



Forum on

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### **IS DECENTRALIZATION HELPING MAKING SOCIAL SERVICES WORK FOR THE POOR?**

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1. Provision of more efficient social services has largely remained an elusive goal for governments in Pakistan over the past several decades. The decentralization reforms process initiated in 2000 with the promulgation of the Local Government Ordinance and implementation of the Devolution Plan, introduced political and administrative changes intended to improve management and delivery of social services by devolving greater responsibilities to the local governments. Six years down the line, decentralization has several important successes to its credit, although several challenges and issues linger. Not only has decentralization led to political empowerment, it has fostered greater inclusiveness by increasing women's participation and by providing platforms for community involvement in decision making. More importantly, local governments now have greater autonomy to plan and implement social services. Although evidence varies from province to province and within provinces, initiatives such as ADB's Devolved Social Services Programs, the World Bank's Development Policy Credits and important contributions made by UNDP and bilateral donors, have synchronized well with the Government's own efforts to help improve access to social services, if not their quality. Decentralization has also led to greater predictability in flow of funds; incentivised more equitable distribution, higher and more targeted social sector spending by introducing formula-based, conditional transfers and; improved the planning process for delivery of social services. Nevertheless, the process is slow and full benefits of decentralization have still to accrue because of several challenges, including the restrictive fiscal space at local levels which results in a structural imbalance between resources and responsibilities; the continued administrative hold of provincial governments over local counterparts; capacity gaps at the local levels; the existence of vertical programs which impede need-based initiatives; and the low level of importance attached to the private sector as a player in delivery of services. For quicker and more widespread benefits of devolution to materialize, these issues need to be addressed, along with sustained political commitment to decentralization, because decentralization—like other reforms—works only where the government is its driver and champion.

2. With the pressure on the State to deliver public services in an effective, efficient and equitable manner, several countries around the world have turned to decentralization as both a key policy instrument and policy objective. Pakistan too embarked upon reforms to move towards a more decentralized forms of governance and witnessed a shift in the balance of power, responsibilities and roles between and amongst three tiers of Government, empowering local government institutions through the Devolution Plan 2000 and the promulgation of the Local Government Ordinance 2001.

3. The benefits that devolution and decentralization result in are well documented, but need to be tempered by the recognition of the many risks associated with this process and call for an evaluation of an intricate, often muddled mix of political and economic realities. Moreover, moving from what has long been considered a classic example of a "developmental authoritarian" state to one where voice is being built into local communities, represents a dramatic change in the way the government works; new institutional mechanisms introduced for service delivery take time to be fully understood and accepted, resulting in slower pace of implementation of reforms and the subsequent improvements in services.

4. Devolving political power to the local levels is the first yet important step towards empowerment of the local communities and local government institutions. This shift in political power forms the basis for all subsequent impact of the decentralization process. In Pakistan, the promulgation of the Local Government Ordinance 2001 and the implementation of the Devolution Plan, provided a legal framework for this empowerment and sought to rationalize the roles and responsibilities of government at three tiers. It also paved the way for a more inclusive form of governance, creating opportunities for greater political participation of women by reserving a third of the seats in the local governments for women, and provided platforms for community voice to be built into decision making for improving services. Stakeholder support has also been strong in its depth and breadth, as the ADB, the World Bank, DFID, UNDP and bilateral donors have all made important contributions as active partners to the government. ADB in particular, has been at the forefront of this support, with major investments in the new local government system through several intervention, the most direct and important of which has been the Devolved Social Services Programs (DSSPs), that have provided program and TA support in excess of \$625 million in all four provinces in Pakistan.

5. The DSSPs build on the opportunities that the devolved system brings and strive to support the Government's aims and efforts to meet public expectations of improved social sector services. By adopting a program rather than a project modality, focusing on the devolved social sectors, linking policy actions with appropriate incentives for provincial and local stakeholders and by leveraging its financial support to impact the wider reforms and policy agendas, the DSSPs have helped implement important reforms. The DSSPs have tried to meet the challenges and manage the risks by following governmental systems and procedures and aligning with Government priorities and sequencing reforms to match the capacities of the respective provincial governments. These facets of the DSSP have helped garner full governmental ownership for implementation of challenging but necessary reforms and strengthened local governments to plan and execute investments for improving services.

6. The success achieved by the DSSPs within a short space of implementation time demonstrates that proper management of decentralization reforms can yield results. Although there is considerable variation across provinces and within the provinces themselves, evidence suggests that decentralization has helped improve coverage of services of services, if not their quality. Moreover, the government's own efforts and donor support have enhanced fiscal space for the devolved social services, although the investment levels still fall far short of the required levels. Interventions such as the DSSPs have also promoted rationalization of services and setting of standards and performance benchmarks for service delivery; led to the articulation of sector policies; encouraged the development of subordinate legislation such as rules, regulations and by-laws; helped build citizens' voice into planning and introduced more organized planning systems through use of the Annual Sector Plans instrument, which move local

governments away from incremental budgeting systems and towards targeted, prioritized social sector investments. All these enabling changes strengthen the ability of the local governments to provide improved social services to the poor.

7. An important breakthrough has also been achieved in terms of increasing the predictability of funds flow, ease in the ability to access and use funds and the introduction of formula-based allocations and conditional transfers that incentivise higher social sector spending. Absence of timely and regular access to finances and exercise of discretionary controls at the provincial level on the use of funds by the local governments have long been major impediments in the ability of local governments to improve service delivery and these changes represent critical changes in the operational autonomy of the local governments.

8. Another notable success of the decentralization reforms is that it has provided the Tehsil/Town Municipal Administrations (TMAs), the tier of local government responsible for provision of municipal services such as water supply, sanitation and solid waste management, with relative autonomy; often considered as the weakest link in the governance chain, their performance in terms of planning and delivery of services has been at par, if not marginally better than that of the districts. Not only have they benefited most from the conditional transfers—which in a number of cases, practically doubled their development funds—but they’ve also shown themselves to be more favorably inclined than districts, to mainstreaming the use of planning instruments such as the Annual Sector Plans, despite suffering from a lack of capacity. The TMAs still do not have sufficient control over all their planning and implementation functions and are often hampered by vertical programs, but their performance within the DSSP implementation context clearly showcased their potential.

9. However, as noted above, this success has been unevenly spread across the provinces as well as within a single province, owing to disparities in terms of political commitment to decentralization, capacity levels and resource base, as well as ethnic fragmentation. On most counts, the province of Punjab has registered the most notable improvements in terms of improving enrollment, coverage of health services and provision of drinking water; on the other hand, while the province of Sindh has not been able to match Punjab’s outcomes, it has led the way in terms of path-breaking reforms especially in terms of use of conditional grants to improve financing of the social sector investments; Balochistan, often perceived as the slowest reformer amongst all provinces, has also implemented some tough reforms, including introduction of service and regulatory standards, development of expenditure norms and use of public expenditure tracking instruments; the North West Frontier Province has enhanced fiscal space for the local governments, set regulatory standards and using grants system to incentivise higher social sector investments. Important as these reforms are, their benefits may not be immediately obvious or available to the general public, leading to a gap between public expectations and service actually delivered.

10. Beyond the obvious issue of inadequate capacity at local levels and the need to systematically invest in capacity building concurrently at different tiers of government, in the context of local government reform, clear, rule-based intergovernmental relations both on the administrative and financial aspects, are critical in determining the outcome of reforms. In the absence of such clarity, Federal and Provincial governments have traditionally been able to limit the role of local governments as effective, independent tiers of government, exercising control through administrative fiat, which often contradict the original legal framework. Sufficient clarity is still lacking on the institutional roles

under the devolved set up and what exists today is a hybrid of legal, quasi-legal and irregular arrangements.

11. Continuation of fiscal dependence of local governments on the provincial and the provincial on the federal government is also a lingering issue. True local level empowerment can only be actualized when the assignment of responsibilities is matched by commensurate fiscal autonomy. With the buoyant and elastic taxes federalized, fiscal intergovernmental relations remain skewed and seriously impact the improvement of services. Resolving this structural imbalance between resources and responsibilities, thus assumes great significance.

12. In addition, the devolved services and functions continue to have multiple players, which leads to conflict rather than convergence of effort, dilutes the role of local governments as service providers and results in fuzzy accountability processes. For example, the TMAs as per the SLGO 2001, are responsible for the Water Supply & Sanitation sector, but where the provincial Water and Sanitation Agencies (in the urban areas) and the federal or provincial vertical programs continue to be major players. The health sector is similarly littered with Federal and Provincial vertical schemes, while the education sector is also prone to focus on province driven schemes. If social sector improvements are to be attained, this multiplicity of players and actions needs to be rationalized and implementation arrangements organized to reflect the new legal mandates.

13. Despite being promoted as a cornerstone of the devolution plan, public private partnerships (PPPs) have been slow to get off ground. This owes itself as much to the history of mutual suspicion between elected representatives, the executive and civil society which prevents partnership development, as much as it does to the narrow perception of PPPs--which have tended to focus on engagement with NGOs. The full potential of alternative service delivery arrangements, however, can be unleashed once the private sector's role is promoted in delivery of social services, especially in the water supply, sanitation and solid waste management sector.

14. The transition from principles to practice, from rhetoric to action is never easy and seldom follows a linear path. On balance, in spite of several challenges, decentralization has begun benefiting the poor, but effective mainstreaming and integration of new institutions, systems, processes and implementation arrangements will require sustained political commitment and consistency in actions, for it is only when the government owns and champions a reform process, that it is sustained.