



# OPTIMAL LOCAL GOVERNANCE FOR PAKISTAN: IMPROVING WHAT WE HAVE

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The evolution of Pakistan's local governance has been hostage to a conflicted colonial legacy. Structurally, urban and rural frameworks reflect two periods of British governance that are outmoded and incompatible with the other - as well as the needs of a rapidly urbanising country.

Restricted local autonomy, a colonial legacy shared by all former British colonies (among and within them), further complicates the challenge; as do the actions and omissions of successive governments.

## COLONIAL LEGACY: URBAN

Local systems of the former colonies reflect the era of adoption. Pakistan's urban governance to some degree most resembles features existing in the United States (US). It has the weaknesses and none of the strengths. Weaknesses include fragmented governance, sprawl that causes decay (highlighted by Tom Bier and Charles Marohn), state control that can include direct control of local matters, mandates/unfunded mandates, functional laundry list legislation.

Special service agencies (such as the Karachi Water and Sewerage Board) are a common feature. However, in the US, both state and local agencies issue municipal bonds to finance capital improvements. Intrusive provincial control is a feature that Pakistani cities share with New York's cities.

Harvard Professor Gerald Frug, in 'Empowering the City: London / New York' explained that "New York State has denied it control over many of the most important ingredients of urban life."<sup>1</sup> Putting this in

perspective, New York City's budget exceeds most state budgets.<sup>2</sup> Despite the size of its budget and autonomy, the inertia of the state's development body caused the city to support self-financing Business Improvement Districts (BIDs) in which local property owners and merchants finance and provide supplemental services to improve commercial areas. As per FY 19 report: "BIDs can make quick decisions to shift their priorities and resources to the most pressing matters in their districts".<sup>3</sup> The amount is not minor as the city's current 76 BIDs have spent an annual USD 187 million for local improvements according to the city.<sup>4</sup>

This Toronto innovation is now widely used in the US, Canada and many countries. The BIDS transformed commercial areas for the better.<sup>5</sup>

New York's local governments overall have the most local autonomy, according to a study by scholars at George Washington Institute of Public Policy.<sup>6</sup> Nevertheless, as Columbia Professor Richard Briffault points out, the autonomy is insufficient to "function as efficient, effective, locally accountable governments."<sup>7</sup>

<sup>1</sup>Frug, G. (2010, February 17). Empowering the City: London / New York. Urban Omnibus. The Architectural League of New York. <https://urbanomnibus.net/2010/02/empowering-the-city-london-new-york/>

<sup>2</sup>New York City Independent Budget Office. (n.d.). Understanding New York City's Budget A Guide. New York City, NY. <https://www.ibo.nyc.ny.us/iboreports/understandingthebudget.pdf>

<sup>3</sup>New York City Small Business Services. FY 19. NYC Business Improvement District Trends Report. Pg. 4. <https://www.nyc.gov/assets/sbs/downloads/pdf/neighborhoods/fy19-bid-trends-report.pdf>

<sup>4</sup>New York City Small Business Services. BIDs webpage. <https://www.nyc.gov/site/sbs/neighborhoods/bids.page>

<sup>5</sup>Furman Center Policy Brief. (2007, July) The Benefits of Business Improvement Districts: Evidence from New York City. New York University. <https://furmancenter.org/files/publications/FurmanCenterBIDsBrief.pdf>

<sup>6</sup>Wolman, H., McManmon, R., Bell, M., Brunori, D. (n.d.) Comparing Local Government Autonomy Across States. George Washington Institute of Public Policy. The George Washington University. [https://gwipp.gwu.edu/sites/g/files/zaxdzs2181/f/downloads/Working\\_Paper\\_035\\_GovernmentAutonomy.pdf](https://gwipp.gwu.edu/sites/g/files/zaxdzs2181/f/downloads/Working_Paper_035_GovernmentAutonomy.pdf)

<sup>7</sup>Briffault, R. (2015). Article IX: The Promise and Limits of Home Rule, Columbia Public Law Research Paper No. 14-436. Columbia Law School, Columbia University. [https://scholarship.law.columbia.edu/faculty\\_scholarship/1902](https://scholarship.law.columbia.edu/faculty_scholarship/1902)

The dysfunctionality inherent in this governance method remains reflected in inequality of funding and attention, as reflected in ignoring the transit needs of New York City's Bronx borough (which is a state responsibility)<sup>8</sup>. In doing so the state contributed to disadvantaging the economic prospects of its residents and the borough.<sup>9</sup> Further, by making transit Manhattan-centric for too long, the State held back the economic potential of the city.

The strengths of the US system were developed through problem-solving,<sup>10</sup> generally to avoid penalisation in the municipal bond market; and by the desire to develop. These include among them dedicated laws (e.g. local government finance law of North Carolina (NC) – outlining the foundation for financial management), municipal bond market, home rule (allowing more autonomy), permitting local annexation and mergers, capacity building (ex., role of UNC SOG in NC - educating, informing and advising state and local officials), programs to boost struggling localities (ex., Pennsylvania's rehabilitative Act 47 program), financial crisis management methods (direct and indirect supervisory methods), business improvement districts.

## COLONIAL LEGACY: RURAL

The structure of Pakistan's rural model, nonexistent in US, reflects the Anglicised French model established at the county, district and parish level in late 19th century (1888-1894) to cope with urbanisation. At the time, over 60% lived in urban areas with population over 10,000 and over 40% lived in urban areas with population over 50,000.<sup>11</sup>

Previously, numerous ad hoc Improvement Districts providing specialised services had been established to address the needs of the urbanising country. This model has not worked out well in South Asia that urbanised afterwards and developed urbanising villages/ ruralopolises<sup>12</sup> with a "governance deficit."<sup>13</sup>

France did not experience this problem because, irrespective of size, local governments have the same powers below the county (department) level. In France, the *arrondissement* (comparable to the district in UK and *tehsil* in Pakistan) only has a functional role enabling more agency below the department level.

## MODERNISING LOCAL GOVERNANCE BY LEARNING FROM OTHERS

To accommodate the urban/rural systemic divide, consider a joint authority to support urbanisation at the fringes of urban and rural areas. Under the Punjab Local Government Act 2022 local governments can establish joint authorities opening up the potential for improvement in Punjab's local areas through collaboration.

For more productive governance, France is an exemplary source for guidance. The French can teach Pakistanis how to manage fragmented governance and use local government collaboration to boost local economies and reduce regional inequality by pooling capabilities and actions.<sup>14</sup>

The current interlocking system of local clusters in France contains municipal governments (*communes*), county-level governments (*departments*), regional governments, collaborative systems and decentralised cities.<sup>15</sup> The British, who have been following France since the 19th century, lag behind French local evolution and know it.<sup>16</sup> France has a strong bureaucracy that has kept up with the times and facilitates development. France Services brings administrative help all over the country. The government targets improvements. Since 1963, a national agency (originally DATAR and since 2009 CGET) is involved in urban planning, regional development and facilitating it. It has parallels with China's NDRC. Its main focus is reducing territorial inequalities. It analyses trends, adapts public policies to the territories and monitors them. It develops and implements new regional and city planning policies, mobilising networks of local actors and citizens in the process.<sup>17</sup>

<sup>8</sup>Robinson, J (2023, April 30), "What About the Bronx?": The Interborough Express and Transit Inequity in NYC. Brown Political Review. Brown University. <https://brownpoliticalreview.org/2023/04/what-about-the-bronx-the-interborough-express-and-transit-inequity-in-nyc/>

<sup>9</sup>Urban Institute. (2021, December 28). Transportation Access. <https://upward-mobility.urban.org/transportation-access>

<sup>10</sup>Putney, B. (1937, September 28). State control of local finance. Editorial research reports 1937 (Vol. II). CQ Press. Congressional Quarterly Inc. <http://library.cqpress.com/cqresearcher/cqresrre1937092800>

<sup>11</sup>Abramovitz, M. and Eliasberg, V.F. (1957). Government in Nineteenth Century Great Britain. In *The Growth of Public Employment in Great Britain*. Pg. 8. Princeton University Press. <https://www.nber.org/system/files/chapters/c2653/c2653.pdf>

<sup>12</sup>Qadeer, M.A. (2000, August). Ruralopolises : The Spatial Organisation and Residential Land Economy of High-density Rural Regions in South Asia. *Urban Studies Journal*, Volume 37, Issue 9. Sage. <https://journals.sagepub.com/doi/abs/10.1080/00420980020080271>

<sup>13</sup>Jenkins, C., Gadgil, M., Yousaf, S. (2012, October 7). India's census towns face a governance deficit. Mint <https://www.livemint.com/Politics/LgofSt7lmonVMBZ-goXUNl/Indias-census-towns-face-a-governance-deficit.html>

<sup>14</sup>Marchand, B. (2020, October 12). J-F Gravier and the French National Planning. HAL. hal-02964602 <https://hal.science/hal-02964602/document>

<sup>15</sup>Griffith, J. (2017) "The French Metropole: How it Gained Legal Status as a Metropolis." *Journal of Comparative Urban Law and Policy*, Vol. 2 : Iss. 1 , Article 3, 20-43. <https://readingroom.law.gsu.edu/jculp/vol2/iss1/3>

<sup>16</sup>Bessis, H. (2016, September 16). French Metropolises highlight strengths and weaknesses of English metro mayors. Centre for Cities. <https://www.centreforcities.org/blog/french-metropolises-high-light-strengths-weaknesses-english-metro-mayors/>

<sup>17</sup>OECD. Regional Outlook 2019. France. Regional Development Policy in France. [https://www.oecd.org/cfe/\\_France%20\(in%20English\).pdf](https://www.oecd.org/cfe/_France%20(in%20English).pdf)

France provides more local autonomy than UK<sup>18</sup> and more local tax autonomy than US states.<sup>19</sup> This enables even small cities to prosper and support regional economic prosperity. An example is La Rochelle (approx. pop 75,000) that anchors a local collaborative group and has been an innovator since the 1970s.<sup>20</sup> La Rochelle established the first pedestrian zone (1973) in France, self-service bike system (1976), electric cars for city officials (since 1986), fleet of electric cars and buses (1999).<sup>21</sup> This small city and area it anchors have a dynamic economy.<sup>22, 23</sup>

Boosting local finance and revenue collection, financial management, specialisation and capability of the civil service and elected representatives need to be a part of overall modernisation.

Due to the paucity of revenues, shared-financing by inhabitants of local areas can be a productive resource. Tando Soomro's villagers who co-finance provision of education, health units, streets, playgrounds and sewerage<sup>24</sup>; and Sialkot's exporters who co-financed an airport, airline and other facilities have demonstrated that such collective financing is possible locally.

However, in the absence of a supportive framework, shared-financing has not become widespread. The example set by Toronto<sup>25</sup> has demonstrated what is needed to spread its use through supportive institutionalisation.

Shared-financing is especially useful for areas where local government capacity and/or finances are impaired as they are in Pakistan. Local businesses in Toronto pioneered co-financing of commercial area improvements to improve them when the city was unable to. Toronto is subject to the restrictive laundry list<sup>26</sup> legislation type that is also the norm in Pakistan. This impairs capacity to adjust/respond to changing conditions.

## IMPROVING LOCAL AREAS WITH SHARED-FINANCING

France and China are world leaders in the use of local government clustering. They have the most extensive networked systems today. Both had economic motivations that are valid for all countries.

Among Western nations, France has the highest local fragmentation. Clustering has been its strategy for boosting local capabilities. The French focus has been on reducing regional inequality, resulting in declining rates from 1950s onwards.<sup>27</sup> France now has half the inequality of UK (mentioned in a speech by Andy Haldane, former Chief Economist of the Bank of England).<sup>28</sup> Italy's MSME clusters in industrial districts are renowned.<sup>29</sup>

<sup>18</sup>Bessis, H. (2016, December 1). UK cities need more autonomy to compete with European rivals. Centre for Cities. <https://www.centreforcities.org/blog/uk-cities-need-autonomy-compete-european-rivals/>

<sup>19</sup>Reschovsky, A. (2019, January). The Tax Autonomy of Local Governments in the United States. Working Paper WP19AR1. pg. 8. Lincoln Institute of Land Policy. [https://www.lincolnst.edu/sites/default/files/pubfiles/reschovsky\\_wp19ar1.pdf](https://www.lincolnst.edu/sites/default/files/pubfiles/reschovsky_wp19ar1.pdf)

<sup>20</sup>Argerious, N.B., (2022, May 24). Smart Planning Has Made La Rochelle a Paradise for Walking and Biking. The Urbanist. <https://www.theurbanist.org/2022/05/24/la-rochelle-paradise-for-walking-and-biking/>

<sup>21</sup>LA ROCHELLE, A PIONEERING CITY IN ECOLOGY <https://inlingua-larochelle.com/en/la-rochelle-ville-pionniere-en-ecologie/>

<sup>22</sup>Setting up your business in La Rochelle <https://invest-hub.org/territory/city-of-la-rochelle>

<sup>23</sup>Economic life of the La Rochelle region. <https://adriem-larochelle.fr/en/economic-life-of-the-la-rochelle-region/>

<sup>24</sup>Dars, M.S. (2018, September 15). Tando Soomro – visit to Sindh's glorious model village. Daily Times. <https://dailytimes.com.pk/298444/tando-soomro-visit-to-sindhs-glorious-model-village/>

<sup>25</sup><https://www.toronto.ca/business-economy/business-operation-growth/business-improvement-areas/>; <https://www.toronto-bia.com/>

<sup>26</sup>City Solicitor, City of Toronto (2001). Powers of Canadian Cities - The legal framework. Toronto. [https://www.toronto.ca/ext/digital\\_comm/inquiry/inquiry\\_site/cd/gg/add\\_pdf/77/Governance/Electronic\\_Documents/Other\\_CDN\\_Jurisdictions/Powers\\_of\\_Canadian\\_Cities.pdf](https://www.toronto.ca/ext/digital_comm/inquiry/inquiry_site/cd/gg/add_pdf/77/Governance/Electronic_Documents/Other_CDN_Jurisdictions/Powers_of_Canadian_Cities.pdf)

<sup>27</sup>Regional inequality plunged from 1950. See. Figure 1. Regional per-capita GDP inequality in France, 1860-2010. In Sanchis, M. T., Rosés, J.R., Diez, A. (2015) Regional inequality in France 1860-2010: Structural change dynamics. <https://old.reunionesdeestudiosregionales.org/Reus2015/htdocs/pdf/p1565.pdf>

<sup>28</sup>Haldane, A. (2019, May 7). Is All Economics Local? Bank of England. <https://www.bankofengland.co.uk/speech/2019/andy-haldane-sheffield-political-economy-research-institute-annual-lecture-2019#:~:text=In%20his%20speech%2C%20our%20Chief,depending%20on%20where%20they%20live>

<sup>29</sup>Karjalainen, M. (2023, June 15). Power of Italian Industrial Clusters. LinkedIn. <https://www.linkedin.com/pulse/power-italian-industrial-clusters-marjaana-karjalainen/>

China developed speedily by using local government and MSME clustering (exemplified by Wenzhou<sup>30</sup> and other developmental models). KCCI was connected to Yiwu which developed with the Wenzhou Model. Alain Bertaud mentioned Chinese motivations for clustering in an interview for City Lab.<sup>31</sup> Chinese cities include urban and rural areas. They are categorised as provincial-level, sub-provincial, prefecture-level, and county-level cities with urban districts in provincial-level, sub-provincial-level and prefectural-level cities. Lower order local governments are under jurisdiction of higher order governments.<sup>32</sup>

City Clusters are being added to horizontally integrate the systems. China will, as a result, have an extensive networked vertical and horizontal system of local governments.<sup>33</sup> These City Clusters are trendsetters in mega-urbanisation.<sup>34 35 36</sup>

Additionally, commercial areas of secondary cities could be enhanced with mixed use development in commercial areas, including in the South East Asian “shophouse” format (to make life easier for migrant shopkeepers). Further, improving commuting would facilitate labour market density that boosts urban areas.<sup>37</sup> An illustrative example: British cities are less productive than European cities because of sprawl<sup>38</sup> and weak transport.<sup>39</sup>

IFPRI research has revealed that rising heat is motivating migration even more than floods.<sup>40</sup> Provinces should make urbanization productive and help rural residents boost non-farm income since they cannot influence climate change. Relevant experiences of other countries are useful resources.

30Walcott, S. (2007). Wenzhou and the Third Italy: Entrepreneurial Model Regions. *Journal of Asia-Pacific Business* 8(3):23-35 [https://libres.uncg.edu/ir/uncg/f/S\\_Walcott\\_Wenzhou\\_2007.pdf](https://libres.uncg.edu/ir/uncg/f/S_Walcott_Wenzhou_2007.pdf)

31Gray, N. (2018, December 11) How Cities Design Themselves. City Lab. Bloomberg. <https://www.bloomberg.com/news/articles/2018-12-11/urban-planner-alain-bertaud-s-case-for-bottom-up-design>

32China's Political System. <http://www.china.org.cn/english/Political/28842.htm>  
33Xin, L. (2021, April 28) What's bigger than a megacity? China's planned city clusters. MIT Technology Review. <https://www.technologyreview.com/2021/04/28/1022557/china-city-cluster-urbanization-population-economy-environment/#:~:text=By%20035%2C%20five%20major%20city,Reaches%20cluster%20in%20central%20China>

34Bertaud, A. (2016, February 1) China's City Clusters. Presentation slides. 3rd WORLD BANK / GEORGE WASHINGTON UNIVERSITY CONFERENCE ON URBANIZATION AND POVERTY REDUCTION <https://thedocs.worldbank.org/en/doc/343681455906838472-0050022016/original/ChinaCityClustersBertaud.pdf>

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36Groff, S.P., Rau, S. (2019) China's City Clusters: Pioneering Future Mega-Urban Governance. Summer 2019 / Volume III, Number 2. *American Affairs Journal*. <https://americanaffairsjournal.org/2019/05/chinas-city-clusters-pioneering-future-mega-urban-governance/>

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