large number of water supply systems now under their jurisdiction. Despite a clear policy of the GoNWFP as well as the

provisions of law, the TMA structure still does not show the required PHED staff, and therefore the institutional arrangements to ensure effective service delivery in the area of water supply/sanitation remain unclear.

In general, the TMA structure is consistent with the broad areas of responsibilities identified in the LGO, although the focus on the fairly critical environment portfolio appears to be missing. The agency has no formal linkages with other TMAs, the CDMD, other district, provincial and federal line agencies, or the UAs working within its jurisdiction. TMA-3 has a slightly different structure due to the presence of Hayatabad and the University Town Committee, both of which have a distinct establishment headed by Chief Officers, who work under the overall control of the Town Nazim. In general the broad division of tasks is clear. However, the detailed responsibilities or job descriptions are not available for several sub-sections. The review also shows limited prospects for career development of staff, other than intra-town movements within or outside the City district.

Several Town councilors identified the lack of coordination between TMA and TC as a major issue. The councilors are typically not consulted in decision-making, and there is a growing sense of disappointment and frustration with their own TMAs. The decisions are reportedly taken first and the councilors consulted afterwards. Likewise, the relationship between the TCs and the DA is yet to be clearly understood after the lapse of over one year. A number of councilors in Town-I highlighted that they are frequently told to take their resolutions to the district level, instead of making decisions in the TC. However, the DA never responds to the resolutions, while the TMA is also non-responsive. It was felt that TC resolutions are being bypassed by the TMA, thus defeating the purpose of council meetings.

The new TMA structure does not distinguish between the various employees belonging to the old cadres in LCB, MCP and the PUDB. This was identified as a potential issue by the TMA staff. The old cadres had an established system for staff seniority, and it is unclear how this would be applied in the case of TMAs. The TMA-4 noted a total lack of coordination with the health, education, and agriculture/irrigation departments in the district. Even emergency works such as outlet repairs (on an irrigation canal) was largely managed by the TMA, with little support from the PIDA.

Despite a heavy focus on grassroots empowerment and local development, the UAs appear to be the weakest in terms of structure and resources. As a result, their ability to implement the assigned mandate is rather limited. They currently have a two-member skeletal staff with no backstopping support from any institution. The specific responsibilities or job descriptions of staff are unclear, and capacities are severely limited. The technical support for planning and developing small infrastructure schemes has been recently negotiated with the respective TMAs, although this is viewed as a less-than-optimal arrangement. There are no formal systems for coordination with district, provincial, or federal agencies, and meetings are only held on a need or adhoc basis. The first year of operations has clearly demonstrated the need for formal networks and coordination systems for planning and coordinating village level activities between the UCs and a variety of agencies such as WAPDA, PIDA, and Agriculture, Health, Education agencies etc.

## **3.8 Systems and Processes**

### **3.8.1 Planning, Implementation and Management Systems**

The two TMAs assessed during the course of this exercise did not demonstrate a formal strategy to address the assigned mandate. Nor do they appear to be following a system of annual work planning. Activities are largely driven by the annual budgetary provisions and/or adhoc decisions taken by the TC, and the district/provincial governments. Uncertain funding situation is identified as the main constraint to any meaningful planning. This is borne by frequent delays and/or arbitrary decisions on the release of district and provincial funds received on account of the TMA share in the district revenues and/or provincial grants. There are currently no TMA specific SOPs for planning, design, implementation, and O&M, although some scattered LG guidelines are available from the pre-devolution period. For purposes of planning and costing, the TMAs are using the standard Consolidated Schedule of Rates, although the UC Nazims feel that work can be done more cost effectively with local rates.

M&E is treated in an adhoc manner, and no formal system is in place for management oversight. HRD appears to be a very low priority and no systems are in place for training needs assessment, career development, and staff training. In the context of performance reviews and incentives, the agency continues to follow the old system of ACRs, which are widely considered to be outdated and of little relevance. The government is widely seen to be using discretionary yardsticks for promotions, transfers, and measures for disciplinary actions.

During FY 2001-2002, the TMAs were largely by-passed in the implementation of the nation-wide Khushal Pakistan Program (KPP). However, for those modest activities that involved the TMAs, the procedures were reported to be highly complex and time consuming. The requirement to route everything through the DCO's office, who has virtually no staff to manage its own mandate, created considerable difficulties for contractors and seriously impeded work progress.

The typical project implementation cycle includes two distinct streams. For the KPP, various schemes were identified (from within the eligible sectors) at a Khuli Kachehri (Town Hall meeting). Using KPP guidelines, the schemes are selected and prioritized by the District Nazim assisted by the DCO, the district P&F department, and a representative of the District Monitoring Team (DMT). Scheme PC-Is were prepared by the TMAs, while the appraisal carried out by the P&F department. The project approval was the responsibility of a newly created district forum, the DDC. The DDC is headed by the District Nazim, and has four members including the DCO, the DO (P), EDO Finance, the EDO W&S, and a DMT representative. Administrative approval was granted by the DCO, while the technical sanction was the responsibility of the competent authority within the TMA. Once approved, the schemes were implemented by the TMA functionaries using established procedures. The availability of federal KPP funding in the future is uncertain.

For schemes funded through TMA's own revenues, identification takes place at the level of the Town Councilors. The schemes are consolidated and prioritized in a session of the TC.

Following the administrative approval by Town Nazim/TMO, funds for respective schemes are appropriated in accordance with budget availability. The technical surveys and cost estimates are prepared by the lower level technical staff, while the technical sanction is granted by the TO(I). Physical implementation is carried out through the established system of tendering, and the construction supervision is ensured by TMA staff.

The planning database is weak to non-existent at the two TMAs reviewed during this exercise. Most of the MCP and District Council schemes do not have supporting documentation (design and as-built drawings) to rectify problems, or expand service provision in a rational manner. A survey has been initiated in at least one TMA, to gather information on MS levels and the potential sources of revenues. This is expected to be accomplished using self-survey formats that have been designed and circulated among UC Nazims for returning data on their respective constituencies. In addition, the TMAs are also looking forward to the finalization of the Peshawar Structure Plan, which is yet to be shared with the respective towns. It is expected to provide the framework for town-specific planning. Some efforts are being made to initiate modest services in the rural areas, including the deputation of sanitation staff and the initiation of building control functions in a simplified form. The TMA staff identified the need to designate rural areas as rating areas, which is still pending a formal decision by the TCs.

As things currently stand, virtually all towns are surviving on a month-to-month basis, with barely enough resources to pay for staff salaries. The other constraint to planning is lack of available resources and appropriate staff. The ATO (P) in both TMAs identified lack of computers, transportation, and the absence of a reliable database as key constraints to planning. In addition a variety of transition problems has pushed planning to the back burner, as bulk of the staff is still adjusting to the new realities.

The planning process of the UCs is also currently constrained by a total lack of resources for this very important function. As a result, the UC activities are largely driven by monthly meetings of the councilors and the adhoc support available through the TMAs. For schemes funded out of the UC budgets, the prioritized list of scheme (s) is forwarded to the TMA for survey, design, and development of cost estimates. Prioritization is done in formal UC sessions. Likewise, the prioritized schemes proposed to be funded out of the KPP are sent to the district level for consideration, which in the year 2001-02 were developed and implemented by the district W&S department. The LGO calls for management of localized systems (such as water supply tubewells etc.) through the respective UCs. However, UCs currently do not have the capacity, and these are currently being managed by the respective TMAs for a small overhead charge. This charge is considered to be inadequate by the TMAs to effectively manage the facilities.

The TMAs are yet to engage the private sector or the civil society in service delivery, although some successful donor-funded examples exist that engage local communities and NGOs in grassroot development. Prior to devolution, the PMC experimented with contracting sanitation services in selected mohallahs to the private sector. However, it did not work due to reported problems in the terms of contract. The arrangement is currently being reviewed to

ascertain its efficacy in the new system. At least two TMAs are also actively considering privatizing the M&R of tube wells, as well as collection of water and street lighting rates.

The UCs have not yet focused on partnering with the private sector, although the practice of leasing local fairs and contracting small-scale civil works to the private sector is in vogue. In addition, some of the UCs have also utilized local professionals to provide technical assistance for planning, survey, and physical implementation.

The TMA staff and the UC Nazims are generally unaware of the LGO provisions about self-help initiatives, although most felt that these could be an important instrument to attract district funds to the grassroots levels. The LG policies on this subject clearly need dissemination and further advocacy at the TMA and UC levels. The proposed CCBs are yet to be formed in any of the UCs, and other than the pilot activities supported by certain donors, no self-help initiatives were reported by the LGs.

### **3.8.2 Financial and Administrative Procedures**

The capacities to prepare annual budgets are currently limited, and most TMAs as well as the UCs have largely relied on external assistance for budget preparation during FY 2001-2002. The TMAs are yet to evolve new systems for technical or financial controls, and continue to follow the pre-devolution guidelines including the GFR and the finance department publication on the delegation of financial authorities. For civil works, it also follows the work rules that were being followed under the MCP. In addition, the TMA staff heavily relies on the LGO 1979, which has been referenced in the TMA RoB issued post-devolution.

The official RoB for both the town and union levels are not available with most of the key staff or elected councilors. These outline the financial and administrative authorities at each tier, although bulk of these refer to the provincial government ordinances and various Acts dating back to 1973, 1980, and 1981. The LGO 2001 recognizes these as valid guidelines for LG operations, although the new nomenclatures and systems do not necessarily allow a direct application of all provisions. Appropriate interpretations have to be made, the absence of which has led to conflicts and confusion.

The Union Nazims are unclear on the prevalent systems for transfer of funds, and complained about the release of funds in small installments, while the bulk of the requirement is at the start of the financial year. The long delays in successive transfers has adversely impacted on UC level implementation. Most UC Nazims were also of the view that they had no financial authority for even petty activities. The system should allow for local decision-making up to a certain threshold as well as emergency situations. This cannot be addressed under the present rules. The current arrangements also involve tedious procedures including a prior review and technical sanction by the TMA officials for all categories of procurement and/or implementation. Several Nazims stated that they could not even purchase petty items such as water pumps or repair a broken culvert, because they cannot meet the codal requirements of the TMAs. This is widely considered to be an unnecessary hurdle, and has created a high sense of dis-empowerment at the UC level.

The elected representatives are generally clear that the new LG system relies on the ability of the respective tiers to generate its own resources. However, resource generation is closely linked with service provision. Most TMAs and UCs are finding it difficult to advocate for new taxes or enhanced user charges, given the poor service levels, the absence of integrated planning (across LG tiers), and the poor resource base (particularly in the rural towns). During FY 2001-2002, the district budgets allocated Rs. 1.9 million for each UC. However, midway through the fiscal year, these were cut back to less than 1.0 million. Across the UCs, the utilization against these budgets varies from zero expenditures to full utilization. The low utilization is attributed to delayed releases, difficult procedures of the TMAs, and low capacities.

### **3.8.3 HRD and Career Development**

In general, the UC and the TMA structures do not offer many prospects for career development. This is viewed to be a major issue. The CDMD offers one prospect of vertical movement, but this is fairly limited. The horizontal movement across the TMAs is possible. However, the LG service rules do not allow transfer to other technical agencies such as the W&S, or the provincial managed organizations, such as PIDA etc.

None of the TMAs have systems for HRD, although several staff members highlighted this to be an important need. Likewise, the old system of ACRs is in place, which is widely considered to be ineffective in checking inefficiency or providing incentives for good workers. The TMAs have also seen a rapid turn-over of senior staff (particularly Town-4) at the TMO and TO levels. This has further added to the difficulties and delays in getting the modest developmental activities started.

### **3.8.4 Monitoring and Evaluation**

None of the TMAs or UAs maintain a formal M&E system. Management review and follow-up is ensured through adhoc meetings and field supervision, which is reportedly constrained due to lack of operational budgets and inadequate transport. The TMAs also have a system of internal and external audit, although its effectiveness could not be gauged during the assessment. In addition, the LGO calls for TC and UC level MCs. Under this provision, ten different MCs have been formed for health, education, taxation etc. However, these were formed fairly late and are experiencing difficulties in their operations. The key constraints relate to lack of guidelines, resources, as well as support from the respective administrations.

## **3.9 Gender Focus**

Despite a sizeable presence in each LG tier, the female councilors feel marginalized and disempowered. A large majority of the female general councilors are unclear of their roles and responsibilities. Under the prevailing system, a higher importance is given to the UC representatives as opposed to other members (such as women councilors), who do not represent a certain UC. This is not only manifested in relatively closer (and more frequent) consultations with the UC Nazims but also a more blatant decision under which the UC Nazims (as members of the DA), are eligible to receive salaries and honoraria, but the same privilege is not extended to the women councilors and other members in special categories.

The situation is particularly worrisome at the UC level where a majority of the female councilors do not come to the council sessions, while several UCs do not even have female representation. Likewise, a review of the break-up for various MCs established at each tier does not show a corresponding proportion of representation for female councilors. Female representation in the MCs is the lowest at the Union levels, while in several committees they are not represented at all. The minorities, peasants/workers and female councilors elected on the reserved seats in the district and town councils are also ineligible for the monthly honoraria, that has been approved for the regular members representing a UC constituency. This has been identified as major source of friction within the district and town councils.

During FY 2001-2002, the TMAs have allocated separate budgets for women councilors (Rs. 0.7 million), although a large part of it remains unutilized due to unclear modalities for scheme selection and delayed releases. Many female councilors also highlighted the absence of dedicated office spaces at the TMA level as a major concern. Likewise, the physical location of the UCs (some even located in hujras), are obviously not gender sensitive given the local culture and traditions. The inadequate or lack of office facilities makes it very difficult for female councilors to come together and discuss matters of common interest.

### **3.10 Environmental Concerns**

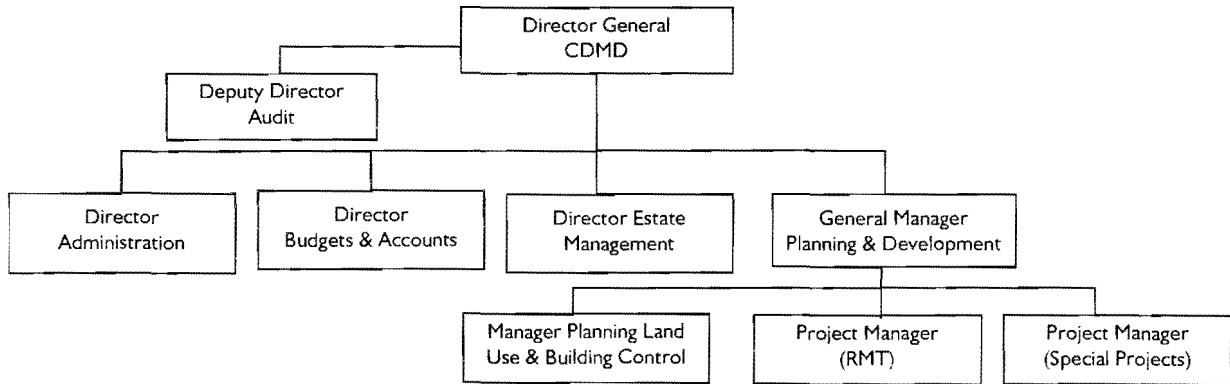
The city-wide consultations have identified environmental pollution as a major concern in the city district. The TMAs are the front-line agencies for provision of water supply, sanitation (including solid waste), as well as a number of other services that have direct implications for the City's environment. However, the TMA structure does not show any positions for environmental management, nor the capacity to appreciate and enforce environmental standards through its existing staff. The TMAs also do not have any formal linkages with the provincial EPA or its new regional offices based in the same premises. Initial information suggests that the staff is unaware of the National Environmental Quality Standards (NEQS), nor have these been proposed for enforcement in the municipal jurisdiction. Discussions with EPA staff indicate that an environmental monitoring committee has been constituted at the level of the DA. However, its guidelines are being prepared to allow working with the various line agencies and TMAs in the PCD.

As a result, none of the TMAs are engaged in checking or regulating environmental pollution being caused by a variety of sources. These include the pollution of canals by sewerage and hospital/solid waste; pollution of ground water through open dumping of solid waste and untreated sewerage, mushrooming brick kilns, indiscriminate use of plastic bags; and massive air pollution from vehicle emissions. Likewise, the Peshawar city, once known as the "city of flowers" has lost many of its parks and recreational areas due to utter neglect. Related discussions with the IUCN highlight that a variety of steps are planned to raise Environment as an important agenda on the government's list of priorities. The province-wide initiative of operationalizing the Sarhad Provincial Conservation Strategy has made some modest in-roads in several areas. However, much bigger political and resource commitment will be required to bring any meaningful change.

4. Annexes

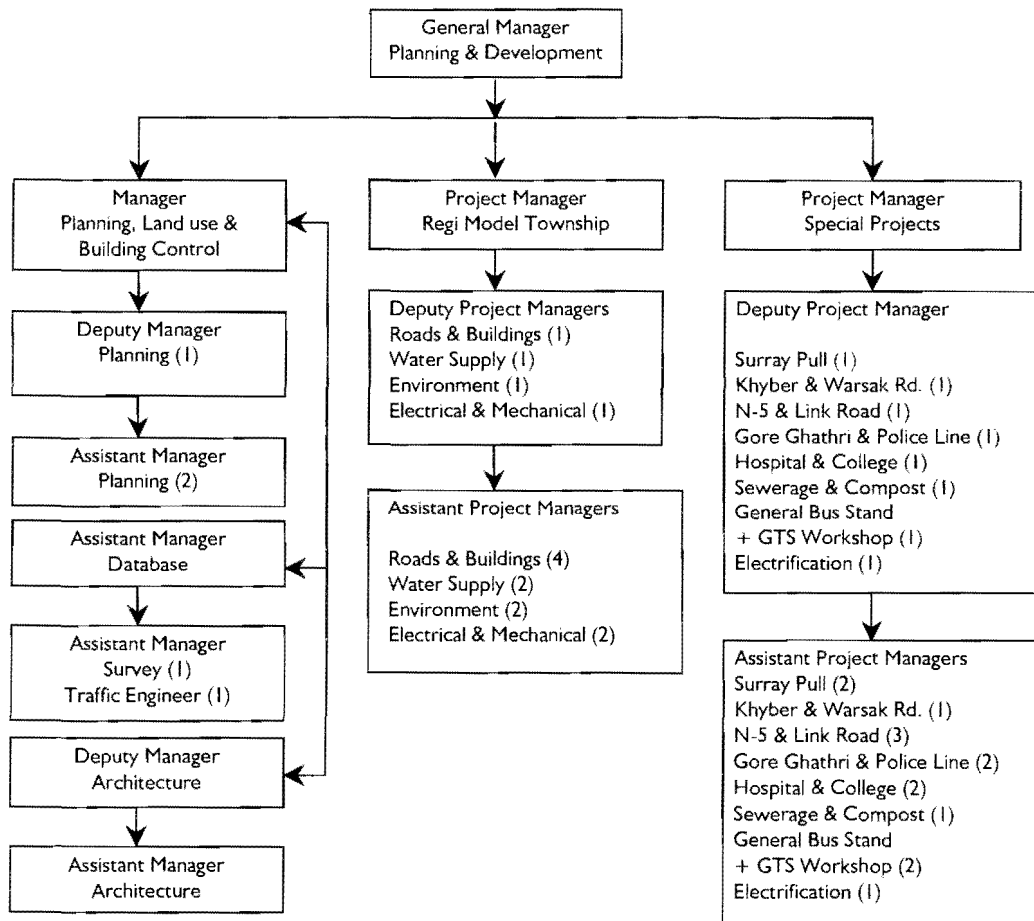
Annex-1

**Organogram: City Development and Municipal Department (CDMD)**



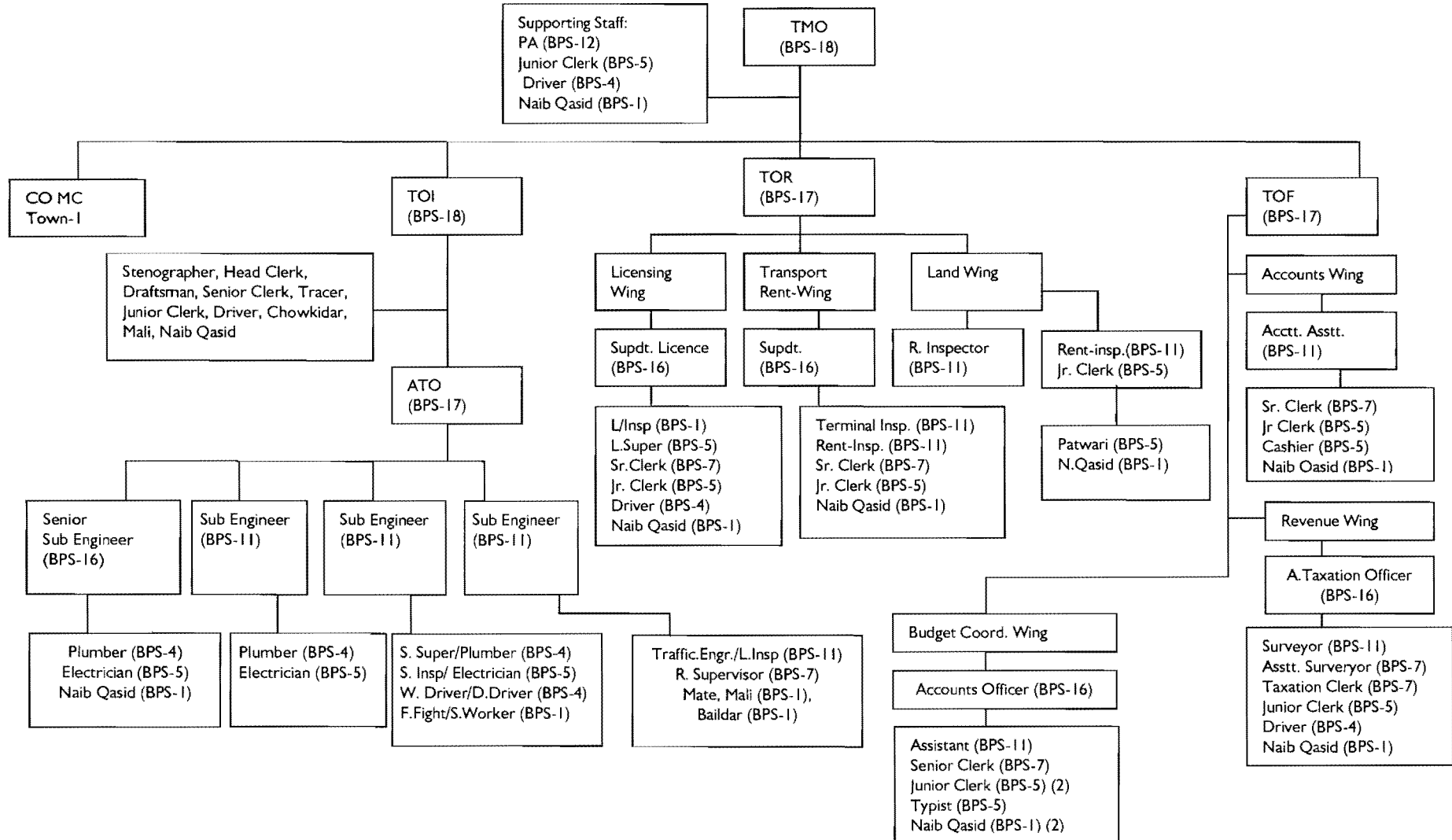
Annex-2

**Organogram: Office of the General Manager, Planning & Development, CDMD**





**Organogram: Town Municipal Administration - I**



## Tehsil Municipal Administration – I

## Staff List

BPS	TS	Admin	TOF	TOR	SWO	TOI (1)	TOI (2)	CO	HD	G&P	BCA	Total
19												
18		1				1	1			1		
17		1	1	1	2		1				2	
16				1		1		1			2	
15			1									
14									1			
13												
12	1	1		1								
11	1	3	2	4		5	3	3	1	1	2	
10								11				
9					1	1	1		1			
8					10						7	
7		3	2	6			3	1	3		1	
6								1	2			
5	2	7	1	62	11	11	78	17	8	1	2	
4				1	3	3	46	17		8	1	
3	2				3	6	118					
2							1	1				
1	4	12	3	20	41	36	280	915	24	113	4	
Fixed		2					5	290	2	19		
Total	10	30	10	96	71	64	537	1,257	42	143	21	2,279

## Staff: Legend

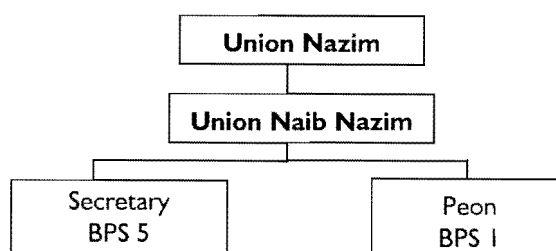
TS	Town Secretariat
Admin	Administration
TOF	Town Officer (Finance)
TOR	Town Officer (Regulation)
SWO	Social Welfare
TOI (1)	Town Officer (Infrastructure-1)
TOI (2)	Town Officer (Infrastructure-2)
CO	Chief Officer
HD	Health Department
G&P	Garden & Parks
BCA	Building Control Agency

### Functions of the Union Administration

The functions of a UA shall be:

- (a) To collect and maintain statistical information for socio-economic surveys;
- (b) To collect village and neighborhood development needs and prioritize them into union-wide development proposals with the approval of the UC and make recommendations thereof to the District Government or Tehsil Municipal Administration, as the case may be;
- (c) To identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Tehsil Municipal Administration;
- (d) To register births, deaths and marriages and issue certificates thereof;
- (e) To make proposals to the UC for levy of rates and fees specified in the Second Schedule and to collect such rates within the Union;
- (f) To establish and maintain libraries;
- (g) To organize inter-village or neighbourhood sports tournaments fair, shows and other cultural and recreational activities;
- (h) To disseminate information on matters of public interest;
- (i) To improve and maintain public open spaces, public gardens and playgrounds;
- (j) To provide and maintain public sources of drinking water, including well, water pumps, tanks, ponds and other works for the supply of water;
- (k) To maintain the lighting of streets, public ways and public places through mutual agreement with the Tehsil Municipal Administration;
- (l) To arrange facilities for the handicapped, destitute and poor;
- (m) To provide protection against stray animals and animal trespass and to establish cattle pounds;
- (n) To regulate grazing areas;
- (o) To assist the relevant authorities in disasters and natural calamities and assist in relief activities, including de-silting of canals;
- (p) To co-operate with public, private or voluntary organizations engaged in activities similar to those of the Union;
- (q) To execute the projects of the approved Union Annual Development Plan by contracting out to the private sector in the manner as may be prescribed and to obtain support of the Tehsil Municipal Administration or District Government for such execution; and
- (r) To assist the Village Councils or, as the case may be, Neighborhood Councils in the Union to execute development projects.

### Organogram: Union Administration



# Agriculture





# 3. Assessment of Agriculture Sector Institutions

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## I. Sectoral Context<sup>1</sup>

- (a) **National:** Agriculture is the backbone of the economy of Pakistan contributing 24.7% (vs. 17.4% for manufacturing sector) to the GDP in 2001; employing the largest proportion of the labor force at 47%, and earning 70% of country's export revenues. Total cultivated area is 22 million hectares (ha) with an overall cropping intensity of 105%. Irrigated land supports more than 90% of agriculture production.
- (b) **Provincial:** Agriculture forms 32% of the provincial GDP for NWFP as against the national 25%. The province has 1.66 million ha. cultivated land with a cropping intensity of 106.3%, slightly higher than the national average of 105%. Some 49.9% of the cultivated land is irrigated while the remaining 50.1% is *barani* (rain dependent). A higher proportion of the NWFP population lives in rural areas at 83.1% compared to 67.4% for the country (1998 Census). Nearly 48% of NWFP's labor force is employed in the sector as for the country. Major crops of the province include wheat, maize, sugarcane, fruits, vegetables, and tobacco. The province is deficit in its wheat requirements (imports from other provinces), but surplus in maize and tobacco production (exports to other provinces).

A provincial agriculture sector policy is being formulated by the GoNWFP in collaboration with IUCN. The draft Strategy Concept Paper, recently prepared by IUCN<sup>2</sup> envisions the following overall objective:

“The proposed policy would provide a roadmap and enabling framework for the promotion of sustainable agriculture, keeping in view the broader sustainable development objectives of the province as given in SPCS (Sarhad Provincial Conservation Strategy), taking into account the local socio-economic realities, the changed context in terms of devolution of power, future likely impact of WTO, GMO and climatic changes affecting the province. This would also be required to improve the performance of the sector and to meet the challenges of self-sufficiency in food crops, producing surpluses for export...”

The proposed strategy would be prepared through a province-wide consultative process, involving the various stakeholders, facilitated by IUCN.

- (c) **Peshawar City District:** Over 50% of PCD population resides in the rural areas of the district, with Agriculture as their mainstay. Some key demographic and agriculture statistics comparing NWFP and PCD are:

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<sup>1</sup> Sources of information are: GoP, *Economic Survey 2001*, and GoNWFP Bureau of Statistics *Important District Wise Socio Economic Indicators of NWFP 2000*.

<sup>2</sup> August 2002.



Indicators	NWFP	PCD	PCD as% of NWFP
<b>(a) Demographic</b>			
Area sq. km	74,522	1,257	1.69
Pop 1998 (000)	17,738	2,019	11.4
Pop density per sq. km	238	1,606	
Male Population (000)	9,086	1,061	11.68
Female Population (000)	8,852	958	11.07
Rural Population (000)	14,744	1,036	7.03
Urban Population (000)	2,994	983	32.83
Urban Population%	16.88	48.68	
Rural Population%	83.12	51.32	
Annual Pop. Growth 1998 over 1981 (%)	2.82	3.56	
Sex ratio (males per 100 females)	105	111	
<b>(b) Agriculture</b>			
Cultivated area (000 ha)	1,659	74	4.46
Irrigated (000 ha)	829	56	6.76
Irrigated as% of total area	49.9	75.6	
Population per cultivated ha.	11	29	
Cropping intensity	106.3	111.9	

From the above data, it emerges that PCD area is only 1.7% of NWFP, but the City district has 11.4% of the province's population. Similarly, PCD has a population density of 1,606 persons per sq. km. as against 238 persons per sq. km. for the province. The high population density is due to a high concentration of urban population (0.98 million), and a high percentage of irrigated land (75.6% of all cultivated land).

The province is primarily rural with 83% rural population, but PCD has only 51% rural inhabitants. Another important difference is in the population growth rates of the province and PCD. The provincial population grew at an annual growth rate of 2.82% over the period between 1981-1998, while PCD population grew at a rate of 3.6% over the same period. The significantly higher population growth rate in PCD is due to migration from rural areas of NWFP and FATA.<sup>3</sup> This has also changed the gender balance in PCD to 111 against 105 for the province as a whole.

There is 74,000 hectares (ha) of cultivated area of which 76% is irrigated, while the remaining is *Barani* (rain dependent). There is significant pressure on cultivated land with the ratio of 29 persons per ha., and this is the highest among all the 24 districts of the province. The cropping intensity is 112% (106% for the province), and major crops are wheat, maize, sugarcane, vegetables, and fruits.

<sup>3</sup> There has also been large inflow of the Afghan refugees in Peshawar City but that is not accounted for in the Population Census.

## 2. Institutional Background

Nine green-sector related institutions were decentralized from the Province to the District under the LGO 2001 and placed under the EDO Agriculture Department. These include Agriculture Extension (AE), Livestock and Dairy Development (LS&DD), On-Farm Water Management (OFWM), Soil Conservation, Farm Forestry, Fisheries, Sericulture, Wildlife, and Cooperatives. Of these, this Institutional Assessment focuses primarily on two, namely AE and LS&DD. These were chosen since the remaining seven are as yet not fully operationalized, and also have far fewer activities at the District level.

Prior to August 2001 several related provincial directorates, including the Directorates of: (a) LS&DD; (b) Agriculture Engineering; (c) Agriculture Research; (d) Fisheries; (e) OFWM; (f) Veterinary Research; as well as (g) the Cooperative Societies Department, (h) the Fruit and Vegetable Development Board; and (i) AE worked as stand alone (attached) Departments of the provincial government. With the exception of Agriculture Research, virtually all of these sub-sector agencies had their District level establishments operating independent of each other, and directly reporting to their respective provincial parent set-ups, as well as ultimately to the Secretary, Agriculture.

Subsequent to Devolution in August 2001, both the provincial and district level establishments have undergone significant changes. At the provincial level the Agriculture Sector has been re-organized, and the Directorate of Agriculture Engineering and the Fruit and Vegetable Development Board have been abolished. A significant part of the provincial establishments (in each sub-sector) have been decentralized to the District level. A related development at the provincial level is the creation of a new Department for Environment. The Department's portfolio includes a re-organized Forestry Department, Transport, as well as the skeletal provincial establishment for Environment that existed prior to August 2001. Although the Environment portfolio remains a provincial subject, certain sub-sectors including Farm Forestry, Sericulture, and Wildlife have been decentralized and merged into the Agriculture portfolio at the District level.

Perhaps the biggest change at the District level is the merger of the entire Agriculture portfolio covering AE, LS&DD, Soil Conservation, OFWM, Cooperatives, Fisheries as well as the three forestry sub-sectors of Farm Forestry, Sericulture and Wildlife. All nine sub-agencies now work under a common title of Agriculture Department. However, the forestry sub-sectors are yet to be fully integrated in the District establishment due to limited activities, highly inadequate staff, lack of authorities and other resources required for effective operations. AE, together with LS&DD, OFWM, Soil Conservation, and Fisheries are managed by their respective DOs, while the Cooperatives Department is managed by the Assistant Registrar. Although the establishment provides for a grade-16 officer to supervise the sub-sectors of Forestry, Sericulture, and Wildlife, the position has been vacant from quite some time. Currently, the highest functionaries in the three sub-sectors are grade-6 employees. The entire District level establishment is supervised by an EDO, who reports to the DCO.

### **3. Agriculture Extension**

The AE Department is one of the oldest line agencies of the government of NWFP (GoNWFP) mandated to serve agriculture sector development. Prior to August 2001, AE was an attached Department of the provincial government, and operated under the administrative control of the Secretary, Agriculture. Its highest District level functionary, the Extra Assistant Director Agriculture (EADA) directly reported to a provincial Directorate of Agriculture headed by a Director General (DG). However, in addition to PCD, the EADA was concurrently responsible for the adjoining district of Nowshera and Charsada.

Post-devolution, the office of DO (AE) is located within the premises of the provincial Agriculture Training Institute (ATI) building, Peshawar. The offices of the provincial DG AE and other provincial and FATA offices responsible for AE are also located in the same premises. The EDO Agriculture has his office next to the DO AE Office.

In terms of its outreach, the AE staff extends from the UC level (Field Assistants, FAs) to the Province (DG). FAs have a two-year pre-service training at the ATI after matriculation. They report to the Agriculture Officers (AOs) at the Circle level, which typically covers the entire town or its sub-division. The DO AE (equivalent to the EADAs) directly supervises all the AOs as well as a number of other positions, including the Assistant Horticulture Officer, Assistant Agronomist, Statistical Officer, and Assistant Plant Protection Officer, posted at the District level.<sup>4</sup>

#### **3.1 Institutional Mandate**

The institutional mandate is outlined in the District government Rules of Business (RoB<sup>5</sup>). However, the key AE staff (including the DO and the AOs) at the District level were unaware of its existence, and unsure about who contributed to its preparation at the provincial level. Instead, the following were identified as the defacto responsibilities, which on surface show several differences. But a closer examination with the mandates provided in the RoB reveals that (with certain exceptions) the Department is following the RoB, even though they have not been provided with a copy of this document. The two mandates conform to each other because the one provided under the RoB was prepared by the provincial AE Department, and only provides greater details.

##### **3.1.1 Extension Activities**

Based on staff interviews, AE is currently engaged in the following set of extension related activities:

- (a) Motivation and transfer of improved technologies to the growers;
- (b) Launching special crop (grow more) campaigns;
- (c) Production of basic seed;
- (d) Pest scouting and survey, advisory work regarding plant protection.

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<sup>4</sup> The post devolution hierarchy is attached at Annex-3

<sup>5</sup> The AE mandate as contained in the District RoB is attached at Annex-1.

### **3.1.2 Regulatory Functions**

- (a) Implementation of Agriculture Pesticides Ordinance for quality control of pesticides;
- (b) Implementation of Fertilizer Act 1999.

Both pieces of legislation are aimed at ensuring that farmers have access to unadulterated agriculture inputs. In theory this is achieved through a systematic checking of samples (of producers and the distributors) across the PCD. However, AE staff has limited capacity to effectively carry out this function. Under the procedures, the AE staff is required to lodge a formal report with the police (first information report, FIR); in the event preliminary tests indicate the inputs to be adulterated. However, powerful interest groups control the fertilizer and pesticide market, and the staff indicated a general sense of helplessness in addressing this issue.

### **3.1.3 Agriculture Surveys and Assessments**

- (a) Crop estimation of all major and minor crops, and survey for natural calamities;
- (b) Working out crop economics of major crops; and
- (c) Collection and dissemination of market information.

Surprisingly these functions are not contained in the official RoB. However, the front-line staff stated that they are involved in regular assessments and reports are forwarded to the provincial Directorate. The process and its effectiveness would need further review.

### **3.1.4 Administration and Co-ordination**

- (a) Administration; and
- (b) Coordination with other Departments/organizations in the Agriculture sector .

An assessment of the new RoB shows that the DOs (formerly EADAs) now enjoy lesser administrative and financial authorities compared with the pre-devolution period. While the DOs see this as an erosion of authority, this does not appear to be a major impediment, as bulk of the authorities for operational management continue to be vested at the District level with the EDO, Agriculture.

### **3.1.5 Training**

The official mandate also calls for training of trainers for the dissemination of the production technologies in all villages of the PCD. However, the AE staff did not acknowledge this as their responsibility, and understand this to be a provincial subject. A review of the FY 2001-2002 and 2002-2003 Annual Development Programs (ADP) of GoNWFP, and recent discussions at the provincial level, indicate a virtual absence of resources to undertake this very important activity.

### **3.1.6 Seed Procurement**

Under the official mandate, the AE Department is also required to ensure the availability and quality of agriculture inputs to the PCD farmers. This is clearly a huge task by any standards, and

one that the Extension staff is neither geared nor equipped for. The front-line staff does get involved with the distribution of some inputs, primarily certified seed, through its seasonal campaigns. However, the coverage is generally small. The agriculture staff felt that the very large and complex area of input provision – seeds, fertilizers, pesticides and machinery etc. – is best left to the private sector, which is currently managing this function across the entire City district. The attached supplemental assessment on the seed sub-sector sheds light on the key institutions involved in the production and distribution of seeds in PCD.

### **3.1.7 Farm Service Centers (FSC)**

GoNWFP is pursuing a policy to ensure improved inputs and services through its one window FSCs in each district. The provincial policy on FSCs states that these are to be organized and managed by farmers to: (a) empower the farming community to solve their problems; (b) improve the delivery system of inputs; and (c) interact with public and private sectors to promote agriculture marketing.

Using the broad principles of cooperatives, the FSCs require the local farmers to organize and elect a management committee for operational purposes. A group of 2000 farmers is needed for an FSC to be established, who are required to contribute Rs. 500/- each to a joint fund. Once organized, the provincial government provides an equal matching grant, and a variety of technical services through its front-line functionaries for all agriculture sub-sectors. The collected funds are meant to be used for the purchase of seeds, fertilizers, pesticides, and fungicide for sale to members on cash/credit, and recovery of the credit done at the time of next harvest. The FSC complex is expected to have a 200-300 ton capacity for seed storage, a hall/verandah for meeting/training; a courtyard for holding field days; a seed farm to demonstrate the use of good quality seed, balancing fertilizers, and biological/integrated pest control measures; as well as sheds for parking tractors and other farm machinery. The expected key benefits to the farming community include improved and lower cost access to agriculture inputs, services, as well as micro-credit that has been identified as a significant need. The attached supplemental assessment on Micro-credit in Agriculture provides additional information on the key institutions engaged in the provision of micro-credit in NWFP.

The GoNWFP has currently budgeted for only one FSC per district, which is clearly inadequate to meet the requirements. However, the lone establishment in PCD is yet to be effectively operationalized due to a number of factors. The facility does not have the required infrastructure, nor is it able to sustain its operations. In addition, the modalities outlined in the provincial concept paper, are yet to be internalized by the district establishment. Another factor is the relatively low membership because of which the required funding levels have not been achieved. The District staff feels that achieving the level of farmer membership required per FSC may not be feasible, and the annual farmer fees may also need to be reduced for the poorer farmers.

Despite these constraints, the FSC operations in the PCD have been initiated with the current modest membership. The work is currently limited to information sharing and technical advice. Unfortunately, the virtual absence of physical inputs has resulted in a declining interest in

the farmers' community, and the center appears to be on the verge of closure. Interestingly, discussions with the provincial government<sup>6</sup> indicate that the policy on FSCs operations is flexible, and the numbers as well as the fee issue could be revised in light of ground realities. This would require the EDO to take local level actions and submit recommendations to the provincial government. However, as of the filing of this assessment, no recommendations had been received from the PCD government.

A review of the mandate assigned to the PCD AE under LGO 2001 shows that the AE staff at the District level theoretically do undertake almost all assigned functions. However, there is a serious issue with regards to the quality and outcomes of the tasks accomplished.

## 3.2 Resources

### 3.2.1 Recurrent Budget

AE received 40.64% of the total allocations for the agriculture sector in FY 2001-2002, while for FY 2002-2003 it is 39.82%. Detailed budgetary allocations for the two years were:

	<b>FY 2001-2002</b>	<b>FY 2002-2003</b>
Total budgetary allocations (Rs.)	11.005 million	10.684 million
No. of staff	171	170
Staff salaries and allowances (Rs.)	10.687 million	10.341 million
Other operational expenditure (Rs.)	0.318 million	0.341 million

These show that allocations for the sector declined from Rs. 11.005 million in FY 2001-2002 to Rs. 10.684 in FY 2002-2003. Out of a total budget, 97.11% of the allocations for FY 2001-2002 and 96.78% allocations for FY 2002-2003 were provided for salaries and allowances of the staff. The limited balance funds were provided for other operational expenditures of the sector, which are significantly less than the requirements. Funds are required for staff mobility to ensure smooth interaction with farmers, and for undertaking demonstration plots. An amount of Rs. 100,000/- for FY 2001-2002 and Rs. 82,500/- for FY 2002-2003 was allocated for the mobility of the entire staff, which for the technical staff (134) come to Rs. 2.48 per day for FY 2001-2002 and Rs. 2.06 per day for FY 2002-2003. Similarly only Rs. 30,000/- were provided for demonstration plots in FY 2001-2002, which was raised to Rs. 50,000/- for FY 2002-2003 in spite of the rural towns accounting for nearly 80% of the PCD land area. These allocations are not sufficient even to undertake 4-5 demonstration plots during the Rabi (winter sowing) and Kharif (summer sowing) seasons within the entire PCD. Likewise the revised estimates show that only Rs. 600,000/- were allocated for other non-salary heads, including transportation (POL/TA), M&R, utilities, and rentals.

DO AE has highlighted the inadequacy of these budgetary allocations at various levels, raising serious questions about the ability of AE to even address the promotional aspects of its mandate. Unless funding levels see an upward revision, the Department may need to consider

<sup>6</sup> Meeting with Chief Planning Officer and DS, Agriculture, GoNWFP.

The District level co-ordination (within the agriculture portfolio) is achieved through regular meetings of the Agriculture sector DOs and the EDO Agriculture. However, this has yet to result in an integrated system for sector planning and implementation at the District level.

### **3.7.4 HRD and Career Development**

The Department has virtually no funds for HRD and considers this to be a provincial responsibility. Several staff members could use training and refresher courses, but there are no provisions. Decentralization has also resulted in reduced staff incentives, particularly in the area of promotions, as the respective provincial establishments have been shrunk and there are very few prospects for the staff to move out of the District cadres.

The age-old system of performance reviews is still in place, albeit with enhanced problems. Under the new system, the staff annual confidential reports (ACR) are also reviewed by the DCO, thus adding another layer to the performance review process with little value-added. The system of ACRs is also without incentives, as good progress does not translate into a better position or an enhanced pay package. Nor does a poor performance result in any significant penalties.

### **3.7.5 Monitoring and Evaluation**

AE relies on a fairly rudimentary system for monitoring and evaluation, currently limited to a system of monthly progress reports on basic formats. In the absence of an annual plan of activities, timelines, or indicators for performance review, the system works to the advantage of the staff who cannot be held accountable for non-performance. The monthly progress reports are received and consolidated at the level of the EDO while duplicate copies are also forwarded to the provincial directorates for review and records.

In addition, LGO provides for an external system of monitoring, which relies on District and Union level monitoring committees of public representatives. Although several such committees including one for Agriculture have been formed, they suffer from lack of direction and guidelines as well as requisite resources and facilities.

## **3.8 Gender Focus**

AE is a male dominated sub-sector and there are currently no women-focused programs. Agriculture practices in the PCD indicate that women play a significant role in the post-harvest activities, and this needs to be assessed and appropriate programs evolved to support their needs. The organization currently does not have any female staff to target and support this group. Discussions with the senior staff indicate that there are no spelled out quotas for female staff in the AE Department.

## **3.9 Environmental Concerns**

There are no linkages between the AE Department and the provincial EPA, which is currently being re-structured with the establishment of four zonal offices across the NWFP.

The city-wide consultations have identified excessive use of fertilizers and pesticide as a potential source of ground water contamination. This is particularly important given the sizeable vegetable and fruit production in Towns 2 and 4 as well as in the suburbs of Peshawar, which rely on extensive use of pesticides. Although the AE staff is aware of the recommended doses and propagates its messages, the excessive usage and its hazards are generally not appreciated in the context of Environment. Field reports indicate that farmers typically use more than the recommended doses, which is attributed to farmers' dependence on local shopkeepers who influence farmers for their petty gains. This calls for a need to sensitize and build capacities for improved environmental management, as well as regulation of fertilizer and pesticides marketing.

#### **4. Livestock and Dairy Development (LS&DD)**

LS&DD is one of the several line agencies merged into the Agriculture portfolio at the PCD level. After AE, it is the largest sub-sector in terms of the staff strength and the size of the budget. Prior to August 2001, LS&DD was an attached Department of the provincial government, and operated under the administrative control of the Secretary Agriculture. Its highest District level functionary, the Assistant Director (AD), LS&DD directly reported to a provincial Directorate of LS&DD headed by a Director. However, the AD did not maintain an exclusive establishment for the PCD, and was concurrently responsible for the adjoining districts of Nowshera and Charsadda.

Post-devolution, the sub-sections for Poultry, Artificial Insemination (AI), and Livestock Extension have been merged and their respective supervisors report to the AD, Livestock (LS). The AD LS is of the view that the merger has not been beneficial, because of the highly specialized nature of each activity, and the need for a senior officer in each technical discipline.

The office of DO LS&DD is located within the premises of the provincial LS&DD complex, Peshawar. The offices of the provincial Director LS&DD, the Veterinary Research Institute (VRI), and other provincial and FATA offices responsible for LS&DD are also located in the same premises. The supervising office of EDO Agriculture is located at the other end of the city, thus making it fairly difficult to interact on a regular basis.

In terms of its outreach, the LS&DD staff extends from the UC level with male and female Veterinary Assistants/Inseminators (VAs), to the Province with a Director. The VAs have a two-year pre-service training at ATI after matriculation. They report to the Veterinary Officers (VO) at the Circle level, which typically covers the entire town or its sub-division. The DO (equivalent to the former ADs) directly supervises all the VOs, and junior staff posted at the District level.

##### **4.1 Institutional Mandate**

The institutional mandate is outlined in the District government RoB.<sup>8</sup> However, the key LS&DD officials, including the DO and VOs, were unaware of its existence and unsure of the

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<sup>8</sup> The LS&DD mandate as contained in the District RoB, is attached at Annex-2.



source of contributions to its preparation at the provincial level. Instead, the following were identified as the defacto responsibilities, which when compared with the official mandate show a similarity.<sup>9</sup> However, the resources made available to the organization are not sufficient to undertake some of the identified functions. Based on staff interviews, LS&DD is currently engaged in the following set of activities:

#### **4.1.1 Prevention and Treatment of Livestock and Poultry Diseases**

Field discussions indicate that LS&DD is currently following a target of achieving an annual increase of 20% in the number of animals treated at various outlets. This is clearly flawed, as the focus should instead be on reducing treatment and increasing the AI targets. Prevention and treatment typically involve seasonal awareness raising and vaccination campaigns. However, a major constraint is the lack of resources to undertake them effectively, and on a significant scale. The service is currently available to everyone who can bring in animals to the LS&DD outlets spread throughout the City district.

#### **4.1.2 Livestock Breed Improvement**

The assessment shows that there is no apparent strategy for this very important activity. There are no targets for FY 2002-2003 and those received from the provincial Directorate are quite arbitrary. For example for FY 2001-2002, DO LS&DD received targets in May 2002, that required LS&DD to simply raise the previous year's targets by 30%. This important activity is also hampered by the lack of adequate resources for a variety of inputs.

#### **4.1.3 Extension and Advisory Services**

The front-line functionaries of the Department (including male and female VAs) do have outreach in the villages. However, there are no transport and operational budgets and little monetary incentives to effectively carry out these functions. Moreover, resources required for actual field operations are also inadequate.

#### **4.1.4 Other Areas of Responsibility**

LS&DD is required to promote dairy and poultry farming in the City district. However, this is not viewed as a major activity. The staff felt that units in Hazara largely capture the poultry market, which use climate and scale of production to their advantage. Technical support is provided only to those who approach the Department themselves.

The official mandate identifies training of villagers on prophylactic vaccination, management aspects, and first aid treatment. However, the LS&DD staff considers this as a provincial subject. Discussions are currently underway with a semi-autonomous training institute to help

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<sup>9</sup> The two mandates conform with each other because the one provided under the District RoB was prepared by the provincial LS&DD Department at the time of their framing, but provides more details than the mandate prepared earlier.

design training for staff, for which funds will be requested from the PCD government. The provincial LS&DD is currently responsible for the purchase of stores and other capital goods for the District. The needs are arbitrarily assessed on the basis of past trends.

Despite the official mandate to supervise slaughterhouses and animal fares, there is neither supervision nor any regulation on the movement of animals under the Pakistan Animal Slaughter Act (1963). The city-wide consultations identified poor regulation of the slaughter-houses and animal fares as an area of concern. However, the assessment shows that this area is primarily managed by the municipal service agencies with some technical support by the LS&DD. The poor co-ordination with TMAs and lack of staff were indicated as the main causes for ineffective regulation. LS&DD has reportedly raised this issue with the District government, but there has been no response on the subject.

The provincial government is pursuing a policy to ensure improved LS&DD inputs and services through its one window FSCs in the District. However, it does not receive any mention in the official mandate. The provincial government has currently budgeted for only one FSC per District, which is clearly inadequate to meet the requirements. The lone establishment in the PCD is yet to be effectively operationalized, as the modalities are yet unclear. The work is currently limited to information sharing and technical advice. Unfortunately, the virtual absence of physical inputs has resulted in a declining interest in the farmers' community and the center appears to be on the verge of closure. Interestingly, discussions with the provincial government.<sup>10</sup> indicate that the operational policies on FSCs are flexible and the respective EDOs could take local level actions to operationalize the facilities.

## 4.2 Financial Resources

### 4.2.1 Recurrent Budget

LS&DD received 34.84% of the total allocations made for Agriculture sector in FY 2001-2002, while for FY 2002-2003 these are 32.82%. Detailed budgetary allocations of LS&DD for the two years are presented below:

	<b>FY 2001-2002</b>	<b>FY 2002-2003</b>
Total budgetary allocations (Rs.)	8.668 million	8.808 million
No. of staff	130	130
Staff salaries and allowances (Rs.)	7.958 million	8.120 million
Other operational expenditure (Rs.)	0.710 million	0.688 million

The above allocations indicate that funds allocated for the sector marginally increased from Rs. 8.668 million in FY 2001-2002 to Rs. 8.808 million in FY 2002-2003; an increase of only 1.61%. Off the total funds, 91.81% for FY 2001-2002 and 92.20% for FY 2002-2003 have been provided for salaries and allowances of the staff. The balance is for other operational expenses of the sector including vaccination campaigns, with Rs. 145,000/- and Rs. 150,000/- respectively

<sup>10</sup> Meeting with Chief Planning Officer and Deputy Secretary, Agriculture, GoNWFP

for the provision of medicines at veterinary hospitals and centers. According to the DO LS&DD, these allocations meet only 10-15% of the demand.

A three-year history of the recurring cost budgets (FYs 1999-2000; 2000-2001 and 2001-2002) shows that LS&DD received an average of Rs. 7.5 million for its salary and non-salary heads each year. However, over 90% of this was typically allocated to the salary budget heads, a meager 1.5% for medicines/vaccination, and an average of 6% for other non-salary heads, including transportation, POL, M&R, utilities, etc. The inadequacy of these budgets has been highlighted at various levels. Information provided by LS&DD suggests that the current levels of funding cover barely 15% of the operational requirements. A review of the budget estimates for FY 2002-2003 continues to show the same trends, raising serious questions about the ability of LS&DD to address its core extension mandate.

#### **4.2.2 Development Budget**

The Department has requested a development budget of Rs. 8.4 million for FY 2002-2003, which is expected to cover de-worming of livestock, propagation of improved forage for animals, prevention of Congo virus and prophylactic vaccination, distribution of improved poultry breeds, and training of female stock assistants. However, the District priorities indicate that the proposal is unlikely to be approved in its entirety. The provincial government has however allocated Rs. 20.00 million for the Livestock Production Project, and Rs. 64.25 million for installation of two liquid Nitrogen Plants in Peshawar under the provincial ADP.

#### **4.2.3 Local Resource Generation**

The Department has a potential for local revenue generation from the rationalization of fees for: (a) veterinary medicines; (b) registration of wholesalers and retailers; (c) poultry and dairy farms; (d) service fee at veterinary hospitals and centers – currently being charged at the rate of Rs. 2/- only; (e) service charges for outdoor animals consultancy and treatment; and (f) doctors and technical staff fee/charges for slaughterhouse duties.

The recovery of fees will depend on: (a) incentives to the field workers for improved services; (b) willingness of the farmers to pay; and (c) the quality of services provided by the extension agents. Moreover, for the Department the incentive for improved resource generation will only be the ability to retain the additional revenues to translate into incentives to the field staff, and invest in improving services. A full-scale feasibility would be required to further review this important avenue for resource generation.

### **4.3 Manpower**

LS&DD has the second largest establishment among the agriculture sub-sectors after AE. It has a strength of 130 employees, which appears to be under-utilized given the current levels of development and recurring cost budgets. Bulk of the front-line staff receives pre-service training at ATI, Peshawar and is reportedly qualified to manage the assigned responsibilities.

The core professional staff comprises of qualified professionals including DO LS&DD, 10 Veterinary Officers, Health (grade-17), 69 Veterinary Assistants (grade-6), and 4 Female Veterinary Assistants (grade-6). The rest is support staff in various categories. Six professional positions are currently vacant; 3 for doctors and three for compounders. There is need for additional female staff but the positions do not exist. Recently some male positions have been converted to female positions.

The staff quality is reportedly adequate, however, there is a need for in-service training. This is necessitated by the change in job description for certain positions, such as Livestock Assistants. They were previously involved only in vaccinations, but are now posted in hospitals and need training for curative practice.

#### **4.4 Infrastructure**

There are 50 Livestock and Dairy related outlets in the District. These include 3 veterinary hospitals, 17 veterinary dispensaries, 19 veterinary centers, and 11 AI centers/sub-centers. Only 8 out of the 50 veterinary centers are in government owned buildings; the rest are operating from rented buildings. There are no apparent problems in the location of Livestock outlets in the District.

Equipment and medicines are reported to be generally not available in required quantities. Among other inputs, there is a computer and printer, a fax machine, and a photocopier. Details have also been provided for furniture and fixture for the entire District. In addition there are refrigerators, deep freezers and other equipment and instruments needed for the work in the veterinary centers in the District.

Mobility is severely restricted as the organization has access to only one vehicle controlled by the DO, LS&DD, which is also in unsatisfactory condition. The other core staff, including VOs, do not have access to any transport. Likewise, none of the Veterinary Assistants/Inseminators (VAs) have access to motorcycles, which together with a highly inadequate transportation budget, is viewed as a major impediment to their functioning. There is considerable red tape involved in getting major repair work on the vehicle, and there are new directions by the EDO to pool vehicles. The operational budget allows for only 90 liters of gasoline per month, which is clearly insufficient. However, this allocation is an improvement over the pre-devolution period when the same POL budgets were expected to cover three districts including Peshawar, Charsadda, and Nowshera.

#### **4.5 Annual Outputs**

Outputs are typically assessed against an agreed mandate translated in the form of agreed annual plan of action or activities. However, the organization neither has a clear mandate nor any annual work plans that can be reviewed or verified for outputs. The assessment shows that LS&DD receives directions (in some areas only) from the provincial government, while bulk of the operational activities is carried out through local initiatives, largely in an adhoc manner.

Available reports indicate that during the last eight months, over 132,000 animals were treated, and 27,000 animals and 202,000 birds vaccinated. In the area of AI, over 8,000 animals were inseminated, while pregnancy and related diseases were attended for about 700 animals. Income in the shape of fees for the services provided by LS&DD activities amounted to Rs 0.63 million during the eight months period, which is approximately 7% of the recurrent cost budget of the DDO LS&DD for the 12-month period. Although a small level of recovery, this is in contrast with the AE, where the concept of paying for extension services does not exist. However, given the severe limitations on the operational budgets, it is presently unclear how the LS&DD staff physically manages to cover the LS&DD service needs over the widely scattered areas of PCD.

The agency does not have any targets for its promotional outreach programs, capacity building, or the regulatory functions. Therefore, it was not possible to assess the outputs in these areas. However, the virtual lack of operational budgets has a significant bearing on the planning efforts. Given the serious resource constraints, there is little incentive for the LS&DD staff to engage in District-wide planning for the full range of responsibilities currently assigned to the organization.

#### **4.6 Organizational Structure**

The post-devolution grouping of the agriculture sector institutions under the umbrella of EDO Agriculture is a significant change. In theory, it aims at improved planning and management, and offers new prospects for integrated service delivery. Previously, the respective District offices were directly reporting to the provincial establishments with minimal inter-sectoral coordination or integrated planning at the District level. The post-devolution structure shows LS&DD closely linked with the other sector agencies and reporting to a common District level head (i.e., EDO Agriculture). The operational control of the LS&DD staff is ensured through the direct supervision of DO LS&DD, who reports to EDO. The new structure shows an enhanced focus on PCD as previously AD LS&DD was concurrently responsible for two other Districts. There are no major changes for reporting and supervision of staff below the level of DO LS&DD in the current hierarchy.

#### **4.7 Systems and Processes**

##### **4.7.1 Planning and Budgeting**

LS&DD planning and budgetary systems are the same as that for AE described earlier.

##### **4.7.2 Coordination and Reporting**

A review of the co-ordination and reporting systems shows that the DO LS&DD is responding to two chains of command. For various service and technical matters, he reports to the provincial Directorate of LS&DD, while for operational and administrative matters, he reports to the EDO Agriculture. This is a source of friction with the EDO, who feels that it undermines his authority to independently plan as well as effectively manage his staff and

resources. DO LS&DD does not maintain a direct linkage with the DCO office. As required, the staff does establish direct contact with the District P&F Department for financial issues.

There are no formal systems for coordinating Agriculture sector (or sub-sector) issues between the LG tiers. The designated EDOs Committee at the District level offers an opportunity for dialogue and discussions with other EDOs, the DCO, and the District Nazim. However, the frequency of these meetings has been erratic and inadequate to satisfy the concerns of the elected representatives. In terms of horizontal linkages within the agriculture sub-sectors, the EDO holds monthly meetings of the DOs from all agriculture sub-sectors. On his own initiative, DO LS&DD also maintains some linkages with selected civil society organizations such as the Sarhad Rural Support Program (SRSP).

#### **4.7.3 Administrative and Financial**

The Department reported that it follows the financial and administrative systems provided under the LGO and the provincial RoB, which have delegated financial authorities to the District. The District RoB includes the powers for staff transfers (at various levels), leave and TA sanctions and certain other areas given to the Nazim, the DCO and the EDO. However, the staff transfer functions above grade 15 have been subsequently withdrawn, and the District can transfer grades 1-15 staff only, while for higher grades it can recommend appropriate actions but discretion rests with the provincial government.

Previously, AD LS&DD could recruit staff in grades 1-4. In addition, some additional powers were specifically transferred following the abolition of the Commissioner's institution across the entire country. However, after devolution, EDO Agriculture has Category-II powers, which allow him to recruit staff in grades 1-15. The DO LS&DD is now a Category-III Officer, while previously he had certain powers of Category-II. Under the reduced authorities, the DO can recruit staff for grade-1 positions only. The same procedure holds for the transfer of staff as well.

#### **4.7.4 HRD and Career Development**

There are no formal systems for career development other than the routine promotions that are now viewed to have become far more difficult in the post-devolution period. The Department has virtually no funds for in-service training and considers this to be a provincial responsibility. Although several institutions including ATI, Animal Husbandry In-service Training Institute (AHITI), Veterinary Research Institute (VRI), and Secretariat Training Institute (STI), are located within PCD, and several staff members could benefit from refresher courses and/or new training programs, there are no financial provisions. Likewise, programs for farmers' skill development are constrained by lack of operational budgets. Decentralization has also resulted in reduced staff incentives, particularly in the area of promotions, as the respective provincial establishments have been shrunk and there are very few prospects for the staff to move out of their respective districts. Training and career development for professional staff was identified as a major need.

The age-old system of performance reviews is still in place, albeit with enhanced problems. Staff Annual Confidential Reports (ACR) are now also reviewed by the DCO, thus adding another layer to the performance review process without any value-added. The system of ACRs is also without incentives, as good progress does not translate into a better position or an enhanced pay package. Nor does a poor performance result in any significant penalties.

#### **4.7.5 Monitoring and Evaluation**

LS&DD relies on a fairly rudimentary system for monitoring and evaluation, which currently is limited to a system of monthly progress reports on basic formats. In the absence of an annual plan of activities, timelines, or indicators for performance review, the system works to the advantage of the large number of staff who cannot be held accountable for non-performance. The monthly progress reports are received and consolidated at the EDO level, while duplicate copies are forwarded to the provincial directorates for review and records. The LGO provides for an external system of monitoring, which relies on District and Union level monitoring committees of public representatives. Although several such committees including one for Agriculture have been formed, these currently suffer from lack of direction and guidelines as well as required resources and facilities to operate.

#### **4.8 Gender Focus**

LS&DD has a relatively better staff mix of male/females. It currently has nine front-line female VAs, who have a high level of access to the rural and urban households. However, due to *purdah*<sup>11</sup> and conveyance problems they are posted close to their areas of residence. A larger number, as well as greater mobility of female assistants is required to effectively address the District requirements. Discussions with the senior staff indicate that under the prevailing policies a 5% quota is reserved for female staff.

### **5. Sectoral Analysis**

#### **5.1 Financial Systems and Procedures**

Agriculture Sector receives funds from the provincial government for its recurring cost and development budget requirements. Budgetary requirements for development expenditures/schemes are identified on the basis of information received from the individual sub-sectors and consolidated at the EDO level. These requests are then submitted to the office of DCO to be either met from the provincial ADP or from the District local funds. A closer review of the financial data indicates that allocations for the development schemes of the sector are not receiving due importance from the provincial or district governments, which seem to view other sectors like education, health and drinking water supply as priority.

For expenses that are beyond the financial powers of the EDO (Category-II), a case is initiated by the concerned sub-sector DO or the EDO. This is sent to the DCO for approval, as

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<sup>11</sup> *Purdah*. seclusion of women from men as part of the prevalent culture.

he has Category-I powers, and is the administrative head at the District level. Approval of expenses beyond the financial authority of the DCO level is sought from the concerned Department at the provincial level.

Expenditures of the Agriculture Sector are reconciled with the office of the Accountant General (AG) on a monthly basis, and are monitored against their budgetary allocations. The local office of the AG Pakistan, on annual basis, audits the expenditure of the Agriculture Sector, and any unsatisfactory expenditure is reported and perused upon until resolved, which may at times involve recovery from the expenditure approving authority.

Release of funds to the Agriculture Sector is made on the basis of demands received by the AG Office, which according to the procedures, should be submitted by the EDO to the AG through the DCO. The procedure has not yet been adopted, and at present all expenditures are released as and when they are submitted to the AG for payment. No monitoring system has yet been developed at the District level for non-recurrent expenditures of the Agriculture sector.

## 5.2 Recurrent Budget

Allocations for Agriculture sector components for FY 2001-2002 and FY 2002-2003 are presented below:

Sub-sector	FY 2001-2002				FY 2002-2003			
	No. of Staff	Salary	Non-salary	Total	No. of Staff	Salary	Non-salary	Total
Agriculture Engineering	8	0.418	0.250	0.668	8	0.476	0.250	0.726
OFWM	14	0.916	0.110	1.026	14	1.159	0.242	1.401
Soil conservation	13	0.846	0.156	1.002	13	0.844	0.209	1.053
<b>AE</b>	<b>171</b>	<b>10.687</b>	<b>0.318</b>	<b>11.005</b>	<b>170</b>	<b>10.341</b>	<b>0.343</b>	<b>10.684</b>
<b>LS&amp;DD</b>	<b>130</b>	<b>7.958</b>	<b>0.710</b>	<b>8.668</b>	<b>130</b>	<b>8.120</b>	<b>0.688</b>	<b>8.808</b>
Fisheries	13	0.755	0.069	0.824	13	0.761	0.066	0.827
Forestry	18	1.088	0.058	1.146	18	1.100	0.089	1.189
Wildlife	4	0.069	-	0.169	4	0.186	0.001	0.187
Co-operatives	30	1.714	0.071	1.785	30	1.889	0.066	1.955
<b>Total</b>	<b>401</b>	<b>24.551</b>	<b>1.742</b>	<b>26.293</b>	<b>400</b>	<b>24.876</b>	<b>1.954</b>	<b>26.830</b>

During FY 2001-2002, Agriculture sector encompassing nine Departments, received only 2.53% of the total funds allocated by the provincial government for PCD. The allocations declined to 2.29% during FY 2002-2003. However, in absolute terms the amount provided to the Agriculture sector shows an increase both for salary as well as non-salary items. Salaries increased from Rs. 24.551 million to Rs. 24.876 million (2.04% increase). Non-Salary items (including travel, utilities, petty non-recurring expenditures and M&R) increased from Rs. 1.742 million to Rs. 1.954 million showing an increase of 12.29%.

A further detailed break up of the allocation of the agriculture sector is presented below:



Lack of access to micro-credit and/or its high cost was identified as a major constraint to agriculture development during the city-wide consultations. To explore this further, a series of consultations were held with selected banks, NGOs, and dealers of agricultural produce who often act as informal credit providers. The key financial institutions active in providing credit include the Bank of Khyber, and the Agriculture Development Bank of Pakistan. In addition, selected NGOs like SRSP have also piloted with the provision of credit.

**Brief Analysis of Micro-Credit Sector:** Institutional loans are not availed by the poorest or the landless farmers, as they do not fit the criteria established by the banks. Associated problems include lack of information services, low awareness, and a virtual absence of guidance and training. The informal sector is highly exploitative with hidden costs. Estimates show that the implicit rate charged in the private sector is about 130% per annum. However, people are averse to fixed interest, institutional credit is not readily or easily available, and farmers lack marketing and business support services.

Lending agencies seek coordination with LG tiers only for recoveries, but not in client selection or loan approval. Lending in rural communities is also seen as a risky investment, but one that could be considered if elected representatives assist in recoveries. In the recent past, the government's announcement of writing off small loans has had a negative effect on loans issued by banks and NGOs.

Credit is largely focused on men, and the potentially large scope for lending to the rural women for agriculture and other activities is yet to be explored. Women are not considered as good clients in the PCD, contrary to global experience. Additionally, female credit officers have problems of mobility, and need a chaperone to accompany them to the field. Lending institutions are also not willing to invest in the capacity building of female staff due to their high turnover.

Informal lenders can provide loans without any complications or long procedures. They do not charge a fixed return on loans extended, but have a monthly charge of around 6% to 10%, in return for a bond that requires the farmer to sell his harvest through the same commission agent, irrespective of prices in adjacent markets. The produce is also weighed according to the wishes of the commission agent. Therefore, the overall annual rate of interest exceeds 130%. Typically the Arthis (informal lenders) also take a small share of the produce being sold. The share varies and depends on the extent to which the dealer can exploit the farmers, who are mostly uneducated and do not have information on prices or the lingo used by Arthis. Farmers are heavily dependent on the informal sector for obtaining loans. The high rate charged by the Arthi is considered to be acceptable by farmers, since it is not fixed and would vary with the amount of the produce and the price fixed by the arthi for the produce. The rate is therefore not known at the outset, and perceived to be in line with Sharia.

#### **(a) The Bank of Khyber (BOK)**

The BOK operations in the area of micro-credit are relatively limited. Its staff identified the longer distances and time required to reach potential clients in the rural areas as a disincentive.

In addition, there is an impression that several rural areas have security risks associated, and many farmers are unable to provide the collateral since they work on other people's lands. In-migrants to urban areas also need credit for survival, and are considered better and less risky clients.

The bank organizes cluster groups in different localities depending on the dominance of a particular business in a locality; it does not work through NGOs in PCD. Clusters have their own dynamics and are BoK's substitutes for CBOs. The bank is apprehensive of involving elected representatives in the identification of clients, as their recommendations are generally made on political grounds, and clients normally default on such loans. Their involvement has been considered for loan recoveries to exert social pressure, and not delivery of credit.

The BoK organized a cluster of dairy farmers at Watpagga, located on the outskirts of the City. Some loans were made, but experience for the bank was not encouraging, as only the principal amount of the loans disbursed was recovered. Cluster members continue to be willful defaulters. A key reason is that ADBP has waived off bad debts on the directions from the federal government, and created problems for other lending institutions. Its experience in extending loans to women, especially in PCD, has not been good either. The bank is lenient on collateral and accepts personal guarantees wherever poor clients cannot offer tangible security, and the limit for such loans Rs. 50, 000. The bank has not had any major problems in lending to the poor of PCD. When the poor are unable to pay due to natural calamities, the loans are rescheduled.

There are a total of 52 staff members in the Micro-Finance Unit (MFU) of the Bank, who specifically deal with micro-credit across 5 bank branches in the PCD. The staff is adequate for the current level of operations. The field managers/staff are provided with cars and motorcycles. Staff turn over, in particular of female staff, is a major problem. They are typically not allowed to work after they get married and also need a chaperone to travel to remote areas. The senior management runs into problems after female staff leaves as a trained resource is lost, and is therefore reluctant to invest in capacity building of female staff.

#### **(b) Agriculture Development Bank of Pakistan (ADBP)**

The ADBP has two branches in PCD, one at Badhabar (Town-IV) and the other on the outskirts of the city center (Town-I). There are two Female MCOs, who specifically deal with female clients. Farmers are perceived to lack capacity to utilize loans; therefore recoveries are very low. They lack capacity to plan for their seasonal requirements, and are therefore often-in need of immediate funds to meet their cropping and consumption needs. Farmers are also exploited by sugar mill owners and a variety of middle men, thus cutting down on the margins that would otherwise be available for re-injection into agriculture.

The Micro-credit scheme of the ADBP is for the landless and artisans. The loan limit is Rs. 25,000 for agriculture purposes, requiring surety from only one guarantor who could be a government employee or a landholder. Previously the limit was Rs. 50,000, but was reduced due to defaults. ADBP charges 14% per annum; but there is a need to create awareness about

## **Seed Regulation**

- (a) FSCRD is a Federal agency responsible for crop inspection and seed testing. Private or public seed producers apply for registration, and provide the source of seed and type, which is then checked by FSCRD.
- (b) FSCRD has one Inspector per 6-7 districts, who is required to go to the market and check the quality of seed being sold by seed dealers. In case of malpractice they Challan (book) the dealer, but court processes are very slow. Also, seed dealers collectively pressurize inspectors when they are booking a seed dealer.
- (c) Seed dealers are not required to have a license, nor do they have to be registered with seed companies. Practices of seed dealers are not professional, as they keep seed grain and eating grain together, and it often gets mixed. They also sell sub-standard smuggled seed from China and India.

## **Support to Farmers**

- (a) Farmers need training, but FSCRD does not have the mandate to train farmers, and AE, which does, lacks the expertise to do so.
- (b) PHP supports small farmers in Buner to produce certified onion seed and also provides marketing support. Farmers of Buner have reaped benefits from this business, and are reportedly making significant profits.

## **Role of Private Sector**

- (a) The private sector in NWFP is not willing to invest in the seed sector in NWFP by providing R&D support or invest in seed farms. In Punjab, seed companies hold seminars and workshops to train farmers and create awareness, and also own large seed farms. According to the Seed Act, certification and registration of growers is the function of the FSCRD. Therefore no role for the private sector is deemed to be available in this very important activity.

## **Marketing**

- (a) The main problem faced by seed producers is marketing. Afghanistan and the Central Asian states are potential markets, which need to be explored. Once farmers are convinced that their seed will sell, they will be willing to invest in it. The Export Promotion Bureau of Pakistan needs to also play a pro-active role
- (b) Pakistan is not a signatory to the Intellectual Property/Trade Mark laws, and this is a major constraint for developing the seed sector in Pakistan.

## **Capacities**

- (a) There is a dire need for technical training of FSCRD and AE staff to stay abreast in international developments in seed development technology.

- (b) FSCRD does not have a germinator or a seed counter. Seed counting is presently done manually, which leaves a great margin of error. A germinator is necessary to check the quality of seed. A review of the staffing and structure shows shortage of staff for enforcement of the Seed Act and for crop inspections. The absence of this staff clearly raises questions about the ability of the organization to fulfill its mandate.

**Linkages with PCD Tiers:** There are presently no linkages with elected representatives or the PCD government, primarily due to shortage of staff. FSCRD sees an effective role to be played by LGs through the Monitoring Committees for Agriculture pricing and produce; especially in checking malpractice by seed dealers.

## 9. Annexes

### Annex-1

#### Mandate of AE Department

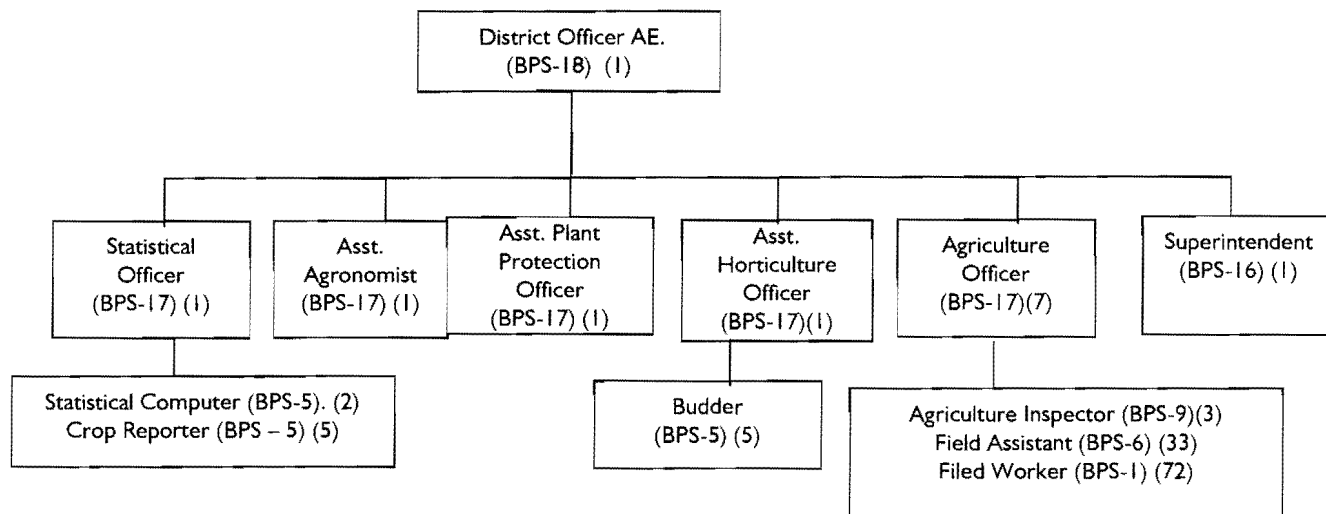
- (a) Administrative, financial and technical control of field formations in the District.
- (b) Achievement of area and production targets of crops.
- (c) Implementation of crop production strategy, including agronomy and plant protection prepared by the provincial Agriculture Department.
- (d) Preparation of detailed training schedules by provincial Agriculture Department and dissemination of production technology through training programs in every village of the District.
- (e) Feedback of reachable problems to provincial Agriculture Department.
- (f) Identification, preparation, and implementation of projects approved by competent authorities.
- (g) Implementation of Agricultural law.
- (h) Ensuring availability and quality of Agriculture inputs.
- (i) Management of AE farms and gardens.
- (j) Service matters relating to the District cadre.
- (k) Maintenance of government buildings.
- (l) Purchase of store and capital goods.
- (m) Participation, along with requisite data, in review meetings held by provincial Agriculture Department.
- (n) Feedback to provincial Agriculture Department on all the above, as per time instructions.
- (o) Implementation of crop production strategy including agronomy and plant protection.
- (p) Achievement of area and production targets of all crops.

### Annex-2

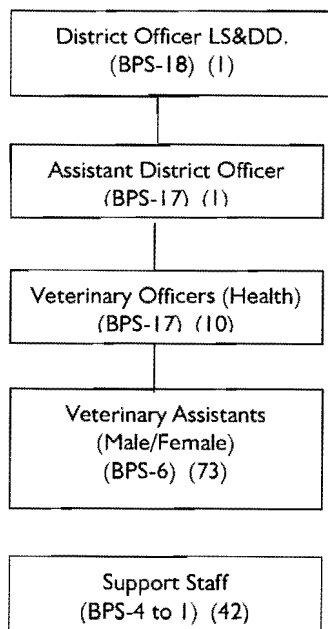
#### Mandate of LS&DD Department

- (a) Artificial Insemination.
- (b) Promotional efforts for establishment of dairy farms in private sector.
- (c) Promotional efforts for establishment of poultry farms in private sector.
- (d) Prevention of animal/poultry diseases, extension services.
- (e) Training of villagers on:
  - (i) prophylactic vaccination;
  - (ii) management aspects; and
  - (iii) first aid treatment.
- (f) Enforcement of prevention of cruelty to animals Act, 1890.
- (g) Prophylactic Vaccination.
- (h) Service matters within the District as per delegation of powers.
- (i) Purchase of store and capital goods for the District.
- (j) Any other business assigned by the government.

**Organogram: Agriculture Extension Department**



**Organogram: LS&DD Department**





# Health







# **4. Assessment of Health Sector Institutions**

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## I. Sectoral Context

- (a) **National:** Public sector expenditure on Health is 0.7% of Pakistan's GNP, indicative of an insufficient priority given to this important social sector.
- (b) **Provincial:** About 40% of the children of less than two years of age are not fully immunized; rate of contraceptive use is 22% for married women in the 15-49 years age group; infant mortality rate is 62 per 1000 (males 67, females 57); usage of primary health care facilities is an average of 22 patients per day, with 10 patients per day at Maternal Child Health (MCH) Centers; 85% of Basic Health Units (BHUs) are operational (1998-1999); and 53% of households have access to clean water. Large disparities persist in health outcomes between poor and non-poor, and between the rural and urban populations.

The Provincial Reform Program (PRP) document<sup>1</sup> outlines the GoNWFP health strategy, emphasizing on preventive health care; use of the existing basic health services; programs of immunization, tuberculosis control, and maternity/child health care; improvement and better utilization of basic health services especially in the rural and remote areas, with involvement of local communities. Health sector priorities are stated to be preventive health measures and primary health facilities; adequate funding for supplies and appropriate equipment; restructured organization to improve service delivery; increased cost recovery with exemptions for the poor at secondary and tertiary levels, and increase in resources for health services.

GoNWFP has already begun to take initiatives to overcome sectoral issues including: restructuring of the Health department in line with the LGO; building institutional capacity for reforms; rationalizing transfer and posting policies; measures to reduce staff absenteeism and ensure availability of inputs; rationalizing health care services; introducing hospital autonomy; and strengthening public-private partnerships. Other actions include:

- (i) posting of 500 new doctors in government-managed health facilities;
- (ii) reorganization of four big hospitals and providing them autonomous status;
- (iii) implementation of Institution-Based Practice (IBP) in government hospitals;
- (iv) implementation of Peshawar Health Package; and
- (v) reorganization of district hospitals.

The provincial government has initiated the mapping of health facilities by workload, accessibility, and distance in the Charsadda District. The health facilities have been classified into three broad categories: (i) Community Health Centers (CHC) with Doctor, CHCs without Doctor, and Life Saving Medical Facilities (LSMF). Through this exercise, almost 50% of the facilities with low workload have been closed in Charsadda, and staff of the closed facilities has been re-deployed in LSMFs. The exercise is a

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<sup>1</sup> Source: The Provincial Reform Program, November 2001.

strategic direction for efficient utilization of the scarce resources, which is also to be shortly initiated in the PCD.

The provincial government is in the process of preparing a policy regarding BHUs and RHCs. Under the new policy, MCH Centers, Sub Health Centers, Dispensaries, BHUs, RHCs, and the small Hospitals will only provide *First Level* care. At the *First Level*, there will be no x-ray facilities; only OPD facilities will be provided. All District Headquarter Hospitals will be turned into Community Health Centers. Also, the existing government Hospitals will be re-graded into categories A, B, C, and D in terms of number of beds, provision of specializations and the number of posts of Medical Specialists. Some RHCs will be downgraded to Community Health Centers, while others will be upgraded to Category D Hospitals. In brief, BHUs will only provide OPD services on the curative front along side EPI, family planning, and malaria control services.

- (c) **Peshawar City District:** Key health indicators for the District are: malnutrition 31.6%, contraceptive use by married women for age group 15-49 years 28%; household access to clean water 77.3%; households with sanitation provision 56.5%. Some other indicators in comparison to the province are:

Indicator	Provincial	PCD	PCD as % of Province
Population in 1998 (million)	17.73	2.02	11.4
Total Hospital beds	11,740	4,435	37.8
Population/bed	1,590	485	
Registered Doctors	3,774	1,314	34.8
Nurses	1,486	800	53.8
Population per doctor	1,873	1,537	
LHVs	828	109	13.1
Private doctors	5,691	1,288	22.6

The indicators reveal that the PCD population is 11.4% of that of the province, but it has a higher share of health services except for BHUs (6%) and RHCs (5%). There are 1,314 doctors and 800 nurses working in the PCD, in the provincial and district-managed public health institutions, with one doctor per 1,537 persons, excluding private doctors and health facilities. The statistics however do not reflect the significant populations of the Afghan refugees, the adjacent Federally Administered Tribal Areas (FATAs), and other Districts of NWFP which also use these facilities, but on which data is not readily available.

Health statistics for all government facilities show that there are 4,435 hospital beds with a service ratio of 485 persons per bed in the District for a population of about 2 million. No other District of the province is near this seemingly satisfactory situation. The District closest to Peshawar is Bannu with 1,100 persons per bed. The extreme is Upper Dir District with 37,813 persons per bed.

Consultations with the district and the provincial Health department staff indicated that the district, as well as the province, does not meet the World Health Organization (WHO) standards for number of staff to population served. The most severe issue is the shortage of nursing staff. While the WHO standard requires four nurses per doctor, NWFP has a reverse ratio of four doctors per nurse. However, GoNWFP does follow the standard of one BHU per 10,000 - 20,000 population; one doctor per BHU/UC; one RHC for a population of +40,000; and one dispensary per urban UC.

## 2. Institutional Background

The Health department is one of the twelve provincial line agencies<sup>2</sup> decentralized in August 2001, as part of the devolution process under LGO 2001. The PCD Health department is headed by an EDO reporting to the DCO, with a staff of over 1200 persons. The department is also responsible for Malaria Control, Primary Health Care (PHC) Program covering MCH and Family Planning (FP), and Sanitation and Drug Control checks. It is important to note that the City-based three large hospitals (Khyber, Lady Reading, and Hayatabad Medical Complex) are autonomous, reporting to the provincial government, and are not under the PCD Health department.

The staffing of the PCD Health department is presented in Annex-5. There is 1,224 professional and non-professional staff employed in PCD Health department, distributed over the BHUs (394), Rural Health Center (RHC -120), Dispensaries (166), Other Hospitals (77), MCHs (21), and Maternity Hospitals (67). These are mostly the *First Level* health outlets catering primarily to the poor segments of the PCD rural and urban population with curative services. On the preventive side, there are 122 staff with the EPI program, 31 persons under the heading Health Preventive Measures, 100 in Children's Infectious Diseases Hospital, and 29 in the TB Control Program. The staff strength of the office of the EDO is 35 persons, supported by 52 persons from the District Health Services. To this may be added the 8-person staff for Drug Control. During the assessment, the PCD Health department did not point out any issues relating to staff shortages, other than the continuing problem of staff absenteeism. However, additional training for the staff, particularly for para-medical, was pointed out as a need to improve the staff quality.

### 2.1 Private Health Sector

There is a large private sector involvement in the City District health sector.<sup>3</sup> The private sector health facilities are concentrated largely in the Peshawar Cantonment area and within the old City limits. These private clinics and hospitals also serve patients from other parts of the province, and the sizable Afghan refugee population living in Peshawar and the surrounding areas. Most of these clinics and hospitals are run by doctors that were earlier employed full-time in the government run hospitals, but later chose to give up their government jobs and now

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<sup>2</sup> All government agencies, including the newly created office of the DCO, decentralized under LGO 2001, were grouped into 12 line agencies. Nine green-sector related government line agencies were grouped under Agriculture.

<sup>3</sup> There are no statistics available providing details of private sector contribution in providing health coverage in PCD.

exclusively concentrate on their private practice. This has occurred due to the implementation of the government policy of IBP, under which doctors employed in government hospitals can no longer run their private clinics at the same time.<sup>4</sup>

### **3. Institutional Mandate**

The EDO Health is mandated to provide preventive and curative health services. The RoB 2001 for PCD Health department provides for a wide spectrum of interventions focusing on management, planning, regulatory, preventive, and curative responsibilities for the decentralized district Health department (refer Annex-1).

Under the mandate provided to the EDO after devolution, all operational decisions at the health facility level (micro level) and personnel matters for officials of grade I to I5 are now with the EDO Health. Responsibilities regarding decisions relating to the utilization of block allocations for development funds are also with the EDO and not with the provincial Directorate. The responsibilities of EDO at the District level have therefore increased substantially after devolution.

The provincial Directorate of Health is now responsible for the following activities:

- (a) Policy issues (macro level);
- (b) Matters pertaining to hiring, transfers, personnel postings, and cases of disciplinary actions for officials of grade-I6 and above;
- (c) HMIS data consolidation at the provincial level; and
- (d) Overseeing implementation of National programs funded by the federal government<sup>5</sup> and implemented by the EDO. These federal program funds are channeled to the provincial government and then to the District. At the District level there is a District Coordinator for Public Health reporting to EDO Health to oversee the implementation of these programs at the Health facility level.

### **4. Resources**

#### **4.1 Infrastructure**

The PCD Health department has 104 health delivery outlets.<sup>6</sup> These include 58 BHUs, 3 RHCs, 4 MCH Centers, 36 Dispensaries, and 3 small hospitals. All of these facilities are functioning, except for one BHU in the rural areas.<sup>7</sup> As noted earlier, the three big hospitals in

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<sup>4</sup> Doctors are provided with the opportunity of practicing in the evenings through the government facilities only. Under the IBP system, 70% of the fee is retained by the doctors, 20% by the hospitals, and 10% by the technical support staff. IBP has been initiated in Peshawar. Other districts of the province will be covered later based on the experience gained from Peshawar.

<sup>5</sup> These include: AIDS, DOTS TB, Malaria Control, National Program for FP, Primary Health Care, and Women Health Project.

<sup>6</sup> There is some discrepancy regarding the number of Health Units with the PCD Health department. Annex-2 lists 166 units in addition to the three big hospitals with the provincial government. On the other hand, the data provided by the department (HMIS data) indicates 104 units. The confusion occurs due to the inclusion of under construction health facilities and those units (dispensaries) that were earlier with the MCP administration and are now with TMAs (and not the PCD Health department). Also there are 8 BHUs and one small hospital located in FR Peshawar earlier with DHO Peshawar District that are no longer in PCD, but are managed by the PCD Health department. We rely on HMIS data for PCD that point to 104 facilities under the PCD Health department of which 95 are in the District and 9 are in FR Peshawar.

<sup>7</sup> Source: HMIS data July 2002.

the City District are independent and not part of the EDO's office. They are autonomous and report to the provincial Health Directorate. Their focus is primarily on curative health delivery. The Lady Reading Hospital is in the city area (1,505 beds); Khyber Teaching Hospital is in University Town (1,195 beds), and the Hayatabad Medical Complex is in the Hayatabad Township (595 beds).

The EDO Health has 13 pickups from the National Program for FP and Primary Health Program, and 4 vehicles for the City District Program from the provincial funds. These vehicles are for monitoring and management of 104 health outlets under the District Health department and the FP Program. As is the case for other sectors, budgetary allocations for POL and maintenance as well as the number of vehicles is insufficient to meet the program requirements. A number of vehicles remain unutilized for want of repairs that suffer due to lack of maintenance funds.

The Table below presents the breakdown of PCD Health department facilities by urban and rural areas. Since EDO Health is also responsible for the health facilities in FR Peshawar, their data are also incorporated.<sup>8</sup>

Type of Health Facility	Rural	Urban	FR Pesh.	Total
BHUs	47	3	8	58
Dispensaries	9	27	—	36
Civil Hospitals	1	1	1	3
MCH Centers	1	3	—	4
RHCs	2	1	—	3
<b>Total</b>	<b>60</b>	<b>35</b>	<b>9</b>	<b>104</b>

## 4.2 Financial Resources

During FY 2001-2002 (the first year post-devolution), Health sector received Rs. 94.224 million from the province, representing 9.07% of the total funds allocated by the provincial government for PCD. The allocations for the FY 2002-2003 were Rs. 101.845 million, showing a nominal increase of 8.08% over the previous year. However, the sectoral ratio allocation dropped to 8.01% against the 9.07% during the previous year. Salaries marked an increase from Rs. 73.482 million to Rs. 85.343 million, showing an increase of 16.14%. However, allocations for non-salary items, which include travel, utilities, maintenance and repairs, and free distribution of medicines, decreased for FY 2002-2003 against the allocations made for FY 2001-2002. Similarly, non-salary items decreased from Rs. 7.653 million to Rs. 5.760 million, showing a decrease of 24.74%, whereas allocations for distribution of free medicines decreased from Rs.13.089 million to Rs. 10.742 million showing a decrease of 17.93% from the previous year (refer Annexes 3 & 4).

<sup>8</sup> Source: HMIS Peshawar District Data July 2001.



The pattern of funds allocation for Health Sector of the PCD was:

<b>Expenditure Head</b>	<b>FY 2001-2002</b>	<b>FY 2002-2003</b>
Salaries and wages	77.99%	83.79%
Other non-salary items	8.12%	5.66%
Medicines	13.89%	10.55%

The PRP foresees significant allocations for the development of health sector in the province. Tentative fund allocations under the PRP for health sector within the Province are appended in the following Table. PCD will in turn also benefit from these proposed higher allocations. The increased development expenditure will support: (a) expansion of preventive programs including TB Control, EPI, AIDS; (b) establishment of an effective referral system through up-grading of district and sub-district hospitals; (c) development of emergency care and complementary human resources, particularly nurses; and (d) building management capacity particularly at the district level with the objective of developing an efficient and responsive district health systems in the Province.

<b>Financial Year</b>	<b>Development funds provisions for Health Sector (Rs. million)</b>	<b>(%)Increase / (decrease) over the previous year</b>
2002-2003	460	Base year
2003-2004	280	(39.13%)
2004-2005	1,048	274.29%
2005-2006	1,548	47.71%
2006-2007	1,626	5.04%
<b>Total</b>	<b>4,962</b>	

All development funds for the PCD Health department are provided by the provincial government through financial transfers. These are then transferred to EDO Health, who has a number of development projects under implementation. These include construction of seven BHUs, four MCHs, and thirty-two Dispensaries, estimated to cost Rs. 55.5 million, with a recurrent budget of Rs. 3 million. In addition, there are five BHUs/Dispensaries that are in the process of up-gradation at a cost of Rs. 16 million.

The EDO Health has plans for the construction of 92 Dispensaries, one for each UC in the District, in the ADP for FY 2002-2003. These are estimated to cost Rs. 92 million (Rs. 1 million per dispensary) for which funds have not been provided nor are likely to be provided by the provincial government. These investment proposals for the District are contrary to the provincial policy of discouraging new investments in health infrastructure. The policy, as laid out in the PRP document, stresses on improving the quality of service delivery of the existing infrastructure, but this vision is yet to filter down to the District level. Under the provincial health policy, subject to availability of funds, at best there is room for investments for the up-gradation of the existing facilities, selected on the criteria of accessibility, affordability, and acceptability.<sup>9</sup> Moreover, PRP foresees allocations of development funds in the health sector

<sup>9</sup> Criteria provided by the provincial Health Directorate.

primarily for preventive health care program. At this time there is no evidence that the PRP vision is being translated into the anticipated development outlays of PCD Health department.

During the last few years, Rs. 3.7 million for development activities were allocated for hospitals in FY 1999-2000 and FY 2000-2001, while Rs. 11.3 million were allocated for the RHCs from FY 1997-1998 to FY 2000-2001. No development allocations were made during FY 2001-2002 or FY 2002-2003. However, the District Health department has sought funding of Rs. 73 million for construction, rehabilitation, and up-gradation of facilities.

A review of the PCD budget allocations for FY 2002-2003 reveals that the City government allocated Rs. 6.5 million from locally generated funds for meeting the non-development expenses of PCD Health department, including an allocation of Rs. 2.5 million for the purchase of medicines. The budgetary provisions for medicines in FY 2001-2002 was only Rs. 1.58 per patient, and reduced to Rs. 1.24 per patient for FY 2002-2003.

#### **4.2.1 Resource Generation Potential**

As noted earlier, a change in the rules of appointment and conduct has been made effective March, 2002 that forbids government doctors, paramedics, and nursing staff in PCD, to undertake private practice outside government facilities. Instead, IBP has been introduced in public hospitals/facilities during evening hours, when outdoor patient services at these facilities are closed. The IBP initiative aims to increase the utilization of government health facilities by ensuring that doctors and staff are available at the facility during the day and in the evening for a fee,<sup>10</sup> and to increase the use of diagnostic services in public facilities. Autonomy has been provided to the hospitals for the utilization of the 20% of doctors' fee that is given to the hospital for up-gradation, repairs, and provision of medicines and other First Aid materials with the overall audit supervision by the Auditor General Office. It is expected that due to these new measures the common complaint of non-availability of doctors and staff, due to their private practice in their private clinics, would be significantly controlled. At the same time it would provide additional resources for the up keep of the government run health facilities. So far IBP has been effectively operationalized in the three PCD based autonomous hospitals reporting to the provincial government. This initiative is yet to be introduced in the PCD health facilities that are managed by the District government.

The PCD Health department is of the view that additional revenues could be generated by imposing fee for compulsory registration of the PCD food-providing organizations registered with the Health department; rationalization of present charges for outpatient services; and by introducing in-patient service charges. Consultations with the Health Secretary revealed that the provincial government is aware of the need and potential of increasing revenues in the Health Sector. A study is being undertaken by the department for rationalization of health service charges with an in-built safety net for the poor.

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<sup>10</sup> Set at Rs. 300/- for Specialists of Teaching Hospitals, Rs. 200/- for Specialists of District Headquarter Hospital, Rs. 125/- for Medical Superintendents, Rs. 110/- for Senior Medical Officers with specialization, and Rs. 50/- for Medical Officers.

An Emergency Satellite Center (ASC) serving a population of 150,000 has been leased to a UK based NGO, where all the staff members of public sector have been put under the administrative control of the NGO management. The department is providing physical infrastructure, staff, medicines, and other supplies. The revenue generated from the services is deposited into government Treasury. Similar projects for other health facilities on a self-sustainable basis would significantly reduce the expenditures of the department.

## **5. Organizational Structure**

### **5.1 Pre-Devolution**

The institutional set-up of the PCD Health department pre-devolution comprised of the District Health Officer (DHO) who headed the department at the District level, and reported to the Director General Health at the provincial level. Under the DHO, there was one Assistant DHO, and three Section Heads that included CDC Officer, Field Supervising Medical Officer (FSMO), and a Female Assistant Inspector of Health Services (AIHS). The CDC Officer supervised Malaria Control, TB Control, ARI/CDD/IDD, Health Education, HMIS, and Sanitation/Food/Nutrition. FSMO was responsible for the EPI program, BHUs, RHCs, and Children's Hospital. AIHS looked after LHV, FMT, Dai and MCH programs. For office management there was a Head Clerk with the DHO.

### **5.2 Post-Devolution**

In all, four health-related agency groups have been decentralized. These include BHUs and RHCs; Child and Women Health; Population Welfare; and Hospitals. In addition, a fifth institution focusing on Public Health has been created at the District level as part of the W&S department.

Post-devolution, the EDO Health (grade-19/20) reports to the DCO PCD, while the structure below the EDO level includes a Deputy EDO (grade-18) responsible for Administration, Sanitation/Medical Board, Finance, Planning and Monitoring. A Coordinator for Public Health (grade-18) is responsible for TB/Malaria Control/ AIDs, District Health Systems (BHUs, RHCs, Dispensaries, Emergency Satellite Hospital, MCH, and Civil Hospitals), Health Education/ Nutrition, World Food Program Activities, Foreign Aided Projects, PDC, and O&E Health. There is a Coordinator each (grade-17) for EPI; the National Program for FP and Primary Health Care Programs; and for HMIS; one Drug Inspector in grade-18; and one District Sanitary Inspector. All report to the EDO Health.

Prior to devolution, the provincial Health Directorate had a significant say in the postings and transfers of staff for all cadres working at the District level. This role has been significantly reduced after devolution, in that postings and transfers of all staff from grade 1 to 15 are now a responsibility of the EDO at the District level. The provincial Directorate of Health is now only involved in the postings and transfers of employees of grade-16 and above. Even for the senior level postings, the provincial government can delegate decision-making authority to the EDO. For example, the provincial government recently hired ten doctors on contract basis for

Peshawar District. Their posting within the District-based facilities was left entirely to the EDO. A second change has been in the availability of funds. Earlier funds were provided to the District through the centralized provincial Directorate of Health. They are now provided through the office of the EDO P&F at the District level.

A significant positive change is regarding decisions relating to development funds. Earlier, all development projects for implementation by the District Health department were scrutinized by the Basic Health Cell in the Directorate of Health, and then approved at the appropriate forums within the provincial government. Now these projects are prepared and scrutinized at the District level, based on block allocations provided for by the Health Directorate to the EDO. Further allocations for specific projects is the responsibility of the District (EDO, DCO and the Nazim).

## **6. Systems and Processes**

### **6.1 Reporting and Management**

Prior to August 2001, the department at the District level was headed by a DHO, and reporting to the provincial DG Health. Now an EDO Health reporting to the DCO Peshawar heads the decentralized PCD Health department. Under the new system, financial and administrative powers of the EDO have been reduced in that the DHO had Category-I powers, while the EDO has Category-II powers.

The change in the reporting of EDO Health, from the DG Health to the DCO, has led to some operational delays in the transition period. The newly established DCO office will take some time to adjust to the new system. The newly recruited P&F staff at the DCO office is not sufficiently experienced to provide the back-up support required by the various EDOs. The assessment revealed that it takes considerably longer for reimbursement of bills submitted by EDO Health to the office of EDO P&F than before, when the bills were submitted to the Office of the DG Health. There were a number of bills pending in the office of DCO for clearance at the time of the assessment.

The LGO 2001 has positively affected the reporting and decision-making authority at the EDO level. However, reporting channels and the decision-making process at the health facility level (BHUs, RHCs) remain unaffected. The EDO Office views the BHUs as the pivotal point for the delivery of both preventive and curative health programs of the government, yet doctors managing these facilities have little financial or administrative powers. There is therefore merit in the EDO's suggestion that some of the financial powers of the EDO should be decentralized at the health facility level e.g. for the payment of utility bills and small purchases.

### **6.2 Linkages, Coordination and Overlaps**

The de facto mandates of the District and the Province have some overlaps in administrative matters relating to disciplinary actions, and postings/transfers of District based staff of grade I-15. The Health Directorate is taking some decisions in these matters that are now the

responsibility of the EDO Health. Officials of the Health Directorate were of the view that if in practice there are any overlaps in mandates, these are due to a lack of understanding of the RoB that were issued along with the LGO 2001. There are no overlaps on operational matters regarding the working of the health facilities/programs under EDO. It was observed that purchase of medicines, earlier undertaken at the provincial level, is now decentralized at the District level.

Linkages and relationship of the EDO office with other PCD government offices (DCO, TMAs, etc.) are in the process of clarification and adjustment. There is confusion about the mandates between TMAs and the PCD Health department, in part because of the lack of sufficient understanding of the roles and responsibilities during the transition phase of the devolution process. This is also a result of the overlapping of mandates of the Health department and TMAs. Both the Health department and the TMAs are mandated to oversee sanitation and food quality assurance. This has led to a situation where neither the Health department nor the TMAs are effectively delivering this important service to the City.

Prior to the issuance of LGO 2001, the MCP had its own Health and Sanitation staff. This was in addition to the provincial Health department activities in Peshawar City. After MCP was dissolved, its staff and activities were transferred to TMAs, including most of its health and sanitation staff. This included staff responsible for malaria control, sanitation, vaccination campaigns, and the management of MCP dispensaries. The Health department staff that was earlier a part of PMC is now divided: a major part is with the TMAs, while two doctors are on the payroll of EDO Health. There is no clarity regarding the registration of births and deaths in the City, registration and monitoring of food providing outlets for quality standards, and drinking water quality supervision. These responsibilities have been transferred to TMAs but with limited effectiveness. At the same time the PCD Health department has a mandate relating to food inspections, sanitation, and water quality checks.

Due to this lack of coordination among the various PCD line agencies (Health, Public Health Section of Works department, and TMAs), there is a serious water contamination problem in the City. There is also a serious problem of the Peshawar slaughterhouse waste being drained into the Budhani stream.

### **6.3 Planning and Monitoring**

Impressive computerized Planning and Monitoring systems are in place for the last 4-5 years from the BHU level to the federal level, under the HMIS. There is a full time HMIS Coordinator posted in the office of the EDO, with staff that receives monthly and yearly reports from the field. These systems have been developed to assist the department in improving its planning and operational performance. Monthly progress reports are provided by all operational levels, titled First Level Care (FLC) reports. In order to counter non-submission or delays in submission of FLC reports, staff salaries have been linked to providing the periodic HMIS reports to the EDO office. HMIS reports received by the EDO are sent to the provincial HMIS Cell, within the Health Directorate for further consolidation and analysis, and for onward transmission to the federal HMIS Cell in the Ministry of Health.

HMIS reporting form is a valuable resource for analysis and decision-making. It provides all the information required from the First Level Health Care facilities regarding vaccine supplies, medicines required at that level, and contraceptive supplies. In addition, it provides information relating to the utilization of services (number of new cases, old cases, referrals). A separate section focuses on 18 diseases and health problems. Diarrhea and dysentery cases are also recorded. There are also sections relating to acute respiratory infections, malaria, tuberculosis, immunizable childhood diseases, and iodine distribution. A separate section covers mother and childcare related preventive activities. Consultations with the provincial Directorate revealed that the HMIS data are not being analyzed and utilized in planning and decision-making to the full extent of their potential.

#### **6.4 Financial Procedures**

Health Sector receives funds from the provincial government to meet its non-development expenditure and undertake development activities. In addition, the provincial government provides funds for free distribution of medicines in the health facilities/units. Financial requirements of the development expenditures/schemes are identified by the Sector on the basis of information from the concerned health units/facilities. These are consolidated at the EDO level, and then submitted to the office of the DCO to be either met from the provincial ADP, or from the District Local Fund.

The EDO Health is the Drawing and Disbursing Officer (DDO) for Health sector. He has the authority to sanction expenditure up to the level of Category-II Officers for recurring and non-recurring expenditures. In addition to the EDO, the Deputy District Officers, Health, and Coordinators designated in the PCD are also the DDOs of their sub-departments with the powers of Category-III and IV officers respectively. For expenses that are beyond the authority of the EDO, a case is initiated by the EDO and is sent to the DCO for approval, who is a Category-I Officer as well as the administrative head at the District. Any expenses beyond the financial authority of the DCO are sent to the concerned department for approval at the provincial level.

Expenditures of the Health Sector are reconciled with the Accountant General (AG) office on a monthly basis and are compared with the budgetary allocations. The local office of the AG, Pakistan audits the expenditures of the Sector annually, and any unsatisfactory expenditure is reported and perused upon until its logical conclusion. This, at times, involves recovery from the expenditure approving authority. Financial releases to the Health Sector are to be made on the basis of demands received by the AG Office from the office of the EDO through the office of DCO. The practice is yet to be operationalized. At present funds are released when funding demands are submitted directly to the AG Office for payment.

To avoid repeated tenders and lengthy processes, purchases of medicines are made from the approved suppliers, and the provincial Health Directorate approves rates. Medicines are distributed amongst the different health facilities in accordance with the demands submitted by them. The demands are subject to scrutiny by the office of the EDO. At the District level, there

is no system of monitoring of expenses incurred by the department. Therefore, there is no reporting on expenses by the District to the Province.

## **6.5 Regulatory Role**

The regulatory functions of the PCD Health department include: food and drug control (for regular and alternative medicines), sanitation, quality of drinking water, fitness certificates to private schools for hygiene, checking of public places, private hospitals, clinics, slaughterhouses, and maternity homes (for maintaining proper hygiene standards). Prior to devolution, there were overlaps in undertaking these regulatory functions with the defunct MCP. The regulatory responsibility of the department is not clear after the merger of MCP in the PCD administration as part of devolution. Food and Sanitation related cases were earlier sent to the Court of the Assistant Commissioner. Now these cases are sent to the Town Municipal Officer. The Health department has been given the mandate to check adulteration of food and drugs in the market under the LGO 2001. In the absence of magistracy powers to the officials of the Health department and weak coordination with TMAs, there are delays in pursuing the cases and taking action against offenders.

## **6.6 Human Resource Development**

There is no career development or incentives for performance of staff at the District level. The department has training facilities only for paramedical and lower staff. The available training facilities in the province include: Para-Medical Training Institutes (3), Nurses Training School (4) Medical Colleges (4), the provincial Health Services Academy, Post Graduate College for Nursing, and various courses and workshops/seminars arranged by the province through donor-funding and participated by the Districts.

Consultations with the provincial government revealed that there was a need for training relating to HMIS filling of data and its analysis, to support decision-makers at the District and the provincial levels. Currently, no Directorate staff is trained in HMIS. Another suggestion from the directorate was to improve the working of the provincial Health Services Training Academy, where the faculty requires significant capacity building itself, but budget allocations are inadequate.

## **7. Gender and Poverty Focus**

The PCD Health department considers the present number of female staff in the District as sufficient, and there are women-focused programs in the District, including the National Program for Primary Health Care (PHC) implemented in all the 24 Districts of NWFP. The PHC program covers, MCH, EPI, Epidemics Control, Drinking Water and Sanitation, treatment of Common Ailments, FP, and Health Education. There is also the Women Health Program implemented in four Districts of NWFP (Buner, Swabi, D.I. Khan, and Swat), but not in Peshawar District. Previously, the male and female staff of the department of Health had separate career paths determining their seniority and promotions within the system. Now they have been merged, and the female staff has equal chances for promotions under the departmental rules of promotion.

At an operational level, the Dispensaries, BHUs and RHCs providing *First Level* treatment extend almost free services, and the clientele visiting these facilities is primarily the poor. However, the quality of these services leaves a lot to be desired, whereby private sector health services are fulfilling the gap. Access to health facilities is limited in rural areas of PCD relative to the services available in the urban areas. Moreover, there are no hospitals in the outlying areas of PCD, since all major hospitals are located close to the City center. The BHUs in the District lack essential medical equipment and facilities to provide medical aid beyond the basics<sup>11</sup>, even though there are qualified doctors posted at all BHUs on full time basis. Doctors posted at the BHUs and citizens constantly face shortage of medicines.

## **8. Environmental Concerns**

Health related problems have a close association with environment. The air and noise pollution levels in PCD are reported to be several folds above the approved WHO standards. However, the Health department has no links with the EPA or the IUCN office in Peshawar. Slaughterhouse waste, solid waste dumps, and contaminated drinking water are key problems identified by citizens of PCD during various consultations. Similarly, there are no links of the PCD Health department with the Municipal Service providers such as CDMD or TMAs for the identification of these problems or their coordinated resolution.

## **9. Devolution and LGO 2001**

Consultations with the Health department officials reveal that the awareness of the District Health department about their mandate under LGO 2001 is limited. Additionally, the required de-linking of the district Health department from the provincial Health Directorate in some areas has not been accomplished to the desired levels, and it would require some effort to make the PCD Health staff implement the new mandates. In the meantime, they would most likely continue with their practice of seeking advice from the Directorate of Health on administrative matters, that are now clearly a District responsibility.

The role of the provincial government is now limited to providing policy guidance and for being the conduit of the federally funded programs. There are some overlaps in decisions regarding postings and transfers. But these would more likely work out in the not too distant future to the benefit of the District government, as the EDO would begin to take charge of the decision-making process provided to him under the Financial and Administrative RoB 2001. LGO 2001 has not changed the Health delivery system at the client level because the staff and facilities remain at the local level as before, and their reporting and decision-making authorities also remain the same.

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<sup>11</sup> It may be noted that the basics at the BHU level primarily consist of *First Level* medical care on the curative side, in addition to their role of providing preventive coverage to the area population. BHUs are not expected to cover the provision of medicines, diagnosis and treatment that are covered at RHCs and Hospitals. At times, the OPD services provided by BHUs suffer because of the problem of absenteeism of professional staff. This in turn is caused by poor supervision and accountability, area remoteness, locational inaccessibility of BHUs, and non-availability of basic needs including education facilities for the children of staff posted in BHUs. It may be noted that of the 50 (*First Level*) BHUs in the District, 48 are located in rural areas of PCD. In urban areas the *First Level* referral units are the 27 Dispensaries



The PCD Health department claims that there are local committees constituted at the BHU level, with elected representatives from the LGs as Chairmen for BHU related operations. The assessment shows that the system needs more time to become effective. The MCs at the District and Town level are of the view that the department does not coordinate its activities with the elected representatives, nor does it take action against cases of malpractice and inefficiency brought to its attention. Based on the assessment, it is clear that there are weaknesses in the linkages between the elected representatives and the Health staff at the District and the facility levels.

## **10. Public-Private Partnerships**

The District Health department would welcome more partnerships with the NGO sector; two NGOs are already working in partnership with it. The operations of the Nahaqi based RHC in Town-II have been given to an NGO. Earlier the working of this RHC (now designated as an Emergency Satellite Center, ESC) was less than satisfactory, but since the takeover, it's working has significantly improved. The ESC is on the outskirts of PCD, serving a population of 150,000, and has been leased to a Peshawar based NGO. The departmental staff have been put under the administrative control of the NGO management. The department is providing physical infrastructure, staff, medicines, and other supplies. The revenue generated from the services is deposited into government Treasury. The NGO that has taken over the ESC considers it to be a step in the right direction, since this has led to improved coverage and a reduction in staff absenteeism due to improved management practices.

As a policy, RHCs in the District are available for public/private partnership with NGOs on the pattern of the Nahaqi experience. Another NGO has taken over the Tehkal based RHC. Consultations at all levels in the Health sector from the provincial Health Secretary to the EDO indicated a positive attitude towards public-private partnership in the Health sector. The department would welcome NGO participation on the preventive side (EPI) as well. The Health Secretary's office is aware of the fact that despite the Departmental guidelines and policy for encouraging such a partnership, the policy is not well publicized. The Health Secretary would like outside assistance in preparing brochures on BHUs and RHCs that would help NGOs' participation in joint ventures.

## II. Annexes

### Annex-1

#### PCD Health Department RoB: Areas of Responsibilities

- (a) Prevention and control of infections and contagious diseases;
- (b) Tuberculoses;
- (c) Education/Control of Malaria;
- (d) Leprosy Act;
- (e) Adulteration of food stuffs;
- (f) Nutrition and publicity in regard to food;
- (g) Nutrition and publicity in regard to surveys;
- (h) Vaccination and inoculation;
- (i) Maternity and child welfare;
- (j) Port Quarantine.
- (k) Medical attendance of government servants;
- (l) Levy of fees by Medical Offices.
- (m) Control of Medical drugs, poisons, and dangerous drugs (Drugs Act and Rules).
- (n) Matters related to prevention and control of AIDS and viral Hepatitis.
- (o) Health Management Information System.
- (p) Primary Health Care.
- (q) Expanded Program on Immunization.
- (r) Communicable Disease Control (CDC).
- (s) Rural Health.
- (t) Carry out all aspects of personal Management of the District Cadres in Health.
- (u) Plan, Implement, Supervise, and Monitor Health programs within District jurisdiction.
- (v) Mother Child Health and Family Planning.
- (w) Public Sector Hospital in the District.
- (x) Nutrition related surveys and their publicity.

### Annex-2

#### Health Facilities in the Peshawar City District (district and provincial)

Facility	Number
Lady Reading Hospital	1
Khyber Teaching Hospital	1
Hayatabad Medical Complex	1
Class I –2 and Hospitals	10
RHCs Class –I	3
BHUs	50
TB Clinics Class -I	4
MCH Centers	19
Leprosy Clinic	1
Dispensaries	77
Drug Rehabilitation Centers	2
<b>Total</b>	<b>169</b>

## PCD Health: Non-development Allocations for FY 2001-2002

Health Facilities	No. of Staff	Salaries/Wages	Medicines and other first aid materials	Other operational Expenditure	Total Budgetary Expenditure
District Health Services Pesh.	35	2.466	—	0.600	3.066
District Health Services (Malaria)	52	2.983	—	0.060	3.043
District Health Services (EPI)	122	7.125	—	0.119	7.244
D.H.O. Peshawar	78	4.160	0.945	0.659	5.764
Maternity Hospital	69	5.163	0.970	0.877	7.010
Children Infection Disease Pesh.	102	7.931	3.180	1.660	12.771
District TB Control Center	29	2.097	3.735	0.138	5.970
Rural Health Center	121	8.107	0.600	1.025	9.732
Basic Health Units	394	19.172	2.000	1.581	22.753
Dispensaries (DHO)	169	10.899	1.500	0.689	13.088
Mother & Child Care	22	1.107	0.084	0.185	1.376
Preventive Health	31	1.625	0.075	0.019	1.719
Drug Control	8	0.366	—	0.041	0.407
Medical Officer MCP	2	0.281	—	—	0.281
<b>Total</b>	<b>1,234</b>	<b>73.482</b>	<b>13.089</b>	<b>7.653</b>	<b>94.224</b>

## PCD Health: Non-development Allocations for FY 2002-2003

Health Facilities	No. of staff	Salaries /wages	Medicines and other first aid materials	Other operational expenditure	Total Budgetary expenditure
District Health Services Pesh.	35	3.005	—	0.358	3.363
District Health Services (Malaria)	52	3.006	—	0.050	3.056
District Health Services (EPI)	122	7.348	—	0.104	7.452
D.H.O. Peshawar	78	4.261	0.935	0.493	5.689
Maternity Hospital	69	5.897	1.160	0.807	7.864
Children Infection Disease Pesh.	102	8.942	2.255	1.667	12.864
District TB Control Center	29	2.235	2.137	0.118	4.490
Rural Health Centers	121	9.220	0.540	0.741	10.501
Basic Health Units	394	26.024	2.000	0.667	28.691
Dispensaries (DHO)	169	11.470	1.500	0.588	13.558
Mother & Child Care	22	1.143	0.140	0.135	1.418
Preventive Health	31	1.732	0.075	0.018	1.825
Drug Control	8	0.600	—	0.014	0.614
Medical Officer MCP	2	0.460	—	—	0.460
<b>Total</b>	<b>1,224</b>	<b>85.343</b>	<b>10.742</b>	<b>5.760</b>	<b>101.845</b>

## PCD Health Department Staffing Breakdown

Basic Pay Scale	Office of the EDO	District Health Services	Defunct MCP staff	Other Hospitals (DHO)	Children Infectious Disease	Maternity Hospitals	District TB Control	Rural Health Centers	Basic Health Centers	Dispensaries	Mother & Child Health Centers	Health Preventive Measures	EPI	Drug Control	Total
20						1									1
19	1		1		1		1	2							6
18	2		1	2	13	3	2	8	1	9				1	42
17	3			4	6	8	1	23	47	17					109
16						1							2		3
15															0
14				2	13	12		5							32
13															0
12					1			1	5		1				8
11	5				1										6
10												1			1
9				3	4	7	5	12	143		5		3		182
8	1	3										2			6
7	2	1				1	1						5		10
6		4		14	16	3	2	15		48		6	32	4	144
5	5	34		1	9	2	6	3		1	1	15	79	1	157
4-1	16	10		51	36	29	11	51	198	91	14	7	1	2	517
<b>Total</b>	<b>35</b>	<b>52</b>	<b>2</b>	<b>77</b>	<b>100</b>	<b>67</b>	<b>29</b>	<b>120</b>	<b>394</b>	<b>166</b>	<b>21</b>	<b>31</b>	<b>122</b>	<b>8</b>	<b>1,224</b>

Source: NWFP Bureau of Statistics (2000 data).



# Education





# 5. Assessment of Education Sector Institutions

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## I. Sectoral Context<sup>1</sup>

- (a) **National:** The current literacy rate of 49% (61.3% males; 36.8% females) in the country is poor compared to the literacy rates of other South Asian countries. In order to improve the literacy rate, the National Education Policy envisages an overall increase to 55% literacy rate by 2003, and to 70% by 2010. Public sector expenditure in the education sector during 1990s was low at 2.3% of GNP, against the UNESCO recommended 4% for developing countries. This is despite a stated government policy that the Education sector receives the highest priority in development programs at the national and provincial levels.

Some key education sector related statistics show a positive upward trend: the current Gross Primary Enrollment<sup>2</sup> is 89% while the net Primary Enrollment is 66%. However, there are significant gaps between the rural and urban areas for enrollment rates. Statistics reveal that the private sector is making a larger contribution to the sector than the public sector, since enrollment rates increased in the private schools while they declined in the government schools during the last few years. The decline in enrollment rates can be attributed to the rising poverty levels, and the decline in the quality of public sector education.

The number of public sector schools in the country at the primary level are 165,775 with an enrollment of 18.9 million served by 338.4 thousand teachers; at the middle school level are 18,806 schools with an enrollment of 4.3 million; at the secondary school level there are 12,852 schools with an enrollment of 1.8 million. The number of public sector colleges in the country is 1,083, while there are 42 (28 in public sector) universities. The contribution of the private sector is evident from the fact that there are 36,096 private institutions in the country. This includes 14,758 primary schools (43.5%), 12,350 middle schools (37%), and 5,940 high schools (17.5%).

- (b) **Provincial:** The Gross primary enrollment (1998-99) rate is 70%, (males 84% and females 54%). The 1998-99 literacy rates with a breakdown by sex and region are presented below:

	<b>Male</b>	<b>Female</b>
Urban	65.5	35.2
Rural	51.5	11.4

The data below compares the NWFP Gross Enrollment and literacy rates for boys and girls with those for Pakistan:

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<sup>1</sup> Data Sources are: Government of NWFP PRP; Government of NWFP Bureau of Statistics *Important District-wise Socio Economic Indicators of NWFP 1999-2000*, *Pakistan Economic Survey 2001*; and Government of Pakistan *ESR Paper*.

<sup>2</sup> Gross Enrollment Rate is enrollment from *Katchi* (preschool) to Class-V divided by the population in age group 5-9. Net enrollment Rate is enrollment of age group 5-9 in classes *Katchi* to V.

	Primary GER% <sup>3</sup>		Literacy Rate%	
	Boys	Girls	Boys	Girls
NWFP	85.4	53.7	52.8	21.1
Pakistan	80	61	58	22

The figures show that there are significant gender gaps in enrollment; significant gaps between literacy rates for rural females (11.4%) and urban males (65.5%) and within rural male literacy rates (51.5%) and the female literacy rate (11.4%); the GER for boys in NWFP (85.4%) is better than the national coverage (80%) but poor for girls in NWFP (53.7%) as compared to the national rate (61%).

- (c) **Peshawar City District:** The PCD literacy rate is 51.9% while the primary GER is 67.5%. There are 1,151 (719 for males and 432 for females) schools from the primary to the higher secondary level under the PCD Education department. Of these, 921 are primary schools (refer Annex-8). The annexed data presents a grim picture for the gender gap at all levels of education for the PCD and the Province.

## 2. Institutional Background

Education department has one of the largest establishments in PCD, employing 10,639 staff. The PCD Education department manages 92 primary, 124 middle, 89 high, and 17 higher secondary schools in the City district<sup>4</sup>. Across the country, nearly 75% of the people rely on public schooling<sup>5</sup>. The provincial government has accorded a high priority to this sector since the 1980s when a USAID funded Primary Education Project (PEP) was initiated, followed by the SAP-funding during 1990s. Even after the winding up of SAP in June 2002, priority to this sector remains high with substantial funding allocated under the federal Education Sector Reform (ESR) Program.

### 2.1 Pre- and Post-Devolution Institutional Structures

**Provincial Level:** Prior to devolution in August 2001, there was one provincial Education Secretary for the large provincial education sector portfolio. At present, there are two with the Secretary Education (Schools and Literacy) responsible for all policy and administrative matters for schools from grade-I to grade-12; and the Secretary Education (Higher Education) responsible for all matters in relation to College and University education, vocational training, technical education, teacher education, as well as physical and special education. The Secretary, Higher Education also has the overall responsibility for the education portfolio in FATA.

Until recently, the Education department maintained two attached Directorates; the Directorate for Primary Education and Literacy, and the Directorate for Secondary Education.

<sup>3</sup> This includes public and private schools.

<sup>4</sup> Statistical Report, DPE, NWFP (2001-2002) and BOS 1999-2000, Important District-Wise Socio-Economic Indicators of NWFP.

<sup>5</sup> ESR, Ministry of Education, GOP, Action Plan (2001-2004).

These directorates were responsible for the transmission of policy to, and a broad supervision of its implementation at, the District level. However, effective July 1, 2002 the two directorates have been merged, to become the Directorate of Education (Schools and Literacy). The agency now has the overall responsibility for primary as well as higher secondary level education (refer Annexes 4 and 5 for mandates and organograms).

Post-devolution, the Secretary, Education (Schools and Literacy) is supported by one Additional Secretary, who is assisted by a Deputy Secretary, and seven Section Officers responsible for various sub-sections. These include Primary and Literacy; Secondary Education; Training and Curriculum Development; Litigation; and Budget and Finance. A Chief Planning Officer with four Planning Officers supports the Secretary in coordination and planning functions. The bulk of staff and functions have been decentralized to the District level. The Secretary, Education (School and Literacy) is the administrative head with overall responsibility for policy-making and ensuring that efficiency and discipline are maintained in the operations and proper conduct of business.

**District Level:** The provincial merger of the Directorates has facilitated smooth coordination with the office of EDO Education at the District level. The latter now has interface with only one Directorate instead of two. Prior to devolution, the District education establishment was led by two DEOs (male and female) for primary education, and two DEOs (male and female) for secondary education. The four DEOs reported to the Directorate at the provincial level. The reporting channels have now changed, and all departmental heads (EDOs) including EDO Education, report to the DCO.

### **3. Institutional Mandate**

The EDO Education has several responsibilities, stated in the Schedule-II of the NWFP District RoB, 2001 (refer Annexes 1 - 2). Key responsibilities include:

- (a) Management of boys and girls schools from primary to higher secondary school level.
- (b) Adult Literacy Program.
- (c) Monitoring of educational institutions.
- (d) Personnel Management of staff, except those matters that are with the Education Directorate and S&GAD.
- (e) Procurement of stores and capital goods for schools.
- (f) Parent Teachers Associations (PTAs) and community involvement.
- (g) Identification and formulation of development schemes.
- (h) Establishment of new, and up-gradation of old, schools.
- (i) Development of databases, and their updates.
- (j) Formulation of budgets and reconciliation of expenditure, including audits.
- (k) Promotion of sports and extra-curricular activities.

There is another list of eight responsibilities under the heading of Sports and Culture for the EDO under the RoB, that are still with the provincial Directorate of Education and yet to be

decentralized to the EDO level. It is pertinent to note that the assigned mandate does not include the responsibility to increase enrollment at any level.

The EDO is aware of the RoB for the District government. However, the lower tiers do not appear to be as informed. At present the staff is reportedly performing its functions in accordance with elaborate job descriptions prepared under a DFID-funded initiative, currently being implemented in NWFP. These two documents are complementary, except for the fact that the RoB 2001 does not make any explicit reference to EDO's responsibility of maintaining oversight over the private schools in the District. On the other hand, the DFID-funded job description specifies a role for the EDO in monitoring the affairs of the private schools in the District.<sup>6</sup> The EDO is of the view that the activities under Sports and Culture, still being managed by the provincial Sports Directorate, are not his responsibility. In addition, the regulatory role has not been clearly specified in the assigned mandate, while for certain activities, (such as grant of scholarships), the department has not yet received any funds.

### **3.1 Management and Inspection of Schools**

Under this broad responsibility, the department monitors teachers' and students' performance, the number of vacant posts, teacher absenteeism, admissions and withdrawals, formation of PTAs, government and school funds, and the condition of physical facilities. Based on current information, the lack of resources for routine O&M, inadequate mobility, and lack of interest of the PTAs (particularly in the urban areas) are major impediments to effective management and supervision.

### **3.2 Personnel Management**

In the post-devolution period, appointments and transfers for grade 1-15 can be made at the District level by a Recruitment/Transfer Committee. The Committee is headed by the EDO with the DOs primary and secondary education, representative of District Nazim, and Chairman District Education MC as members, along with an observer from the provincial government. This decentralization of authority is considered as a major step forward from the pre-devolution practice, under which everything was decided at the provincial level, with little involvement of the local stakeholders. The new decentralized personnel recruitment system (theoretically) allows the local management to review the staffing situation regularly, and take appropriate actions for ensuring adequate staff presence in the District facilities. However, field evidence suggests that this activity is yet to commence in earnest. The Committee is currently barred from new appointments due to a province-wide ban that applies to all sectors. However, the provincial government under the PRP recently approved a new policy to allow induction of primary school teachers on facility-specific contracts. Under this policy nearly 2000 new school teachers are likely be appointed in the entire province. The provisions for PCD are as yet unclear.

The Education department is increasingly looking at the PTAs as an instrument for personnel management. However, this will require building PTA capacities and ensuring that they are

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<sup>6</sup> The ESR document considers public-private partnerships as a cornerstone of the ESR policy framework.

effectively engaged as important partners. Originally formed under the SAP (1994), the PTAs were to be responsible for<sup>7</sup>:

- (a) Increasing enrollment (particularly for girls);
- (b) Decreasing drop-outs;
- (c) Ensuring regular attendance of teachers and monitoring their performance;
- (d) Promoting mutual cooperation among local community, parents, and teachers;
- (e) Managing government funds for the purchase of educational materials and for M&R; and
- (f) Raising local resources in support of school activities and for improvements in schools.

A recent report suggests that out of the nearly 20,000 PTAs formed in NWFP, only 23% have received training to carry out the proposed responsibilities.<sup>8</sup> Anecdotal evidence (from the field) suggests that the PTAs remain quite marginal, and will require considerable support before they can have any significant impact.

### **3.3 Regulation of Private Schools**

The regulation of private sector primary schools has been reportedly decentralized to the District, although it is not formally reflected in the Education department's mandate (refer Annex-1). The current regulation is under the West Pakistan Registration of Un-recognized Private Education Institutions Ordinance 1962. EDO Education is responsible for the registration of new schools as well as renewal of their registration under this Ordinance. The EDO is to ensure that the school buildings are housed in safe premises, in hygienic surroundings, and the standard of education is maintained.

The city-wide consultations identified this to be a weak area. Private schools have mushroomed in the PCD in the past two decades, with little focus on quality and standards. Field evidence suggests that the enforcement of regulations is weak, which is attributed to a number of factors including the lack of staff for effective regulation, inadequate mobility, unclear policies, as well as limited accountability and transparency.

## **4. Financial Resources/Budgets**

The PCD Education department receives funds from the federal and provincial governments to meet its non-development and development requirements. The requirements for development expenditures are met through the ESR, and the President's Program funds. The Structural Adjustment Credit (SAC) funding negotiated with the World Bank in 2002, based on the PRP<sup>9</sup> is another source of funding this year.

The SAP funding provided until recently (June 2002) was mainly for rehabilitation work, additional classrooms, boundary walls and toilets for girl's schools, electrification, water supply,

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<sup>7</sup> The ESR document issued in January 2002, also lays a heavy stress on the role of PTAs along with School Management Committees for monitoring and public-private partnerships.

<sup>8</sup> Multi-Donor Support Unit, October 2001 (Elementary Education in Pakistan, Current Status, Issues and Future Strategies).

<sup>9</sup> PRP includes policy interventions in fiscal, agriculture, water, power, health, education, and private sectors.

repairs and purchase of furniture for primary and middle schools. The ESR funding provides allocations for: construction of shelter-less schools; provision of electricity; water facilities; toilets in schools; boundary walls; capacity building; and new primary schools. In addition, funding is provided for revamping of science laboratories in high schools, rehabilitation of Teachers' Resources Centers, adult literacy, and technical training in high and higher secondary schools. Funding under the President's Program is for capacity building of teachers, rehabilitation of primary and middle schools, and purchase of furniture for primary and middle schools.

#### 4.1 Non Development Budget

The non-development budgetary allocations for the past two years are presented below.

(Rs. million)

	Revised Budget Estimates FY 2001-2002				Budget Estimates FY 2002-2003			
	No of Staff	Salary	Non-Salary	Total	No. of Staff	Salary	Non-Salary	Total
EDO Education	44	2.94	0.34	3.27	39	3.25	0.56	3.82
District Officer, Primary	38	2.97	0.50	3.47	26	3.09	0.30	3.39
Deputy District Officer Primary	46	4.48	0.27	4.74	46	4.59	0.34	4.93
Government College ( Boys)	339	36.32	1.58	37.90	339	42.91	0.39	43.30
Government College (Girls)	225	21.90	0.78	22.68	225	28.02	0.53	28.55
High and HSS (Boys)	2,082	139.49	2.19	141.68	2,082	168.21	1.36	169.57
High and HSS (Girls)	1,023	70.47	1.05	71.52	1,023	79.15	0.77	79.92
Middle Schools (Boys)	841	51.36	0.52	51.88	841	57.00	0.53	57.53
Middle Schools (Girls)	624	30.23	0.41	30.64	624	40.62	0.19	40.81
Primary Schools (Boys)	3,810	194.06	1.11	195.17	3,631	217.71	1.10	218.81
Primary Schools (Girls)	2,266	111.70	0.80	112.50	2,327	129.49	0.88	130.37
<b>Total</b>	<b>11,338</b>	<b>665.90</b>	<b>9.55</b>	<b>675.44</b>	<b>11203</b>	<b>774.03</b>	<b>6.95</b>	<b>780.98</b>

Measured as a percentage of the non-development outlay for all decentralized provincial agencies of the City district, the education department (primary and higher secondary) allocations represent a staggering 65.60%. The salary allocation for FY 2002-2003 reflects a 16.24% increase over the previous year's total of Rs. 675.436 million. This is largely the result of a salary raise of 18-20% in December 2001. Over this period, the staff strength has been reduced by about 135, while the non-salary budget was decreased from Rs. 9.545 million in FY 2001-2002 to Rs. 6.954 million in FY 2002-2003.

The non-salary budget for utility bills, POL, repairs and maintenance, etc. represents 0.85% of the annual outlay for FY 2002-2003, and is inadequate to support the necessary non-salary

recurrent cost requirements. Faced with a very high demand for provision of basic needs and effective M&R, the PCD government recently took an unprecedented step to allocate Rs. 0.5 million for school rentals for existing schools, and Rs. 2.5 million for the maintenance of high and higher secondary schools out of its own locally generated funds. This allocation is expected to help the most needy existing schools in the City district, without having to rely on the provincial resources that have consistently fallen short of the field requirements. Based on the prevailing policies, the small repairs to the classrooms are expected to be managed through a yearly allowance to the PTAs established for each school. However, only 25% of these schools received funding during the last year, because of limited funds.

The table below shows the cost of educating students at various levels in PCD, and how these relate to the enrollment rate. The figures indicate that the average cost per girl student for middle school is significantly higher than that for high and higher secondary schools. The District trends clearly indicate a parent preference for placing their children (both girls and boys) into public schools that also provide an opportunity for high and higher secondary education in the same facility. Hence the low enrollment rates and high overheads incurred on each student at the middle level. It appears that significant cost savings could be achieved by upgrading the middle schools to high and higher secondary level, that would enhance the prospects for increased enrollment and reduced overheads.

#### **Student Enrollment, Cost Per Student and Student Teachers Ratios<sup>10</sup>**

<b>Government School Category</b>	<b>Number of Schools<sup>11</sup></b>	<b>Number of Teachers</b>	<b>Enrollment 2001-2002</b>	<b>Annual cost per student for 2001-2002 (Rs)</b>	<b>Student Teacher Ratio</b>
High and HSS, Boys	78	1,472	41,456	3,418	1: 28
High and HSS, Girls	31	670	20,866	3,427	1: 31
Middle Schools, Boys	86	640	12,166	4,264	1: 19
Middle Schools, Girls	54	450	4,201	7,294	1: 09
Primary Schools, Boys	705	3,057	115,560	1,689	1: 37
Primary Schools, Girls	418	1,824	64,279	1,750	1: 39
<b>Total</b>	<b>1,372</b>	<b>8,113</b>	<b>258,528</b>		

The table also shows an increase in the number of students studying in high/higher secondary schools compared to the enrollment for middle schools. Given the fact that there will be some dropouts from the lower level schooling to the higher level, the data seems erroneous on surface. However, it may be noted that the high/higher secondary schools include all the classes that the middle schools have, as well as the higher classes that the middle schools do not have. In general, there is a large potential for increase in enrollment of middle, high, and higher secondary education, since the present enrollment in the primary level is more that double that of middle, high and higher secondary level.

<sup>10</sup> Source: EMIS data, and Education Department Budgets.

<sup>11</sup> The data is slightly different for the number of teachers from another set of data, and is explained in the EMIS



## 4.2 Development Budget

A summary of the post-devolution development budgets for FYs '01-'02 and '02-'03 is presented below.

	<b>FY 2001-2002</b> <b>(Rs. million)</b>	<b>FY 2002-2003</b> <b>(Rs. million)</b>
SAP	39.2	26.3
ESR	12.0	10.1
PP	18.9	8.50

Originally Rs. 18.9 million allocations were made under the President's Program for the FY 2001-2002 only Rs. 10.1 million were utilized during the year, while Rs. 8.8 million were surrendered. Also, under the ESR Program Rs. 5.4 million could not be utilized and was surrendered. The provincial government has later reinstated the unspent amounts during FY 2002-2003.

A major complaint about development funding for the education sector is the late releases of funds by the provincial government to the District Education department and/or to the Works and Services department for physical works. As a result, funds typically lapse or are per force required to be consumed in a short time with negative consequences on quality and overall management.

## 5. Manpower

The Education department (primary and secondary schools) for PCD has one EDO in BPS-19, three DOs in BPS-18, two DDOs in BPS-17, and thirty-five junior officers (including ADOs, an Audit/Admin Officer, a Budget and Accounts Officer, and three Administrative Superintendents) in BPS-16. A seventy member support staff assists in overall supervision of the various facilities in the District. This does not include the supervisory staff for colleges, which is managed by the provincial government.

The department's organizational structure is consistent with the recent bifurcation of the agency into school Education and Literacy, and Higher Education. The later is managed by the provincial government while the former is decentralized to the District. The number of senior officers in the District has been reduced from 8 to 6 (with one EDO, 3 DOs and 2 DDOs). The DOs include one for "Primary and Literacy", one for "Secondary", and one for "Development". In terms of the gender mix, at least one of the DOs is required to be a female while the department also has a dedicated female position of DDO (primary) responsible for the girls' primary schools. Under the present arrangements, the staff of grade-16 and below is categorized as District cadre, while staff of grade-17 and above is classified as provincial cadre. There are 10,639 employees in the Education department under the EDO. 99% of this total consists of teaching and support staff of primary, middle, high, and higher secondary schools, and 1% is for administration.

In the primary schools sector, there are 3,057 male and 1,824 female teachers.<sup>12</sup> Out of these an overwhelming majority have Primary Teacher Certificates (PTC), PTC and Certificate of Teaching (CT), or PTC and B.Ed qualifications. Only 10% of the teachers have a grade lower or equal to BPS-2, whereas nearly half are in BPS-7, and the rest of the 40% are in-between BPS-8 and BPS-11. In addition, there is support staff (peons, watchmen etc.) whose aggregate strength is 574 in the boy's schools and 503 in the girl's schools.

The teacher student ratio at the primary level is theoretically close to the 1:40 ratio specified by the provincial Education department. However, the city-wide consultations have identified staff shortages at both girls and boys primary schools, as a major issue. This is reported to be the result of unchecked teachers' absenteeism, or a non-rational distribution of teaching staff. Recent data indicates that across the province, there are 2,537 schools where the teacher/student ratio is below 1:20, while in another 1,192 schools the ratio is in excess of 1:50.<sup>13</sup> Out of the total 1,151 schools in PCD, 16% schools have a student teacher ratio below 1:20, and 22.70% schools have student-teacher ratio above 1:50. The national student teacher ratio for the primary schools is 1:48. The current situation is being corrected by the provincial Directorate through staff and facility rationalization across all districts of NWFP, including the PCD. The exercise is expected to be completed by the end of 2002.

At the middle school level, the department has a total strength of 628 male and 394 female teachers. Out of these an overwhelming majority possess CT, PTC, and B. Ed qualifications. Nearly 15% of the teachers are in BPS-7, whereas 70% are in BPS-9, and the remaining 15% in BPS-16. The teacher/student ratio is 1:19 for boys' middle school, while for the girls' middle schools it is as low as 1:9. Rationalization of teaching staff for the middle schools (for improved utilization of their services), is therefore the next important step. This should take place by either merging these schools with or up-grading to high or higher secondary schools.

At the high and higher secondary level, the department has 1,455 male and 661 female teachers. Out of these an overwhelming majority is either with CT, B.Ed or M.Ed qualifications. Nearly 12% of the teachers are in BPS-7, 50% in BPS-9, 23% in BPS-16, and remaining 15% in BPS-17 and above. The current staffing translates into a favorable teacher student ratio of 1:28 for boys and 1:31 for girls at the high and higher secondary school level.

## **6. Infrastructure**

The District level education offices are presently housed in the backyard of a government high school. The facility is a makeshift arrangement, and is clearly in need of furnishing and repairs. The DDO offices (male and female) are also located in the premises of a school. The building lacks even basic facilities, such as proper washrooms for staff. The male ADOs are located in government schools in their respective circles, while the female ADOs are based in the DDO premises. This is reportedly due to lack of space and shortage of transport arrangements for the female staff.

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<sup>12</sup> Source: PCD Budget for FY 2002-2003.

<sup>13</sup> Source: EMIS Unit, Annual School Census – 2000-2001.

The physical infrastructure for various categories of schools shows a highly alarming situation. Recent reports show that nearly 25% of the primary schools and 35% of the middle schools do not have access to piped water supply. A similar situation has been reported for access to electricity with 25% of the primary schools and over 30% of the middle schools without it. Likewise, 22% of the primary and a very high 50% of the middle schools do not have access to toilets.<sup>14</sup>

## **7. Mobility**

The District Education department has 5 Jeeps and 19 motorcycles, out of which only 7 motorcycles are in working condition. The number of vehicles as well as the provision of POL is severely inadequate to meet the current requirements. Inadequate transportation facilities, combined with a low transportation budget of approximately Rs. 317,000 per annum, have seriously impacted on routine inspections and regulatory functions of the staff. The POL budget currently translates into less than Rs. 200 per school per year. Inadequate transport is an acute problem for the female staff in the management cadre, as well as for the female teachers who are required to travel long distances to far-off locations using highly inadequate and/or expensive public transportation.

## **8. Structure**

In order to better manage the primary schools, the PCD has been divided into 7 circles for boys and 4 circles for the girls' primary schools. Each circle has approximately 100 schools and has been assigned one ADO Inspection, and one ADO Teacher Training Support per circle. The ADOs report to the DDOs, and the DDOs (primary) in turn report to the DO (primary). The numbers of schools per circle are significantly high for effectively undertaking annual inspections and providing feedback. The schools allocation per ADO needs to be rationalized to allow effective supervision.<sup>15</sup>

Effective FY 2002-2003, the teaching and management cadres have been separated by the Directorate. This is aimed at improving the management of the education sector, and preventing frequent transfers. The staff has been given a choice to join one or the other cadre, and the process is likely to be completed later this year. The department has reportedly constituted a committee, which will interview officials to select the management cadre. Another committee has been formed to frame service rules and career structure of school management and the teaching cadres. The service rules have not yet been finalized for notification and implementation.

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<sup>14</sup> (A) Annual Statistics Bulletin, Educational Statistics, Session 2000-01, Planning and Statistics Cell, DSE, NWFP. This is a countrywide phenomenon. The ESR allocations for the country as a whole for the period 2001-04 are: (Rs. billion) Construction of existing shelterless schools 8.6, Electricity 2.4, Water 1.7, Toilets 2.4, School boundary walls 3.0, Capacity building 2.0 and Construction of new schools 6.1. Thus, ESR plans to allocate Rs. 21 billion for up-grading the existing facilities and Rs. 6.1 billion for new construction, indicating clear priority for the former.

(B) Statistical report on Annual School census 2000-01, of Government primary schools in NWFP, RD&E section, DPE Peshawar, March 2001.

<sup>15</sup> See EDO, Education organogram attached at Annex-2.

As is the case with other PCD departments, the Education department also maintains dual channels of reporting. For District specific planning, operational, and financial matters, the EDO reports to the DCO, while a second channel is maintained with the unified provincial Directorate of Education (Director, Schools and Literacy). The latter channel is viewed as a potential source of friction by the political leadership of the District. They feel that a parallel provincial control is undermining the authority and the ability of the District government to manage the affairs of the sector.

The Coordination with the office of the DCO is considered by the department as an advantage and not another layer of bureaucracy. The department feels that the enhanced role of the District government allows a more speedy review and processing of cases dealing with developmental and non-developmental funding and management needs. These include appraisal and approval of the education sector PC-Is, which are typically within the mandate of the District P&F and the DDC, headed by the District Nazim. In addition, the DCO is readily approachable for coordination on a variety of activities.

## **9. Systems and Procedures**

### **9.1 Planning and Budgeting**

The financial management functions of the provincial Directorate of Education include preparation and consolidation of budgets, maintenance of accounts, undertaking of internal and external audits, and the maintenance of records relating to provident fund, pensions, gratuities, and loans/advances to all personnel of grade-16 and above in the province. The planning and development functions include preparation of long-term (5-10 years) development plans, consolidation of District development plans, preparation of PC-Is for provincial and donor funded projects. There are also coordinating and monitoring functions, including the monitoring of foreign-aided projects, and MIS responsibilities.

The provincial government makes sub-sectoral non-development allocations for the Education Sector for each District. The office of the EDO, Education then appropriates the allocations made by the provincial government among individual government schools. Appropriation among the schools is subsequently communicated to individual schools as well as the office of the Accountant General. Appropriations are based on demands prepared earlier by the EDO office for each school.

Development and major rehabilitation needs are identified by the department with the help of public representatives, which are then appraised and prioritized at the level of the District F&P department. The schemes are finally examined and approved by the DDC, and are either executed by the department itself or by the W&S department at the District level. The department is dissatisfied with the releases of funds for development activities. The bulk of funds are generally released in the April-June period, which cannot be utilized and are subsequently surrendered due to lack of time for tendering and execution.

There is an acute lack of capacity at the District level for planning and project preparation. The provincial Directorate had to prepare all the PC-I's for the FY 2001-2002 for the PCD Education department. The problem is attributed to lack of experience with planning, as most of the DDOs are from the teaching cadre and have little understanding of the procedures for PC-I preparation or planning. They are equally unaware of target setting, strategy formulation, and monitoring and evaluation. Improving quality of education through monitoring is also not their forte.

## **9.2 Financial and Administrative**

The EDO is the Drawing and Disbursing Officer for the department; and the DOs for Secondary Education, Administration and Development, Primary Education; the DDO for Primary (male and female) Schools; and the Principals/Head Masters/Head Mistresses of the high and higher secondary schools for their respective sections; and the DO (Admin. and Development) for the middle schools located in PCD. For expenses beyond the EDO authority, a case is initiated by the EDO himself or recommended by any of his sub-ordinate office. It is forwarded to the DCO for approval, who enjoys Category-I powers, and is the Administrative Head of PCD. Any expenditure request beyond the authority of the DCO is sent for approval to the concerned office at provincial level.

The provincial government makes releases directly to the AG Office for Education Sector per tentative expenditure demands of the sector, for which no formal mechanisms are currently in place. A common complaint is the delayed releases for routine maintenance, repair, and development expenditures that cannot be typically utilized during the financial year, and have to be per force surrendered to the provincial government. However, salaries of employees are transferred on a monthly basis.

Expenditures of the administrative offices (EDO, DOs, and DDOs) are reconciled with the AG office on a monthly basis, and are compared with the budgetary allocations. Expenditure of schools are first compiled at the office of the EDO, and a consolidated statement is then reconciled with the office of the AG. In case of non-compliance, the AG Office at times holds back releases. The local office of the Auditor General, Pakistan audits the expenditures of the Education department on a yearly basis.

The department has its own audit section, headed by the Admin. and Audit Officer, responsible for audit of the individual school accounts on a yearly basis. This internal auditing is independent of the external audit conducted by the AG office. Any audit deficiency is brought to the attention of the EDO for action, but not communicated to any external monitoring agency. So far no other financial monitoring mechanisms have been developed at the District Level.

## **9.3 Monitoring and Evaluation**

An elaborate Educational Management Information System (EMIS) is in place. It was initiated during the USAID-funded primary Education Project, and further developed by the provincial Directorate of Primary Education as part of the SAP. Until recently, EMIS collected data only for

the primary schools (including a few private schools). However, beginning FY 2001-2002, data on secondary and higher education is also being added to make it more comprehensive. Another policy change being initiated by the provincial Directorate calls for the development of a results-based performance evaluation system, which is expected to be implemented by the end of 2003.

EMIS provides an enormous amount of useful data in a variety of areas, e.g., number of schools, number of teaching and non-teaching staff, enrollment, status of basic facilities available in the schools etc. It conducts Annual School Census for the primary (and now up to higher secondary) schools<sup>16</sup>. Data are also collected for Personnel Management Information System (PMIS), and Financial Management Information System (FMIS). A small staff of four persons<sup>17</sup>, under a Deputy Director in the provincial Directorate of primary education, undertakes this assignment. These activities are in addition to their responsibility of continually updating the GIS mapping of schools in the Province. Organizationally, EMIS is not as well setup as the HMIS for Health sector. Data is collected/updated annually, while for HIMS it is done on a monthly basis. Data is produced by the District-based EDOs on paper forms provided by the provincial EMIS staff. Despite some delays, the EMIS-based Reports do get produced and circulated, including to the federal government. The beneficiaries of EMIS are the decision-makers and researchers (University students, Education Directorate, Chief Planning Officer, Statistical Officers) at the provincial and the federal levels, as well as the Donors.

Physical monitoring of schools is the responsibility of ADO inspection who in turn reports to the concerned DOs. For primary schools, there are currently 11 ADOs (7 male and 4 female) responsible for monitoring functions in their respective circles. However, they are currently constrained to undertake their monitoring duties to the desired level, due to inadequate transport and operational budgets, and a very high number of schools to be inspected during the year. Monitoring is also undertaken through two additional mechanisms; the PTAs and the MCs of the Union, Town, and the District assemblies. However, field evidence suggests that the MCs are generally not effective due to lack of training, limited guidelines, and insufficient resources.

#### **9.4 Community Participation**

Communities as primary stakeholders have an influence on, and can play an active role in, improving the quality of service delivery. Community involvement also enhances sustainability and is therefore pursued as a formal strategy by the education sector throughout the province. A key element of this strategy is the formation of PTAs that are being encouraged at all levels. These bodies are also being prepared to take a proactive role in school monitoring, aimed at checking student and teacher absenteeism, ensuring minor O&M (through government-provided grants), as well as generating local support and resources for a variety of other activities.

PTAs consist of eight members including five parents, one teacher, one elected local councilor, and one retired government official from the community. Members are identified

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<sup>16</sup> The census is for both government and private schools.

<sup>17</sup> This includes two mid-level GTZ-funded locally hired persons.

either by an NGO tasked by the department, or by staff deputed by the EDO. Decisions of meetings of a PTA are valid only if the meetings are attended by at least five members of the PTA. Currently there are 650 male and 392 female PTAs in PCD. Each PTA maintains a joint account in a Bank, for the money provided by the EDO to the PTA for undertaking O&M of the schools. Money can be drawn from the bank only after joint signatures of the President and Secretary of the PTA. When a need is identified in a PTA meeting, the meeting record that provides the details of the need is sent to the EDO. The EDO sends a staff member to the school to check the need, and on approval of the EDO the purchase is finally made. Up to Rs. 1,650 per school, per annum are made available by the department to PTAs for minor repair and maintenance of the schools. This amount is not considered sufficient for the required annual O&M. In addition, the official financial procedures for the use of these funds are reported to be an issue, preventing the utilization of these funds for legitimate needs. Recent reports also suggest that the overall budget for PTAs is inadequate as barely 169 male and 100 female PTAs (or 25% of the total PTAs) received any funds for FY 2001-2002.

Field information suggests that the PTAs are more effective in the remote rural areas. The urban-based PTAs are not as effective because members generally do not show up for meetings. The department is in the process of reconstituting problematic PTAs. The new strategy is to involve the local councilors and Nazims in their working. However, there is a need to have a comprehensive PTA training program, which helps them understand their specific roles and Terms of Partnership (TOP) with the Education department. The province-wide data shows that barely 23% of the PTAs have received training till date.<sup>18</sup>

## **9.5 Human Resource Development**

HRD is widely viewed as an important area of focus for overall improvements in the quality of education. The ESR Action Plan 2001-04, and the PRP acknowledge this to be an important need. This emphasis is also reflected in the post-devolution changes in the structure of the Education department, which shows the creation of 11 positions for Teacher Trainers replacing the Learning Coordinators, who were perceived to be ineffective. Training is being carried out in consultation with the government Colleges for Elementary Teaching, and the Institute for Educational Development of the Aga Khan University.

The Provincial Institute of Teacher Education (PITE) is also addressing the teacher-training component. It is an attached department under the Bureau of Curriculum Development and Teacher Training. For the current financial year, the program is planning to complete the training for teachers responsible for grades 1 to 5. The Directorate of Education is also responsible for HRD through in-service training of the Education staff, preparation of databases, and performance evaluation-related matters of staff of grade-16 and above.

DFID is supporting the provincial government in improving the Management Capacity of the District Education staff through its District-Based Management Training Program (DBMT) developed in late 2001. The program aims at imparting necessary skills as well as transfer of

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<sup>18</sup> ESR Action Plan (2001-2004).

knowledge and information, to enable the sector managers in the District and sub-divisions to fulfill their roles and responsibilities more effectively. DBMT targets district and sub-division education officers i.e., EDOs, DOs, DDOs, ADOs, and senior secretarial staff. The program is likely to run for eighteen months refer Annex-6.

The prospects for career development are seen to be extremely limited in the post-devolution period. The senior and mid-level officers of the department do not see opportunities for promotions, and there is considerable confusion on the concept of district cadres, resulting in lack of incentives to perform and low morales. The EDO follows the age-old system of ACRs for evaluating the staff performance, which contain no incentives for efficiency; although the EDO has given prizes to teachers for good performance using his own initiative. Resources for HRD were earlier provided through the SAP, and now under the President's Program and the ESR. For FY 2001-2002, SAP allocations were Rs. 400,000/- for in-service training, and Rs. 3.0 million for the rehabilitation of Teacher Resource Center. The Presidents Program allocated Rs. 1.8 million for various capacity building programs. Although sufficient funds were released for training-related activities, these could not be utilized because of the delays encountered in the release of funds from the provincial Finance department. The situation is now changed for FY 2002-2003, and there are sufficient funds available with the EDO for teachers' training activities in the District.

## 9.6 Gender Focus

The department of Education has female representation in its management, as well as a major focus on girls' education. One of the three DOs (primary Education) is a female, and at the field level there is a female DDO along with each male DDO, primary education. However, there is a need for greater gender sensitivity, as little attention is paid to women-specific problems in the field. Female staff are living in the school premises with minimal facilities or security considerations. Given the significant gender gap between the enrollment rates for boys and girls, successive SAP initiatives and more recently the ESR, have highlighted the need for new strategies and enhanced resources to close the gap. The gross enrollment rate for girls for FY 2001-2002 was 36.5% as compared to 58% for boys.<sup>19</sup> However, the drop out percentage is fairly high at 51% (going from *Katchi*, pre grade-1, to grade-5.<sup>20</sup>)

## 9.7 Initiatives for Quality Improvements

Several new initiatives are being launched to improve the quality of education in the public schools in the province, including PCD. These include:

- (a) a policy decision to introduce English as a subject in all primary schools. This decision has been taken in light of the growing demand from the parents. English textbooks are now

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<sup>19</sup> There are 43,291 girls students in age group 5-9 and 22,599 girls students in age group 10-14 studying in PCD primary schools leading to a Gross Enrollment Rate of 36.5%. However, the Net Enrollment Rate is 24.1%.

<sup>20</sup> Statistical Report (2001-02), Government Schools in NWFP (*Katchi-XII*), prepared by EMIS Section Directorate of Primary Education and Literacy, NWFP.



available for distribution and use. In addition, teachers up to grade-4 are being trained in the teaching of English, through an IDA-GTZ supported program.

- (b) A pilot program has also been initiated for the middle and high schools, to teach science and mathematics through the English medium. However, the scope of this pilot program is currently confined to 450 schools in Kohat and Swat, and is yet to be introduced in the PCD. The objective of both initiatives is to reduce the gap between the élite and the non-élite schools.
- (c) Effective FY 2002-2003, a National Education Assessment System is to be introduced, for the standard assessment of students at grades 4 to 8.
- (d) A policy decision has been taken to de-regulate the textbook publications, thus making it possible for the private sector to participate in the printing of textbooks at all levels.
- (e) A pilot implementation of the computer literacy program is being introduced in secondary schools through public-private partnership, and with the assistance of the Ministry of Science and Technology.
- (f) Finally, the provincial government views the public-private partnerships as a cornerstone of the ESR program. Innovative programs under this broad area include: (a) private sector access to existing government primary schools for running evening shifts, with provision to allow for upgradation to middle and higher levels; (b) adopt-a-school program; and (c) various financial incentives to encourage and enhance private sector participation. Keeping in view its low capacities, the PCD Education department will need to build-capacity to atleast oversee and coordinate, if not actually implement initiatives for public-private partnerships.

## **10. Devolution and LGO**

Devolution has resulted in a positive change in the overall management of the sector, although there is a strong perception that authority has not been adequately devolved as specified in the LGO. The political climate is conducive for the working of the department. Joint inspections are held with the elected representatives, who are generally helpful, although occasional difficulties do arise. On the whole the new LG system is considered to be better than the previous system, that was centrally controlled by the provincial Education department.

There is a strong perception that devolution should have decentralized decision-making to a greater extent. However, this has not happened for decisions on appointments, or posting and transfers for grade-16 and above. Nonetheless, the RoB also shows that the EDO and the DCO enjoy significant financial and administrative powers for leave sanctions, Traveling Allowance (TA) approvals, as well as a variety of other areas to more effectively manage sector operations. To improve linkages with the elected representatives and better understand the local needs, the

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<sup>21</sup> The amount was reduced to Rs. 1500 for FY 2001-2002 because of funding shortage.

EDO has designed a questionnaire for the elected UC representatives. This information is being used to improve sector planning and local decision-making. In addition, transparency and accountability is being improved through the representation of the DA members in the formal meetings of the District Purchase Committee for Education, constituted by the Governor NWFP. Similarly, a DA member has been designated in the Education Recruitment Committee. Although the department maintains its linkages with the elected representatives at all three LG tiers, there is a feeling among the elected representatives that the District education establishment is still being controlled by the provincial Directorate, and is not responsive to their needs.

In the pre-devolution period, approvals for small-scale initiatives were sought from the respective Departmental Sub-Committees (DSCs). This forum is now replaced by the DDC, headed by the District Nazim. Large initiatives are still required to go through the higher approval forums, including the PDWP and the CDWP. Likewise, in the pre-devolution period, the provincial P&D department was actively involved in the processing and approval of projects. This role is now taken over by the District-based P&F department. The RoB under LGO 2001 are available to key officials only. However, these need clarity and changes to conform to the new provincial directions received subsequent to the publication of the document.

### Mandate of District Education Department (NWFP District RoB, 2001)

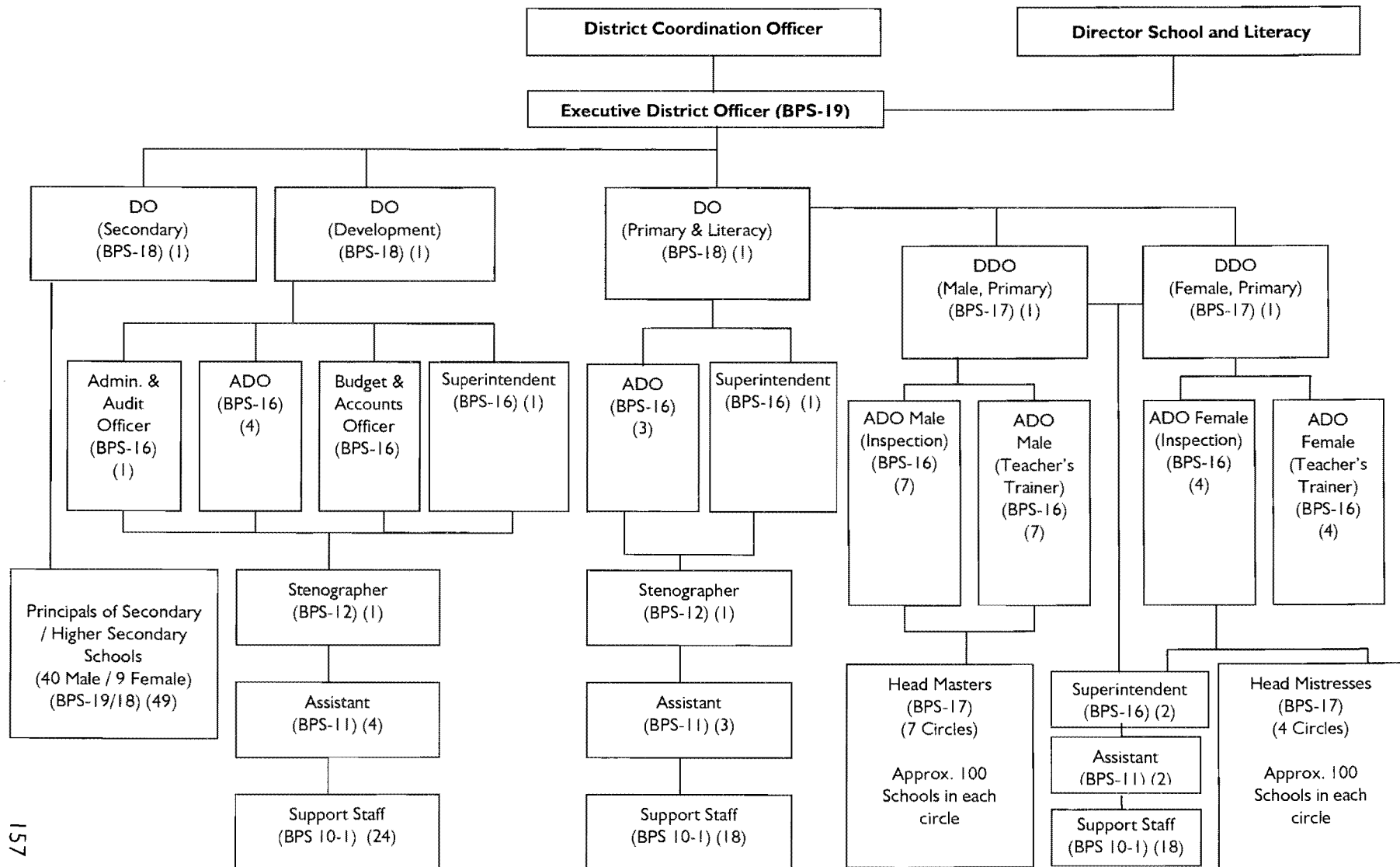
#### A. Education

- (a) Primary, middle, high, and higher secondary schools (male and female).
- (b) Grant of Scholarships.
- (c) Promotion of Sports and Extra-Curricular Activities.
- (d) Service matters except those entrusted to the S&GAD department, attached departments, and the Administrative department.
- (e) Adult Education/Literacy.
- (f) Purchase of Stores and Capital goods for schools.
- (g) Establishment of new schools and up-gradation of existing schools.
- (h) Universal primary Education, and eradicating dropouts.
- (i) Conducting Examinations upto middle standard.
- (j) Identification and formulation of developmental schemes.
- (k) Formulation of District Budget (Development and non-Development), reconciliation of expenditure and audit matters.
- (l) Inspection of Educational institutions.
- (m) Development of database and its updating.
- (n) Matters related to school councils.
- (o) Parents-Teacher Association/community enrollment.
- (p) Periodic and regular reporting to the Head of attached department, and the Administrative department.
- (q) Postings and Transfers within the District, except those falling in the purview of Establishment and Administrative attached department.

#### B. Sports and Culture

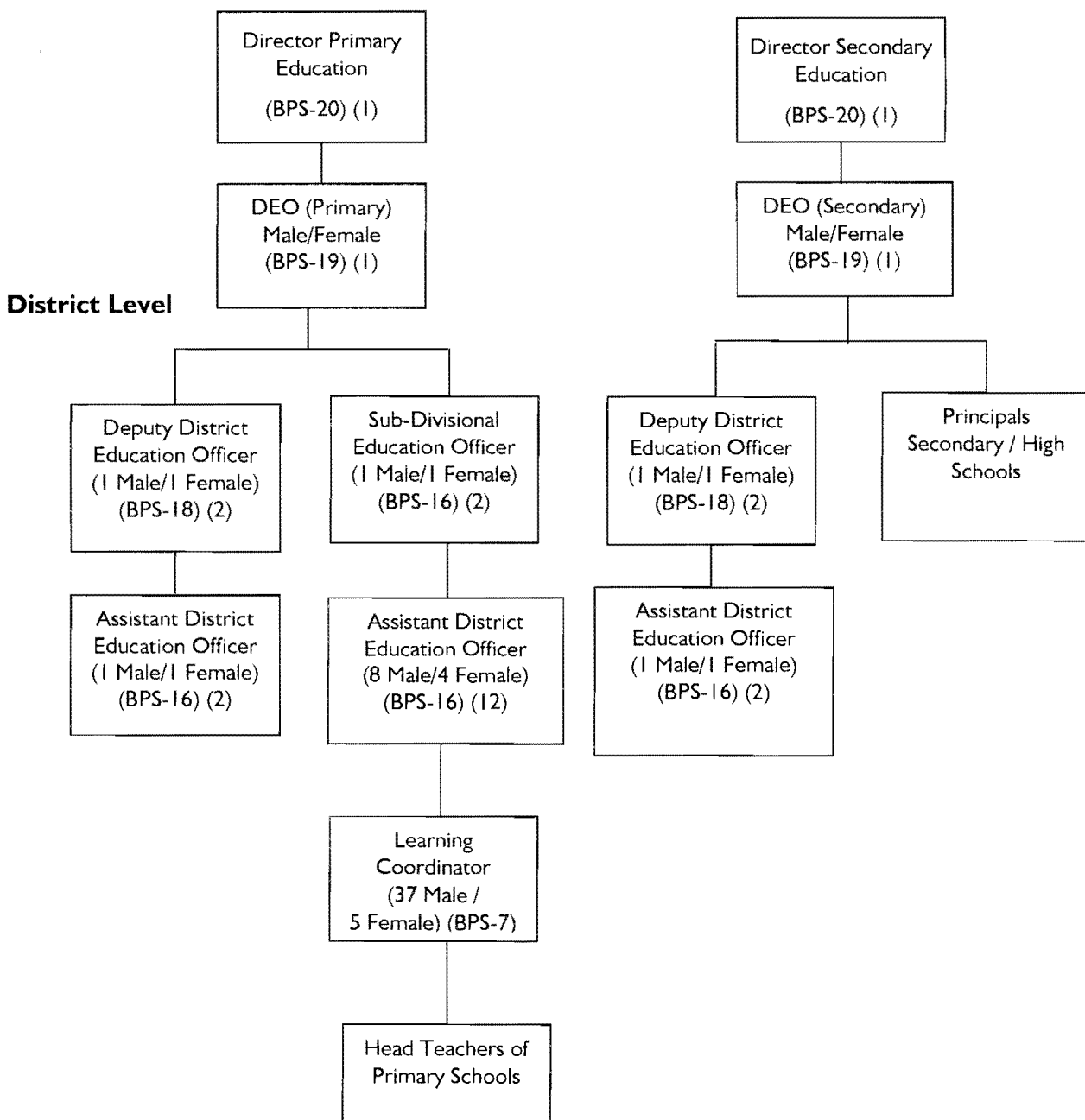
- (a) Co-ordinate sports activities of District sports organizations.
- (b) Hold inter-Tehsil sports competitions, and arrange coaching and training events at the Tehsil and District levels.
- (c) Hold indigenous games to promote sports in the rural and urban areas.
- (d) Maintain and improve the playing facilities in the Tehsil and District.
- (e) Select District teams for different inter-District sports competitions with the co-operation of prominent sportsman, sportswomen and Educational institutions.
- (f) Maintain stadiums and other playing facilities.
- (g) Invite and scrutinize the applications of aid from sports organizations/associations of the District, and submit the same to the Directorate of Sports.
- (h) Maintain accounts in accurate condition as per rules for audit.
- (i) Any duty assigned by the Directorate of Sports, NWFP.

**Organogram: District Education Department, Post-Devolution**



**Organogram: District Education Department, Pre-Devolution**

**Provincial Level**



## Functions of Provincial Directorate, Education

### I. Financial Management

#### (a) Budget (Provincial and Districts):

- (i) Consolidation of:
  - Budget estimates.
  - Revised estimates.
  - S.N.E.
  - Excess and surrender/re-appropriation statement.
  - Supplementary budget statements.
  - Excess budget statements.
- (ii) Coordination with Administrative department/Finance department in processing of the estimates.
- (iii) Consolidation of Receipts / estimates of Education department (schools).
- (iv) Processing of all financial sanctions received from the District Offices that require approval of the Administrative department.

#### (b) Accounts

- (i) Consolidation of Monthly Statement of Expenditure (SOE), both SAPP & Non-SAPP.
- (ii) Monthly reconciliation of accounts with Accountant General, NWFP.
- (iii) Consolidation of annual accounts.
- (iv) Preparation of grant-wise skeleton appropriation accounts and its reconciliation with Accountant General, NWFP/Finance department.

#### (c) Audit of Accounts:

- (i) Internal Audit
  - Plan and conduct audit of all the expenditures/receipts of all the District formulations as required under Para 13 of GFR, Vol-I.
  - Processing of internal audit reports and actions required thereon.
- (ii) External Audit
  - Coordination with DG audit.
  - Collection of replies of all the advance paras for DAC.

- Collection of replies of draft paras for PAC.
  - Preparation of working paper for and attend meetings of DAC and PAC
  - Taking follow up actions in the light of decisions of DAC/PAC.
  - Audit of Foreign Aided Projects.
- (d) Preparation of Annual Financial Statements of all Foreign Aided Projects for consumption of Donor Agencies as well as Administrative/PE&D department/DG Audit, schools.
- (e) Pension and gratuity cases of all the employees in BPS-16 and above.
- (f) Processing of loans and advance cases, i.e. house-building advance, motorcar/motorcycle advance for all the employees in BPS-16 and above.

## **2. Human Resource Development Functions**

### **(a) Recruitment:**

- (i) Teaching staff B-16 and above.
- (ii) Non-Teaching staff B-5 and above.
- (iii) Identification of vacancies.
- (iv) Preparation of merit based criteria for recruitment.
- (v) Requisition to Public Service Commission.
- (vi) Recruitment/selection of staff.
- (vii) Deployment of newly recruited staff.

### **(b) In-service Training:**

- (i) Identification of training needs.
- (ii) Preparation of in-service training plans for all teaching, non-teaching, and managerial staff with the help of GTZ/DFID project group.
- (iii) Implementation and monitoring.

### **(c) Personnel Database:**

- (i) Preparation and maintenance of personal files, service books (BPS 1-15), and history of service (BPS 16 and above).
- (ii) Preparation of seniority lists (annually).
- (iii) Maintenance of ACR dossiers.

### **(d) Postings and Transfers:**

- (i) Posting of teaching staff in BPS-16 to BPS-19.
- (ii) Posting to and inter-district transfer of non-teaching staff in BPS-5 to BPS-19.

(e) Promotion:

- (i) Promotion cases of all the employees in BPS-16 and above.

(f) Leave:

- (i) Sanction all kinds of leave, including leave preparatory for retirement (LPR).
- (ii) Disciplinary cases/legal cases.

(g) Performance Evaluation:

- (i) Of all teaching and non-teaching staff (BPS-16 & above).

**3. Planning and Development Functions:**

- (a) Preparation of Developmental plans (5 years/10 years).
- (b) Consolidation of District Development Plans.
- (c) Preparation of concept paper/feasibility report for all foreign aided projects.
- (d) Preparation of PC-I for all the provincial/foreign aided projects of schools sub-sector.
- (e) Processing of PC-I of all District Development Plans costing more than Rs. 10.00 million.
- (f) Assist the Secretary Education in implementing and monitoring of all federal-funded projects.
- (g) Education sector reforms/Education for all.

**4. Coordination and Monitoring:**

- (a) Coordinating with the donor organizations in respect of foreign aided projects' progress and reviews.
- (b) Overall supervision, management, monitoring, and implementation of various activities under P&D and SNE Sections.
- (c) Monitoring the progress of all components including civil works against targets fixed in SAP operational plan, and its quarterly reporting to all concerned.
- (d) Managing SAP review missions, and responding to their observations.
- (e) Physical verification of feasibility reports and monitoring of civil works executed by W&S department.
- (f) Monthly progress review of civil works with W&S department, and preparation of progress reports (including physical and financial indicators).
- (g) Re-appropriation of funds from one project to other project.
- (h) Acting upon problems/enquiries/complaints pertaining to civil works/facilities.

**5. MIS Functions**

- (a) Design a comprehensive Management Information System, including Educational Information System, Personnel Information System, and Geographic Information System.
- (b) Implement the MIS.
- (c) Collect data required for the Information System (through District offices or otherwise).
- (d) Consolidate, validate, and update the information data on regular basis.



- (e) Make available the information for decision-making purposes.

#### **6. M&E Functions:**

- (a) Develop an effective and efficient M&E System.
- (b) Collect the required monitoring data on regular basis (through the District offices or otherwise).
- (c) Analyze the data for various parameters and derive meaningful indicators for assessing objectively the effectiveness of the projects/program in realizing their intended objectives.
- (d) Assessing the implementation status of all the program, projects, and procurement activities.

#### **7. Literacy and Non-Formal Education:**

- (a) Planning and fixing targets/literacy indicators.
- (b) Launching widespread literacy campaigns.
- (c) Establishing need-based skill-oriented functional literacy and vocational centers.
- (d) Opening and monitoring of continuing education and non-formal schools/centers.
- (e) Preparation, implementation, and monitoring of literacy and continuing education development projects.

#### **8. Community Participation and Parent Teacher Associations/ Public-Private Partnerships:**

- (a) Involving community in promotion of literacy, vocational training, and continuing education.
- (b) Reformation and training of PTAs.
- (c) Social mobilization campaigns for improvement of Education/schools.
- (d) Involvement of private sector in establishment of new schools.

#### **9. Physical Education:**

- (a) Development, organization, and supervision of sports activities in the schools including boy scouts and girl guides.
- (b) Provision of sports facilities, i.e. playgrounds, sports gears etc., through EDOs.
- (c) Organizing annual sports tournaments in the province.
- (d) Organizing Pakistan day, Independence day, Defense day, and other national days' functions at the provincial level.

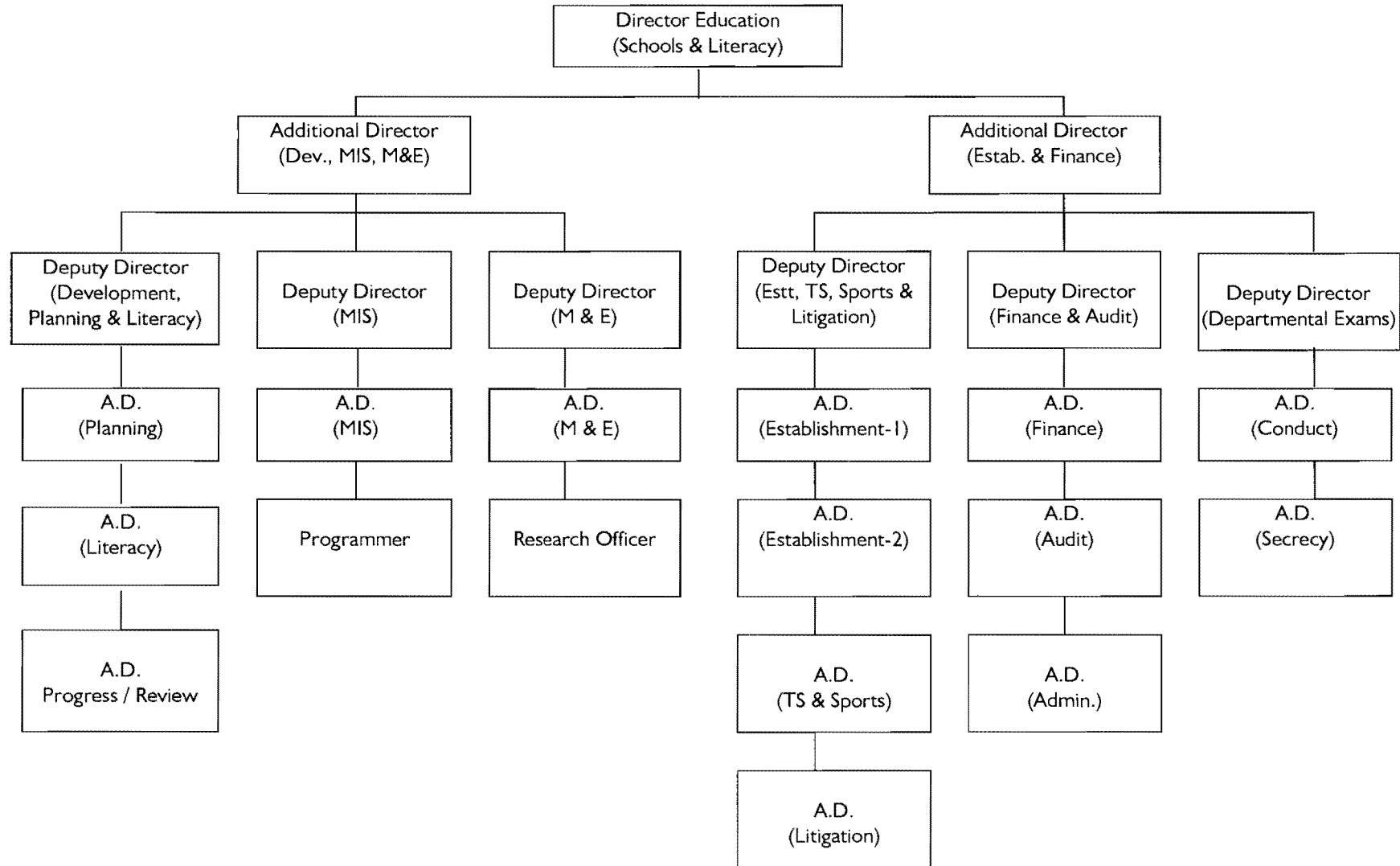
#### **10. General:**

- (a) Overall office management of the Directorate of schools.
- (b) Registration of private schools.
- (c) Processing of scholarship cases for the Education/overseas training seminars/workshops.
- (d) Maintenance of uniform educational standards in the province and ensuring achievements of targets.

## Education Statistics of PCD and NWFP

	PCD			NWFP		
	Male	Female	Total	Male	Female	Total
<b>No. of Facilities</b>						
Primary	560	361	921	11,250	6,721	17,926
Middle	83	41	124	1,150	576	1,726
High	65	24	89	1,069	271	1,340
High Secondary	11	6	17	121	41	162
<b>Total</b>	<b>719</b>	<b>432</b>	<b>1,151</b>	<b>13,545</b>	<b>7,609</b>	<b>21,154</b>
<b>Enrollment</b>						
Primary	117,009	61,255	178,264	1413,524	614,567	2028,091
Middle	39,094	15,893	54,987	370,658	138,463	509,121
High	39,094	158,93	54,987	370,658	138,463	509,121
High Secondary	1,550	1,264	2,814	7,078	6,469	13,547
<b>Total</b>	<b>174,642</b>	<b>85,622</b>	<b>260,264</b>	<b>1854,554</b>	<b>812,425</b>	<b>2666,979</b>
<b>Teachers</b>						
Primary	2,806	1,547	4,353	30,850	16,859	47,709
Middle	628	394	1,022	8,962	5,027	13,989
High	1,004	435	1,439	15,862	4,493	20,355
High Secondary	451	226	677	4,327	1,191	5,518
<b>Total</b>	<b>4,889</b>	<b>2,602</b>	<b>7,491</b>	<b>60,001</b>	<b>27,570</b>	<b>87,571</b>

**Organogram: Provincial Directorate, Education**



### **DFID: District Based Management Training Program**

The following areas of management have been selected for inclusion in the District Based Management Training Program being organized by DIFID:

- (a) Job Descriptions.
- (b) Financial Management.
- (c) Personnel Management.
- (d) Office Management.
- (e) Planning.
- (f) Community Participation.
- (g) Schools supervision and inspection.
- (h) Specific needs of female Education Managers in the Districts.

Lists of sub-topics under the above main areas are given below. However, the resource persons responsible for specific areas and modules of training will finalize the detailed lists of sub-topics and lesson plans.

#### **(a) Job Descriptions**

- (i) Understanding roles and responsibilities.
- (ii) Rationale of distribution of duties in various offices.
- (iii) Difficulties in performing various tasks.
- (iv) Needs of training and support.
- (v) Breaking up items of job descriptions into specific duties.
- (vi) Identifying sequence of actions to perform specific duties.
- (vii) Ways to improve job descriptions.

#### **(b) Financial Management**

- (i) Preparation and utilization of budgets.
- (ii) Maintenance of accounts and book-keeping.
- (iii) Preparation of bills.
- (iv) Delegation of financial powers.
- (v) Purchase procedures.
- (vi) Financial controls.
- (vii) Audit-internal and external.

#### **(c) Personnel Management**

- (i) Recruitment procedures and rules.
- (ii) Posting and transfers.
- (iii) Staff evaluation.
- (iv) Delegation of administrative powers.
- (v) E&D rules.
- (vi) Service rules and Civil Servants Act 1973.
- (vii) Staff development and appraisal.

- (viii) Motivation.
- (ix) Communication.

**(d) Office Management**

- (i) Office layout and office environment.
- (ii) Office equipment.
- (iii) Record keeping and filing systems.
- (iv) Communication – report writing, correspondence.
- (v) Managing time.
- (vi) Security of office and records.
- (vii) Public dealing.
- (viii) Collection and maintenance of data.

**(e) Planning**

- (i) Planning concepts and educational planning.
- (ii) Use of data and planning.
- (iii) Planning criteria.
- (iv) Planning procedures.
- (v) Planning cycle and preparation of ADP.
- (vi) Long-term planning.
- (vii) Development policies and priorities.
- (viii) Implementation of ADP and other plans.
- (ix) Monitoring of projects.

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- (i) Need and rationale of involving communities in education.
- (ii) Organizing and mobilizing communities.
- (iii) Working with PTAs and communities.
- (iv) Roles and responsibilities of District and sub-division education managers with reference to communities and PTAs.
- (v) School supervision and inspection.
- (vi) Objectives of school supervision and inspection.
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- (viii) Use of checklists.
- (ix) Guidance to teachers and students.
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- (i) Specific needs, problems of female officers in education.
- (ii) Strategies to overcome these problems.
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# Local Revenue Generation





# 6. Assessment of Local Revenue Generation Potential

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## **1. Introduction**

The vision developed for PCD during the first CWC workshop was for Peshawar to be “a City District of Peace and Prosperity”. The objective of reviewing avenues of Local Revenue Generation (LRG) under CDS is to reduce deficit in the PCD finances through efficiency and rationalization measures, and induce people to pay taxes and fees through advocacy and better services, so that more funds are available for investments and improvement of services as mandated under LGO 2001.

PCD has a liability of Rs. 588 million payable to the ADB, Rs. 250 million payable to WAPDA, and approximately Rs 1,200 million of pension liabilities. Post-devolution, LGs are required to provide services to rural areas at par with the urban areas. Therefore, the challenge of extending MS to rural areas, which constitute 50% of the PCD, has to be met. On the other hand, there is a low propensity to pay for services, with poverty levels at 47% in rural areas and 31% in urban areas. There is also little willingness to pay due to low quality of the services. Average recoveries from MS range from 10% to 17% of costs.

The available options for PCD are to improve efficiency in collections, and/or increase existing rates/taxes and introduce new ones for the as yet free services. The recommended strategy is to focus first on efficiency improvements and widening of tax/charge base; and then to enhance rates to move them to full cost recovery for commercial services, while focusing on items with the greatest revenue generation potential first. It is also proposed to generate resources mainly from outside the social sectors.

The key assumption is that quality of services would improve alongside enhanced revenue generation to provide value for money to citizens. Decisions on improving efficiencies in collection would be taken in the very short-term, whereas decisions on rate enhancement and widening tax base would be taken in the medium-term, after due consultations with the stakeholders. This exercise is illustrative and may need further probing for finalization of rates and the numbers that have been assumed. The avenues identified are suggestive, and would need to be further explored on the basis of more extensive data. The analysis has largely been limited to the functions specified in the LGO 2001.

Key decisions required to improve the financial situation of PCD would need further debate by the DA, as well as coordination with the provincial and federal governments. Since the PCD government relies heavily on the provincial government for approval of fees, rates and taxes, the provincial government’s support on measures to be adopted is a major assumption of this analysis. In addition, certain policy decisions at the federal level are also required, that will impact on LRG at the PCD level, such as at-source deductions by WAPDA, and increase in the share of sales tax revenues.

## **2. Background**

The City district has undergone a major transformation, whereby roles and responsibilities of the government, administration, and civil society have changed drastically<sup>1</sup>. Substantial

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<sup>1</sup> Please refer to section on Governance that extensively discusses the changes in roles and responsibilities pre- and post-devolution.

responsibilities and authorities have been devolved from the province to the district, town, and union levels, and numerous provincial line agencies/departments have also been decentralized.

The PCD relies heavily on provincial and federal government transfers and grants to meet its operational and development expenditures. These fiscal transfers accounted for 73% of the total budget for FY 2001-2002, whereas the remaining 27% of the budget came from local resources including transfers against the UIPT share and in lieu of the abolished OZT. Under the LGO 2001, LGs have been given several income generation functions, but not the mandate to create liabilities such as taking loans, or incurring debts. They can however receive grants. The Town and Union tiers have been declared as Body Corporate that can mortgage, sue, and be sued, generate funds, and engage in income generating activities.

Prior to 1999, the revenues generated in the Peshawar metropolitan area were mainly by the MCP, UTC, PDA, and the District Council. MCP mainly generated its revenues from Octroi and other local taxes, fees, charges, and rent of properties. The DC generated the bulk of its revenues from Export or Zila Tax on goods (finished and raw) exported from the district. The UTC and PDA relied mainly on recovery of cost of services provided. PDA also had the advantage of owning commercial and residential plots, and an endowment fund created from the sale of land.

The OZT were abolished by the federal government in the FY 1999-2000, and replaced by federal transfers. These were based on the average OZT collections of the past years by LGs. The funds were raised by increasing the General Sales Tax (GST) rate from 12.5% to 15%. The federal government was to increase these by 10% each year, but there was no increase during FY 2000-2001 and FY 2001-2002. The transfers are now being made to the TMAs and UAs through the provincial and district governments. Recently, the provinces have initiated a proposal to the federal government for the upward revision of transfers, as 2.5% of GST generates an additional Rs. 9,000 million over and above the current transfers of Rs. 14,000 million.

The National Finance Commission (NFC) is responsible for distribution of the resources between the federal and provincial governments, whereas the Provincial Finance Commissions (PFC) have been assigned the task of resource distribution between the provincial and local governments. The NWFP PFC has recommended an interim resource distribution formula in FY 2002-2003 for one year, which is subject to review for the following years. The recommendations for distribution of resources have been based on Population (50%), Backwardness based on Multi-indicator Cluster Survey (25%), and Lag in Infrastructure (25%).

The PCD government has inherited a substantial pre-devolution liability of an ADB loan and WAPDA. It is therefore struggling not only to meet the challenge of maintaining the existing level of municipal and social services that it is mandated to provide post-devolution, but also pay previous liabilities. An improvement in the level of services seems to be unlikely for the District government, unless bold measures are taken for revenue generation.

50% area of the PCD is rural, having little or no access to civic amenities and a high incidence of poverty<sup>2</sup>. Given the high poverty rates and the generally low quality of services, the possibility of relying solely on taxation for additional revenue generation would not be a realistic assumption in the case of PCD. Neither do the elected representatives feel that this would be possible for political reasons. Improvements in quality and efficiency have to therefore simultaneously take place, to induce people to pay with the expectation of further improvements.

To improve the financial situation of PCD, policy decisions are required by the District, Town and Union governments to increase the rates of some services, improve billing/collection of others, and introduce new fees and taxes. Some of these measures may be politically difficult for the elected representatives to take, but they are nevertheless necessary for the district to prosper. The need for an effective dialogue and communication with citizens cannot be emphasized enough, as it is imperative to inform them of the financial realities of the city, the necessity to increase revenues, and the possible avenues available. Effective communication is the key to increase the level of peoples' participation in making such revenue enhancement measures effective.

### **3. Summary of PCD and TMA Finances**

PCD has two distinct sources of revenue: (a) provincial and federal transfers and grants; and (b) own-source revenues provided for under LGO 2001. FY 2001-2002 was the first post-devolution year, which has given the basis for forecasting future financial trends. The approved budgets for the FY 2002-2003 show a repetition of the previous year's trends. During FY 2001-2002, PCD received a sum of Rs. 1,250.41 million from the federal and provincial governments. This includes Rs. 1,029.12 million (82.30%) for non-development and Rs. 221.29 million (17.70%) for development expenditures. The federal government under different development programs financed a major component of the development expenditure of Rs. 211.29 million, whereas only Rs.10.00 million was financed by the provincial government (refer Annex 3 & 4).

Education was the largest beneficiary sector of the non-development budget allocations with Rs. 675.47 million (65.63%); followed by Works and Services with Rs. 118.87 million (11.55%); and Health services with Rs. 94.22 million (9.16%). A further analysis of the non-development budgets shows that Rs. 950.02 million (92.31%) was allocated for salaries, and only Rs. 79.10 (7.69%) million for other operational expenditures, in turn significantly affecting service delivery.

Federal/provincial transfers saw a 14.5% growth during FY 2002-2003, due to the growth in federal tax collections as well increased provincial revenues. Since transfers to districts are mainly dependent on federal transfers, projections for future transfers to PCD provided in the attached annexes have been linked to the growth in federal taxation (which has shown an annual increase of 14% to 17% during the last five years), and a minimum 14% growth assumed. Increase in non-development expenditures paid through federal/provincial transfers has been

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<sup>2</sup> According to a Multiple Indicator Cluster Survey conducted by UNICEF, the incidence of poverty in NWFP is 31% in urban areas and 47% in rural areas.

estimated at 6% per annum; one percent higher than the inflation rate forecast for the country's economy. PCD government consists of the District Administration, four TMAs, and the CDMD as the six cost centers that also have the mandate for generating revenues through different authorized sources, and the provision of MS out of these revenues. Their revenues and expenditures over the two years post-devolution are also provided in the attached annexes, along with projections over the next five years.

The District government owes Rs. 463 million and an accrued interest of Rs. 125 million to ADB, repayable over 25 years with a grace period of 7 years. WAPDA on the other hand is owed Rs. 200 million in past dues, to which is added approximately Rs. 50 million annually for electricity charges. There is also the pension liability of approximately Rs. 1,200 million. To date, PCD has made no attempts to pay off these liabilities. Keeping in view the current level of revenues, the District is/will be unable to meet its expenses if it is to pay its debts. The District is also vulnerable when it comes to grants expected from higher levels of government, as these mainly depend on the overall financial health of the economy that has shown a worsening trend in the past.

The PCD towns are heavily dependent on transfers in lieu of octroi from the federal government, and UIPT currently being collected by the provincial government and mainly being adjusted against WAPDA liabilities. A huge labor force of approximately 3,500 employees has been posted to the Towns post-devolution, a significant part of which is due for pension benefits within the next 3-8 years. The FY 2001-2002 financial analysis in the attached annexes seems to show that the towns have a surplus balance of Rs. 70.27 million, even after meeting the non-development expenditures. This is mainly because the octroi grant transfers are shown for the full year, while the expenditures made by the Towns are only for nine months, and pension liabilities for these nine months were held back. Furthermore, no provision for essential M&R has been accounted for.

The budget forecast for the full FY 2002-2003 shows only Rs. 10.11 million to be available for investments after meeting non-development expenditures. This surplus, however, does not include the essential M&R either, which has been estimated and included in the projections for the subsequent years. Significant revenue has to be generated by the Towns for not only meeting the required essential M&R, but also for improving and expanding municipal services to the urban areas where they are deficient, and to the rural areas with the urban – rural divide now abolished.

#### **4. Budget Preparation and Implementation**

The LGO 2001 foresees a very important role for the district P&F department. Strategic financial planning; budget preparation and implementation on three-year rolling basis; accurate cost computation of MS and accumulation thereof for charge fixation; identification, computation and collection of potential revenues; revenue surveillance; preparation of required accounting and financial reports for decision-making; and preparation of financial statements are its responsibilities. Yet its existing capacity is severely deficient to undertake most of these critical functions.

Budget preparation and approval process at the District, Town and Union levels has been observed to be more of a statutory obligation, instead of being a tool for efficient planning and management. A review of the budgets for the FY 2001-2002 and FY 2002-2003 shows many misleading figures including expected receipts of grants from the provincial government which seem to have no basis. None of the TMA budgets anticipate any payments against WAPDA liabilities, and no revenue enhancement or expenditure control strategies could be observed from the budgets at any level of LG tiers.

Strengthening budget preparation, approval, and implementation processes will involve supervision of the process by professional accountants, since the present staff lacks these capacities. Moreover, the political leadership would need to provide support for the various proposals of revenue enhancement and expenditure control that lead to optimum utilization of resources. Unless all the decision-making political tiers of governance recognize the importance of budgets, institution development and service delivery functions will not improve.

The TMAs have surplus staff available, but few amongst them have the desired expertise or relevant experience. The TMAs are unable to surrender this staff to the district or provincial governments. The UAs are the most lean in terms of staffing, with one Secretary (BPS-5) and one Naib Qasid, while they are required to carry out development works as well as impose several taxes. This shortage of quality staff at the Union level severely impacts on the revenue generation potential of the district as a whole. The Union is the main level to help with the collection of data that would serve as the basis for further analysis for LRG potential in the PCD. However, due to lack of direction and weak capacity, there is no evidence of any efforts to achieve this.

## **5. Revenue Generation Sources Authorized by LGO 2001**

Schedule II of the LGO has identified the following areas under the purview of the District, Town, and Union Councils to generate own-source revenues. Before any new taxes can be imposed or existing ones increased, they need to be notified in the official gazette by the provincial government, even if they fall under the purview of the LGs. There are instances when the provincial government has disallowed the LGs to revise their tax rates. Some LGs therefore view this to be a clearance requirement from the provincial government, and have therefore been reluctant to revise rates or introduce new taxes.

### **5.1 District Council**

- Education tax, is a new tax authorized to the LGs, and has been interpreted by the PCD government to be a tax imposed on private education institutions operating in the district.
- Health Tax, is a new tax authorized to the LGs, and is understood as covering private hospitals, clinics, laboratories, and regulatory functions such as issuing licenses to food vendors in the PCD.
- Tax on vehicles other than motor vehicles (already being collected).
- Any other tax authorized by the government.
- Local rates on lands accessible to Land Revenue (already being collected).

- Fees in respect of schools, colleges & health facilities established or maintained by the District government (already being collected).
- Fees for licenses issued by District government (for licenses of arms etc. revenues are transferred to the provincial government).
- Fees for specific services rendered by the District government (unclear at this stage).
- Collection charges for tax recovery on behalf of the provincial government.
- Toll on new bridges and roads other than national and provincial highways and roads (the PCD government has got DA approval for imposition of Toll Tax on the recently rehabilitated Khyber Road).

## **5.2 Tehsil & Town Councils**

- Local Tax on services provided.
- Tax on transfer of immovable property (already being collected).
- Property tax on annual rental value of buildings and lands (already being collected in urban UCs only, but by the province).
- Fee on advertisements other than on radio, television, and billboards (already being collected).
- Fee for fairs, agriculture shows, industrial exhibitions, tournaments & other public events (collections being made only for cattle and cultural shows).
- Fee for approval of building plans, erection & re-erection of buildings (already being collected).
- Fee for licenses or permits & penalties or fines for violation of licensing rules (already being collected).
- Execution & maintenance of public works like:
  - Drainage (only 7%-9% costs recovered through sanitation charges);
  - Conservancy (as above);
  - Water supply (only 16-17% costs recovered through user charges);
  - Lighting of public places (no such charges have yet been introduced).
- Fee on cinemas, dramatic/theatrical shows, tickets and other entertainment (all such taxes are being collected by the provincial E&T department).
- Collection charges for recovery of any tax on behalf of Provincial Government, District Government, Union Administration or any statutory authority as prescribed.

## **5.3 Union Council**

- Fees for licensing of Professions and Vocations (provincial E&T department is collecting a similar professional tax which is adversely effecting collections).
- Fee on sale of animals in cattle markets (presently collected by TMAs).
- Market fees (presently collected by TMAs).
- Fee for certification of births, marriages, and deaths (fee collections begun by UAs effective 01 September 2001).
- Charges for Specific Services rendered by UCs.

- Rate for execution or maintenance of public works like lighting, drainage, conservancy, water supply (no such services currently being provided by the UCs).

During the compilation of this report, the federal National Reconstruction Bureau (NRB) has issued amendments to the LGO. The provincial governments have accordingly amended the provincial LGOs. In NWFP, the revisions have resulted in the shifting of certain functions from the districts to the towns and unions or vice versa. Additional functions given to the district include fee

**On-going revisions in LGO 2001**

The LGO 2001 has been revised a number of times: the latest revision distinguishes between City district & District, and Town & Tehsil under Schedule –II of the LGO, that spells out the own-source revenue generation authorities of the LG tiers.

for major industrial exhibitions and other events organized by the district government; fee on advertisements (radio, television and billboards); fee for approval of building plans, erection and re-erection of buildings (a duplication with the Towns as jurisdictions have not been clarified); and charges for execution and maintenance of works and public utilities - lighting of public areas, drainage, conservancy, and water supply operated and maintained by the District government.

Additional functions given to the TMAs include tax on vehicles other than motor vehicles to the respective TMAs where these vehicles are registered (devolved from the district), fee on sale of animals in cattle markets (centralized from the union level), market fee (centralized from the union level). Functions excluded from Towns include: advertisements, and execution and maintenance of public works. Property tax rate and building plans approval fee now requires approval from the district government.

Additions made to the functions of the three tiers across the board include collection of rent for lands, buildings, equipment, machinery, and vehicles owned by LGs and collection of any tax on behalf of the government. Earlier the LGO was silent on these areas.

**6. Potential Sources of LRG at the District Level**

Revenue generation potential at the District level has been analyzed from the perspective of only those resources/taxes authorized under Schedule II of the LGO for: (a) more efficient utilization of the existing resources; (b) additional revenue generation through new avenues; and (c) possibility of seeking additional allocations from the provincial government.

**6.1 Education Tax**

The LGs have, for the first time, been authorized imposition of Education Tax. However, the PCD government has not imposed any tax on private sector education institutions so far. There are approximately 308 primary/middle and 54 high/high secondary private schools in the district that pay Rs. 1000/- and Rs. 2,500/- respectively as license renewal charges per annum to the provincial government. These are considered rather low in view of the huge profits made by private sector education institutions. It is recommended that an equal amount be charged on behalf of the PCD government as well, to generate a revenue of Rs. 0.48 million in the first year, and Rs. 2.67 million over a five year period.



**District Government Abbottabad imposes Education and Health taxes.**

The District Government Abbottabad introduced a tax on private schools, and BHUs through chits issued to visiting patients. The imposition of both these taxes is within the District government mandates per schedule-II of LGO 2001. The federal government intervened and the tax on private schools had to be withdrawn, as it was viewed to be against the spirit of the government's policy to encourage private sector involvement in the education sector. The BHU chit fee charged @ Rs. 2 per patient has resulted in an income of Rs. 5,61,400/-.

## 6.2 Health Tax

While District governments have been authorized to impose a Health tax, the PCD government has so far not imposed it for want of clarity of the tax, and a hesitation to introduce additional taxation, particularly in a social sector.

The Health Department (HD) has collected Rs. 1.242 million during FY 2001-2002 from different health service outlets as Out-Patient Department (OPD) charges and X-rays/laboratory fees @ Rs. 2 and Rs. 35 per patient respectively. These are inadequate to cover the costs incurred for the services. An increase in OPD charges from Rs. 2/- to Rs. 4/- would generate an additional income of Rs. 1.12 million in the year of revision and a total of Rs. 6.19 million over five years. It is proposed that the additional revenue generated may be collected at the Basic Health Unit (BHU)/Rural Health Center (RHC) level, and used for the improvement of health services provided at the facility. A 10% waiver at the discretion of the local councilors for the very poor is proposed to be allowed.

All sellers of food items need to be brought under the registration and licensing rules of the HD. Currently HD does not have any powers to do so; they can check the quality of food items in the market but are to report malpractices to the concerned TMA, which is responsible to take action by imposing a fine through its magistrates. The HD officials were found to be disappointed with follow-up action of the TMAs, as cases are rarely pursued and the process is very slow. There is no mechanism to report action taken by the TMAs to the HD. It is felt that provision of magisterial powers to the HD officials would reduce red tape, and introduce efficiencies and additional revenues.

The revenue generated from licenses issued to health outlets, food manufacturers, suppliers etc., and renewal thereof should be left at the disposal of the HD for improving health services. No data is available on the food suppliers in the PCD, and only an estimated figure can be assumed. A conservative figure of 5000 food selling outlets at an average of Rs. 100 per unit per annum would generate Rs. 0.500 million additional revenue in the year of introduction and a total of Rs. 2.763 over five years. A system of fines for license violations could also be introduced, which would generate not only additional revenue, but also greatly contribute in enforcing health standards.

There are 1500 registered Chemists in PCD, paying Rs. 375/- in urban areas and Rs. 150/- in the rural areas as annual renewal fee to the provincial government. It is recommended that the

same amount of renewal fees be also collected for the HD of the PCD, to generate Rs. 0.495 million in the year of introduction and a total of Rs. 2.735 over five years.

There are a significant number of private hospitals, clinics, and laboratories operating in the PCD, that have the propensity to pay a fee. It is recommended that these businesses may be required to obtain a license and renew it annually. Due to lack of data the exact number of such businesses cannot be assessed at this stage. A license fee of Rs.10, 000 per annum for private hospitals, and Rs. 5, 000/- each for laboratories and clinics is proposed. Apart from being a source of revenue generation, registration of these businesses would also help discourage quackery in the District that has been identified as a serious problem during consultations with the City's stakeholders.

The proposed measures would generate a total of Rs. 2.12 million in the first year and Rs. 11.60 million over five years. It is proposed that revenue generated through introduction of these proposals should be allowed by the provincial government to be retained with the HD at the District level, to be utilized for improving health services in the District.

The GoNWFP has introduced Institution-Based Practice<sup>3</sup> (IBP) in all hospitals in the province. It has been a long outstanding proposal that BHUs and RHCs be also allowed to generate income on the basis of IBP. The opportunity for doctors to establish their private practice within the BHU/RHC premises after office hours would ensure availability of doctors, as well as generate income for the BHUs and RHCs to address problems of non-availability of funds for medicines and equipment repairs.

### **6.3 Tax on Vehicles other than Motor Vehicles**

Thousands of hand/horse/donkey carts are operating in the PCD that are not only creating traffic hazards, but also health hazards throughout the District. As no centralized licensing procedures have been introduced to date, the operations of these non-motorized vehicles provide illegal revenues for the traffic police. It is recommended that all carts operating in PCD be brought under legal licensing, which would not only generate revenue but also reduce traffic and health hazards. Assuming Rs. 200/- as license fee and Rs. 100/- as renewal fee per annum for 5000 carts (assumed figure; needs to be verified through a survey), would generate Rs. 0.5 million in the first year and Rs. 2.90 million over five years. (This revenue source has now been transferred to Towns under the amended schedule of taxes).

### **6.4 Local Rate on Lands Assessable to Land Revenue**

The District revenue department collects this tax in the PCD, at the rate of Rs. 2.00 per acre of irrigated, and Rs. 1.00 per acre of non-irrigated land per annum. Since the collections are deposited with the GoNWFP, the district government has not yet received revenues from this source. The transfer of this local rate to the District based on historic collections would provide Rs. 0.300 to Rs. 0.400 million per annum to the District.

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<sup>3</sup> Please refer to Health Sector Institutional Assessment for details.

## **6.5 Fees for Licenses issued by the District Government**

The District government has been authorized to issue a limited number of arms licenses. While revenue generation from this activity is negligible, one significant potential area identified is fuel and CNG filling stations, which are generating huge profits. The District government needs to collect data about the capacity and fix a reasonable fee for licensing and renewal of these outlets.

## **6.6 Toll on new Bridges and Roads**

(other than National/Provincial highways/roads)

The district and provincial governments have, in the recent past, initiated significant work on rehabilitation, widening, and repairs of roads. The DA has given approval for imposition of Toll tax on some of these roads by the CDMD, from which a revenue of Rs. 12.00 million is conservatively estimated for FY 2002-2003. A detailed assessment carried out by CDMD shows that a sum of Rs. 65.00 million would be collected per annum on the prevailing competitive rates applied by the Capital Development Authority, Islamabad, and Rs. 359.17 million over five years. In view of its huge revenue generation potential, it is recommended that the proposal be immediately implemented.

## **6.7 Terminal Fee**

PCD owns a number of bus and truck terminals, which are generating significant revenues. Revenue generated in the last five years shows a significant increase from only Rs. 7.07 million in the FY 1997-1998, to Rs. 23.09 million in the FY 1998-1999, Rs. 42.85 million in the FY 1999-2000, and Rs. 49.08 million in the FY 2000-2001. Due to the implementation of Devolution Plan in FY 2001-2002, the new LGs were unable to increase revenues from these sources, and contracts were renewed on previous year's terms and conditions. However, for FY 2002-2003, projected revenue from the terminals has been estimated at Rs. 65.45 million, an increase of 28% over the previous year. It is hoped that the same level of increase will be retained in the future, which would generate Rs. 574.64 million over five years.

Terminals are an important source of revenue generation for LGs, provided that these are properly planned, and related facilities efficiently provided. The GoNWFP, on behalf of the district government, has advertised for redesigning and reconstruction of the Peshawar General Bus Stand, which is projected to increase the current level of terminal fee by one and a half times after completion. The same is recommended for the TMAs for the other three smaller terminals. Furthermore, the competitive auction arrangements by the district government are expected to result in higher bids for these new terminals.

## **6.8 Rent of Properties**

Property rents include those from commercial set-ups, shops, and hotels located within the different bus/truck terminals. These were allotted years ago, and the present rents are far lower than market rates despite a 72% increase in FY 2000-2001. This was the result of intense

negotiations with traders and businessmen occupying these prime properties located in the heart of the city. The new agreement provides for a 25% increase after every three years per the Rent Laws. Receipts of rent from properties for the last five years were Rs. 15.87 million in the FY 1997-1998, Rs. 15.30 million in the FY 1998-1999, Rs. 19.21 million in the FY 1999-2000, and Rs. 21.81 million in the FY 2000-2001. The increase of 72% resulted in an increase of rents to Rs. 35.50 million in the FY 2001-2002, with Rs. 42.00 million estimated for the FY 2002-2003 showing a further increase of 20% over the previous year. Similarly, CDMD also has significant properties, which have generated Rs. 30.07 million in FY 2001-2002 and with a forecast of Rs. 35.00 million for the FY 2002-2003.

Assuming a 25% upward revision after every three years according to the prevailing rent laws, this revenue head would generate Rs. 456.63 million in the first five years for the District. The realization of rents on the new rates however, needs aggressive persuasion and follow-up.

**Towns demand income generating assets from the PCD Government**

Towns complain that the PCD Government has kept all the lucrative income generating assets for itself, and decentralized all subsidized services to the Towns. This is one of the main reasons that TMAs do not see themselves becoming self-sustaining. The main bone of contention is the Terminals and properties. The income from these was Rs. 120 million this year. The district distributes this income amongst the 12 devolved government departments at the District level.

## 6.9 Other Sources

**(a) Use of idle assets for commercial purposes / Lease of land:** The District government does not possess an updated data of assets to enable an analysis of efficient asset utilization. Such an exercise is strongly recommended for the defunct MCP, UTC, and PDA assets. Significant portions of the defunct DCs' immovable properties have been identified as being idle / under-utilized. There is 367 kanals of land that is either illegally occupied or is subject to continuing litigation. The PCD government needs to immediately take necessary steps for vacation of illegal occupants, as well as pursue ongoing cases in the courts of law for their early settlement.

Revenue from the lease of idle land, or from developing it for commercial purposes, have been assessed to be Rs. 1,250 per kanal per annum, on the assumption that these properties would be vacated on priority, and be immediately leased/rented. This conservative assumption would generate Rs. 2.52 million in the first five years for the District. However, a detailed feasibility will need to be undertaken for the effective utilization of these assets, based on their location, potential, and value.

**(b) Efficient implementation of Regi Model Town** is a key potential area for revenue generation, which if implemented according to plan, could generate huge resources in terms of cash and properties for the PCD. The existing management of the CDMD is committed to the task, and has re-commenced its physical implementation last year, which had remained dormant since 1989-1990. A rough estimate concludes that the project on completion would generate Rs. 3-4 billion in revenues. This additional revenue has not been considered in the final analysis, since it would not be available for the whole of PCD as was the case for Hayatabad Township.

**(c) Agriculture Extension (AE):** A review of the Agriculture sector services reveals that they have never been analyzed from the point of revenue generation. The Private Sector is actively engaged in Agriculture sector service delivery. According to the AE Department, 38 Nurseries, 42 Pesticide Dealers, 18 Fertilizers Dealers, and 7 Seed Dealers are operating in the PCD. It is proposed that Rs. 1,000 per annum be charged from these outlets to generate Rs. 0.07 million per annum and Rs. 0.40 million over five years for the Agriculture Department. This function is already covered under the Agriculture Act that has not been implemented so far.

**(d) Livestock and Dairy Development (LS&DD):** Licensing and license renewal for veterinary medicines, revision of present service charges at veterinary hospitals and centers, introduction of specialized service charges at vet hospitals and centers, and the provision of expert services in cattle fairs are areas with potential for revenue generation in LS&DD.

The GoNWFP charges a flat rate of Rs. 2 per animal for their treatment, and has given a target of Rs. 0.48 million to the LS&DD department for the FY 2002-2003. A similar charge could also be collected for the District government by increasing the chit fee to Rs. 4 per animal, thus generating an additional Rs. 0.48 million for PCD. Registration and renewal of approximately 100 veterinary medical stores @ Rs. 1,000 per annum would generate another Rs. 0.100 million. Veterinary camps in cattle fairs as per DO, LS&DD also have a potential to generate a minimum of Rs. 0.50 million per annum. These recommendations in all would generate Rs. 1.08 million in the year of introduction and Rs. 5.90 million over five years.

## 6.10 Seeking Special Allocations from the Provincial Government

**(a) Motor Vehicle Tax (MVT):** Vehicle registration, transfer, and token fee are being collected by GoNWFP as a provincial tax, and are then distributed through provincial transfers to the districts. About 50% of the vehicles in the province are registered in the PCD. Being the provincial capital, PCD roads are also being used by a large number of vehicles registered in other districts. Furthermore, all supplies to Afghanistan via the Torkham Border are routed through PCD, resulting in a further deterioration of its roads. The District therefore needs significant funds from provincial allocations for the maintenance and development of its roads. It is recommended that 50% of the vehicle registration, transfer, and token fees collected within PCD be transferred to PCD by GoNWFP, to enable the district to maintain and develop its road network.

Collection from vehicle related taxes during the last five years in PCD were:

	Rs. million				
	1997-98	1998-99	1999-00	2000-01	2001-02
Motor Vehicle Registrations & transfers	20.68	21.78	33.51	28.28	29.33
Motor Vehicle Token Tax	6.91	85.75	85.99	115.40	122.70
<b>Total</b>	<b>27.59</b>	<b>107.53</b>	<b>119.50</b>	<b>143.68</b>	<b>152.03</b>

MVT is charged on a flat rate per vehicle, and does not take road usage into account. It is therefore recommended that it be replaced by a fuel levy, which would not only ensure

collection efficiency at the time of fuel purchases, but also be a more rational charge, as greater road use would translate into payment of more tax. This is already under consideration by GoNWFP.

During last year, 44.02 million liters of gasoline and 250.72 million liters of HSD have been sold by the different companies in the PCD. If these companies were to charge an additional Rs. 0.60 and Rs. 1 per liter respectively for gasoline and HSD, it would generate revenues as follows:

	Rs. million				
	2003-04	2004-05	2005-06	2006-07	2007-08
Total expected collection	204.18	208.26	212.42	216.67	221.01
<b>Proposed share of PCD</b>	<b>102.09</b>	<b>104.13</b>	<b>106.21</b>	<b>108.34</b>	<b>110.50</b>

This assumes that the provincial/federal governments would agree with this proposal and GoNWFP would agree to transfer 50% of the collections to the PCD, based on the proportion of registered vehicles in it.

**(b) Professional Tax:** is presently being collected by two agencies - the provincial E&T department as Professional Tax, and the UCs (w.e.f. July 01, 2002) as Professional Fee. Professional tax collected by the provincial government is distributed amongst the districts under PFC Award. Government employees are presently paying professional tax at the rate of Rs. 500 per annum. Past collections in Peshawar have been Rs. 3.60 million in FY 1997-1998, Rs. 4.95 million in FY 1998-1999, Rs. 6.38 million in FY 1999-2000, Rs. 10.05 million in FY 2000-2001, and Rs. 15.47 million in FY 2001-2002.

As can be seen from the above figures, there has been a major increase in collections within the PCD in the recent past, despite the fact that it has not yet been introduced across the board. Increasing the tax base can significantly increase revenues from Professional tax. A 20% increase is projected in the collection of this tax based on the assumption that collections will be further improved, and shall be transferred to PCD by the E&T department. This revenue head could thus generate Rs. 18.56 million in first year and a total of Rs. 138.12 million over five years for the District. The current duality in the professional Tax/Fees also needs to be rationalized, and LGs be given the authority to impose, collect, and spend it.

## 7. Potential Sources of LRG at the Town Level

### 7.1 Octroi Grant

Octroi tax was the main source of revenue for the defunct MCP, and Zila Tax for the defunct DC until FY 1998-1999, when the federal government abolished these taxes and replaced them with transfers based on the historic OZT collections. Post-devolution, Octroi grant is to be transferred to the TMAs. An amount of Rs. 142.149 million were received as Octroi grant by PCD this year, out of which Rs. 21.32 million (15%) were released to Peshawar Cantonment Board, and the remaining Rs. 120.83 million distributed among the four Towns on the basis of the number of urban UCs located within that Town.

PCD has been adversely affected by abolition of Octroi, as significant business development has taken place here due to increased economic activities associated with events in Afghanistan. The federal government agreed in principal to increase GST by 2.5% and use the additional revenue generated for OZT replacement transfers. But the amount of Octroi replacement grant has remained the same, and the distributions of funds over those amounts are to be made through the NFC Award. Based on the figures of FY 2001-2002, it is expected that an additional Rs. 9000 million will be distributed to the districts, over the current releases of Rs.

14,000 million. This would translate into a transfer of Rs. 198.16 million in the first year, and with a 5% projected annual increase, in Rs. 1094.94 million over five years.

**Case Study: Attempt by TMA Town-2 to impose tax on movement of goods**

Town councilors of Town-2 proposed a cess on goods produced in the area such as Marble, Coca Cola, Sugar and Gur (unrefined brown sugar). The proposal for imposition of the tax was presented to the TC and duly approved, advertised through the local press, and a contract awarded on the basis of Rs.5 each per: bag of sugar, one-quintal marble, bag of Gur, and crate of Coca Cola. Total contract amount was Rs. 3.3 million. This increase in Tax was opposed by producers of the area, who met with the Secretary LG&RDD, and later went to Court. The tax had to be withdrawn at the next TC meeting. This is a case of the TMA staff not fully understanding the provisions of the LGO, and having re-introduced the Zila Tax that had recently been abolished.

**7.2 Local Tax on Services Provided**

None of the TMAs in Peshawar has so far made any extensive efforts to review the status of different services being offered by them, which could enable the identification of further areas of revenue generation. However, they have introduced fees for car parking, parks, street vending, public toilets, slaughterhouse etc. During consultations, TMAs recommended that a joint committee of the four towns be formed for the purpose of identifying for them services that would generate further revenues.

**7.3 Tax on Transfer of Immovable Property (TTIP)**

Towns are presently collecting this tax. Collections from this tax in the last 5 years, presented below, show a significant increase of 37.5% in 1998-99 and 43.5% in 1999-00, but a nominal increase of 3.6% in 2000-01 and a further 18.7% in 2001-02.

Financial Year	Tax Collected (Rupees)
1997-1998	11,879,366
1998-1999	16,341,710 (increase of 37.5%)
1999-2000	23,454,296 (increase of 43.5%)
2000-2001	24,242,428 (increase of 3.6%)
2001-2002	28,777,000 (increase of 18.7%)

Collection of TTIP is directly linked to the level of economic activities. A revision in the rates, and introduction of a charge on transfer of property through a Power of Attorney (on which there is presently no charge, and is serving as a loophole to avoid tax on actual transfers),

can generate additional revenues for the Towns. A 10% increase is assumed to be possible in the collection of this tax, based on the assumption that business opportunities would increase due to the reconstruction of Afghanistan, and result in an increase in the demand for properties in the PCD. Revenue generation of Rs. 226.32 million is projected over five years through this head.

#### **7.4 Urban Immovable Property Tax (UIPT)**

UIPT is assessed and collected by GoNWFP through the E&T department. The provincial government retains 15% as its share, and deducts 5% of the balance as collection charges of the E&T department. The balance is then released to district governments for onward release to TMAs.

In 1997-1998, a survey was conducted by the E&T department in collaboration with Pakistan Revenue Automation Limited (PRAL), for the assessment of those residential and commercial properties which are subject to payment of UIPT. In addition to the survey, the basis of the UIPT assessments was also changed from Annual Rental Value (ARV) basis to flat rates. Uniform flat rates were fixed for residential areas, whereas commercial areas were categorized (A, B & C) with different flat rates. This resulted in a significant increase in revenue, since it reduced the discretion of collection staff to determine property values. Collections from UIPT in the last five years show an increase of 293.23% in the 2001-02 from the base year of 1997-98.

<b>Financial Year</b>	<b>UIPT Collected (Rupees)</b>
1997-1998	35,400,552
1998-1999	54,167,301 (increase of 53%)
1999-2000	81,075,125 (increase of 50%)
2000-2001	92,550,105 (increase of 14%)
2001-2002	103,806,618 (increase of 12%)

There is a substantial increase in UIPT collection (53% and 50% respectively) over the 1998-99 and 1999-2000 period. This increase has been mainly due to a decision by the government to focus on revenue enhancement, and a shift to flat rates. In the subsequent years, this performance has slowed down significantly. The national census of 1998 reveals that there are a total of 102,467 residential units in the urban areas, whereas the E&T department records show 81,000 households including 2,186 units falling under the exemption limit of UIPT, leading to a difference of 21,467 households. Assuming that 10,000 houses are in the Cantonment Board area where the Board itself collects the tax, there is still a difference of 11,467 units, indicating that 11% of the households are not yet being taxed.

Effective FY 2002-2003, UIPT assessment procedures have again been changed back from flat rates to ARV, with different rates and depreciation allowance for residential and commercial properties. Based on the historical trends of collections, and assuming that UIPT will continue to be collected by the provincial government, a 15% growth has been projected for future



collections. The analysis given below shows that future revenue under this assumption would grow by about 5% in real terms.

**(a) Devolution of UIPT Assessment and Collection to TMAs:** UIPT is a key tax stream which can be relied upon by TMAs for sustainable self-financing. Assessment and collection of UIPT has not yet been devolved to TMAs, even though specifically provided for under the LGO, under the pretext that LGs do not have the capacity to handle this responsibility. The province argues that it has the statistical data available as well as tax collection staff who are collecting other revenues such as property rents, utility charges etc. on behalf of the TMAs. They are capable of collecting the UIPT more efficiently. The TMAs are of the strong opinion that the present level of tax collection could increase threefold in three to four years by introducing transparency and aligning incentives. Assuming that the 11% households currently not paying UIPT are brought under the net, this would generate an additional Rs. 11.53 million revenue for the PCD.

**(b) Extension of UIPT to Bara Market:** Bara Market was initially established inside the Khyber Agency, but is now a part of the settled area. The defunct MCP had extended building control regulations but not the UIPT to Bara Market, which consists of approximately 5,000 trading units. An average of Rs. 1,000 per unit per annum would generate an additional Rs. 5.00 million revenue. After 19.25% deduction as the provincial share, Rs. 4.04 million additional revenue could still be generated for PCD.

**(c) Extension of UIPT to selected Rural Communities:** There is tremendous pressure on the TMAs for providing MS in the rural areas with the urban-rural divide removed post-devolution. The present levels of funds available to the predominantly rural TMAs are insufficient to allow the TMAs to extend MS to these areas. It is therefore recommended that those rural communities who are keen for municipal service coverage, and are in turn willing to pay UIPT be declared rating areas. From the tax potential perspective, if 10% rural households are assumed to pay UIPT (62,000 based on the 1998 population census, and a 2.56% growth since then), at a minimum rate of Rs. 2,000 per annum it could generate Rs. 12.40 million for PCD per annum. This is based on the following assumptions:

- 15 % increase due to re-assessments,
- improved efficiency in tax collections,
- inclusion of 11% additional households in the tax net, and
- an increase of 15% per annum in the tax rate.

All the above recommendations together when implemented would generate a total of Rs. 147.38 million in the first five year and Rs. 1,159.70 million for the district over five years.

## **7.5 Fee on Advertisements (other than on radio, television, & billboards)**

A potential area of revenue generation is the collection fee/charges for signboards, banners, and other types of advertisement. During FY 2001-2002, Rs. 0.06 million was collected through

Neon Sign Boards, with a forecast of Rs. 0.51 million for FY 2002-2003. CDMD collected Rs. 0.49 million for FY 2001-2002 for advertisements along the N-5 Highway (Grand Trunk road), and has further forecasted Rs. 2.10 million for FY 2002-2003. A huge potential is thus available under this head to generate significant revenues.

### **7.6 Fee on Public Events**

**(fairs, agriculture shows, industrial exhibitions, tournaments etc.)**

These are high revenue generating sources with little expenditures required, and the TMAs could generate significant revenues by holding these events more frequently. (e.g. Town-I generated Rs. 3.36 million from a cultural show arranged during FY 2001-2002).

### **7.7 Fee for Approval of Building Plans, Erection & Re-erection of Buildings**

Plan approval fee is collected at a flat rate of Rs. 3 & Rs. 5 per s.ft. for residential and commercial buildings respectively, at the time of approval of the plan. A comparison of the flat rate with the cost of building shows that the approval fee ranges from 0.50% to 1% of the construction cost for different buildings. It is recommended that 1.5% of the cost of residential buildings (including land cost) and 2.5% of the cost of commercial buildings (including land cost) may be collected by the TMAs. The cost of construction could be estimated at market rates, or for the purpose of simplicity, the government approved Schedule of Rates can be used.

**Potential for increasing revenues by introducing Building Control in rural areas:**

In district Swabi that is mostly rural, Building Control has been introduced across the board at a flat rate of Rs. 1 per s.ft. for all buildings. The logic behind the low tax rate is that people in Swabi have never paid any Building Control charges and neither have they been given any benefits. Therefore, they have to first get used to paying this tax and be convinced of its pay-offs, before the rate can be increased.

Assuming that the recommendations are effective from FY 2003-2004; the present level of fee would be increased by 100% for that year, along with subsequent increases of 5% per annum for future. This would generate Rs. 29.60 million in the FY 2003-2004 and a total of Rs. 163.56 million over five years for the TMAs.

### **7.8 Fee for Licenses/Permits & Penalties/Fines for Violations**

TMAs are currently generating revenue from issuing and renewing licenses for food, drinks, and dangerous/offensive trades including manufacture of fireworks. During FY 2001-2002, Rs. 0.28 million were collected through issue of licenses for food and drinks, and Rs. 0.24 million for issue of licenses for dangerous/offensive trades. These have a higher revenue potential, keeping in view their volume of business in the PCD. Efforts are therefore required to enforce the renewal of licenses on yearly basis and the rationalization of the present fee structure, which has not been revised since 1997.

### **7.9 Execution & Maintenance of Public Works**

TMAs are responsible for the provision of all MS including water supply, sanitation, drainage, and street lighting. The statistics for FYs 1997-1998 to 2000-2001 show that MCP, PDA, and

UTC were spending an average of Rs. 287.63 million (69% of the total revenue) on the provision of water supply, sanitation, and street lighting, whereas recoveries from user charges of these services were only Rs. 40.95 million (14.24% of the cost). The balance of Rs. 246.68 million was being met from other revenue sources (octroi, property and bus terminal rents, cattle fairs, etc.) During FY 2001-2002, TMAs have collected Rs. 42.69 million for the first ten months against service charges, which shows that no efforts have been made to increase recoveries. Some of the recommendations for increasing revenues from the provision of these services are presented below:

**(a) Water supply:** In the PCD, drinking water is supplied through deep-water tube wells, hand pumps, house wells, and from the Bara River. Over 95 % of water is supplied from the ground aquifer, while 5 % water is supplied from the Bara River. MCP, UTC, and PDA were supplying water through deep-water tube wells to the urban population, and PHED was doing the same for the rural population of the PCD. Except for deep-water tube wells, currently no charges are made for supply of drinking water from other sources.

An analysis of pre-devolution costs of O&M from water supply and their recovery in the PCD shows that Rs. 161.32 million were spent on drinking water supply in the urban areas during FY 1999-2000, of which only Rs. 38.83 million were recovered as water charges showing a gap of Rs. 122.48 million. The average recovery rate was 20%. In the rural areas, an average of Rs. 41.087 million were spent on water supply against which only Rs. 2.4 million were recovered i.e., 5.84 % of the cost. A further analysis shows that O&M recovery for MCP was 17.46 %, for PDA 28.52 %, and for UTC 85.35%. UTC had the best-cost recovery since it served a posh locality with a smaller area to manage, followed by PDA for Hayatabad Township, which also has residents with higher income levels compared to other parts of Peshawar.

**Collection of user charges through Private Sector:**

Town-I of the PCD consists of all urban UCs that have privatized revenue collection from water supply and sanitation for FY 2001-2002, and the arrears prior to FY 2001-2002. This is a step in the right direction, but the contract award has been on the basis of previous collections by the defunct MCP. No effort was made on projecting the potential of generating additional revenues through improved collections and regularizing illegal connections. Such an analysis prior to awarding the contract could have significantly increased the ratio of recovery against the costs of providing the services.

Major reasons for low recoveries against O&M cost were illegal water connections (mainly for MCP and PHED), unpaid water charges (MCP Rs. 42.08 million, PDA Rs. 5.8 million, and PHED Rs. 39.23 million), weak financial management systems, low willingness to pay due to inefficient service provision, leakages in the distribution system, and non-revision of water supply charges especially by MCP and PHED.

In addition to strengthening the billing and collection systems, constant revision of water supply charges based on inflation, and surveys to net illegal connections are essential for improved cost recovery. Involvement of UCs at the grassroot level is a strength under the new system that ought to be tapped to improve revenue collection. Increasing cost recoveries through upward revision of the existing service charges would require improvement in the

service delivery. The existing distribution system requires major rehabilitation, for which substantial additional investments are required. The rehabilitation investments would in turn significantly reduce line losses, leading to reduced operational costs of the deep well water supply systems. A detailed feasibility study will be needed for this purpose.

The defunct MCP had fixed water rates at Rs. 60 per connection per month since 1997. TMAs are considering a revision of these charges from July 01, 2002 to Rs. 80 per month, which again would not be sufficient to fully cover the O&M cost of water supply. It is proposed that these rates for now be enhanced to Rs. 100 per month per connection. However, for the purpose of this analysis, Rs. 80 per month per connection has been taken for FY 2002-2003, with a projection of 20% increase per annum. The revision is necessary to offset the costs, which for 1997-1998 was Rs. 215 per connection. Moreover, illegal connections need to be brought into the net. An average of 5,000 additional legalized connections per year over a 5 year period has been considered to be a realistic assumption.

A MS sector policy is required to determine the policy on subsidy and the optimum levels of cost recovery required. As per details obtained from WAPDA, there are 1,410 tube well connections in the PCD, of which 430 tube wells are for drinking water supply, whereas the remaining 980 are providing water to agriculture, industrial, and commercial sectors. As these tube wells are also using up the PCD ground aquifer and affecting O&M costs of the public sector tube wells, PCD should recover a ground aquifer charge on them. A charge of Rs. 2,500 per tube well per annum would generate additional revenue for the PCD amounting to Rs. 2.45 million, which has been reflected in the analysis.

Moreover, 7,149 households in the urban areas and 52,754 households in the rural areas are using PCD ground water aquifer through the wells dug inside their premises. It is proposed that a charge of Rs. 60 per monthly per household be imposed, with a 25% increase every three years. This would generate Rs. 3.594 million during the first three years and Rs. 4.493 million in the subsequent three. Based on the above assumptions, the projected revenue from water supply is:

		Rs. million				
		2003-04	2004-05	2005-06	2006-07	2007-08
<b>Piped supply</b>	No of connections	57,720	62,720	67,720	67,720	67,720
	Charges / connection / month	80	96	115	138	166
	Expected receipts	55.41	72.25	93.62	112.34	134.81
<b>Tube wells</b>	No. of private deep-water wells	980	980	980	980	980
	Charges / well / month	2,500	2,625	2,756	2,894	3,039
	Expected receipts	2.45	2.57	2.70	2.84	2.98
<b>Own Dug wells</b>	No of households	59,903	59,903	59,903	59,903	59,903
	Charges / well / month	60	60	60	75	75
	Expected receipts	3.59	3.59	3.59	4.49	4.49
<b>Total</b>	<b>Expected receipts from water supply</b>	<b>61.46</b>	<b>78.42</b>	<b>99.91</b>	<b>119.67</b>	<b>142.28</b>

**(b) Sanitation:** Accurate data is not available on the solid waste generation, its collection and disposal. However, according to estimates by IUCN, about 500 metric tons of solid waste is generated in the PCD on a daily basis. Out of this, 75% is collected and disposed off at disposal sites that are close to residential and commercial areas creating serious health hazard due to their proximity, while 25% of the solid waste is accumulated within the PCD.

Only 7.5% of the PCD households have access to a sewerage system whereas 45% of the households have no latrine facilities. Open drains discharge much of the sewage and wastewater from a majority of neighborhoods within the PCD. A significant part of the sewage/wastewater generated in the urban areas, flows into surrounding rural areas, and is being used untreated for agriculture purposes creating further health hazards.

Analysis of the historical expenditure patterns on sanitation services shows an annual spending of Rs. 78.07 million, against which only Rs. 7.55 million was collected. To increase revenue from this service, establishing a database of beneficiaries, strengthening billing and collection systems, and constantly revising the sanitation charges are recommended. In addition to these measures, separate charges for solid waste collection and disposal, and sewerage/drainage should also be considered. Similarly, the possibility of private sector involvement in collection and disposal of solid waste needs to be considered in the long run, to reduce the ultimate financial burden of the huge labor force employed by PCD for this purpose, costing Rs. 89.26 million per annum.

According to 1998 census, there are 109,515 residential units and 58,000 commercial units under the jurisdictions of defunct MCP, PDA, and UTC. Around 17,500 units are connected to the main sewerage system of the PCD. Projected revenue from sanitation services are computed on the basis of Rs. 20 per month per unit as solid waste collection and disposal charge, Rs. 30 per month per connection as sewerage connection charge, and Rs. 5 per month each for those households who are not connected to a sewerage system and discharge their wastewater into the open drains of the PCD.

	Rs. million				
	2003-04	2004-05	2005-06	2006-07	2007-08
No of households	109,515	109,515	109,515	109,515	109,515
Sanitation charges per month	20.00	21.00	22.05	23.15	24.31
Expected revenue	26.28	27.60	28.98	30.43	31.95
No of commercial units	58,000	58,000	58,000	58,000	58,000
Sanitation charges per month	20.00	21.00	22.05	23.15	24.31
Expected revenue	13.92	14.62	15.35	16.11	16.92
No of household connected to main sewerage system	17,500	17,500	17,500	17,500	17,500
Sewerage charges per month	30.00	31.50	33.08	34.73	36.47
Expected revenue from sewerage	6.300	6.615	6.946	7.293	7.658
No of household using open drains	92,015	92,015	92,015	92,015	92,015
Drainage maintenance charges per annum	5.00	5.25	5.51	5.79	6.08
Expected revenue	5.52	5.80	6.09	6.39	6.71
<b>Expected receipts from sanitation</b>	<b>52.03</b>	<b>54.63</b>	<b>57.36</b>	<b>60.23</b>	<b>63.24</b>

### 7.10 Fee on Entertainment (cinemas, theatrical shows, etc.)

TMAAs have not yet initiated the assessment and revenue collection from these sources, which are certain to generate substantial revenues especially for Town - I.

## 8. Potential Sources of LRG at the Union Level

Union is the most important tier of the LG System at the grassroot level, which has been assigned significant responsibilities of socio-economic data collection and its regular up-dation, development planning, and close coordination with other LG tiers. To provide immediate financial assistance to UCs, 90% of the Zilla Tax Grant (of a total of Rs. 78.82 million) is transferred to UCs, and the staff salaries are paid from provincial funds. However, more resources are required for delivery of services. The following potential avenues authorized to UCs need to be explored for revenue generation.

#### Low capacities at the Union Level.

At the Union Level, the UA has one Secretary in BPS-15 and one Naib Qasid. It is mainly due to this low capacity and lack of procedures that there is no system of accounting at the Union Level.

The Nazim of one UC in Town-2 carries a chequebook in his pocket, and issues cheques to contractors on the spot. In one instance the cost of a scheme was Rs. 0.2 million, and the cheque issued was above this cost. Another contractor who was awarded two contracts was given one payment against both the works. Nazims do not consult any technical staff at the time of award of contract or floating tenders, as there is no technical staff available at the Union Level, even though under the devolution plan all small works are to be done at the UC level.

### 8.1 Fees for licensing of Professions and Vocations

The defunct MCP was collecting this fee from the businesses/ professions operating in its jurisdiction. Post- devolution, the TMAs collected this fee for FY 2001-2002, whereas per the LGO the collection of this fee has been devolved to the UCs. There is still significant potential, which may be tapped by the UCs through better coverage. However, some of the urban UCs may need the support of additional staff from the district or town levels. Collections over the last 5 years have been as follows:

Financial Year	Fee Collected (Rupees)
1997-1998	Rs. 571,828 (collected by MCP)
1998-1999	Rs. 1,205,705 (collected by MCP)
1999-2000	Rs. 3,550,727 (collected by MCP)
2000-2001	Rs. 3,099,305 (collected by MCP)
2001-2002	Rs. 4,977,000 (collected by TMAs)

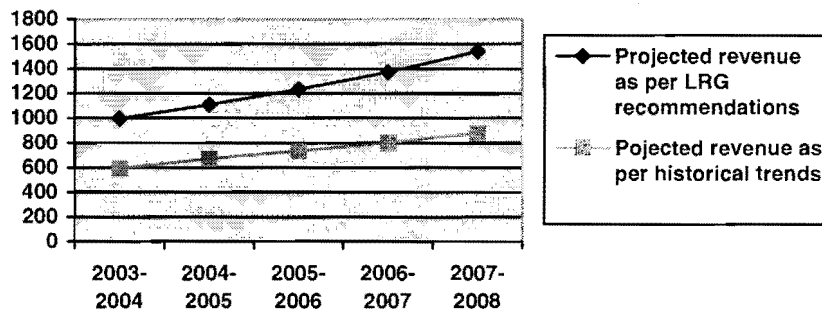
## 8.2 Fee on Sale of Animals in Cattle Markets

Presently, TMAs are organizing the auctions to contract out holding of cattle fairs at a particular venue. The contractor charges his own fee at the time of sale of animals, without paying any to the UAs. The UAs, in whose jurisdiction these cattle fairs are being held, could negotiate a reasonable percentage of fees collected by the contractor as a means of generating its own revenue. Moreover, the authority to hold the auction needs to be devolved from the TMAs to the UAs, per the LGO.

## 9. Annexes

### Annex – I

Projected Revenues



Summary of Projected Revenues (including LRG Recommendations) <sup>4</sup>

Sr. No	Revenue Sources	2003-04	2004-05	2005-06	2006-07	2007-08	Total in five years
<b>District level</b>							
1.	Education Tax	0.483	0.507	0.533	0.559	0.587	<b>2.669</b>
2.	Health Tax	2.115	2.221	2.322	2.448	2.448	<b>11.554</b>
3.	Toll on Roads/Bridges	65.000	68.250	71.663	75.246	79.008	<b>359.166</b>
4.	Terminal Fee	78.040	93.148	111.278	133.033	159.140	<b>574.638</b>
5.	Rent/Leases of Properties	78.398	90.053	94.294	96.023	97.861	<b>456.629</b>
6.	Agriculture Extension	0.073	0.077	0.080	0.085	0.089	<b>0.403</b>
7.	Livestock and Diary Development	1.080	1.134	1.191	1.250	1.250	<b>5.905</b>
8.	Share of Fuel Levy from GoNWFP	102.088	104.130	106.212	108.337	110.503	<b>531.270</b>
9.	Professional Tax	18.560	22.272	26.726	32.072	38.486	<b>138.116</b>
10.	Share of Zilla Tax Grant	12.926	13.573	14.251	14.964	15.712	<b>71.427</b>
11.	Building Control/ Advertisement (GT Road)	8.320	8.736	9.173	9.631	10.113	<b>45.973</b>
12.	Overheads on Provincial Works	12.600	13.230	13.892	14.586	15.315	<b>69.623</b>
13.	Fee from operation of Schools/Colleges	17.997	18.897	19.842	20.834	21.875	<b>99.445</b>
14.	Interest on Deposits	34.700	39.875	45.826	52.670	60.541	<b>233.612</b>
15.	Miscellaneous income	5.746	6.033	6.335	6.651	6.984	<b>31.748</b>
<b>Sub total</b>		<b>438.126</b>	<b>482.135</b>	<b>523.617</b>	<b>568.388</b>	<b>619.913</b>	<b>2,012.266</b>
<b>Town level</b>							
1.	Share in Octroi Grant	198.156	208.064	218.467	229.390	240.860	1,094.937
2.	Urban Immovable Property Tax (UIPT)	147.377	178.999	219.850	272.636	340.838	1,159.699
3.	Tax on transfer of Immovable Properties (TTIP)	37.070	40.777	44.855	49.340	54.274	226.316
4.	Building Control	29.600	31.080	32.634	34.266	35.979	163.559
5.	Water Rates	61.455	78.420	99.911	119.668	142.278	501.733
6.	Sanitation Charges	52.025	54.626	57.354	60.222	63.239	287.465
7.	Vehicle (non-motorized)	0.525	0.551	0.579	0.608	0.638	2.901
8.	Licenses, Fairs, and Other Fees	16.799	17.639	18.521	19.447	20.419	92.825
9.	Miscellaneous Income	14.854	15.709	16.619	17.586	18.616	83.384
<b>Sub total</b>		<b>557.861</b>	<b>625.865</b>	<b>708.790</b>	<b>803.163</b>	<b>917.140</b>	<b>3,612.819</b>
<b>Total</b>		<b>995.987</b>	<b>1,108.000</b>	<b>1,232.407</b>	<b>1,371.551</b>	<b>1,537.053</b>	<b>5,625.085</b>

<sup>4</sup> Revenue sources, other than those with LRG recommendations, have been projected per historic trends.



**PESHAWAR CITY DISTRICT  
CONSOLIDATED REVENUE AND EXPENDITURE**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2003-04 to 2007-08
<b>REVENUES</b>								
Transfers from Federal/Provincial Governments	1,250.411	1,431.931	1,632.401	1,860.938	2,121.469	2,418.474	2,757.061	10,790.34
<b>Local Revenue</b>								
District level								
District Local Fund	102.861	136.481	277.099	309.848	336.471	367.648	404.191	1,695.26
CDMD	113.923	132.082	161.027	172.287	187.146	200.740	215.722	936.92
	216.784	268.563	438.126	482.135	523.617	568.388	619.913	2,632.18
Town level	229.733	325.265	557.861	625.865	708.790	803.163	917.140	3,612.82
Sub-total of Local Revenue	446.516	593.828	995.987	1,108.000	1,232.406	1,371.552	1,537.053	6,245.00
<b>Total Revenues</b>	<b>1,696.927</b>	<b>2,025.759</b>	<b>2,628.388</b>	<b>2,968.937</b>	<b>3,353.875</b>	<b>3,790.026</b>	<b>4,294.114</b>	<b>17,035.34</b>
<b>EXPENDITURES</b>								
Non-Development paid through Federal/Provincial Transfers								
Salaries and Wages	950.017	1,096.490	1,151.315	1,208.881	1,269.325	1,332.791	1,399.430	6,361.74
Other Non-Development Expenditures	79.104	61.898	76.577	92.685	110.335	129.648	150.755	560.00
	1,029.121	1,158.388	1,227.892	1,301.566	1,379.660	1,462.439	1,550.185	6,921.74
Non-Development paid through Local Resources								
Salaries and Wages	209.278	* 269.445	278.358	287.728	297.578	307.931	318.814	1,490.41
Other Non-Development Expenditures	94.886	237.504	263.504	257.453	251.672	258.674	205.972	1,237.27
	304.164	506.949	541.861	545.180	549.249	566.605	524.786	2,727.68
Sub-total of Non-Development	1,333.285	1,665.337	1,769.753	1,846.746	1,928.909	2,029.044	2,074.971	8,498.11
Essential M & R requirements **	-	-	83.000	87.150	91.508	96.083	100.887	458.63
Liability of Asian Development Bank	-	-	175.471	49.656	48.359	47.062	45.765	366.31
Sub-total of Non-Development and Liabilities	1,333.285	1,665.337	1,928.224	1,983.552	2,068.776	2,172.189	2,221.623	9,323.05
<b>SURPLUS/(DEFICIT) FOR DEVELOPMENT</b>								
From Federal/Provincial Transfers	221.290	273.543	404.510	559.372	741.809	956.036	1,206.875	3,868.60
From Local Revenues	142.35	86.88	195.65	426.01	543.29	661.80	865.62	2,692.37
<b>Total</b>	<b>363.642</b>	<b>360.421</b>	<b>600.164</b>	<b>985.385</b>	<b>1,285.100</b>	<b>1,617.837</b>	<b>2,072.491</b>	<b>6,560.98</b>

\* The Salary and Wages head for FY '02-'03 (paid from local resources) shows a substantial increase. This is due to approximately 3,500 employees being transferred to the 4 PCD towns in that year.

\*\* The PCD road network and water supply system are in need of substantial rehabilitation due to a backlog of regular maintenance over the past many years. Projections for essential M&R have the following basis:

- Roads - Rs. 20,000 for metalled and Rs. 15,000 for non-metalled road per km annually.
- Water supply- Rs. 0.1 million per deep well per annum.

**PESHAWAR CITY DISTRICT  
NON-DEVELOPMENT AND DEVELOPMENT EXPENDITURES FINANCED BY GoNWFP**

	Financial Year 2001-02			Financial Year 2002-03		
	Salaries and Related Benefits	Other Expenditures	Total	Salaries and Related Benefits	Other Expenditures	Total
<b>FEDERAL/PROVINCIAL TRANSFER</b>	950.017	300.394	1,250.411	1,096.490	335.441	1,431.931
<b>Non-Development Expenditures</b>						
Education	665.891	9.545	675.436	774.029	6.954	780.983
Health	73.481	20.743	94.224	85.347	16.506	101.853
Works and Services	86.406	32.463	118.869	96.577	25.863	122.440
Agriculture	24.551	1.742	26.293	24.876	1.954	26.830
Excise and Taxation Department	8.846	0.787	9.632	15.392	0.913	16.305
Industries and Technical Education	47.488	3.881	51.369	56.567	3.314	59.880
Community Development	14.007	3.436	17.443	15.937	3.545	19.481
Local Government	7.145	0.230	7.375	8.471	0.333	8.804
District Co-ordination Officer	2.077	2.584	4.661	2.309	0.615	2.923
Civil Defense	1.173	0.091	1.264	1.273	0.090	1.363
Finance	1.904	0.271	2.175	2.742	0.258	3.000
Planning & Development	0.685	0.314	0.999	0.903	0.206	1.109
Revenue	9.662	2.875	12.537	11.770	1.316	13.086
Magistracy	6.505	0.133	6.639	-	-	-
Sports & Culture	0.197	0.009	0.206	0.299	0.033	0.332
	950.017	79.104	1,029.121	1,096.490	61.898	1,158.388
<b>Development Expenditures</b>						
M & R of the roads and buildings	-	10.000	10.000	-	15.000	15.000
Social Action Program	-	39.196	39.196	-	26.27	26.266
Khushai Pakistan Program	-	150.000	150.000	-	128.50	128.497
Education Sector Reform	-	12.003	12.003	-	10.12	10.123
President Program	-	10.091	10.091	-	8.53	8.528
Annual Development Program	-	-	-	-	85.13	85.129
	-	221.290	221.290	-	273.543	273.543
<b>Total</b>	<b>950.017</b>	<b>300.394</b>	<b>1,250.411</b>	<b>1,096.490</b>	<b>335.441</b>	<b>1,431.931</b>

**PESHAWAR CITY DISTRICT**  
**NON-DEVELOPMENT EXPENDITURES FINANCED BY GoNWFP FOR THE YEAR 2001-02**

	No of Employee	Basic Pay of Officers	Basic Pay of Other Staff	Regular Allowances	Other Allowances	Total Establishment	Purchase/ Repairs of Durables	Comm. & Services	Others	Total Contingencies	TOTAL
<b>Education</b>											
Education (EDO Secondary)	44	1,028,100	1,005,100	836,400	66,900	2,937	60,900	274,900	-	0.336	3,272
Education (EDO Primary)	38	809,000	1,163,900	884,100	114,000	2,971	53,000	442,000	-	0.495	3,466
Education (ODO Primary)	46	2,071,900	1,232,800	1,092,200	80,000	4,476	21,000	245,000	-	0.266	4,742
Government College ( Male)	339	21,769,900	4,562,500	8,550,800	1,439,000	36,322	683,000	891,900	-	1.575	37,897
Government College ( Female)	225	13,530,000	2,618,500	5,378,900	418,400	21,899	4,500	775,800	-	0.780	22,676
Govt. S. School (Male)	2082	36,610,400	63,755,100	37,286,700	1,831,200	139,485	89,800	2,104,600	-	2.194	141,679
Govt. S. School (Female)	1023	22,357,200	27,885,300	19,612,000	614,800	79,469	35,000	1,011,900	-	1.047	71,516
Govt. Middle School (Male)	841	6,927,000	29,238,000	14,728,000	462,000	51,355	-	524,000	-	0.524	51,879
Govt. Middle School (Female)	624	2,778,000	18,312,000	9,043,000	96,000	30,229	2,200	408,800	-	0.411	30,640
Govt. Primary School (Male)	3810	136,300	138,938,000	53,853,000	1,128,000	194,055	-	1,113,000	-	1.113	195,168
Govt. Primary School (Female)	2266	487,000	78,549,000	32,143,000	517,000	111,696	-	804,000	-	0.804	112,500
	11338	108,504	367,260	183,360	6,767	665,891	0,949	8,596	-	9,545	675,436
<b>Health</b>											
District Health Services Peshawar	35	751,800	890,900	793,600	30,000	2,466	95,000	504,500	-	0.600	3,066
District Health Services (Malaria)	52	-	1,782,400	917,000	284,000	2,983	2,000	58,137	-	0.060	3,044
District Health Services (EPI)	122	162,900	4,753,600	2,128,600	80,000	7,125	20,000	99,000	-	0.119	7,244
D.H.O. Peshawar	78	1,025,900	1,694,500	1,349,700	90,000	4,160	230,000	399,200	975,000	1.604	5,764
Maternity Hospital	69	1,415,000	1,783,100	1,726,300	238,000	5,162	46,000	811,400	990,000	1.847	7,010
Children Infection Disease Peshawar	102	2,596,600	2,973,700	2,276,900	84,000	7,931	140,000	1,460,100	3,240,000	4.840	12,771
District T.B. Control Center	29	597,100	672,700	427,700	199,600	2,097	11,000	121,000	3,741,000	3.873	5,970
Rural Health Center	121	3,800,100	2,795,200	1,421,400	90,000	8,107	50,000	975,100	600,000	1.625	9,732
Basic Health Units	394	3,572,900	9,287,800	6,056,500	255,000	19,172	40,000	814,900	2,726,000	3.581	22,753
Dispensaries (DHO)	169	3,372,000	4,275,700	3,129,900	130,000	10,899	30,000	629,000	1,530,000	2.189	13,088
Mother & Child Care	22	-	744,000	348,000	15,000	1,107	10,000	160,200	99,000	0.269	1,376
Preventive Health	31	-	1,071,900	505,600	47,000	1,625	-	16,000	78,000	0.094	1,719
Drug Control	8	-	186,500	171,000	8,000	0,366	-	41,000	-	0.041	0,407
Medical Officer M.C.P	2	200,000	-	79,000	2,000	0,281	-	-	-	-	0,281
	1234	17,494	33,112	21,322	1,553	73,481	0,674	6,090	13,979	20,743	94,224
<b>Agriculture</b>											
Agriculture Extension	171	2,106,300	5,558,200	2,712,600	310,000	10,687	92,000	196,000	30,000	0.318	11,005
Agriculture Engineering	8	-	287,900	100,400	30,000	0,418	100,000	150,000	-	0.250	0,668
On Farm Water Management	14	218,900	382,000	285,300	30,000	0,916	30,000	79,700	-	0.110	1,026
Soil Conservation	13	250,100	362,200	193,700	39,500	0,846	10,000	46,000	100,000	0.156	1,002
Live Stock & Dairy	130	1,152,600	4,457,200	2,151,600	196,600	7,958	59,000	490,300	161,100	0.710	8,668
Forestry	18	91,900	675,900	320,600	-	1,088	-	58,100	-	0.058	1,147
Wild Life	4	-	112,800	55,900	-	0,169	-	-	-	-	0,169
Co-operatives	30	82,500	1,123,100	493,600	15,000	1,714	2,000	69,000	-	0.071	1,785
Fisheries	13	137,200	336,800	225,400	55,600	0,755	2,500	66,400	-	0.069	0,824
	401	4,040	13,296	6,539	0,677	24,551	0,296	1,156	0,291	1,742	26,293
<b>Works &amp; Services</b>											
Works & services	1470	2,028,700	44,954,400	23,112,300	650,000	70,745	230,000	1,509,000	-	1,739	72,484
PHED	376	473,700	9,955,700	5,032,800	198,600	15,661	2,232,500	491,500	28,000,000	30,724	46,385
PHED Town No (i)	-	-	-	-	-	-	-	-	-	-	-
PHED Town No (ii)	-	-	-	-	-	-	-	-	-	-	-
PHED Town No (iv)	-	-	-	-	-	-	-	-	-	-	-
	1846	2,502	54,910	28,145	0,849	86,406	2,463	2,001	28,000	32,463	118,869
<b>Provincial Excise</b>											
Provincial Excise ( i )	64	158,300	2,157,500	1,028,000	52,900	3,397	20,000	71,000	-	0.091	3,488
Provincial Excise ( ii )	108	191,500	1,863,600	961,400	40,300	3,057	12,000	391,000	-	0.403	3,460
Provincial Excise ( iii )	19	99,600	900,800	392,800	62,700	1,456	-	206,700	-	0.207	1,663
Provincial Excise ( iv )	33	95,000	559,300	281,800	-	0,936	-	86,000	-	0,086	1,022
	224	0,544	5,481	2,664	0,156	8,846	0,032	0,755	-	0,787	9,632
<b>Industries</b>											
Industrial Development Officer	7	66,400	234,000	144,700	5,700	0,451	1,500	79,600	-	0,081	0,532
RTA, Peshawar	14	112,100	529,300	261,300	16,000	0,919	-	277,500	-	0,278	1,196
Man Power and Training	149	3,141,900	5,036,100	2,690,200	290,000	11,158	75,000	1,615,000	-	1,690	12,848
Government Technical Institute	324	12,748,800	6,871,600	6,643,700	830,000	27,094	59,000	898,100	409,000	1,366	28,640
Government Commerce College	65	3,443,100	1,268,900	1,656,300	237,300	6,606	16,600	223,600	6,000	0,246	6,852
Government Vocational Institute	20	95,000	742,000	350,100	73,500	1,261	12,000	208,100	-	0,220	1,481
	579	19,607	14,682	11,746	1,453	47,488	0,164	3,302	0,415	3,881	51,369
<b>Community Development</b>											
Social Welfare	47	620,000	1,265,100	962,200	119,000	2,966	90,000	297,100	770,000	1,157	4,123
Labor Welfare	20	336,300	620,000	253,800	21,500	1,232	22,500	601,300	-	0,624	1,855
School for Handicapped, Peshawar	163	1,238,800	5,563,800	2,543,800	156,000	9,504	248,000	814,700	584,000	1,647	11,151
Weights & Measures Scales	5	72,800	143,700	86,800	1,000	0,304	1,300	7,300	-	0,009	0,313
	235	2,268	7,593	3,849	0,298	14,007	0,362	1,720	1,354	3,436	17,443
<b>Local Government</b>											
Honoraria & other for Zilla Nazim	0	114,000	-	-	-	0,114	-	230,000	-	0,230	0,344
Union Council staff	184	-	7,030,600	-	-	7,031	-	-	-	-	7,031
	184	0,114	7,031	-	-	7,145	-	0,230	-	0,230	7,375
<b>Others</b>											
DCO	28	546,500	975,100	465,100	90,000	2,077	61,000	523,000	2,000,000	2,584	4,661
Civil Defense	21	78,000	736,400	341,100	17,600	1,173	5,000	86,000	-	0,091	1,264
Finance	36	649,800	728,800	475,100	50,000	1,904	30,000	241,000	-	0,271	2,175
Planning & Development	9	335,800	174,500	166,600	8,400	0,685	159,000	154,900	-	0,314	0,999
Revenue	184	550,000	5,800,200	3,010,600	301,200	9,662	18,000	2,857,300	-	2,875	12,537
Magistracy	117	1,007,800	2,175,600	3,251,800	70,000	6,505	6,500	126,900	-	0,133	6,639
Sports & Culture	4	65,300	87,800	44,100	-	0,197	-	9,000	-	0,009	0,206
	399	3,233	10,678	7,754	0,537	22,203	0,280	3,998	2,000	6,278	28,481
	16,440	158,307	514,043	265,379	12,288	950,017	5,218	27,847	46,039	79,104	1,029,121

**PESHAWAR CITY DISTRICT  
NON-DEVELOPMENT EXPENDITURES FINANCED BY GoNWFP FOR THE YEAR 2002-2003**

	No of Employee	Basic Pay of Officers	Basic Pay of Other Staff	Regular Allowances	Other Allowances	Total Establishment	Purchase/ Repairs of Durables	Comm. & Services	Others	Total Contingencies	TOTAL
<b>Education</b>											
Education (EDO Secondary)	39	1,199,600	1,272,500	690,900	90,000	3,253	42,200	521,000	-	0.563	3,816
Education (EDO Primary)	26	1,144,900	1,235,600	624,000	80,000	3,085	65,000	238,500	-	0.304	3,388
Education (DDO Primary)	46	2,580,900	851,800	1,062,600	95,700	4,593	28,000	31,500	-	0.341	4,934
Government College (Male)	339	28,555,900	5,625,500	8,629,300	100,000	42,911	12,200	372,800	-	0.385	43,294
Government College (Female)	225	18,683,400	3,723,400	5,362,000	250,000	28,019	4,500	522,800	-	0.327	28,546
Gov. S. School (Male)	2082	64,621,500	70,151,700	32,891,900	540,000	168,205	89,000	1,271,100	-	1.360	169,565
Gov. S. School (Female)	1023	28,844,900	34,906,700	15,154,600	244,000	79,150	35,000	735,900	-	0.771	79,921
Gov. Middle School (Male)	841	8,443,000	36,313,000	12,113,000	130,000	56,999	5,000	53,000	-	0.528	57,527
Gov. Middle School (Female)	624	5,243,000	26,924,000	8,302,000	149,000	40,618	2,000	192,000	-	0.194	40,812
Gov. Primary School (Male)	3631	197,500	172,884,000	44,422,500	205,000	217,709	-	1,103,000	-	1.103	218,812
Gov. Primary School (Female)	2327	1,283,900	100,548,200	27,435,900	220,000	129,488	-	678,000	-	0.878	130,366
	<b>11203</b>	<b>160,799</b>	<b>454,438</b>	<b>156,689</b>	<b>2,104</b>	<b>774,029</b>	<b>0,283</b>	<b>6,671</b>	<b>-</b>	<b>6,954</b>	<b>780,983</b>
<b>Health</b>											
District Health Services Peshawar	35	949,200	1,206,600	834,100	15,000	3,005	30,000	327,700	-	0.358	3,363
District Health Services (Malaria)	52	-	2,186,200	790,200	30,000	3,006	1,680	47,900	-	0.050	3,056
District Health Services (EPI)	122	197,600	5,314,400	1,829,200	7,000	7,348	21,100	83,200	-	0.104	7,453
D.H.O. Peshawar	77	856,800	2,689,400	703,400	11,000	4,261	72,000	401,400	955,000	1.428	5,689
Maternity Hospital	67	1,901,000	2,609,900	1,366,500	20,000	5,897	22,700	774,500	1,170,000	1.967	7,865
Children Infection Disease Peshawar	100	3,186,100	3,747,500	1,984,100	24,700	8,942	320,000	1,287,100	2,315,000	3.922	12,865
District T.B. Control Center	29	688,500	1,044,200	493,400	9,000	2,235	7,000	105,500	2,143,000	2.256	4,491
Rural Health Center	120	4,785,200	3,629,800	767,200	38,000	9,220	17,900	723,700	540,000	1.282	10,502
Basic Health Units	394	6,449,000	14,628,500	4,892,300	55,000	26,025	20,000	515,000	2,132,400	2.667	28,692
Dispensaries (DHO)	166	3,725,800	5,307,100	2,408,200	29,000	11,470	15,000	554,000	1,519,800	2.089	13,559
Mother & Child Care	21	-	858,200	282,700	3,000	1,144	3,000	127,300	145,000	0.275	1,419
Preventive Health	31	-	1,309,600	422,100	1,000	1,733	-	16,000	77,800	0.094	1,827
Drug Control	8	167,800	298,200	130,300	4,000	0,660	-	14,500	-	0.015	0,615
Medical Officer M C P	2	390,400	-	67,800	2,000	0,460	-	-	-	-	0,460
	<b>1224</b>	<b>23,297</b>	<b>44,830</b>	<b>16,972</b>	<b>0,249</b>	<b>85,347</b>	<b>0,530</b>	<b>4,978</b>	<b>10,998</b>	<b>16,506</b>	<b>101,853</b>
<b>Agriculture</b>											
Agriculture Extension	170	2,044,500	5,935,200	2,275,900	85,000	10,341	32,000	261,000	50,000	0.343	10,684
Agriculture Engineering	8	-	368,300	97,800	10,000	0,476	100,000	150,000	-	0.250	0,726
On Farm Water Management	14	398,900	478,300	252,100	30,500	1,159	35,000	207,000	-	0.242	1,401
Soil Conservation	13	267,400	467,200	155,100	19,500	0,844	14,000	95,500	100,000	0.210	1,054
Live Stock & Dairy	130	1,449,300	4,851,400	1,759,200	60,000	8,120	34,000	488,500	165,000	0.688	8,807
Forestry	18	98,800	706,900	279,400	15,000	1,100	-	89,300	-	0.089	1,189
Wild Life	4	-	140,200	44,700	1,000	0,186	-	1,000	-	0.001	0,187
Co-operatives	30	98,800	1,294,800	472,200	23,400	1,889	1,000	64,300	-	0.065	1,955
Fisheries	13	130,300	430,300	175,100	25,200	0,761	5,500	60,600	-	0.066	0,827
	<b>400</b>	<b>4,483</b>	<b>14,613</b>	<b>5,512</b>	<b>0,269</b>	<b>24,876</b>	<b>0,222</b>	<b>1,417</b>	<b>0,315</b>	<b>1,954</b>	<b>26,830</b>
<b>Works &amp; Services</b>											
Works & Services	1297	2,424,400	50,720,800	25,241,800	265,000	78,452	175,000	1,182,800	-	1.358	80,010
PHED	122	130,300	4,112,700	1,281,900	50,000	5,575	1,084,000	255,000	6,422,000	7.761	13,336
PHED Town No (ii)	107	266,600	4,045,800	1,279,400	100,000	5,692	869,000	578,000	4,770,000	6.217	11,909
PHED Town No (iv)	147	130,300	4,954,900	1,523,000	50,000	6,588	1,465,000	255,000	8,807,000	10.527	17,185
	<b>1673</b>	<b>2,952</b>	<b>63,834</b>	<b>29,326</b>	<b>0,465</b>	<b>96,577</b>	<b>3,593</b>	<b>2,271</b>	<b>19,999</b>	<b>25,863</b>	<b>122,440</b>
<b>Provincial Excise</b>											
Provincial Excise ( i )	65	458,100	2,994,300	1,061,300	41,000	4,555	25,000	123,500	-	0.149	4,70
Provincial Excise ( ii )	107	722,900	5,219,800	1,157,100	21,000	7,121	15,000	325,000	-	0.340	7,46
Provincial Excise ( iii )	19	229,100	815,700	366,500	21,000	1,432	10,000	217,500	-	0.228	1,66
Provincial Excise ( iv )	33	229,100	1,637,200	416,500	1,000	2,284	20,000	177,000	-	0.197	2,48
	<b>224</b>	<b>1,639</b>	<b>10,667</b>	<b>3,001</b>	<b>0,084</b>	<b>15,392</b>	<b>0,070</b>	<b>0,843</b>	<b>-</b>	<b>0,913</b>	<b>16,30</b>
<b>Industries &amp; Technical Education</b>											
Industrial Development Officer	7	88,300	281,200	106,300	1,500	0,477	700	59,200	-	0.060	0,537
RTA, Peshawar	14	130,300	582,400	214,400	11,500	0,939	-	243,700	-	0.244	1,182
Government Technical Institute	307	18,123,300	8,936,800	6,059,200	97,000	33,216	60,900	1,116,400	243,000	1.420	34,637
Government Commerce College	65	4,446,700	1,570,600	1,520,800	40,400	7,579	28,500	172,600	10,000	0.211	7,790
Government Vocational Institute	20	130,300	849,600	290,100	11,000	1,281	4,700	84,100	-	0.089	1,370
Man Power & Training	149	4,077,800	5,962,800	2,814,200	220,000	13,075	21,800	872,000	396,200	1.290	14,365
	<b>562</b>	<b>26,997</b>	<b>18,183</b>	<b>11,005</b>	<b>0,381</b>	<b>56,567</b>	<b>0,117</b>	<b>2,548</b>	<b>0,649</b>	<b>3,314</b>	<b>59,880</b>
<b>Community Development</b>											
Social Welfare	47	892,700	1,743,500	707,800	27,000	3,371	11,900	149,800	376,400	0.538	3,909
Labor Welfare	17	365,300	709,900	288,100	3,000	1,366	37,800	924,000	-	0.962	2,328
Schools for handicapped, Peshawar	164	1,151,800	7,105,400	2,538,600	56,500	10,852	190,500	796,300	1,050,000	2.037	12,889
Weights & Measures Scales	5	98,800	176,100	71,600	1,000	0,348	1,300	6,700	-	0.008	0,356
	<b>233</b>	<b>2,508</b>	<b>9,735</b>	<b>3,606</b>	<b>0,088</b>	<b>15,937</b>	<b>0,242</b>	<b>1,877</b>	<b>1,426</b>	<b>3,54</b>	<b>19,481</b>
<b>Local Government</b>											
Honoraria & other for Zilla Nazim	0	144,000	-	-	-	0,144	20,000	313,000	-	0.333	0,477
Union Council staff	184	-	8,327,000	-	-	8,327	-	-	-	8,327	-
	<b>184</b>	<b>0,144</b>	<b>8,327</b>	<b>-</b>	<b>-</b>	<b>8,471</b>	<b>0,020</b>	<b>0,313</b>	<b>-</b>	<b>0,333</b>	<b>8,804</b>
<b>Others</b>											
DCO	25	758,500	1,132,800	360,500	57,000	2,309	46,500	568,100	-	0.615	2,923
Civil Defense	21	98,800	868,600	290,100	15,000	1,273	5,000	85,000	-	0.090	1,361
Finance	33	784,400	1,434,300	467,000	56,400	2,742	30,000	227,500	-	0.258	3,000
Planning and Development	9	527,200	229,700	137,600	8,400	0,903	45,000	160,900	-	0.206	1,109
Revenue	184	851,200	8,084,100	2,750,500	84,000	11,770	20,000	1,296,000	-	1.316	13,086
Magistracy	-	-	-	-	-	-	-	-	-	-	-
Sports & Culture	4	100,500	144,000	54,700	-	0,299	2,000	31,000	-	0.033	0,332
	<b>276</b>	<b>3,121</b>	<b>11,894</b>	<b>4,060</b>	<b>0,221</b>	<b>19,295</b>	<b>0,149</b>	<b>2,369</b>	<b>-</b>	<b>2,517</b>	<b>21,812</b>
	<b>15,979</b>	<b>225,939</b>	<b>636,520</b>	<b>230,171</b>	<b>3,860</b>	<b>1,096,490</b>	<b>5,224</b>	<b>23,286</b>	<b>33,388</b>	<b>61,898</b>	<b>1,158,388</b>

**PESHAWAR CITY DISTRICT**  
**PROJECTED LOCAL REVENUE AND EXPENDITURE (INCLUDING LRG RECOMMENDATIONS)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2003-04 to 2007-08
<b>OPENING BALANCE</b>	157.044	-	-	-	-	-	-	-
<b>REVENUES FROM</b>								
Education Tax	-	-	0.483	0.507	0.533	0.559	0.587	2.669
Health Tax	-	-	2.115	2.221	2.322	2.448	2.448	11.554
Toll on Roads/Bridges	-	12.000	65.000	68.250	71.663	75.246	79.008	359.166
Terminal Fee	50.722	65.450	78.040	93.148	111.278	133.033	159.140	574.638
Rent/leases of Properties	65.576	76.959	78.398	90.053	94.294	96.023	97.861	456.629
Agriculture Extension (AE)	-	-	0.073	0.077	0.080	0.085	0.089	0.403
Live Stock and Dairy Development (LS&DD)	-	-	1.080	1.134	1.191	1.250	1.250	5.905
Share of Fuel Tax from GoNWFP	-	-	102.088	104.130	106.212	108.337	110.503	531.270
Professional Tax	-	-	18.560	22.272	26.726	32.072	38.486	138.116
Share of Zilla Tax Grant	7.882	7.882	12.926	13.573	14.251	14.964	15.712	71.427
Building Control/Advertisement (Grand Trunk Road)	3.989	4.160	8.320	8.736	9.173	9.631	10.113	45.973
Overheads on Provincial Works	0.500	12.000	12.600	13.230	13.892	14.586	15.315	69.623
Fee from Operation of Schools/Colleges	8.681	17.140	17.997	18.897	19.842	20.834	21.875	99.445
Interest on Deposits	38.000	32.500	34.700	39.875	45.826	52.670	60.541	233.612
Sale of Plots (CDMD)	33.559	35.000	-	-	-	-	-	-
Miscellaneous Income	7.875	5.472	5.746	6.033	6.335	6.651	6.984	31.748
	<b>216.784</b>	<b>268.563</b>	<b>438.126</b>	<b>482.135</b>	<b>523.617</b>	<b>568.388</b>	<b>619.913</b>	<b>2,012.266</b>
<b>Total funds available</b>	<b>373.828</b>	<b>268.563</b>	<b>438.126</b>	<b>482.135</b>	<b>523.617</b>	<b>568.388</b>	<b>619.913</b>	<b>2,012.266</b>
<b>EXPENDITURES</b>								
Salaries & Wages	79.912	68.482	71.907	75.502	79.277	83.241	87.403	309.926
Contingencies	8.439	27.585	28.964	30.412	31.933	33.529	35.206	124.838
Charge Expenditures	44.348	79.230	101.097	89.401	77.746	78.634	19.565	346.878
	<b>132.700</b>	<b>175.297</b>	<b>201.967</b>	<b>195.315</b>	<b>188.956</b>	<b>195.404</b>	<b>142.174</b>	<b>781.642</b>
<b>Liabilities</b>								
Interest on ADP Loan	-	-	156.943	31.128	29.831	28.534	27.237	246.435
Principal repayment of ADP Loan	-	-	18.528	18.528	18.528	18.528	18.528	74.114
	-	-	<b>44.300</b>	<b>46.515</b>	<b>48.841</b>	<b>51.283</b>	<b>53.847</b>	<b>190.939</b>
<b>Transfer to towns for budget support</b>	<b>12.000</b>	<b>16.500</b>	<b>17.325</b>	<b>18.191</b>	<b>19.101</b>	<b>20.056</b>	<b>21.059</b>	<b>74.673</b>
<b>Total non-development expenditure</b>	<b>144.700</b>	<b>191.797</b>	<b>439.063</b>	<b>309.678</b>	<b>305.257</b>	<b>313.805</b>	<b>262.845</b>	<b>1,367.802</b>
<b>SURPLUS/(DEFICIT) OF FUNDS</b>	<b>229.128</b>	<b>76.766</b>	<b>(0.937)</b>	<b>172.457</b>	<b>218.360</b>	<b>254.584</b>	<b>357.068</b>	<b>644.464</b>

**PESHAWAR CITY DISTRICT**  
**TMAS CONSOLIDATED PROJECTED REVENUE AND EXPENDITURE (INCLUDING LRG RECOMMENDATIONS)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2003-04 to 2007-08
<b>SUPPORT GRANT FROM DISTRICT GOVERNMENT</b>	12.000	16.500	17.325	18.191	19.101	20.056	21.059	103.173
<b>REVENUES FROM</b>								
Share in Octroi Grant	123.944	120.827	198.156	208.064	218.467	229.390	240.860	1,094.937
Urban Immovable Property Tax (UIPT)	-	96.900	147.377	178.999	219.850	272.636	340.838	1,159.699
Tax on Transfer of Immovable Properties (TTIP)	28.777	33.700	37.070	40.777	44.855	49.340	54.274	226.316
Professional Fee	4.979	-	-	-	-	-	-	-
Building Control	10.904	14.800	29.600	31.080	32.634	34.266	35.979	163.559
Water Rates	17.775	20.633	61.455	78.420	99.911	119.668	142.278	501.733
Sanitation Charges	5.912	6.858	52.025	54.626	57.354	60.222	63.239	287.465
Vehicle (non-motorised)	0.048	1.500	0.525	0.551	0.579	0.608	0.638	2.901
Licenses, Fairs and Other Fees	13.127	15.999	16.799	17.639	18.521	19.447	20.419	92.825
Miscellaneous Income	24.267	14.049	14.854	15.709	16.619	17.586	18.616	83.384
	<b>229.733</b>	<b>325.265</b>	<b>557.861</b>	<b>625.865</b>	<b>708.790</b>	<b>803.163</b>	<b>917.140</b>	<b>3,612.819</b>
<b>Total Revenues</b>	<b>241.733</b>	<b>341.765</b>	<b>575.186</b>	<b>644.056</b>	<b>727.890</b>	<b>823.219</b>	<b>938.199</b>	<b>3,708.550</b>
<b>EXPENDITURES</b>								
Salaries & Wages	129.366	* 200.962	206.451	212.226	218.300	224.690	231.411	1,093.079
Contingencies	20.501	26.677	28.006	29.402	30.867	32.405	34.021	154.700
Charge Expenditures	21.597	104.012	105.437	108.238	111.126	114.106	117.180	556.087
	<b>171.464</b>	<b>331.652</b>	<b>339.894</b>	<b>349.865</b>	<b>360.293</b>	<b>371.201</b>	<b>382.612</b>	<b>1,803.866</b>
<b>Provision for Essential M &amp; R **</b>	-	-	<b>38.700</b>	<b>40.635</b>	<b>42.667</b>	<b>44.800</b>	<b>47.040</b>	<b>213.842</b>
<b>Total non-development expenditure</b>	<b>171.464</b>	<b>331.652</b>	<b>378.594</b>	<b>390.500</b>	<b>402.960</b>	<b>416.001</b>	<b>429.652</b>	<b>2,017.708</b>
<b>BALANCE FOR DEVELOPMENT</b>	<b>70.268</b>	<b>10.113</b>	<b>196.591</b>	<b>253.556</b>	<b>324.930</b>	<b>407.218</b>	<b>508.547</b>	<b>1,690.843</b>

\* The Salary and Wages head for FY 02-03 show a substantial increase. This is due to approximately 3,500 employees being transferred to the 4 PCD towns in that year.

\*\* The PCD road network and water supply system are in need of substantial rehabilitation due to a backlog of regular maintenance over the past many years.

Projections for essential M&R have the following basis:

- Roads - Rs. 20,000 for metalled and Rs. 15,000 for non-metalled road per km annually.
- Water supply- Rs. 0.1 million per deep well per annum.

**TOWN NO 1**  
**PROJECTED REVENUE AND EXPENDITURES (INCLUDING LRG RECOMMENDATIONS)**

	Revised est. 2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>SUPPORT GRANT FROM DISTRICT GOVERNMENT</b>	<b>5.000</b>	<b>7.000</b>	<b>7.350</b>	<b>7.718</b>	<b>8.103</b>	<b>8.509</b>	<b>8.934</b>
<b>REVENUES FROM</b>							
Share in Octroi Grant	71.921	68.652	112.589	118.218	124.129	130.335	136.852
Urban Immovable Property Tax (UIPT)	-	54.264	82.531	100.239	123.116	152.676	190.869
Tax on Transfer of Immovable Properties (TTIP)	12.160	16.000	17.600	19.360	21.296	23.426	25.768
Professional Fee	3.893	-	-	-	-	-	-
Building Control	5.615	7.500	15.000	15.750	16.538	17.364	18.233
Water Rates	11.986	14.250	38.439	49.982	64.622	77.544	92.941
Sanitation Charges	3.995	4.75	24.972	26.220	27.530	28.907	30.355
Vehicle (non-motorised)	0.046	1.125	0.394	0.413	0.434	0.456	0.479
Licenses, Fairs and Other Fees	6.463	6.465	6.788	7.128	7.484	7.858	8.251
Miscellaneous Income	14.417	9.600	10.183	10.804	11.469	12.178	12.937
	<b>130.496</b>	<b>182.606</b>	<b>308.495</b>	<b>348.115</b>	<b>396.617</b>	<b>450.744</b>	<b>516.685</b>
<b>Total expected funds</b>	<b>135.496</b>	<b>189.606</b>	<b>315.845</b>	<b>355.832</b>	<b>404.720</b>	<b>459.253</b>	<b>525.619</b>
<b>EXPENDITURES</b>							
Salaries & Wages	73.704	128.290	131.343	134.558	137.941	141.502	145.250
Contingencies	12.209	15.415	16.186	16.995	17.845	18.737	19.674
Charge Expenditures	15.360	65.250	66.794	68.379	70.006	71.676	73.392
<b>Total payments</b>	<b>101.273</b>	<b>208.955</b>	<b>214.323</b>	<b>219.931</b>	<b>225.792</b>	<b>231.916</b>	<b>238.316</b>
<b>BALANCE FUNDS FOR M &amp; R AND DEVELOPMENT</b>	<b>34.223</b>	<b>(19.349)</b>	<b>101.522</b>	<b>135.901</b>	<b>178.929</b>	<b>227.337</b>	<b>287.303</b>

**TOWN NO 2**  
**PROJECTED REVENUE AND EXPENDITURES (INCLUDING LRG RECOMMENDATIONS)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>SUPPORT GRANT FROM DISTRICT GOVERNMENT</b>	<b>2.000</b>	<b>3.000</b>	<b>3.150</b>	<b>3.308</b>	<b>3.473</b>	<b>3.647</b>	<b>3.829</b>
<b>REVENUES FROM</b>							
Share in Octroi Grant	5.754	5.492	9.007	9.457	9.930	10.427	10.946
Urban Immovable Property Tax (UIPT)	-	2.907	4.421	5.370	6.595	8.179	10.225
Tax on Transfer of Immovable Properties (TTIP)	4.002	4.000	4.400	4.840	5.324	5.856	6.442
Professional Fee	0.449	-	-	-	-	-	-
Building Control	2.191	2.500	5.000	5.250	5.513	5.788	6.078
Water Rates	0.339	0.323	3.159	3.461	3.832	4.504	4.898
Sanitation Charges	0.113	0.108	1.301	1.366	1.434	1.506	1.581
Vehicle (non-motorised)	0.002	0.075	0.026	0.028	0.029	0.030	0.032
Licenses, Fairs and Other Fees	5.132	7.216	7.577	7.956	8.353	8.771	9.210
Miscellaneous Income	2.345	1.340	1.407	1.477	1.551	1.629	1.710
	<b>20.327</b>	<b>23.960</b>	<b>36.298</b>	<b>39.204</b>	<b>42.562</b>	<b>46.691</b>	<b>51.124</b>
<b>Total expected funds</b>	<b>22.327</b>	<b>26.960</b>	<b>39.448</b>	<b>42.512</b>	<b>46.035</b>	<b>50.337</b>	<b>54.953</b>
<b>EXPENDITURES</b>							
Salaries & Wages	9.581	15.077	15.831	16.623	17.454	18.327	19.243
Contingencies	1.545	2.777	2.911	3.052	3.200	3.355	3.518
Charge Expenditures	1.583	5.141	3.974	4.102	4.235	4.373	4.517
<b>Total payments</b>	<b>12.709</b>	<b>22.995</b>	<b>22.716</b>	<b>23.776</b>	<b>24.888</b>	<b>26.054</b>	<b>27.277</b>
<b>BALANCE FUNDS FOR M &amp; R AND DEVELOPMENT</b>	<b>9.618</b>	<b>3.965</b>	<b>16.732</b>	<b>18.735</b>	<b>21.147</b>	<b>24.283</b>	<b>27.675</b>

**TOWN NO 3**  
**PROJECTED REVENUE AND EXPENDITURES (INCLUDING LRG RECOMMENDATIONS)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>SUPPORT GRANT FROM DISTRICT GOVERNMENT</b>	3.000	3.500	3.675	3.859	4.052	4.254	4.467
<b>REVENUES FROM</b>							
Share in Octroi Grant	40.515	41.191	67.553	70.931	74.477	78.201	82.111
Urban Immovable Property Tax (UIPT)	-	38.760	58.951	71.599	87.940	109.054	136.335
Tax on Transfer of Immoveable Properties (TTIP)	8.000	8.500	9.350	10.285	11.314	12.445	13.689
Professional Fee	0.134	-	-	-	-	-	-
Building Control	2.800	4.500	9.000	9.450	9.923	10.419	10.940
Water Rates	5.412	6.000	16.944	21.774	27.895	33.400	39.839
Sanitation Charges	1.804	2.000	24.452	25.674	26.956	28.304	29.722
Vehicle (non-motorised)	-	0.225	0.079	0.083	0.087	0.091	0.096
Licenses, Fairs and Other Fees	0.534	1.218	1.279	1.343	1.410	1.480	1.555
Miscellaneous Income	6.968	2.329	2.445	2.568	2.696	2.831	2.972
	<b>66.168</b>	<b>104.723</b>	<b>190.052</b>	<b>213.707</b>	<b>242.698</b>	<b>276.226</b>	<b>317.259</b>
<b>Total expected funds</b>	<b>69.168</b>	<b>108.223</b>	<b>193.727</b>	<b>217.566</b>	<b>246.749</b>	<b>280.480</b>	<b>321.726</b>
<b>EXPENDITURES</b>							
Salaries & Wages	38.249	45.858	46.970	48.140	49.371	50.668	52.031
Contingencies	5.710	6.475	6.799	7.139	7.496	7.870	8.264
Charge Expenditures	1.797	28.522	29.373	30.255	31.168	32.113	33.094
<b>Total payments</b>	<b>45.756</b>	<b>80.855</b>	<b>83.141</b>	<b>85.533</b>	<b>88.035</b>	<b>90.651</b>	<b>93.389</b>
<b>BALANCE FUNDS FOR M &amp; R AND DEVELOPMENT</b>	<b>23.412</b>	<b>27.368</b>	<b>110.586</b>	<b>132.033</b>	<b>158.715</b>	<b>189.829</b>	<b>228.337</b>

**TOWN NO 4**  
**PROJECTED REVENUE AND EXPENDITURES (INCLUDING LRG RECOMMENDATIONS)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>SUPPORT GRANT FROM DISTRICT GOVERNMENT</b>	2.000	3.000	3.150	3.308	3.473	3.647	3.829
<b>REVENUES FROM</b>							
Share in Octroi Grant	5.754	5.492	9.007	9.457	9.930	10.427	10.948
Urban Immovable Property Tax (UIPT)	-	0.969	1.474	1.790	2.198	2.726	3.408
Tax on Transfer of Immoveable Properties (TTIP)	4.615	5.200	5.720	6.292	6.921	7.613	8.375
Professional Fee	0.502	-	-	-	-	-	-
Building Control	0.298	0.300	0.600	0.630	0.662	0.695	0.729
Water Rates	0.038	0.060	2.914	3.203	3.562	4.221	4.600
Sanitation Charges	-	-	1.301	1.366	1.434	1.506	1.581
Vehicle (non-motorised)	-	0.075	0.026	0.028	0.029	0.030	0.032
Licenses, Fairs and Other Fees	1.046	1.100	1.155	1.213	1.273	1.337	1.404
Miscellaneous Income	0.537	0.780	0.819	0.860	0.903	0.948	0.995
	<b>12.789</b>	<b>13.976</b>	<b>23.016</b>	<b>24.839</b>	<b>26.913</b>	<b>29.503</b>	<b>32.073</b>
<b>Total expected funds</b>	<b>14.789</b>	<b>16.976</b>	<b>26.166</b>	<b>28.146</b>	<b>30.386</b>	<b>33.149</b>	<b>35.902</b>
<b>EXPENDITURES</b>							
Salaries & Wages	7.832	11.737	12.307	12.905	13.534	14.194	14.887
Contingencies	1.037	2.010	2.111	2.216	2.327	2.443	2.565
Charge Expenditures	2.857	5.099	5.297	5.503	5.718	5.943	6.177
<b>Total payments</b>	<b>11.726</b>	<b>18.847</b>	<b>19.714</b>	<b>20.625</b>	<b>21.579</b>	<b>22.580</b>	<b>23.629</b>
<b>BALANCE FUNDS FOR M &amp; R AND DEVELOPMENT</b>	<b>3.064</b>	<b>(1.870)</b>	<b>6.451</b>	<b>7.522</b>	<b>8.807</b>	<b>10.570</b>	<b>12.273</b>

