



## **Part A**

# **MUNICIPAL MANAGEMENT IN LAHORE**



## II. KEYNOTE ADDRESS

Iftikhar Khalil

*Managing Director, National Engineering Services of Pakistan*

Lahore is a large sprawling city covering an area of over 220,000 hectares and hosting an estimated population of more than 6 million. It has an annual population growth rate of over 4 percent. It is widely perceived that because of this rapid growth, the level of services provided to the city inhabitants has substantially deteriorated. The deterioration pervades every sector and varies in degree, whether one looks at traffic congestion, public transport, or quality of roads. Rapid growth has similarly affected storm water drainage, solid waste collection and disposal, water supply, sewerage, air quality, public hygiene, and availability of housing.

These problems are not unique to Lahore. They are experienced in varying degrees in most large cities. However, most of us believe that things can and should be much better. What is heartening is the realization — both at the Government level and at the public level — that there is a need to do something very quickly.

Let me briefly describe the background and the process that led to this seminar. About five months ago, some of us (in our capacity as concerned citizens) discussed the rapid and uncontrolled growth of Lahore and the ever-growing demand for infrastructure to keep pace with this growth. We also discussed the general public perception that the concerned agencies were unable to provide acceptable levels of services. The need for a review of the existing system of city management was also discussed. We realized that the citizens of Lahore should play an important role in this review process.

We were informed that ADB was interested in these problems, not only in Lahore but throughout Asia. NESPAK, which was preparing an integrated master plan for Lahore, was aware of certain dimensions of these problems. We also felt that it was time to initiate such an exercise since the new Government had been receptive to public perceptions regarding the affairs of the city.

It was a result of these and many subsequent discussions that this exercise was undertaken. The Bank agreed to provide financing as well as other forms of support and NESPAK offered to act as a facilitator and catalyst.

Because this exercise has a limited time frame and resource input, we recognized from the very start that it would not be possible to identify and address all the issues relevant to making Lahore a model city. Similarly, it was not feasible to attempt to recommend a comprehensive package of appropriate measures for the achievement of this objective. Nevertheless, we felt that it could serve as an important first step in the development of a package of participatory measures to resolve our urban problems.

Let me now describe the process we have undertaken. To ensure a participatory basis for the process, we made extensive contacts with a cross-section of the citizenry of Lahore. These citizens comprised businesspersons, professionals, working women, housewives, NGOs, market committees, union councilors, and the media.

We selected four resource persons to organize and conduct discussions on institutional design, provision of public services, public and private mix, and the financing of public services.

We held a series of meetings between citizens and service providers. We conducted two workshops where participants discussed the major issues of city management. In the second workshop, participants developed several preliminary

recommendations on measures to improve city management. Through this participatory process, the citizens group acquired an appreciation for the tremendous difficulties of managing a large city. We also achieved an understanding of the complexity of the interrelated issues that must be addressed to meet the level of expectation of the citizens of Lahore.

I will briefly outline the major issues identified during the exercise. By so doing I can set the stage for the discussion that will take place during this three-day seminar.

The effectiveness of urban government depends not only on the people who run it and the environment within which it operates, but on its institutional characteristics. Therefore, in any assessment of urban government the issues must be addressed on three levels:

- the level of the institutions entrusted with the task of managing Lahore,
- the level of the people selected to run these institutions, and
- the level of the environment in which these institutions operate.

Let us first focus on the institutional framework which, in many ways, forms the core of the city management issue. The aspects pertinent to effective urban government are the structure of urban government agencies, the division of tasks between them, and their staffing and resource bases. We must also consider the internal organization and management processes, relations with the provincial government, and interaction with private and community organizations.

In assessing the effectiveness of these institutions, one has to examine the responsiveness of the institution to the needs of a growing city and the efficiency in the use of resources. One has to

*Through this participatory process, the citizens group acquired an appreciation for the tremendous difficulties of managing a large city.*

also account for the technical competence in the selection, design, execution, operation, and maintenance of infrastructure projects, as well as the financial viability of the institution.

In the case of Lahore, two organizations are entrusted with the responsibility of managing the city. These are the MCL and LDA. Subordinate agencies include the Traffic Engineering and Transport Planning Agency and the Water and Sanitation Agency.

*The dilution of responsibility and division of resources resulting from the overlap of two organizations did not contribute to effective city management.*

The first issue that arose during group discussions and workshops was the existence of two organizations with geographical and functional overlaps. The dilution of responsibility and division of resources resulting from this overlap, it was felt, did not contribute to effective city management. The discussions also identified overlapping functions between MCL and the Education and Health Departments of the provincial government.

A related issue was the desirability of subdividing Lahore into a number of zones, each responsible for providing its own services. These issues were discussed at some length during the two workshops, and I am sure they will be discussed further during this seminar. Based on our discussions, appropriate recommendations will be made for inclusion in the Outline Action Plan.

Regarding MCL itself, a variety of constraints were highlighted that underline the need for the introduction of professional management. These include:

- ineffective management,
- lack of management systems,
- lack of performance indicators,
- lack of accountability,
- allegations of widespread corruption,
- external interference,
- rapid changes in management, and
- lack of decentralization.

In addition to these constraints, a critical problem is the inflexible and limited revenue base. Traditional sources of revenue are inadequate and alternative revenue sources must be identified. Issues such as cost recovery, service rates, subsidies, the appropriate mix of taxes, and user charges stimulated considerable debate. It was generally agreed that the range and extent of these problems called for substantial overhauling of the city's management.

The role of the private sector is critical to any discussion about improving the provision of services to the citizens of Lahore. The issue of private sector involvement generated considerable controversy during the group discussions and workshops. The keen interest of the participants in this subject was perhaps due to a general perception that the question of the relative roles of private and public sectors in the national economy is part of an even bigger debate. It is also linked to the ongoing debate on the impact of private sector power plants on the electricity tariff. A great deal of doubt was expressed concerning the effect of giving free reign to the private sector in municipal management without a proper regulatory framework in place. This issue is likely to generate considerable discussion during this seminar, and it will be enlightening to incorporate the ideas and experiences of neighboring countries into the recommendations emerging from this seminar.

These were issues related to the institutional framework. Other critical issues included staffing and the environment in which these institutions operate.

MCL suffers from a host of staffing problems at all levels of the organization. These include rapid changes in top management, absenteeism, excessive union influence, and above all a general lack of staffing policies aimed at creating a productive and responsive work force. These issues will be addressed in this seminar.

The overall economic, political, and social environment in the country also has a significant

impact on the performance of MCL. Although it may not be necessary or possible to discuss these aspects in detail at this seminar, we hope to discuss certain aspects directly relevant to the effective functioning of MCL.

The main focus leading up to this seminar has been on solid waste management. NESPAK's in-house team has led the discussion of this subject. Various options for improving solid waste management were considered and the final recommendations of the seminar will be incorporated in the Outline Action Plan.

Our expectations from this seminar are in some respects very high and, in others, modest. Because senior government officials, city managers from Pakistan and neighboring countries, and a cross section of concerned citizens and public representatives from Lahore will attend this seminar, expectations are high that major issues relating to effective city management for Lahore will be identified and discussed. On the other hand, it is sobering to realize that easy solutions to these complex problems are unlikely to be found.

What we do hope to achieve is to identify, at least on a broad canvas, the particular aspects requiring urgent attention and the likely directions to take to find solutions. In my opinion, this gathering is in itself an important step toward resolving the problems faced in managing the city. I hope that the citizens of Lahore will continue to work toward these objectives, perhaps in a more formal organization. It is also heartening to note that if press reports are credible, some of the possible measures discussed in the workshops are already being considered for implementation. A beginning has thus been made for city managers and citizens to jointly seek solutions to the problems of Lahore. It is now up to all of those gathered here to build on this fine beginning.

### III. INAUGURAL ADDRESS

Mian Shahbaz Sharif  
*Chief Minister of Punjab*

I would like to congratulate the organizers of this seminar, especially the Asian Development Bank and National Engineering Services of Pakistan, who have painstakingly arranged and coordinated this huge effort for deliberations on a subject long overdue.

Many problems, such as overpopulation, slums, sanitation, transportation, encroachments, and pollution, are common to large Asian cities. The city of Lahore is typical in that it suffers from all these maladies. Organized and planned development of Lahore has been largely ignored in the past. The metropolis has grown from a small city 50 years ago into a megacity without any effective planning.

The government of Punjab is committed to do its utmost to improve the socioeconomic conditions in the province on an urgent basis. One of our top priorities is to resolve the problems of the citizens of metropolitan Lahore.

The keynote address has highlighted a number of issues that require immediate attention. We need to address these issues in a comprehensive and integrated manner. I hope that you will give special attention to five key issues during this seminar and incorporate appropriate recommendations concerning them into the Outline Action Plan. These issues are:

- streamlining the two public sector organizations managing the city of Lahore, MCL and the LDA;
- pinpointing the flaws in MCL's organizational set-up and proposing ways of removing them;

*One of our top priorities is to resolve the problems of the citizens of metropolitan Lahore.*

- dividing Lahore into a number of zones for the provision of services;
- drawing on the experiences of other cities and the proactive role played by local nongovernment organizations to prepare schemes for service delivery through an appropriate public-private sector mix; and
- seeking innovative ways of financing various services such as solid waste collection and disposal, and of curbing wasteful expenditure.

With the expertise available at this forum, it is my earnest desire to fuse the experiences of national and international experts on environment, management, finance, and economics into an Outline Action Plan. This Plan can form a basis for making Lahore a well-managed city.

On behalf of the government, which is committed to improving the life of the urban population, I offer you my complete cooperation, and assure you that I plan to seriously consider the recommendations of this forum. I will endeavor to put them into practice given the existing constraints and available resources. All valuable suggestions will be welcome and this government will endeavor to implement them expeditiously.

I wish you all productive deliberations.

## **IV. REVIEW OF MANAGEMENT STRUCTURE FOR THE CITY OF LAHORE**

Syed Mansoor Ali Shah

*Afridi, Shah and Minallah Advocates and Legal Consultants  
Lahore, Pakistan*

This review looks at the institutional structure and framework of Lahore City and assesses its implications for managerial performance as Lahore assumes the status of a megacity. Part of the review process is the examination of the various factors that make up the institutional framework of Lahore City. These include legal structure, performance, external pressures, internal policies, staffing, relations with other agencies, and interaction with private and community organizations. The effectiveness of city management depends on the strength of these factors.

### **INSTITUTIONAL FRAMEWORK**

MCL is the local government institution responsible for Lahore. It was constituted under the Punjab Local Governments Ordinance in 1979. In addition, a statutory agency called LDA provides the metropolitan planning and development to improve the quality of life in the metropolitan area. LDA is assisted by two of its agencies, the Traffic Engineering and Transport Planning Agency (TEPA) and the Water and Sanitation Agency (WASA).

A major section of the city, the Cantonment area, is run by the Cantonment Board. Some areas of Lahore are managed by cooperative societies, such

---

as the Cooperative Model Town Society (MTS) and the Lahore Cantonment Cooperative Housing Society (LCCHS).

## **METROPOLITAN CORPORATION OF LAHORE**

A Chairman and a Vice-Chairman, who are elected by the members of MCL from among themselves and are referred to as the Mayor and the Deputy Mayor, respectively, run MCL. The MCL members (or councilors) are elected at the ward level, as well as from special interest groups, for a four-year term and the elections are based on adult franchise.

The number of members to be elected depends on the population of MCL. If the population is 4 million or more, the maximum number of seats is 150. The members from special interest groups represent non-Muslims, workers, and women. Members should be citizens of Pakistan and at least 25 years old. Executive authority is exercised either directly by the Chairman or delegated through his subordinates.

MCL oversees the following operations.

- Sanitation
- Collection and disposal of refuse
- Prevention of infectious diseases
- Drainage and sewerage schemes
- Town planning
- Maintenance of public streets
- Prevention of environmental pollution
- Encroachment

MCL functions under the Punjab Local Government Act. Each local council in the Punjab controls funding for its area. Funding is generated through the following means.

- Proceeds of all taxes, tolls, fees, rates, and other charges levied by the local council

- Grants made by government or other authorities
- Loans raised
- Profits accruing from investment
- Fines imposed under the Punjab Local Government Act
- Other proceeds placed at the disposal of the local council by the government

Other than the executive authority of the Chairman, there is also a Punjab Local Government Board, consisting of an ex-officio Chairman (Secretary of the Punjab, Local Government Department) and three to five members. The members hold office for two years. The Board is a corporate body with perpetual succession and the power to hold, acquire, and transfer property. It has a Board Fund, which consists of contributions from local councils and grants from governments. It is mandated to perform the following functions:

- act as a planning commission for the local councils,
- undertake research and evaluation in local government and issue publications for the benefit of local councils,
- operate the Punjab Local Government Board Fund, and
- recruit and appoint members of the Punjab Local Council Service.

The Punjab government exercises general supervision and inspects the councils once each fiscal year. By notification, the Punjab government can suspend a local council if it has reason to believe that the council is unable, or persistently fails, to discharge its duties. Upon publication of the notification, the Chairman and members of the council shall cease to hold office. During the suspension period, such person or authority shall perform all functions of the local council as the

*All local councils in the Punjab, including MCL, have been suspended since 1994 and are being run by government-appointed administrators.*

government may appoint. All councils in the Punjab, including MCL, have been suspended since 1994 and are being run by government-appointed administrators.

### **LAHORE DEVELOPMENT AUTHORITY**

LDA is a statutory body under the Housing, Physical and Environmental Planning Department. It was established under the Lahore Development Authority Act, 1975. The Chief Minister of Punjab Province chairs it. Its members are the Secretaries of almost all allied departments of the Punjab government. It is a high-powered body and functions like the board of directors of a corporation. Some powers of the day-to-day running of the LDA are delegated to the Director General, who holds office for a three-year term.

LDA is charged with the responsibility for:

- developing a comprehensive system of metropolitan planning and development to improve the quality of life in metropolitan Lahore;
- establishing integrated and continuing metropolitan and regional development approaches to ensure optimal utilization of resources; and
- evolving policies and programs relating to the improvement of the environment, housing, industry, traffic, transportation, health, education, water supply, sewerage, drainage, and solid waste.

In the presence of a municipal government, LDA appears redundant. MCL undertakes all the responsibilities charged to LDA under the 1975 LDA Act. Because LDA is not a fund-generating agency, it is not a sustainable institution. It has to be constantly funded through the property tax, which actually belongs to MCL. Twenty percent of the property tax goes to the Excise and Taxation Department as

collection charges. The remaining 80 percent are divided between LDA (20 percent), MCL (20 percent), and WASA (40 percent). LDA and its subsidiary agency WASA thus receive the major portion of the property tax.

A nominated Board runs LDA with no public participation. The full Board has not met for 10 years. It is therefore neither a credible public organization nor a deliberative body. The concept of placing control of municipal government in the hands of MCL is sabotaged by this unreal and unsustainable parallel system. Coordination is also lacking between MCL, LDA, and the latter's agencies, TEPA and WASA. Roads built by MCL are dug up by WASA or TEPA — one undoing the efforts of the other.

Justifying the existence of LDA just because it is the custodian of all the urban records is untenable. The records can easily be shifted to MCL. Another way of addressing the problem is to assign LDA a specific role under the auspices of MCL. LDA could function as a development wing of the corporation. Right-sizing or right-placing of LDA could release funds for utilization by MCL.

If LDA is to be retained as a government agency, it must operate in harmony with MCL. For example, development of about 200 colonies (neighborhoods) has been approved by LDA, each of which lacks provisions for sanitation. This problem will inevitably fall on the shoulders of MCL, and undoubtedly the corporation will fail to deliver. The absence of relationship between two such important service providers does not permit the development of a workable system.

## CANTONMENTS

Outside of the local councils are the cantonments, originally built as quarters for the armed forces but now supporting large civilian populations as well.

Except for purposes relating to the armed forces, the functions and objectives of the cantonments are almost the same as the local councils.

Every cantonment has a corporate body called the Cantonment Board with powers to hold, acquire, and transfer properties. It comprises the commanding officer of the station as the Board President, as well as 12 elected members, a health officer, a maintenance engineer, a magistrate, and nine civil or military officers nominated by the commanding officer. Cantonments are divided into wards according to the number of elected members. Members sit for four-year terms and are elected based on adult franchise.

### **COOPERATIVE SOCIETIES**

Cooperative societies are organized to promote thrift and self-help among people with common economic needs. Housing is one of the areas in which cooperative societies have been quite active. The cooperatives fall under the Cooperatives Department of the provincial government. At present, MTS and LCCHS, the largest housing societies in Lahore, perform functions similar to those of MCL and LDA combined. Cooperative society funding is comprised of sales of shares, collection of admission fees, loans raised, deposits, donations and grants, sale of movable or immovable property, and user fees. Both MTS and LCCHS have general bodies and are steered by managing committees.

### **MANAGERIAL PERFORMANCE OF MCL**

Experience shows that structural solutions alone cannot rectify the deficiencies of urban government. Improving internal management is equally important. MCL suffers from an ineffective set of management controls, alleged corruption, unduly strong union influences, and a poor image. It is incapable of raising

new revenue sources and is unsure of its relationship with LDA. The population of the city has outpaced the revenue contributed to the local council.

MCL functioning is crippled by political as well as bureaucratic interference and patronage at all levels. The Administrator, who has all the powers of the Council and the Mayor, is a civil servant deputed to the city because elected bodies have been suspended since 1994. He/she can be transferred by the Chief Minister at a moment's notice. The much-needed power and status to exercise clear managerial control, particularly over departmental heads, and to deter political leaders from excessive intrusion into managerial functions, is missing. Elected bodies have a strong political background, but being elected requires strong managerial control. Sadly, political intervention is exercised for personal gain at the expense of MCL and disrupts systematic management.

Top managers are constantly rotated. Uncertain tenure cannot possibly lay any foundation for constructive and long-lasting work. Quick rotation, based on political considerations rather than performance, encourages inefficiency, weak management, and corruption. MCL also lacks professional managers. Since MCL staff are not insulated from political pressure, the need for professional people is critical. Professionals would be in a better position to resist outside pressure and thus contribute materially to improving the quality of operations.

There is also the problem of excessive unionism. A total of 18 trade unions exists within MCL. These unions frequently overstep their jurisdictions and powers as defined under the law. They are known to be violent pressure groups and have seriously undermined the effective working of MCL. Thus, in addition to the problems brought on by external interference, MCL has also been weakened from within.

*Quick rotation of top managers, based on political considerations rather than performance, encourages inefficiency, weak management, and corruption.*

The problems are compounded by the fact that no monitoring or accountability presently exists within MCL. Local accountability is usually regarded as the hallmark of municipal government. This characteristic would distinguish MCL from most other forms of public governance by making it more responsive to local needs, and by making municipal officials more directly answerable for their decisions and performance. Similarly, internal subcommittees or committees comprising concerned citizens and senior officers are lacking in MCL. Such groups could overlook the work of MCL junior staff. Without checks and balances within the wards, subordinates can do whatever they want and use the funds allocated to them in whatever manner they choose.

MCL has a centralized organization structure with the Administrator or Mayor (after elections) as its chief executive. However, because Lahore has grown so large, one administrator cannot possibly attend to its needs. As a result, effective supervision, control, or accountability is impossible.

The city is divided into eight zones and 130 wards. An Assistant Director, who reports to an Operations Director, administers each zone. The Operations Director reports to the Chief Corporation Officer, who in turn reports to the Administrator. All decisionmaking and authority is thus funneled into a single individual for an entire city. This is absolutely impractical and ineffective today.

The examples of MTS and LCCHS establish that small and localized administration is effective and accountable. The physical proximity of MCL and LDA to residents is also important. The Town Hall, which is the head office of MCL, is not conveniently located for several neighborhoods of Lahore. MCL is therefore distant and user-unfriendly.

Finally, citizens need to be educated. Solid waste should be shown as a menace and disposal procedures explained. MCL suffers from low visibility and consequently so do the crucial issues of solid

waste and sanitation. Citizens do not know how to use disposal facilities. Public relations or awareness programs could inform the public as to what street is maintained by what agency, how often trash pickup is to be provided, the hazards of obstructing drains and ditches, and so on. While MCL builds credibility through internal management and structural improvement, it can neutralize bad publicity by promoting written and spoken contact with the public. MCL can become a friendly corporation by using the media to promote public awareness and civic education.

Citizen participation is also essential at every level of decisionmaking. Provision of a link between the residents and the authority would help keep public institutions flexible and dynamic. It would also help in the quick and effective redress of the citizens' day-to-day problems. A complaint system is successfully working at LCCHS. The complaint box is emptied every three hours and follow-up action is taken. It was revealed during the workshop that although MCL received several complaints it only attended to them superficially.



## V. REFORMING THE REVENUE BASE FOR URBAN SERVICES

Anwar Kamal  
*Anwar Kamal Law Associates*  
*Lahore, Pakistan*

One of the most critical issues tackled in the Lahore City Management Project was that of financing services. This paper briefly describes the findings of the subcommittee whose mandate was to examine these issues. It also includes the subcommittee's recommendations.

The rapid growth of population and the extent and pace of urbanization have rendered Lahore's urban infrastructure totally inadequate. This inadequacy is attributed to the lack of financial resources available to those responsible for the provision of services. Other relevant issues include the adequacy of education and training of city managers.

### REVENUES AND EXPENDITURE

Pakistan has three tiers of government and taxation: federal, provincial, and local. The central Government collects taxes on income, wealth, capital value, and sales, in addition to customs levies and central excise duties. The traditional sources of funds are taxation and domestic borrowing. The provinces and local bodies, on the other hand, collect land revenue and agricultural income tax, property taxes, octroi (a local tax on goods entering a city), and a host of minor taxes. The octroi is the most important local tax.

---

The total budgeted income of MCL in 1996/97 was Rs1.16 billion. Its expenditure was Rs1.18 billion, leaving a deficit of Rs16 million. This deficit was offset by a carry-forward of Rs73 million from 1995/96. Given a city population of 7 million, the expenditure was a very low figure of Rs168 per capita. Sixty-five percent of the budget was allocated to salaries. In addition to the MCL budget, LDA budgeted a total expenditure of Rs904 million. This figure included a Revenue Expenditure of Rs463 million and a Development Expenditure of Rs441 million. The combined per capita expenditure of MCL plus LDA therefore amounted to Rs297.

The details of MCL's sources of revenue for 1996/97 are shown in Table 1. The Rs70 million revenue from the municipal property tax constituted MCL's share of the property tax realized by the provincial government in 1996/97, Rs10 million of which was arrears from previous years. While MCL's

**Table 1: Details of MCL's Sources of Revenue for 1996/97**

Revenue source	Amount (Rs million)
Octroi	702.0
Municipal property tax	70.0
Sale of the rights of immovable property	190.0
Fee of maps, etc.	20.0
Taxes and fines on animals, hand carts, and cinemas	5.8
License fee for foodstuff, hazardous trade, slaughterhouse, fairs, taxi stands, etc.	51.6
All types of rents of property, board-rent, etc.	54.7
Fees pertaining to schools, dispensaries, birth certificate copies, sweepers, etc.	15.9
Other types of fines including expulsion of stray cattle, etc.	17.3
Temporary balance, road cuts	34.5
<b>Total</b>	<b>1,161.8</b>

budget estimate of property tax for 1995/96 was Rs180 million, only Rs17.5 million was collected until March 1996. Although more revenues were expected during the last three months of the financial year ending on 30 June 1996, the budget estimate was reduced to Rs70 million.

As regards octroi, the net income was Rs702 million after deducting Rs35 million for salaries of staff and payment of Rs58 million, or 8 percent of Rs760 million, to the Lahore Cantonment Board. Generally, this tax is farmed out to contractors in the private sector through open auction. However, during 1995/96, recovery of the octroi tax was not auctioned due to legal complications and MCL collected the tax itself. A target of Rs760 million was fixed for the first nine months of 1996/97, slightly more than the estimate for 1995/96. Table 2 shows

<b>Department expenditure</b>	<b>Budget (Rs million)</b>	<b>Total (%)</b>
General Department	64.1	5.4
Finance Department	24.9	2.1
Tax Department	50.2	4.3
Education Department	207.6	17.6
Social Welfare	4.2	0.4
Health Department	466.5	39.6
Medicine Department	51.1	4.3
Livestock Department	10.0	0.8
Fire Brigade/Water Supply	35.1	3.0
Engineering and construction of parks/street lights	259.5	22.0
Temporary accounts (employee loans)	2.5	0.2
MNA/MPA grant	2.5	0.2
<b>Total</b>	<b>1,178.2</b>	<b>100.0</b>
MNA = Members of National Assembly; MPA = Members of Provincial Assembly.		

the department-wide development and non-development expenditure budgeted for 1996/97.

While octroi constituted MCL's single most important source of revenue (60 percent of the total), the health department utilized 40 percent of the expenditure. Solid waste management falls within the health department. Table 3 reflects the capital expenditure for the Public Health Department for 1996/97, and Table 4 shows the distribution of total expenditure on solid waste management within the public health department. This total amount represented an increase of 8.76 percent over the previous year's revised figure of Rs378 million.

The issue of finding funds for capital outlay for future development could at best be termed theoretical in the absence of firm estimates of monies required for planned development. Reappraisal of the structure and internal dynamics of MCL must be undertaken in order to identify problems and work out strategies for change, in particular a rationalization for budget allocation.

The question of raising the requisite funds from the capital market, both domestic and international, through municipal bond flotation was considered. The

**Table 3: Capital Expenditure for the Public Health Department**

Expenditure items	Amount (Rs million)
Construction (sewerage, etc.)	22.2
Purchase of spare parts, tires, etc.	6.0
Repair of automobiles of SWM	8.0
Payment of customs duty for machinery of SWM	10.0
Purchase of five automobiles	13.0
Health center	3.0
<b>Total</b>	<b>62.2</b>
SWM = Solid waste management.	

**Table 4: Allocation for Solid Waste Management**

<b>Item</b>	<b>Budget (Rs million)</b>	<b>Total (%)</b>
Salary of sanitation and health staff	333.1	81.1
Contingent expenses	37.5	9.1
Development and plant	38.0	9.3
Total repairs	2.0	0.5
<b>Total</b>	<b>410.6</b>	<b>100.0</b>

Managing Director of Pakistan Credit Rating Agency Limited provided useful theoretical input. It was specifically pointed out that raising funds from the capital market for an organization like MCL, although possible, is subject to the following preconditions.

- The organization should be a separate legal entity.
- It should have a defined and predictable stream of income.
- The accounts of the organization should be subject to external audit by qualified chartered accountants.
- The purpose for raising funds should be specified and its income generation capacity evaluated.

## **PRIVATE SECTOR PARTICIPATION**

Greater private sector involvement has been proposed as an alternative because of the failure of public sector managers. Far from serving as a panacea for all the problems faced by Pakistan, injudicious privatization or unregulated involvement of the private sector may lead to greater trouble. If regulatory and supervisory functions are not in place prior to privatization, it may be more difficult to deal with a private sector firm than with an inefficient, irresponsible, and possibly corrupt public sector

organization. Public sector management should be reformed so that it better represents the interests of the people. The methods by which public assets are converted into private ones are therefore critical to the future of the country.

Regardless of whether the lives, needs, and resources of the Pakistani people are handled through the public or the private sector, good governance and management are crucial. In both cases, citizens must be actively involved as the matter concerns them vitally, and both the tax and the user charge come from their pockets. In both cases, the structures can be abused.

At worst, the public sector is inefficient and irresponsible, the private sector greedy and predatory. Ways and means must be found to make people work efficiently, honestly, and responsibly. In the case of public sector management, both incentives and penalties must be built into the terms and conditions of service, and performance indicators must be put in place for objective evaluation. In the case of the private sector, since conflict between public interest and private profit is inevitable, the need is to regulate, supervise, and control.

### PLANNING AND BUDGETING

*The Corporation does not have a proper system of planning and its budgetary process is grossly inadequate for a large modern city.*

MCL does not have a proper system of planning and its budgetary process is grossly inadequate for a large modern city. The decisionmaking process is arbitrary. In the absence of an elected body, it is managed by public servants with no professional expertise in city management. The MCL budget shows annual additions to the previous year's provisions, and no systematic adjustment is made to take into account the inevitable demographic changes or variations in the city's development. Add-ons to the previous year's budget appear to be the sole way of formulating new budgets. Budgetary provisions have little relevance to reality and monies budgeted for one purpose are

used with impunity elsewhere. Because the MCL budget is revenue- rather than demand-driven, it is simply not used as a planning tool.

Similarly, audit procedures are grossly inadequate and reporting is not done on an allocation/use basis. Audit reports are therefore not forthcoming. Citizen representation is ineffectual in the planning process and nonexistent in a monitoring/supervisory role. Measurable performance indicators are not in place. No system of incentives for quality work and penalties for failure to deliver exists.

### **RECOMMENDATIONS**

1. Use the budget as a planning tool. Budgeting should be based on detailed cost estimates. Budgeting must be zero-based and the use of resources more organized and efficient.
2. Determine short-, medium-, and long-term needs as well as projections for capital outlay, recurring costs, modernization, replacement, and construction of new infrastructure.
3. Review existing sources of provincial tax revenue, such as property tax and octroi, and carry out reforms to improve both incidence and collection.
4. Formulate the policy for federal transfers to avoid double taxation on the capital value of immovable property.
5. Utilize user charges/service fees judiciously while putting in place performance indicators, as people are reluctant to pay more without visible results. Consider consumers' ability to pay when determining user charges and, where needed, provide subsidies.
6. Discover and utilize additional and innovative financial sources. An example of this is pollution

tax/surcharge on petroleum consumption within the city.

7. Identify additional sources of capital funds such as municipal bonds. Carry out necessary reforms to facilitate fundraising from the domestic and foreign capital markets.
8. Include a system of incentives and penalties in the terms and conditions of service to ensure efficient, honest, and responsible performance of work by public sector employees.
9. Allow transparency of the budgetary process and make relevant information available to citizens so that they will know how their money is being used.

## VI. PROVISION OF PUBLIC SERVICES: PUBLIC-PRIVATE MIX

Anjum Nasim  
*Professor of Economics*  
*Lahore University of Management Sciences*  
*Lahore, Pakistan*

In most countries, particularly in the developing world, the public sector provides services such as education, health, water supply, sewerage, sanitation, and solid waste collection/disposal. The reason is that if these services are left to the market, because of externalities inherent in these services, they are unlikely to be provided at the optimal level of quantity and quality. Moreover, unregulated markets can lead to monopolies and collusive behavior among producers.

In Pakistan, public sector involvement in solid waste collection/disposal, water supply/sewerage, and road construction/maintenance is pervasive. The public sector is also involved in infrastructure investment, operations and management of services, and monitoring and regulation of activities subcontracted to the private sector. Over the years, the limitations of public bureaucracy in delivering these services have become increasingly evident. Disillusionment with the quality and quantity of services is presently widespread. This deterioration reflects both the lack of infrastructure investment and poor management.

The failure of the government to provide an acceptable level of public services has led to a reassessment of the roles of the public and private sectors. The realization is growing that a role for the private sector may exist even in these areas —

---

*The experiences of several countries suggest that private sector involvement can improve the quality and coverage of services.*

traditionally the domain of the public sector. The pressure on the financial and human resources of the public sector would be eased if both sectors shared infrastructure investments, as well as the delivery and management of public services. The resources released would help improve the functioning of the government. The experiences of several countries suggest that private sector involvement in these sectors can improve the quality and coverage of services.

There is, however, a strong view that privatization is not a panacea. Privatization often involves substantial increases in tariffs, most of which are monopoly rents. Improvement in the quality of service, which is associated with private provision of services, is difficult to measure or monitor. In any case, the regulatory capabilities of public bodies, which have the responsibility for monitoring services and regulating tariffs, are limited. Strengthening of the regulatory capabilities is a prerequisite for privatization, but institutional weaknesses lie at the heart of the problem. If public sector institutions are strengthened, we may be able to concentrate on the provision of public services and not on experimenting with private provision of these services. Also, given the existence of corruption in public bureaucracy, private sector collusion with regulatory agencies can be expected. The general public may be left with, at best, a slightly improved provision of services, but at the expense of a much greater burden in tariffs and rates for services.

Through an analysis of these issues, this paper tries to explain why the public sector is traditionally responsible for civic services and why it may be necessary to involve the private sector in their provision. The paper also lists some of the ways in which services can be delegated by the public sector to the private, emphasizing the regulatory role of the public sector. Finally, the paper summarizes the discussion and recommendations of the workshop

participants. In the context of public/private provision of civic services, three issues were presented for discussion.

- Is there a case for privatization of public services? If so, what criteria can we adopt for privatization?
- What are the methods of private sector participation in the provision of civic services?
- What are the regulatory capabilities of the public sector?

A series of discussions in a subgroup followed the first workshop on these issues. These deliberations resulted in a set of recommendations for improving solid waste collection and disposal in Lahore through a mix of public/private participation.

## THE RATIONALE FOR PUBLIC INTERVENTION

Government intervention in the market can take several forms. It can affect the production of goods and services indirectly through taxes, subsidies, and regulation even if it is not directly involved in the production of goods and services. The term used by economists to rationalize this intervention is *market failure*.

To explain this term we must first define the concept of *efficiency*. If the number of consumers and producers in a given market is large, the market outcome will generally be *efficient*. This is because it is not possible to make someone better off without making someone else worse off. Efficiency is therefore a desirable social goal, assuming society is better off by some rearrangement of production/consumption. This would improve the welfare of at least one person without an offsetting loss to someone else. When these welfare-improving possibilities have been exhausted, the situation is said to be efficient (or *Pareto efficient* to be precise). One of

the important rationales for the 'perfectly competitive' model is that it allows an efficient outcome to occur.

However, there are two problems with the model. First, the set of conditions under which the efficiency principle holds is restrictive. Second, a Pareto efficient solution is associated with each level of income distribution. Different levels of income distribution will lead to different Pareto efficient outcomes.

Market failure results when one or more of the conditions that ensure efficient outcome breaks down. A monopoly is an example of market failure. It is a condition where a large number of buyers and sellers are absent. Another example is that of a *pure public good*. These are goods that are non-excludable and non-rival in consumption. Non-excludability means that it is not possible to exclude someone from consuming a good. A good is non-rival if consumption by one person does not diminish the consumption by another. An urban road is an example of a public good. It would be very difficult to exclude people from the use of the road, and outside of rush hours, it is non-rival in consumption. A radio broadcast is the perfect example.

It is easy to see that in the above cases free market solutions could easily break down. Because consumers may be unwilling to pay if they cannot be excluded from consuming a good, and thus producers may not be able to obtain an adequate return on their investment.

Sanitation is another example of a public good. Every household in the neighborhood benefits if the streets are kept clean. Problems crop up in attempting to recover costs of this service by charging households according to the value they place on this service. If willingness to pay is assessed by surveying consumers, it would be to each consumer's interest to under-report the extent of their valuation of the benefit. Again, private market solutions break down.

Even where it is possible to charge consumers according to the amount of service consumed, private solutions may not be feasible. Water supply and sewerage are examples. Although water metering allows for a charge of a service according to use, the initial investment in water supply is very large and the benefits from this investment are spread over many years. The private sector may not have sufficient capital and their planning horizon may not extend far into the future.

The public sector is in a better position to undertake investments and recover costs when market-based solutions break down. Take the example of sanitation. Although the public sector is as constrained as the private sector from levying user charges, its ability to levy taxes can recover the costs of this service. It does not follow, however, that the public sector should provide the service. While a public sector agency like a municipal corporation must ensure the availability of the service, its provision can easily be contracted out to a private supplier. Some considerations as to whether private or public provision of a service is preferable are as follows:

- the extent of financial sharing of capital and infrastructure investment;
- the impact on tariffs;
- the effect on the quality of service;
- the likelihood of achieving or compromising distributional objectives;
- the regulatory capability in the public sector (to negotiate contracts, regulate tariffs, monitor service delivery, and ensure that the terms of the contract with the private sector are fulfilled); and
- the nature of the adjudication process (in the event of noncompliance with the terms of contract).

The experience of MCL is a case in point. Recently, it invited bids by private contractor for solid

*The Lahore Cantonment Cooperative Housing Society has successfully experimented with private provision of solid waste disposal.*

waste collection in certain city wards. The lowest bid was approximately Rs650 per ton. In comparison, MCL's cost estimate for collection was Rs450. cursory calculations suggest that if the entire cost of private collection were to be recovered from households, it would amount to Rs100 per annum per household. In pre-seminar workshops, some participants thought this charge was too high and would have to be subsidized by MCL or the provincial government. Others pointed out that in certain areas of Lahore rate adjustment had not taken place for several decades and in other areas, while rate revision has taken place, the rates are much lower compared to those in most countries. Therefore, an additional charge for refuse collection was justified.

LCCHS has successfully experimented with private provision of solid waste disposal. Until a few years ago, LCCHS undertook sanitary work and solid waste disposal through its own sanitary staff and waste disposal vehicles. Because the quality of service was below the expectations of members of the society, the decision was taken to privatize solid waste collection. This resulted in reduced cost of solid waste collection and improvement in the quality of service. Quality clauses were built into the contract with the private contractor. Supervisors appointed by the society monitored quality. Today the standard of solid waste collection by LCCHS is perhaps the best in the city.

It should be pointed out, however, that LCCHS is not representative of other areas of the city. In terms of population, it is equivalent to just one of the city's 130 wards. Furthermore, LCCHS members are some of the wealthiest people in the city and therefore the level of education and civic sense are far above the average. Most importantly, during the privatization of sanitary services the army provided security to LCCHS, preventing any threat from the labor union of sanitary workers. After a few years of

litigation, sanitary services in LCCHS were declared essential services and the court cases were effectively quashed.

A caveat must be added to this apparent success story. Solid waste collected at LCCHS is disposed at unused plots or private agricultural land. These sites are not proper landfill sites and there is no treatment of solid waste. In this sense, the practice is not very different from the waste disposal arrangement of MCL.

## THE FAILURE OF THE PUBLIC SECTOR

The role of the state in the provision of goods and services predominates in the developing countries. The underdeveloped state of markets and a limited entrepreneurial class has obliged governments of these countries to assume a large role in the production and distribution of goods and services. Over the years, the limitations of public bureaucracy in delivering these goods and services have become evident. To understand why this may have happened, the following passage from Klitgaard is instructive.

*For an organization to work well, presumably its leaders and members should understand the organization's objectives, should be able to measure their success in achieving those objectives, should have well defined tasks to perform that contribute to those objectives, should have means to carry out and coordinate those tasks in a timely fashion, and should have clear lines of authority. To reiterate, a successful organization is successful in five areas: objectives, measures, technologies, incentives and authority.<sup>1</sup>*

---

<sup>1</sup> Klitgaard, Robert. 1991. *Adjusting to Reality: Beyond 'State versus Market' in Economic Development*. San Francisco: International Center for Economic Growth.

Typically, public sector institutions fail on most of these requirements while the private sector fares better.

Another major reason underlying the failure of public services investment in Pakistan is the serious financial crunch faced by the Government. We argued earlier that the Government might be in a better position than the private sector to recover costs of provision of certain types of services. The experience of many developing countries (including that of Pakistan) indicates that governments are either unwilling or unable to raise these revenues. Furthermore, the resources required to carry out large investments in public sector projects are not easily available. The lack of investments and the fiscal squeeze has eroded the quality of public services in general and municipal services in particular. Related to the issue of fiscal squeeze is the issue of public sector wages, which have failed to keep up with inflation. This factor has also contributed to the erosion in the quality of management in the public sector. Thus, while qualified people face a disincentive from entering public service, corrupt and unqualified people are attracted.

*While qualified people face a disincentive from entering public service, corrupt and unqualified people are attracted.*

While the public sector cannot be absolved of its responsibility, workshop participants also identified the lack of civic sense and the poor standards of hygiene among the public as major factors contributing to the poor standard of sanitation in the city. Lack of education and civic sense are impediments to maintaining sanitation even if certain services are privatized.

Notwithstanding the performance of the public sector, most participants in the workshops emphasized the need for the presence of a public sector entity in solid waste collection. They considered public sector presence important, as it would be a check against monopolies. The presence of the private sector would also enhance the productivity of the public sector through competition.

However, it was felt that competition alone will not improve the efficiency of the public sector, as was demonstrated by the example of the Punjab Road Transport Corporation. The Corporation, despite strong competition from the private sector, had been running losses for many years and finally had to be liquidated.

## **PRIVATE SECTOR PARTICIPATION METHODS**

The failure of government to provide an acceptable level of public services has led to a reassessment of the roles of the public and private sectors. There is a growing realization that there may be a role for the private sector even in those areas, traditionally the domain of the public sector. The following are some of the ways in which private sector participation is possible.

### *Contracts from Public Agencies*

The overall responsibility in an area may be vested with the public sector, but some activities, such as road construction and maintenance, may be contracted out to the private sector. Public agencies can provide specifications for the work and private contractors can be selected through a bidding process.

### *Monopoly Franchise*

Economies of scale sometimes suggest that a service can be provided at least cost if there is a single provider. A public authority can appoint and give a private provider the franchise to provide a service for a certain period of time (as long as 20-30 years if the investment in machinery or equipment has a long life.) Both can agree on the quality of service and tariffs. The private party undertakes the investment.

### *Management Contracts*

Management contract differs from monopoly franchise. Here, the public agency undertakes the investment while the private sector manages it.

### *Self-help*

Self-help is an important form of privatization. The Orangi Pilot Project in Karachi is a case in point. Between 1980 and 1990 the project developed a low-cost sanitary system for 47,000 households at one fourth the investment cost of municipality-purchased systems. The project is self managed and used self-financed construction.

While the Orangi project, headed by Akhtar Hameed Khan, is the best known example, the Lahore Sanitation Programme (LSP), headed by Asif Farroki, is another success story. In cooperation with a number of NGOs, LSP supplements MCL sanitary services in Lahore. At the beginning of each month, LSP workers provide plastic bags to households for depositing refuse. The bags are provided at a charge varying from Rs25 (in low-income areas) to Rs100 per month (in high-income areas). The LSP workers collect refuse bags every other day. These bags are then dumped in a designated plot from where they are picked up by MCL trucks. LSP is able to provide services where local workers can convince 1,000 households to participate in the program. This level of participation covers overheads for the collection of refuse bags and hiring of vans to bring refuse bags to a dumping site. The participation of local community organizations is critical to the success of the program.

## **REGULATORY ISSUES AND CAPABILITIES**

Regulation is required to maintain a balance between the conflicting interests of governments, private

providers, and the consumers. Regulation includes ensuring that:

- the quality and quantity of services satisfy the terms of the contract between the public and private producers,
- the benefits of lower cost and greater efficiency are passed on to the consumer, and
- adjustments are made periodically in tariffs to account for inflation or contingencies.

This in turn raises questions: What are the current monitoring and regulatory capabilities of MCL and LDA? How can these capabilities be strengthened?

Understanding the institutional limitations — whether privatization requires strengthening of existing institutions or setting up new regulatory institutions — is crucial for the effective implementation of a privatization plan. An assessment of the existing institutions and their strengths is the subject of another paper in this seminar.

*Understanding institutional limitations is crucial for the effective implementation of a privatization plan.*

## **RECOMMENDATIONS**

The focus of discussions in the workshops included solid waste collection and disposal. The group took into account issues related to the collection of solid waste, transfer of refuse from one location to another, and the development and administration of disposal sites. The public/private mix was discussed in this context. The recommendations of the subgroup are grouped under three heads.

- A. Privatization of solid waste collection
- B. Stages in collection and disposal
- C. Landfill sites

### **A. Privatization**

*Context:* The quality of sanitation service varies from being tolerable in the relatively affluent residential areas to deplorable in the less affluent areas. MCL sanitary staff starts work at dawn and completes street cleaning before business activity starts in the city. Street cleaning is typically done once a day. MCL has over 8,000 sanitary workers on its payroll. A large number of them work only part of their eight-hour shift, while another significant number are frequently absent. Through better utilization of the workforce and better monitoring and control, the standard of cleanliness in the city can be vastly improved.

The system of refuse collection and disposal suffers from absenteeism, inadequate level of maintenance of equipment and machinery, shortage of transfer stations, and absence of proper landfill sites. Of the total number of workers officially assigned for refuse collection, only about half report for duty. The total number of vehicles for refuse collection with MCL is 133, sufficient for collecting only 70 percent of the refuse generated in a day. There is one transfer station at Outfall Road. Three more transfer stations are required to cope with the volume of refuse generated. The city does not have a single landfill site.

1. MCL should continue to be responsible for street cleaning. Since cleaning only once a day is inadequate in many parts of the city, cleaning should be increased to twice a day. Better attendance of workers should be enforced.
2. Privatize solid waste collection and disposal in one zone of the city on an experimental basis. The zone should have a significant presence of both rich and poor neighborhoods. Zone number six, which constitutes about 10 percent of the city's wards, is suggested.

*Privatize solid waste collection and disposal in one zone of the city on an experimental basis.*

3. In setting terms of the privatization contract, including standards of quality, public authorities could be guided by the contract between LCCHS and a private firm for the collection of solid waste. Because the LCCHS population is roughly the size of one city ward and its area is much larger than a typical city ward, its contract cannot simply be replicated. However, the contract provides a benchmark for negotiating privatization contracts in the city.
4. With privatization of solid waste disposal in one zone, reducing the workforce can effect expenditure reduction in MCL. Most workers should be able to obtain employment in private firms contracted by MCL. Experience with contracting sanitary services by the private/cooperative sector suggests the existence of an entrepreneurial class that can take up the challenge of providing these services. If MCL decides to privatize, it can attract these entrepreneurs as well as firms and NGOs with experience in this area.
5. After privatization, in Zone 6, MCL should curtail its solid waste expenditure budget by about 10 percent. Although this may not be feasible immediately, the target should be realized in a short period. The money saved could be used to pay the private contractor. If the contractor is too costly, the balance should be made up by a levy on households. Given the experience of the Lahore Sanitary Programme, it appears that a willingness to pay exists among households, and that scope for cross subsidization is considerable. NGOs, local councilors, and members of the community should be involved in obtaining estimates of willingness to pay, and persuading residents to pay for the improved quality of service.

6. To make private investment attractive, the contract period should be 3-5 years. Private contractors should be able to lease or buy existing equipment from MCL.

### ***B. Stages in Collection and Disposal***

*Context:* Solid waste collection and disposal involves four stages.

- Stage 1: households deposit garbage in the refuse dump in the vicinity of the house.
- Stage 2: the refuse is transferred to a skip.
- Stage 3: refuse is taken from a skip to a transfer station in a truck.
- Stage 4: refuse is taken from the transfer station to a dumping site.

The household and the community can effectively handle stages 1 and 2. The current practice is for households to deposit their waste in a refuse dump in the neighborhood, from where it is removed by MCL workers to a skip. The frequency of this collection, however, is irregular and unreliable.

At present, only one designated transfer station exists in Lahore. The minimum number should be four. Transfer stations allow a faster process flow. It allows smaller vehicles to collect city waste and transfer it to larger trucks and trailers to be taken to a dumping/landfill site.

1. Privatization of solid waste collection should involve stages 3 and 4. Private contractors should be responsible for the collection from the skip to the transfer station and from the transfer station to the dumping/landfill site.
2. The household and local community should be responsible for stages 1 and 2. Households

should be required to deposit refuse directly into the skips. If the skips are not conveniently placed, the transfer from the local dump to the skip can be contracted to a private contractor. Each household can afford this with a small contribution. One could also privatize stages 1 and 2 through a contract between MCL and the private provider. However, it may be more suitable in phase one of the experiment to have a mix of community level initiatives and private provision. Because, if the responsibility of the private provider is more focused (e.g., clearing skips every 24 hours), a faster and more efficient service may be possible. Monitoring this service may also be easier for MCL. The monitoring of waste collection at every street is much more demanding.

3. Strengthen the supervisory role of MCL. Conduct a survey to obtain a measure of consumer satisfaction in the areas where privatization is envisaged. Carry out periodic surveys to monitor the quality of private provision. Market research firms, which carry out similar surveys routinely, can be contracted to conduct such consumer satisfaction surveys. Cancel contracts if the private contractor falls short of some benchmark. One possible benchmark is the volume of refuse collected. If proper landfill sites are developed, monitoring of such refuse collection will become feasible.

### ***C. Landfill Sites***

*Context:* The current waste disposal practice is to dump refuse at dumping sites on the outskirts of the city, in vacant lots, on farmland (as manure, with the consent of farmers) and at low lying areas around the city. The present method of dumping is environmentally unsafe. Untreated hazardous waste

seeps into ground water with potentially serious consequences. A study conducted for the World Bank assessed the need for four landfill sites in the city. A feasibility study for one landfill site at Mahmood Booti has been carried out, but its development is still uncertain. This site is appropriate for 25 percent of the solid waste collected. Another landfill site has been identified at Kahna Kacha.

1. Develop proper landfill sites. Operationalize the landfill site at Mahmood Booti and start a feasibility study on the landfill site identified at Kahna Kacha. Identify two new sites. The study for the World Bank (mentioned above) identified these sites as West of New Bund and Babu Sabu.
2. Private firms should handle the operation, maintenance, and management of landfill sites. This recommendation is in line with the thinking among policy makers.

## VII. PLAN FOR SOLID WASTE COLLECTION AND DISPOSAL

M. P. Aftab

*Vice President, National Engineering Services of Pakistan*

Municipal solid waste management in Lahore is a responsibility shared by MCL, the Cantonment Board, the Model Town Society, and LCCHS. The Lahore Sanitation Programme, on the other hand, was initiated by a nongovernment organization.

Lahore generates approximately 3,000 tons of solid waste every day, a total of 1 million tons per year. This figure is expected to increase to 2.2 million tons by 2020. Presently, about 7,300 sweepers clean the roads and other areas and transfer solid waste generated by residential, industrial, and commercial centers from collection bins, skips, and containers located at various sites throughout the city to vehicles for further disposal. Most of these bins are made of concrete or masonry. A total of 871 mechanical skips and 198 containers are set up at selected locations. Open trucks and special purpose trucks take the waste from the bins either directly to the landfill sites at Charir, Kamahah, Barki, and Hudaira, or to the transfer station located at Outfall Road. It is estimated that about 70 percent of the total waste generated is collected.

Other than the unofficial landfills (dumping spaces), Lahore does not have any other kind of disposal system. Daily, about 10 tons of hazardous and infectious wastes from 30 hospitals require incineration. Only three hospitals incinerate their wastes. The remaining hospitals dispose of their waste along with their domestic waste and garbage.

---

According to the Environmental Protection Department, this practice is hazardous to health and environment.

### **OTHER ASIAN CITIES FACE SIMILAR PROBLEMS**

In Bangkok, solid waste is shipped to disposal sites 100 kilometers or more outside the city by either the municipal authority or private contractors. The Metro Manila Development Authority is working to close its existing open dumpsites on private land, replacing them with three sanitary landfills outside the city.

Under the Madras Waste Management Project, the World Bank's proposed plan recommends that the government should combine its resources with local community groups to develop an integrated and improved collection service. Collection trucks will be standardized and existing transfer stations upgraded. Waste collection points will be constructed in outlying areas to bring them into the system. A new authority is proposed to take control of the landfills and bring them up to a standard where they no longer threaten the local environment.

Taking a somewhat different approach, the megacities of Shanghai, Seoul, and Calcutta have chosen to supplement existing landfill disposal with other techniques. For instance, Shanghai expects to incinerate 40 percent of its solid waste by 2000. Seoul, which is at the high end of the solid waste production scale for Asian cities, is acting to reduce solid waste generation. Its solid waste reduction policies restrict the use of disposables and overpackaging, reduce food waste, and offer incentives to the recycling industry. Meanwhile, Calcutta is operating two pilot plants for production of biogas and is experimenting with the release of trapped gas from landfills for power generation. It is also establishing, in partnership with the private sector, a system of composting of household waste.

Hong Kong's Chemical Waste Treatment Facility is Asia's first state-of-the-art integrated chemical waste collection treatment and disposal system. This is an example of government and industry working together to solve the complex problem of solid waste.

### COLLECTION OF SOLID WASTE

#### *Provider's Side*

The collection process in Lahore improved after 1988. The present system collects 70 percent of solid waste (compared to 40 percent in the 1980s), while the rest remains scattered along roadsides and open spaces. Solid wastes are also burned in skips and bins. This practice damages the skips and generates toxic fumes.

In 1988, the collection process was modernized by bringing in more scientific equipment such as compactors, arm rollers, skips, containers, and bins. These replaced the manual system of spades, baskets, open trucks, and bullock carts. Although the modernization program was useful, it was not properly planned. The machinery was haphazardly ordered and it was either improperly used or overmanned. It was also subjected to theft. The ratio of compactors to skips and arm rollers to containers is not correct, resulting in additional inefficiency. New machinery is required and old equipment needs maintenance.

Compaction trucks are typically designed to compact light refuse (100-400 kilograms per cubic meter [ $\text{kg}/\text{m}^3$ ] density). However, waste density in Lahore is usually around  $500 \text{ kg}/\text{m}^3$ . Different trucks are therefore required. Presently, there are 34 compacting vehicles in Lahore.

MCL has also started collection of waste from houses, dividing the city into 10 zones, zones into wards, and wards into units. Households in the better-off residential areas pay Rs100 per month to

*The present system collects 70 percent of solid waste while the rest remains scattered along roadsides and open spaces.*

garbage collectors, while those in the low-income areas pay Rs25 per month. However, the inefficiency in the sanitation structure of MCL destroys public confidence because sanitary workers do not do their jobs and no-show workers are tolerated by MCL. Checks and control over staff is loose and defective.

### *Consumers' Side*

The role of consumers in collecting waste is not encouraging. The transfer of solid waste/garbage from homes to the nearby skips or bins is inefficient and unhealthy. At times, the garbage is dumped outside someone else's house and not taken to the skips at all. In other cases, the skips are not used and the garbage is scattered around them. Garbage is not collected in proper disposal bags.

Culturally, people concentrate on keeping their homes clean by throwing the garbage on the streets. Servants who are actually dealing with collection and transferring of solid waste on the spot are not educated by their employers. There is a need for MCL to undertake a campaign to educate the citizens on the need for good waste disposal practices at the household level.

## **REDUCTION OF SOLID WASTE**

Various studies by different agencies have been conducted to improve solid waste management in Lahore. Each of these studies recommended improving the existing collection and disposal systems in a scientific manner. They also emphasized increased public awareness and utilization of the private sector to collect and dispose of wastes. Another recommendation was to introduce training programs for the staff.

Based on the recommendations, MCL prepared a comprehensive proposal with a total

project cost of Rs808 million to deal with solid waste management. The project includes the construction of a landfill site (Rs43 million), a gas recovery system (Rs40 million), a power plant (Rs190 million), hospital waste incineration (Rs81 million), and technical assistance (Rs60 million). The project is to be funded by the World Bank under a technical assistance grant of Rs60 million and a \$11 million grant through the Global Environment Facility. The Government of Pakistan and private investors are to bear the balance of the cost.

The sanitary landfill site at Mahmood Booti will cover 30 hectares and have a receiving capacity of 250,000 tons/year. It is located north of Bund Road. The project is a modern earth embanked landfill, with optimized gas extraction capacity to recover gas produced by the enhanced and controlled decay of organic materials within the landfill. The recovered gas will be utilized to provide energy for a gas-driven power station. The Water and Development Authority is expected to purchase and feed the produced electricity into the local power grid. The residual material in the landfill, on the other hand, will be used as soil conditioner and filling material once the process of biodegradation is completed.

In order to improve the prevailing solid waste collection system, the following steps need to be incorporated in the plan.

- Revise zonal boundaries based on population and area.
- Establish performance indicators for various categories.
- Encourage public participation/awareness.
- Immediately review areas lacking in collection facilities — type and quantity of equipment, transport, etc.
- Abolish the existing transfer station at Outfall Road after construction of the sanitary landfill at Mahmood Booti.

- Involve the private sector in collection and transportation of solid waste.
- Tender a separate contract to build, operate, and maintain a sanitary landfill at Mahmood Booti on priority basis.
- Initiate the process of land acquisition at other sites such as Kana Kachha, Ferozepur Road, Bedian Road, and Shahdara.
- Immediately install a hazardous waste incinerator at Mahmood Booti.
- Organize scavenging activities at the source as well as final disposal points.
- Ensure the availability of adequate workshop facilities for effective fleet operation.
- Immediately ban dumping of solid waste into River Ravi.
- Encourage training and motivated academic research for solid waste management.

# VIII. AN OUTLINE ACTION PLAN FOR MANAGEMENT OF LAHORE CITY, WITH EMPHASIS ON SOLID WASTE DISPOSAL

Iftikhar Khalil

*Managing Director, National Engineering Services of Pakistan*

The proposed action plan outlines the various recommendations of the key stakeholders in Lahore after a series of meetings and workshops held to examine and find solutions to the problems besetting city management and suggestions made during this seminar.

The paper has three parts. The first part concentrates briefly on the problems of Lahore. The second part presents the Outline Action Plan on Management Reforms, followed by a summary of the main recommendations. The paper ends with a conclusion and final remarks on the entire process.

## THE PROBLEMS OF LAHORE

As we are all aware, the problems of Lahore are no different than the problems of any large metropolitan city. They are generic in nature and as we have been hearing for the last two days, these are the problems that are also faced by all neighboring countries. The question is primarily that of degree.

Broadly speaking the causes of Lahore's problems can be classified into three areas:

- rapid population growth,
- need for improvements in the institutional framework for city management, and

*The problems of Lahore are no different than the problems of large metropolitan areas in all neighboring countries.*

---

- inadequate financial resources for city management agencies.

The City of Lahore has a population between 6 and 8 million and an annual growth rate of over 4 percent. The civic bodies of Lahore such as the MCL and LDA have been unable to cope with the formidable challenges of rapid urban growth due to limited resources and inadequate institutional framework for city management. Some of the concerns that city management faces are inadequate solid waste collection and disposal, lack of sanitation, poor stormwater drainage and sewerage, and air and water pollution. Other problems include general deterioration of infrastructure facilities, increasing encroachments, traffic congestion, insufficient public transport, poor roads, inadequate water supply, nonavailability of proper housing, inadequate attention to green areas, uncontrolled commercialization, and growing katchi abadis (informal settlements). Ironically, this deterioration has apparently been accepted both by the service providers and by the citizens.

### **OUTLINE ACTION PLAN**

The various stakeholders in Lahore formulated the action plan as a result of the deliberations. These are categorized into four areas: institutional strengthening, provision of municipal services through a public/private mix, financing of services, and handling of solid waste. These areas are described below.

#### ***A. Institutional Strengthening***

- Eliminate overlapping functional responsibilities between different organizations of MCL, LDA, and other agencies.
- Subdivide Lahore into separate zones for a more

effective system of service provision.

- Hire professionals from public or private sector as city managers with clearly defined performance indicators and specified tenure.
- Introduce staffing policies aimed at creating a productive and responsive workforce.
- Involve citizens in the decisionmaking process.

### ***B. Provision of Municipal Services: Public/Private Mix***

- Restore confidence of people in the civic agencies like MCL and LDA.
- Introduce a competitive framework of public/private mix for efficient civic management.
- Develop a regulatory framework that strikes a balance between the complex set of interests of government, private providers, and consumers.
- Experiment first with pilot privatization projects that can be extended to other areas (e.g., solid waste disposal in a selected zone).
- Award all private contracts in a transparent manner.
- Ensure service costs are reasonable and affordable.

### ***C. Financing of Services***

- Adopt a well thought out budget as the basic planning tool. It should be zero-based with organized and efficient use of resources.
- Determine short-, medium-, and long-term needs and make projections for capital outlay, recurring costs, modernization, replacement, and the establishment of new infrastructure.
- Review existing sources of local tax revenue, such as the property tax and the octroi, and carry out reforms to improve both incidence and collection.
- Increase and judiciously utilize user charges/service fees. Performance indicators must be put

in place while considering higher user charges for financing of services.

### ***D. Handling of Solid Waste***

- Establish performance indicators for all levels of management so that goals and targets are set for the solid waste management system.
- Computerize monitoring data to effectively manage solid waste disposal.
- Create public awareness to promote citizen participation in the improvement of solid waste management.
- Involve the private sector in the collection and transportation of solid wastes. It is recommended that initially this be applied in Zone 6.
- Acquire a suitable landfill site near Lahore. Award a separate contract to build, operate, and maintain a sanitary landfill at Mahmood Booti.
- Immediately ban the dumping of solid waste into the River Ravi.

## **CONCLUSION**

In conclusion, I would like to share a few thoughts. Both in the keynote address and in this presentation of the Outline Action Plan, an attempt has been made to conscientiously reflect the issues and recommendations that have been developed as a result of a five-month long interaction with a group of concerned and committed citizens. They have devoted innumerable hours of their time to voice their concerns, to develop a better understanding of the complexity of issues and of the constraints faced by the government and the municipal managers, and to convey their desire to be an active part of the problem-solving effort. They provided the intellectual stimulus for this exercise, with NESPAK functioning as a facilitator.

As stated in the keynote address, it was realized from the very start that an exercise of this nature, with its limited time frame and resource input could not possibly attempt to recommend a comprehensive package of appropriate measures for making Lahore a model city. However, it could serve as an important step towards a participatory evolution of such measures. It is hoped that what has been achieved as a result of this exercise is the provision of essential feedback from citizens to the Government and municipal managers.

In this context, I would like to refer to a comment made by one of our distinguished foreign delegates on the first day of the seminar. He rightly pointed out that, in assessing whether a city is well managed or not, the public perception has to be the determining criterion. Thus, feedback from the citizens must be an integral part of any serious effort to improve the provision of services to the citizens.

The current Government's understanding of the nature and complexity of the problems facing Lahore is not in question. Nor is their commitment to the speedy resolution of these problems. However, it is important to listen to what the citizens are saying. Just like the Government, they are concerned and willing to help to resolve these problems.

I am confident that the deliberations of this seminar will be viewed in this context and that the feedback from the citizens, together with the valuable insights provided by our guests, will be given due consideration.

I also hope that the citizens who participated in this exercise will sustain their enthusiasm to improve Lahore and that the Government will establish a mechanism to continue to receive such feedback.

*Feedback from the citizens must be an integral part of any serious effort to improve the provision of services to the citizens.*



## IX. CONCLUDING ADDRESS

Shahid Hamid  
*Governor of Punjab*

It has been a pleasure to be here with you today at the Presentation of the Outline Action Plan for Lahore City. I am happy that the Asian Development Bank has selected municipal management as one of the key areas for its work on governance and that the underlying theme of this seminar is to create public awareness and an enabling environment for a professional and customer-oriented city government. It is also a matter of satisfaction that the Bank has selected the city of Lahore to pioneer its plans for municipal management reform.

Lahore is a very old city. Its history can be reliably traced back to the first half of the eleventh century. It is also the second largest city in Pakistan. The population of the city at the beginning of the 20th century was about 230,000. At the time of independence in 1947 it had increased to 770,000. Since then Lahore has continued to grow and its present population is anywhere between 6 to 8 million. Unfortunately, the development of infrastructure and public facilities have not matched the population growth and we are therefore faced with very serious urban problems.

MCL has the primary responsibility for the provision of civic facilities to the citizens of Lahore. Like other municipal bodies, it faces serious financial constraints. A look at the current MCL budget indicates that its expected income in 1997/98 is Rs1,183 million. Of this, Rs835 million (68.5 percent) will be spent on salaries. Only 16.2 percent of the budget, or Rs202 million, will be available for the execution of development projects. A small amount

of Rs45.7 million, about 3.7 percent, is available for the maintenance of roads, buildings, and offices. Keeping in view that Lahore has more than 2,500 km of roads, 3,000 km of streets, and a large number of schools and hospitals run by MCL, it is evident that satisfactory maintenance of even a small part of these physical assets is impossible. Much larger amounts are required for development and maintenance. If the staff strength cannot be reduced, the Corporation shall have to broaden its tax base, make its system of collecting existing taxes more efficient, and explore new avenues to supplement its financial resources.

From Independence to 1975, the development of new areas in and around Lahore was the function of the Lahore Improvement Trust. In 1975 the Trust was converted into LDA, and WASA was established as a separate wing within LDA to look after the water, sewerage, and drainage problems of the entire city.

As I have been saying to the heads of MCL and LDA over the last few months, they are doing the same work in different parts of the city. LDA, for example, is maintaining roads, gardens, streetlights, and undertaking a host of activities and functions that should be the exclusive responsibility of MCL. I am clear that maintenance works should be looked after by the MCL, while LDA should concentrate all its energies on development works and, in particular, on new housing schemes. With the possible exception of parts of the Shahrah-e-Quaid-e-Azam, the maintenance of roads, streetlights, traffic signals, road junctions, and recreational parks should revert to MCL. LDA should be reorganized on commercial lines and its main source of income should come from the sale of residential and commercial plots in the new housing schemes it has built. The profits generated from the new housing schemes should be reinvested in other such schemes while part of these profits should be spent on selected projects within the inner city. Notwithstanding the fact that LDA must acquire land

at market rates, there is no reason why it cannot overcome this financial hurdle by announcing an attractive exemption policy for the affected landowners. This is the manner in which 3-4 decades ago the Trust, with very limited funds, developed the five Gulberg schemes, the Shah Jamal Scheme, the New Garden Town Scheme, the New Muslim Town Scheme, and the Upper Mall Scheme.

Another area characterized by duplication and overlapping of the work of MCL and LDA is the enforcement of the building code regulations. For certain specified areas the work done by either or both is subject to the still further control of a high-level Design Committee constituted by the provincial government. The huge number of encroachments all over Lahore, the unauthorized building activity that has led to the establishment of ever more katchi abadis, and the large volume of complaints against the building inspectors are all testimony to the fact that the entire system needs a drastic overhaul. In the process of doing so I would recommend the creation of a single Building Control Agency for the whole of Lahore as has been created by the Sind government for Karachi and by the North West Frontier Province government for Peshawar. If this is done, the heads of both the MCL and LDA will be able to devote much more time and attention to municipal and development work.

Solid waste management is a priority area for MCL. The city generates about 3,000 tons of solid waste every day but does not have satisfactory arrangements for its disposal. There are no proper landfill sites and solid waste is dumped in open spaces at various points in the city. Besides spreading filth and dirt, the waste poses serious problems for the health of the citizens.

Particularly harmful to human health is the hospital waste that has the potential of spreading infectious and contagious diseases. There are about 30 major hospitals in the city and only three have

*I would recommend the creation of a single Building Control Agency for the whole of Lahore.*

incineration facilities. The other 27 do not have any proper disposal system for their waste material. At present MCL is disposing hospital waste along with domestic waste and garbage. MCL must learn from the experience of other countries, especially Asian countries with success in solving the problem of solid waste management. Calcutta, in India, has developed proper landfill sites and is presently operating two pilot plants for production of biogas and is experimenting with utilization of trapped gas in landfills for power generation. Hong Kong's Chemical Waste Treatment Facilities has very successfully involved the local industries in working out a system to control the solid waste problem caused by the discharge of toxic waste by industry.

The citizens of Lahore are fully aware that after LDA or MCL build a road, a few weeks or months later, it is dug up by either the Sui Gas Authorities, the Water and Sanitation Agency (WASA), or the Telephone Department. We must devise and put in place an institutionalized system of coordination of the activities of various departments and agencies, including Sui Northern, WASA, Pakistan Telecommunications, LDA, MCL, and others. Under the LDA Act, 1975, LDA has this power but the head of LDA probably finds it difficult to perform this essential coordination role because some of these bodies fall under the control of the Federal Government. It may be more feasible and effective to locate the coordinating body in the Secretariat of the Provincial Government under the chairmanship of either the Minister or the Secretary for Local Government.

Similarly, provision of water supply in various parts of the city must be matched by corresponding development of sewerage disposal schemes. At present many more areas have been supplied with water than are covered by sewerage disposal works. As a result, the problem of sewerage disposal has been aggravated, causing hygienic and health problems in

large areas of the city. This brings us to the related problem of the treatment of sewerage water.

Presently, polluted sewerage water, which includes toxic industrial waste, is being discharged into the Ravi River. This is a disastrous practice and poses a serious threat to the health of the people who use the downstream water for irrigation and other purposes. The future plans of WASA must include construction of water treatment plants in various areas to ensure that only treated water is discharged into the river. A water treatment plant was envisaged in the Punjab Urban Development Project supported by the World Bank, but owing to institutional problems and cost overruns, the construction of this treatment plant was abandoned. However, the feasibility study of this project was completed and a site of 900 acres was selected in southwestern Lahore at Babu Sabu. It would be fitting to complete the remaining planning work for this project as soon as possible and to provide funds for its construction in the next financial year.

This Seminar was rightly focused on the participatory approach to municipal management reform. Without the willing support of the community we cannot make any headway in achieving the desired municipal reforms. We have to make conscious efforts to bring about a positive change in public attitude and to motivate citizens to take part in community welfare projects. Public involvement is necessary to ensure that the reforms are carried forward and sustained. Our educational institutions, government departments, press, and other information media should play their roles to ensure greater public participation in community welfare projects.

I would like to thank the Asian Development Bank and NESPAK for organizing this seminar. I am also grateful to them for having afforded me an opportunity to exchange views with the experts on the important subject of the municipal reform program.



# ANNEX: FINDINGS OF A DIAGNOSTIC STUDY OF THE METROPOLITAN CORPORATION OF LAHORE

Alan H. Edmond  
*Abt Associates Inc.*  
*Cambridge, Massachusetts, USA*

The recommendations in this paper are the findings of a study conducted in June and November 1997. The purpose of the study was to identify organizational problems and to suggest a plan for reforming the methods by which services are delivered by MCL.

MCL is Lahore's urban council. Its governing body has a membership of up to 150, and its administrative powers are normally vested in a Chairman (Lord Mayor) and a Vice Chairman (Deputy Mayor), selected from the council's membership. At present, however, an appointed Administrator serves in place of the Lord Mayor. He is assisted by the Chief Corporation Officer (CCO). Twenty major departments and support organizations, as well as eight Zonal Secretaries, report to the Administrator through the CCO. This is a very large span of control.

Lahore is divided administratively into eight service delivery areas, or zones. Each Zonal Secretary theoretically coordinates all direct services mandated to the MCL. In practice, officers at the zonal levels report directly to their superiors and ignore the Zonal Secretaries. The Secretaries are generally of insufficient civil service rank to command the respect and cooperation of their nominal subordinates. Secretaries are often improperly trained for their posts and lack the experience necessary to manage the

complexities of the positions. In addition, some posts are left vacant for long periods of time.

MCL can be characterized as a service delivery — rather than a policymaking — organization in constant problem-solving mode, finding and moving funds among programs to meet the immediate needs of the city.

Salaries and related costs account for 68 percent of the MCL budget. MCL supports approximately 20,000 positions, nearly half of which are designated for handling solid waste. Much absenteeism is reported among employees in the solid waste and food departments.

City officials report that the budget is revenue driven, with estimated allocations determining the overall level of expenditure in any given year, and with no opportunity for increasing revenues through new sources. A single entry accounting system is used, and the budget is not arranged in cost centers. The payroll is centralized, as are other expenditure functions. Underlying the budget is the reality that Zonal Secretaries do not control expenditures within their respective zones, so the breakdown of expenses by zones is somewhat illusory.

During the study period, it was apparent that poor services were being provided in the areas of solid waste collection and disposal and street cleaning. Employee attendance was notably poor. Internal controls governing the use of materials and repair supplies were lacking, and interference by elected officials in the personnel administration of MCL went unrestrained.

In the past, MCL suffered from high management turnover, an ineffective set of management controls, corruption, non-accountability, unduly strong union influence, and a poorly defined image. Unsure of its role with regard to the Lahore Development Authority (LDA) and other agencies, it has not tapped new sources of revenue, and currently faces enormous demands on

its resources from a growing population whose needs outpace the revenue it contributes to the government.

## **REFORM MEASURES**

### *1. Drastically reduce the overlapping functions of MCL and LDA*

Because many of the functions of MCL and LDA overlap, citizens seeking effective service delivery are confused. The images of both agencies, in addition to the morale of their employees, are therefore negatively affected. Supporting parallel organizations with redundancies in staff and costs is deleterious to the common good.

LDA's initially important role in developing new sections of the city has diminished substantially in recent years. The legislation creating and defining LDA was broad in scope to enable the agency to be aggressive in pulling together the disparate elements necessary for new settlements, including utility provision, land aggregation, and land use planning.

The problem is that the role has changed while the law has not. The outcome is that LDA can take action concerning many aspects of land development and control, as well as certain maintenance activities, with impunity. LDA also holds a privileged position in the hierarchy due to the rank of its Director General.

Areas of overlap with MCL are well documented, and some proposed remedies have been tentatively agreed upon. It is suggested that a six-month study be undertaken, during which the duties most appropriate to each agency could be delineated, a proper costing of these duties made, and necessary changes in legislation drafted.

Only when those tasks have been completed will LDA and MCL be able to examine their reconstituted revenue needs as well as their sources of revenue. More importantly, the decisionmakers

should by then have a clearer picture of the possibilities of enhancing revenue that can be realized over the next several years.

The intent of the suggested study is to do the costing and the estimation of potential revenues without becoming embroiled in endless struggles over the sharing of these revenues or the turning over of developed land parcels. The short-term conflict of such a process will be more than offset by the elimination of a perennial problem, and such a resolution will do more for the credibility of the two agencies than any other single act.

- 2. Reduce the number of personnel in the MCL solid waste function and use the savings to purchase new equipment*

Several study respondents urged a staff reduction of up to 50 percent. Others were less specific, but stated that equipment like modern sweeper trucks could do the work of hundreds of manual laborers if major streets were unobstructed. Reductions in numbers of manual laborers would also mean reduced numbers of supervisors, or at least an improvement in the worker/supervisor ratio.

An example of such a tradeoff is the reduction of 1,000 sweepers. At an average annual cost of Rs40,000 each for salary and benefits, such a reduction would result in annual savings of Rs40 million. Assuming Rs1 million per vehicle, this would enable MCL to buy 40 vehicles each year.

Additionally, any savings accrued from personnel reductions are recurrent, not a once-only benefit. In six months the attrition program that has begun in solid waste will take root and show results, provided a link is made between payroll savings and capital purchases of equipment. A public awareness program should accompany such a program to alert citizens to the advantages to be derived from a radical reduction in the workforce.

*Savings accrued from personnel reductions are recurrent, not a once-only benefit.*

Tremendous gains in efficiency can be obtained if an analysis of equipment and collection methods is undertaken. Variables such as trash density, desired frequency of pickups, the use of trash containers, the sizes and types of vehicles, and the strategic use of transfer stations must be considered in any mechanization program. Some of this analysis has already taken place, and a large equipment replacement program has received one-time funding.

Such efforts should be publicized, with an emphasis on the tradeoff between jobs and more efficient use of public money. Instead of writing stories about such efforts, however, the newspapers unfortunately prefer to print stories about the difficulties engendered by the 'golden handshake'. These stories focus on the method of the reducing work force rather than the gains to be derived from so doing. An aggressive public relations campaign by MCL is therefore required to obtain balanced press coverage.

3. *Increase management continuity and depth by contracting a city manager and empowering the Zonal Secretaries*

Lahore should contract for the services of a city manager to serve under the Administrator (or the Lord Mayor). Nurturing the Zonal Secretary positions and carrying through the interim reforms may take longer than the tenure of the current Administrator. Based on the turnover record for the posts of Zonal Secretary and CCO, continuity of effort must be assured, and the trend toward decentralizing authority to trusted, long-term, properly trained, and motivated Zonal Secretaries must be rooted. Moreover, a dispassionate, professionally trained city management professional, perhaps from another city or country, would help depoliticize the administration and lessen the amount of interference

by elected officials and unions. These terms of reference for the position are suggested.

- The incumbent will work on a contract for a specified salary and for a specified period of time (two years is recommended).
- He/she will be nominated by the Administrator and appointed by the Chief Minister. Removal from office should only be made due to gross malfeasance or serious misconduct, the latter to be evidenced by conviction in a court of competent jurisdiction.
- Credentials will be equivalent to those of an MCL Administrator, including at least 12 years of managing a large and complex organization in either public or private sector.
- Duties of the position will be spelled out in a written contract. Those duties may either be of an advisory nature or as delegated by the Administrator and subject to his review and approval.

In a city the size of Lahore, it is imperative that the service delivery zones be managed with an appropriate balance of centralized control and flexible field management decisions. Optimally, the Zonal Secretaries would act as 'mini-mayors', exercising broad control over staff and equipment. They would be accountable to the City Manager.

Zonal Administrators' posts have been weakened because of improper posting and grading, single entry accounting practices, and general weakness of MCL management. MCL administrators have not held their own positions long enough to redefine those of the Zonal Secretaries, to train and post them properly, and to develop a team approach to service delivery.

The Zonal Secretaries have been relegated to the role of inspectors, looking into complaints of inadequate service. They have no real authority to compel workers to improve their on-the-job

performance. Ironically, although the Secretaries are required to sign the payrolls for workers under their administration, they cannot control absenteeism.

Suggestions for Zonal Secretary duties that could be implemented in the short term are fourfold.

- Authorize Zonal Secretaries to withhold pay in cases of absenteeism.
- Create performance standards for all workers within the Zone, irrespective of the MCL departments for which they work. The Secretaries would convene as a committee to develop these standards under the chairmanship of the City Manager.

A system would be set up wherein the Zonal Secretary would report compliance to the City Manager, and each department head would be held responsible to the City Manager for compliance with those norms. Over time the Secretaries and department heads would develop a workable system of discussing these matters before submission of weekly compliance reports.

- Design and implement a complaints system. The system would include a central register of all complaints, a method for tracking complaints, a method for timely notification of complaint resolution, and a reward-and-punishment mechanism for line managers assigned to resolve complaints.
- Prepare for budget development and project planning activities, anticipating that zones will eventually be defined and enabled as true budgetary centers. The zonal approach to budgeting would become the norm, with an eye toward a subdivision of the city into administrative districts during the next decade. Zone-based budgeting would provide an impetus to that process, especially with respect to establishing costs and revenue needs for the zones.

Note that the types of duties listed above do not in themselves transform the post of Zonal Secretary into that of a 'mini-mayor'. Few line responsibilities will be assigned to the Zonal Secretaries as currently posted and trained. This recommendation calls for the eventual classification of the Zonal Secretary position at a level commensurate with that of department heads. Candidates for these positions would receive training as managers. After the initial reform effort, an analysis should be made of the skills and training of incumbent officers, and a decision made as to whether they should be replaced, trained, promoted, or some combination of these alternatives. The end result is to ensure that Zonal Secretaries are equipped to be more than mere inspectors, and have the potential to eventually assume the city manager position.

This recommendation is made to include both management improvements – the contracting of a city manager and the strengthening of the Zonal Secretary position – in that neither can succeed without the support of the other. While the city manager may not directly supervise the Zonal Secretary positions, depending on the Administrator's wishes, both types of position are necessary for the reform to have depth and sustainability.

*4. Prepare for significant enhancement of local revenues, including the drafting of an effective set of land use policies*

Revenue enhancement is an enormous political issue in cities with service provision problems. Nonetheless, the risks of confronting unions and other interest groups may be worthwhile if recurring gains can be made.

Consider the campaign to regain financial health in Ahmedabad, India. Through strong measures the city was able to improve its financial position quickly through the key areas of octroi and

property tax. Octroi collections went from Rs1.3 billion in 1993/94 to Rs2.25 billion in 1996/97. This was accomplished by hiring professionals to update the collection criteria, neutralizing the local mafia, and round-the-clock vigilance. Similarly, the property tax collections increased from Rs470 million to Rs800 million during the same period. The two-pronged approach to effecting the increase was seizure of property for unpaid bills and computerization of property tax records. The resulting surplus was put into capital works, and if enforcement efforts continue, similar revenue gains will recur annually.

Currently, no direct link exists between locally raised revenues and the services provided by MCL. The major source of revenue is the consumption tax (the octroi), and not taxes on wealth. Over the years enormous distortions have crept into the system, causing a gross underpayment of taxes, particularly property taxes. Through consumer purchases, however, everyone pays the octroi, and because the octroi is an indirect method of collecting revenues there is no relationship between octroi collections and expectations about service levels. The average citizen sees no advantage in changing the current system because no one assumes that giving local government more resources will automatically lead to better service.

As with other large Asian cities, property-related revenues are underused. For example, while only about 22 percent of Lahore's revenue is derived from property-related taxes, many cities in the USA derive in excess of 80 percent of local revenues from property taxes, transfer taxes, and related fees. Percentages in Asian cities at the low end of the collection scale are Karachi (9.6 percent), Jakarta (9.5 percent), and Shanghai (0 percent). At the high end are Seoul (72.4 percent) and Manila (60.2 percent).

Currently, a Master Plan for the city of Lahore is under preparation that could assist in substantially

*Many cities in the USA derive in excess of 80 percent of local revenues from property taxes, compared to only 22 percent for Lahore.*

improving MCL's revenue base. However, for that to be the case, several questions with regard to this exercise are relevant.

- Will the plan be vetted by the public, developers, and others who might contribute to a more rational scheme for land regulation, growth parameters, and the maximization of open space?
- Has thought been given to pulling together the disparate land records and forming a comprehensive land database for use across agencies and meeting a variety of planning, land control, and taxation needs?
- Will the geographic information system (GIS) now being developed for the master plan be a complete database available for use by all city agencies to integrate planning for taxation, transportation, land control, and general growth?

Proper land use control and the enhancement of revenues from local sources are inextricably related. In order for the tax on real estate to be a useful tool for increased revenue, the land records of the city must be put in good order. The records must be interactive for all departments, they must be transparent to the public, and they must be capable of computer manipulation and modeling for optimal usage.

Admittedly, it is impossible to put a new land records system into use and establish a new property tax regime within six months. It is therefore recommended that during the next six months a study should be undertaken in conjunction with the ongoing GIS work to demonstrate the potential for property tax revenue. Using GIS photo interpretation techniques and a small number of staff on the ground, a reliable sampling of property throughout Lahore could be accomplished. The outcome would be a description of the magnitude

and composition of a property base, accompanied by projections of the tax revenue potential under varying assumptions. In other words, photo interpretation could yield refined estimates of the total area of taxable property, and a 5 percent sampling of buildings and land would yield even better results. This recommendation is therefore limited to suggesting that research and data modeling be undertaken for:

- tax revenue projection under various assumptions; and
- coordination of the efforts of GIS experts now working on the city's master plan with the planning and administration needs of the departments dealing with land use control, revenue projection, capital planning, building permits, transportation planning, the general land use planning of the city, health administration, and education.

## **MEDIUM-TERM MEASURES**

When the reforms suggested above are substantially in place and accepted by a cross section of the public, many of the preconditions for deeper reforms will have been met. At that point, bolder action requiring greater investments of time, funds, and political capital will be needed. Those are divided into four issue areas.

### ***Issue Area 1: MCL Budgeting***

#### *Finding 1.1*

Allegations of extensive corruption, mismanagement, and non-accountability in MCL are encouraged largely because an understandable, widely disseminated, and rational budget does not exist.

*Recommendation 1.1*

Measures should be taken immediately to establish an open system for making budgetary decisions, consulting with the general public and interest groups, and publishing and distributing the annual budget (proposed and final versions) in a format both acceptable by current accounting standards and understandable to lay persons. This agreement can be expedited through the early adoption of a resolution passed by the new City Council as the first order of business following the 1998 elections, and with the written concurrence and support of the Chief Minister of Punjab Province.

*Although governance problems will not disappear upon the enactment of a statement of principle, such a positive action represents a first step toward the restoration of confidence.*

It is naïve to suppose that governance problems will disappear upon the enactment of a statement of principle. Nevertheless, such a positive action by elected officials would represent a first step toward the restoration of confidence in MCL. Such a statement, accompanied by a timetable for adopting transparent and rational budgeting procedures, would also serve as a signal to the international donor community and debt finance institutions that Lahore is on a well-defined path toward fiscal reform. Equally importantly, the citizens of Lahore would be able to reconnect with their local government.

*Finding 1.2*

MCL's internal budgeting process, based on a loose system of planning and execution, is extremely revenue-driven.

*Recommendation 1.2*

Devise a budget format for internal MCL use that provides for decisionmaking based on the following criteria.

- Analysis of revenue and expenditure trends by functional area.
- Descriptions of own source funding potential, and the effects of increases in own funds at service levels.
- Accurate personnel cost histories and projections based on ascertainable attendance records for all employees.
- A capital spending plan that is systematic in data collection and analysis, takes into account all feasible financing alternatives and combinations of sources, and is vetted in appropriate forums by all key decisionmakers, elected officials, and the general public.
- Unit costing information for such selected services as solid waste collection, using sampling techniques, and proper equipment like weigh bridges.
- Customer satisfaction analysis for major services, based on scientifically designed and administered surveys, carried out regularly at reasonable intervals.

*Finding 1.3*

MCL does not have reliable and enforceable performance indicators in place for its services.

*Recommendation 1.3*

In order to improve its system of preparing a budget, MCL administrators should institute performance indicators for services. The indicators should be simple to implement and highly meaningful in budgetary planning. This would build on the measures developed under the above recommendation to empower the Zonal Secretaries and the City Manager to create and enforce performance measures in the short term.

In some cases, gross indicators for major services are easily ascertainable, such as dividing

the total number of students in the city school system by the number of teachers and arriving at a student/teacher ratio. However, it is usually difficult to compare qualities of educational services using this indicator.

Similarly, the final disposition of solid waste is estimated at 70 percent (for designated dumps), and 30 percent (unaccounted for). This statistic, disturbing in itself, is made even more disturbing by the fact that mechanisms holding managers accountable for waste are lacking.

Performance indicators should be developed through brainstorming sessions between service providers and informed consumers. These standards should then be applied consistently and the managers held accountable.

### *Finding 1.4*

The budget process for MCL is incremental, and not related to a systematic analysis of program and capital needs over time.

### *Recommendation 1.4*

MCL should consider using a form of zero-base budgeting over the next two to three years to develop a list and costing of all the major service needs and capital investments considered necessary by MCL administrators.

This process requires a top-to-bottom review of staffing and equipment. It also requires an understanding that technological upgrading is of prime importance, and that the negative impact of job losses will be mitigated by forced attrition and downsizing where possible. Also, a review should be made of the equipment on hand and proposed for purchase. A case in point is the use of inappropriate trash compactor trucks considering the density of the solid waste collected in Lahore.

Pure zero-based budgeting is usually reserved for decisions concerning types and sizes of armed forces and is rarely applicable to municipal analyses. It is suggested, however, that zero-based analysis is applicable in the case of Lahore because basic assumptions about staffing and equipment are being questioned, such as the case of the solid waste privatization now under tender. That is, budget discussions are routinely needed to consider whether some traditional activities of municipal departments, such as solid waste collection, can be contracted out. If these activities can be undertaken by other agencies, several questions need to be answered. What are the opportunity costs and the expertise requirements for supervising the contracted entity in the best interests of the public? What tradeoffs might be envisioned in transferring street lighting from one jurisdiction to another?

The revenue-driven nature of MCL's current budgetary planning, and the constant infighting between MCL and LDA for shares of the revenue pie, help foster a self-defeating situation. A demand-driven approach will not bring about every project and service improvement deemed necessary by local leaders. It will, however, by providing a methodology for justifying all proposed expenditures, instill the kind of discipline in the budgetary process that the public can appreciate and support.

## ***Issue Area 2: Transparency and Accountability***

### *Finding 2.1*

The public has lost its connection with local government partly because elected local governments have been suspended, and partly because decisions are not made or discussed in open forums.

*Recommendation 2.1*

By proactively involving the public through open meetings and records, and by fostering ongoing sensitivity studies and focus group activities, the new City Council will have a golden opportunity to make itself known as a self-government advocate. Such regulations ought to include public readings of all major City Council by-laws and budgets. Importantly, appropriate intervals and procedures for public comment should be included. An ongoing evaluation of all major services should include random samples of consumers and potential consumers of services in a scientifically designed and professionally administered program to elicit comments about service satisfaction levels and pricing.

Within existing laws, the new City Council should adopt rules that are as liberal as possible with regard to procedural thoroughness and openness. Decisions should be made in public, following discussions that allow for digestion and reaction by the public and the press to proposed by-laws, budgets, and programs.

*Finding 2.2*

Because the LDA Board does not meet as a full group, it is neither a credible public organization nor an effective oversight body.

*Recommendation 2.2*

The Board should establish rules of procedure requiring regular and open meetings. A staff should be engaged to assemble agenda and provide detailed information in a way consistent with informed decisionmaking. The LDA budget and other key documents should be made available to anyone who wants to examine or copy them. Acceptance of these recommendations will enable the Board to start to

become a true public body. Importantly, none of this will happen without the consent and active participation of the Chairman (the Chief Minister).

*Finding 2.3*

MCL toleration of employee absenteeism is destructive of public confidence in government.

*Recommendation 2.3*

The MCL Administrator should end this and similar practices immediately.

Government should reach an accommodation with public employee unions, even if it involves a one-time grant from the national level to buy out redundant employees and retire them. The problem is deeply ingrained and may require draconian measures, starting with severe penalties for managers who certify falsified payrolls. Rotating inspectors from distant cities may be helpful in dealing with the problem of kickbacks, and the use of some informal measures, such as publishing the names and addresses of all solid waste workers on the payroll may also prove useful.

***Issue Area 3: Information Flow***

*Finding 3.1*

Interaction between appointed and elected officials on a daily basis is critical to the functioning of MCL in a democratic setting, but the time currently spent in such contacts (with Members of National Assembly and Members of Provincial Assembly) is excessive.

*Recommendation 3.1*

A management information system should be developed where elected officials are kept informed,

*The Corporation's low profile will be remedied only when it develops internal performance standards and a public relations program.*

in writing and through group briefings, of program activities, spending patterns, revenue estimates, and service delivery efforts. Such a system should be managed by the chief administrators of the departments through the Administrator or his/her designee.

Lahore's political culture requires that elected officials have access to administrators in order to further the causes of constituents, issue complaints or praise, and keep informed of programs in progress. The intent of having a management information system in place is not to reduce the frequency of such contacts, but to lessen the amount of time spent on each contact through ready access to relevant information.

*Finding 3.2*

MCL does not publicize its services well, and citizens do not know what to expect concerning the use of their taxes or where to voice their opinions.

*Recommendation 3.2*

MCL should develop mission statements for its service delivery units and make them known to the public. MCL should use the media to publicize its services.

MCL's low profile will be remedied only when it develops internal performance standards and a public relations program. The public needs to know what streets MCL maintains, how often trash is picked up, and so on. Numerous cities in other countries have developed such programs to promote understanding between government and citizens as to the level of service provided per dollar (or pound or rupee) of tax contribution. Officials in these cities are accountable for producing the proper number of units of service. Perhaps Lahore need not start with such precise agreements, but it needs to quantify

the realistic expectations of citizens, even if these expectations are low at first.

MCL should also put together a more formal citizen complaint system, preferably by empowering the Zonal Secretaries, but alternatively through the posting of a full-time expert on complaint resolution. A reliable telephone recording system is needed, since even in the best of systems phones jam during emergencies. And since phones are not widely available in Lahore, clerks should be available in all neighborhoods to take down complaint information, give a written copy to the complainer, and give him/her a time to return for an answer if the remedy is not a tangible one.

Whatever complaint system is developed, it should be capable of tracking all complaints through resolution, and categorizing them by zone, by type, and by resolving agency. Such information, applied in readily available software, can be an invaluable management tool in addition to being consumer friendly. At budget preparation and performance evaluation time, managers will have access to databases on problem areas in solid waste, water, drainage, encroachments, etc. In addition to using 'windshield surveys' to assess developing problems, managers can assess complaints in the resolution process.

#### ***Issue Area 4: Workforce Improvements***

##### *Finding 4.1*

The government reform movement in Lahore is not yet cohesive, particularly in addressing the problems of the MCL workforce. At worst the public is alienated, at best confused, by the constant rotation of top managers. When the elected City Council takes office, the public will be one more step removed from the workforce, and public understanding of its problems will be further diminished.

*Recommendation 4.1*

MCL should establish a commission on workforce improvements that transcends elections and individual administrators. It should include a cross section of community leaders from both public and private sectors, and should include members of the MCL City Council itself, with LDA Board members serving ex-officio and not voting. The commission should be empowered to suggest changes in hiring, promotion, training, and pay-for-performance practices, and should be independent of civil service regulatory bodies.

Without assistance from an outside, dispassionate group of leaders from business, industry, and the professions, newly elected City Councilors may easily become immersed in routine problems and avoid tackling the difficult issues of personnel administration within the MCL bureaucracy. That group, charged with specific tasks and reporting deadlines, deliberating in public sessions except when discussing union contracts, could do much to recommend improvements in the way in which administrators are chosen, motivated, trained, and retained.

*Finding 4.2*

Improper posting and rapid rotation of key staff are detrimental to agency effectiveness.

*Recommendation 4.2*

The new City Council will have a unique opportunity to correct staffing inequities by making certain that qualified staff are placed in all key posts, and that the vacancy rate is within acceptable bounds.

The new Lord Mayor will be charged with the effective administration of human resources within MCL, and it will be in his/her best interest

to declare a ‘hands-off’ policy for other City Councilors as to hiring, promotions, and transfers for at least the key positions, such as Zonal Secretaries. Little room exists for illusions about the need for elected officials to have a hand in such matters, but it is hoped that the new Lord Mayor will be sufficiently skilled in politics to achieve compromises in other areas so as to make the posting routines as ‘pure’ as possible.

*Finding 4.3*

Despite the growing acceptance of the practice of contracting in other Pakistani jurisdictions, MCL makes little use of this practice for recruiting professional staff.

*Recommendation 4.3*

In addition to contracting for a city manager to assist the Administrator (later the Lord Mayor), MCL should seek all necessary means to establish a system of contracting for short- and mid-term (up to three years) personal services for postings at the equivalent of Grade 16 or higher. There should be an option of contracting for Zonal Secretary positions and for high staff positions in the area of quality control, personnel administration, and public relations. MCL should establish and staff a public relations and internal information dissemination office in the Lord Mayor’s office.

It is common practice in professionally managed cities to hire managers for fixed periods of time on renewable contracts. These managers are insulated from political interference by virtue of their independence from the elected Council. Under this arrangement they need not worry about being involuntarily transferred at the first sign of controversy. The suggested city management orientation differs dramatically from the traditional arrangement in MCL,

where the tenure of officials is governed by how little they try to change the status quo.

Table 1 is a summary of the staffing levels and appointment process for top managers in the various local agencies. Greater consistency in grade level as it relates to level of responsibility would be a feature of a more standardized city management system.

**Table 1: Grade Levels and Methods of Appointment**

Organization	Title	Grade	Appointed from
MCL	Chief Operating Officer	20	Province
MCL	Zonal Secretary 1	8 (often 16)	LC S
MCL	local employees	up to 18	LCS
MCL	Solid Waste Director	20	Province
MCL	Chief Engineer	20	Province
MCL	Engineers	18-20	LCS and Province
LDA	Director General	20	Province
LDA	Water and Sanitation Agency Director	20	Province
LDA	Engineers	18-20	Province
MTS	Administrator	20	Province
MTS	Secretary	17	Province
MTS	Senior Engineer	17	LCS

MCL = Metropolitan Commission of Lahore; LCS = Local Council Service;  
LDA = Lahore Development Authority; MTS = Model Town Society.

### ***Issue Area 5: Structural and Mission Changes***

#### *Finding 5.1*

It is not illogical or detrimental to governance to have two large organizations of local government working concurrently in the same geographical jurisdiction. LDA and MCL do have some similar functions, but are fundamentally dissimilar in their organizational types and working cultures.

*Recommendation 5.1*

Strong consideration should be given to breaking LDA into smaller organizations and revising their missions, and to removing solid waste collection and disposal from both organizations, to be vested in a new solid waste district organization with independent governance and rate-setting powers. The metropolitan land use planning and control functions should stand alone and be accountable directly to an elected body. Water and Sanitation Agency (WASA) should stand alone and depend on user fees and debt for major activities, principally water and sewerage construction and operations and maintenance.

Some components of LDA, such as WASA, can stand alone for financial reasons (self funding and partial cost recovery). Other components, such as the planning and land use control functions, should also stand alone to meet the challenges of growth presently overtaking the metro area. The solid waste problem must be solved by setting up an organization as free as possible from political influence, union control, and dependence on the revenues of local government or distributions from other levels of government.

***Specific Recommendations for Priority Consideration***

*1. Designate WASA as a stand-alone agency*

Water and sewerage construction and operations are typically treated as subject areas of special district organizations. Often water and sewerage are organized as separate enterprises, with water commonly managed as a private company. LDA is simply too large and complex to be treated as single unit of government.

Having WASA as a stand-alone organization would be advantageous for several reasons. Primarily,

WASA would separate itself from the non-revenue producing offices of LDA and act as a cost center with strong self-financing powers. This would greatly assist WASA's long-term financing schemes in the bond market or the donor loan market.

WASA would thus be better equipped to pursue cost recovery through user fees and debt finance. It would also be more accountable for construction schemes and levels of service provision. The public would be better able to assess the connection between fees paid and services provided. At present, fees and assessments tend to disappear into the large LDA treasury and lose their identification with specific services, a condition made worse by the treatment of the LDA budget as a private document. Transparency of WASA budgeting would help the agency establish itself as a proactive, progressive, and responsive agency.

### *2. Establish a new Land Use and Planning Office*

The Land Use and Planning Office should have its own elected Board of Directors with the authority to adopt master plans and self-funding programs for operations and maintenance. For the time being, capital construction funds will continue to be obtained from higher governments.

The importance of land use planning and control, and the creation and maintenance of a rational, computerized land and utilities database, cannot be overstressed. Strengthening these activities is a prerequisite for rationalization of the metropolitan area. Development of a database that includes overlays of utilities, transportation, soil and water conditions, and other factors is as necessary for municipal development as are blueprints for constructing a large building. And having that process controlled by an elected body is essential to the concept of democratic governance.

3. *Establish a new authority for solid waste collection and disposal*

A new authority is needed for solid waste collection and disposal with rate setting and collection powers. Any or all activities can be put out to competitive bid, and MCL could bid on any of those. Bids are now under way for all collection and disposal but with no change in MCL status. Potential bidders have expressed concern that the winning firm must determine how best to use MCL staff, and to make arrangements as to the size and composition of the work force.

One radical but potentially beneficial option is to exempt the new authority from civil service hiring for five years and to be a non-union agency.

An authority with broad powers would provide the option of unbundling solid waste activities, while retaining supervision of activities for which it has a comparative advantage. Other areas could be tendered out for bid. For example, regional landfills could benefit from an approach involving the private sector in building, operating, owning, and/or transferring the new facilities to the authority.

4. *Increase LDA accountability*

At present the LDA Board is not directly accountable to a single elected body. It does not meet with a quorum and has no rules of accountability. Its value consists principally as an advisory group to provincial administrators. To make it an effective and accountable institution the LDA Board should be elected, it should meet regularly, and its records should be open to the public.

5. *Improve MCL's performance as a service provider and LDA's as a construction and property management organization*

*There is nothing inherently wrong with having two major agencies as long as they do not significantly overlap.*

Start with recodifying the law to allow the breakup of LDA and to eliminate all overlaps with MCL. Set strict provisions for LDA to turn over roads and projects on completion to MCL for operations and maintenance. There is nothing inherently wrong with having two major agencies as long as they do not significantly overlap.

6. *Enable rational land use planning and control by conducting a census of the city*

The census should include information about living conditions and dimensions of structures. It should also be tied to GIS. A property tax cadastre should be established for possible implementation of an ad valorem tax, the proceeds of which could be shared between city and province and administered by local government.

## **SUMMARY**

The report recommends that local and provincial officials take a hard look at not just the symptoms, but the root causes of the problems. It is also recommended that the elected city officials, together with senior Punjab Province administrators, form a working partnership with the local leaders and citizens to improve the functioning of MCL and LDA. Also, customer satisfaction analyses for major services based on scientifically designed and administered surveys should be conducted at reasonable intervals.

The recommendations can be grouped into the following five broad areas.

1. *Eliminate overlap/duplication between MCL and LDA*

- Make MCL a better service provision organization and LDA a better construction management and property management organization. Start with recodifying the law to allow the break-up of LDA and eliminate overlap with MCL.
- Break LDA into smaller organizations, revise MCL and LDA missions, and remove solid waste collection and disposal from both organizations. These activities should be vested in a new solid waste district organization with independent governance and rate-setting powers.
- WASA should stand alone and position itself to increase its dependence on user fees and debt for major activities, principally water and sewerage construction and operation and maintenance.
- The metropolitan land use planning and control functions should stand alone and be accountable directly to an elected body. The new office should have the authority to adopt master plans and fund itself.

2. *Make MCL and LDA more transparent*

- The LDA Board should be elected. It should establish rules of procedures requiring regular and open meetings. It should engage a staff to assemble agenda and provide detailed information. The LDA budget and other key documents should be made available to anyone who wants to examine or copy them.
- MCL should proactively involve the public through established procedural rules that include open meetings and records, public hearings and review periods, sensitivity studies, and group activities. Such regulations should include several public readings of city council by-laws and

budgets, and appropriate opportunities for public comment should be made available. An ongoing evaluation of all major services should include random sample surveys of consumers in a scientifically designed and professionally administered program to elicit comments about service satisfaction and pricing.

- Feedback from citizens should be promoted and developed through the use of sounding boards and complaints/suggestions boxes.

### 3. *Empower the Zonal Secretaries*

- Develop job descriptions giving the Zonal Secretaries genuine administrative powers. Determine qualifications and grade levels for such positions and work with local public administration and business schools to begin preparing Zonal Secretaries for their future responsibilities.
- Classify the Zonal Secretary position at a level commensurate with department head status, and train candidates for these positions in administration. Afterwards, analyze the skills and training of the incumbents, and decide whether to replace them with municipal managers of a higher grade, train and promote the incumbents, or some combination of these approaches. Such action will ensure that the Zonal Secretary positions are staffed by men and women equipped to be more than mere inspectors, and who have the potential to move up to the city manager position.
- Make the Zonal Secretaries accountable for the resolution of all service complaints brought within each Zone. The Secretaries would be responsible for designing and implementing a complaints system featuring a central register of all complaints (both internal complaints and complaints passed on to other agencies), a method for timely

notification of the resolution of complaints, and a method for rewarding or punishing line managers assigned to resolve complaints.

- Make the Zonal Secretaries responsible for preparing development budgets and project planning activities, in anticipation that zones will eventually be defined and enabled as true budgetary centers. The zonal approach to budgeting would become the norm, with an eye toward a subdivision of the city into separate municipalities or administrative districts during the next decade.

4. *Contract for the services of professional staff*

- Contract for the services of a city manager to serve under the Mayor. A professionally trained city management professional, perhaps from the private sector, would help depoliticize the MCL administration and lessen the amount of interference by elected officials and unions. The incumbent should work on a contract for a specified salary for an optimal period of two years. He/she should be appointed by the Chief Minister upon nomination by the Mayor. Credentials should be equivalent to those of an MCL Administrator, including at least 12 years of managing a large and complex organization in either the public or the private sector. Duties of the position should be spelled out in a written contract.
- MCL should seek all necessary means to establish a system of contracting for short- and medium-term (up to three years) professional services for jobs at the equivalent of Grade 16 or higher.
- Options should be made available for contracting Zonal Secretary and senior staff positions in the

*A city management professional from the private sector would help depoliticize the MCL administration and lessen the amount of interference by elected officials and unions.*

areas of quality control, personnel administration, and public relations.

5. *Improve budgeting/financial management in MCL*

- Establish an open system for arriving at budgetary decisions, consulting with the general public and interest groups, and publishing and distributing the annual budget in a format acceptable by current accounting standards and understandable to lay persons.
- Devise a budget format for internal MCL use that provides for decisionmaking. The format should be based on analyses of revenue and expenditure trends and descriptions of self-funding potential. It should also reflect the effects of increases in self-funding on service levels, accurate personnel cost histories and projections, a systematic capital spending plan, customer satisfaction analysis for major services, and consideration of all relevant provisions of the Lahore Master Plan.
- Institute a system of performance indicators for services that are simple to implement and meaningful in terms of year-to-year budgetary planning.

