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URBAN POLICY & STRATEGIC PLANNING
P & D DEPARTMENT GOVT OF SINDH

Final Consolidated Report
Municipal Finance Assessment Study for Sindh

Directorate of Urban Policy & Strategic Planning
Planning & Development Department, Government of Sindh

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Consulting

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List of Abbreviations

Acronyms	Abbreviations
BTS	Base Transceiver Station
CM	Chief Minister
CMO	Chief Municipal Officer
CNG	Compressed Natural Gas
DMC	District Municipal Corporation
DUPSP	Directorate of Urban Policy and Strategic Planning
FD	Finance Department
GDP	Gross Domestic Product
GoS	Government of Sindh
GST	General Sales Tax
ICT	Information and Communication Technology
KWSB	Karachi Water and Sewerage Board
KDA	Karachi Development Authority
LFA	Local Fund Audit
LG	Local Governments
LGD	Local Government Department
MC	Municipalities
MGD	Million Gallon Daily
M&E	Monitoring and Evaluation
OZT	Octroi and Zila Tax
PA	Procuring Agency
PAC	Public Accounts Committee
PFC	Provincial Finance Commission
PLGC	Provincial Local Government Commission
RCC	Reinforced Concrete Cement
RO	Reverse Osmosis
SBCA	Sindh Building Control Authority
SLGA	Sindh Local Government Act
SSGC	Sui Southern Gas Company
SSWMB	Sindh Solid Waste Management Board
TLCC	Town Level Coordination Committee
UITP	Urban Immovable Property Tax
WLCC	Ward Level Coordination Committee

Table 1 - List of Abbreviations

1. Executive Summary

The content of this consolidated report and key findings are based on the analysis of data provided by the in-scope Municipal Committees, Municipal Corporations, District Municipal Corporations and Karachi Metropolitan Corporation (collectively referred to as "municipalities"). At the outset, the engagement was severely constrained owing to non-availability of information and very low level of cooperation extended by officials of the municipalities. Thus, the report is based on limited information and data that was made available to the consultants, after consistent efforts over several months in coordination with the Urban Directorate, P&D Department, Government of Sindh. The report highlights the issues and challenges that the municipalities have and continue to face in the management of their finances and legislated services. The report is divided into multiple sections of which description of key sections is shared below:

Section No.	Section Name	Description
2.	Introduction	Provides the scope and objective of the Study. Also lists the procedures performed and efforts expended by the consultants for the conduct of the Study.
3.	Municipal Governance & Legal Framework	Discusses legal assessment of relevant acts, rules and provides proposals and recommendations for amendments. This section also presents the role of other agencies and review of legal framework with reference to enabling and affecting policies and provisions.
4.	Analysis of financial position of municipalities	Summarizes performances of in-scope municipalities including comparison of tariff structure, recovery analysis and potential for revenue generation.
5.	Municipal Services	Maps the quality and quantum of services delivered by the municipalities. Provides suggestions for improvement and way forward.
6.	SWOT Analysis	Shares results of analysis of overall strengths, weaknesses, opportunities and threats in the municipal finances and services.
7.	Findings and recommendations	Details the findings noted during the Study and provides recommendations to improve the finances and services.

Table 2A – Description of key sections

Below are the key findings and recommendations from the work performed:

1.1 Key Findings

1.1.1 Revenue Findings

Excessive reliance on inter-governmental transfers: There is excessive reliance on transfers from provincial government as the percentage contribution from own source revenues is very low and no significant efforts were observed in the past five years to improve this situation. In-fact, a declining trend in collection of certain revenue streams was observed and no recoveries are being made from many other revenue streams permissible under the law, including the recovery of arrears.

Poorly defined schedule of charges (including taxes, rates and fees): In many cases, revenue streams made permissible under SLGA, have defined rates and charges which are mostly outdated. Even where schedule of charges are updated (as in the case of MC Ghotki i.e. with notification date of March 16 2017), the number of items listed when compared to other MCs (for instance transfer of shops fee, tax on water and drainage, katch/ pacca piri fee, Slaughter house and immovable property rates) are limited. Some Schedule of Charges are over 15 years old (MC Shahdadkot made their Schedule of Charge available which had a notification date of January 27 1999).

No Reassessment of Property Tax: This most important item of municipality's source of revenue has not been revised regularly, even though it should be reassessed at regular intervals to keep it at par with the prevailing market rate. Even when it is revised or reassessed, in many cases, assessments are not done at the prevailing market rates. It is a fact that property tax is the main tax instrument with the municipalities for raising revenues and that this tax remains grossly untapped and unused, especially as it is being collected without assessment of market value of properties. The untapped potential of property taxes is, therefore, considered huge. Secondly, it has been observed that property tax is being recovered by the provincial government, and municipalities have no control and limited information as to whether they receive their share every year. A well-administrated property tax is a pre-requisite for strong municipal fiscal base. As published in a newspaper in March 2018, the Government of Sindh plans to devolve the property tax collection to DMCs, for which work on maintaining a proper database and building the capacity of local bodies staff will start soon. Pursuant to this, the Sindh Government has already had a survey conducted in the jurisdiction of Municipal Corporation Sukkur for assessment of taxable properties. In the same manner provincial government, may support all other municipalities of Sindh in undertaking similar surveys and assist them to put in place an independent and transparent procedure for assessing property tax with the use of latest technologies and subject experts.

Lack of development expenditures owing to lack of, and wastage of resources: Substantial part of total expenditures are attributed to establishment / salaries which leaves very low amount of funds for any development schemes. Large establishment / non-development expenditure indicates that, there is significant risk of employees or staff who are being paid salaries but are not working/providing any services.

Lack of Transparency of Assessment: The assessment system is not transparent to a very large section of the citizens. Many citizens resent this and are reluctant to pay and as a result they adopt various means of evading it in collusion with some of the officials concerned. Low assessment leads to low collection. In the absence of public disclosure of information through electronic means, the public remains unaware of the material facts regarding financial state of municipalities.

Rate and Fees: Like property assessment, fees and rates are not also fixed correctly and according to the expenditures incurred. The relevant expenditures are not correctly captured in order to assess and make comparison with relevant revenues. This results in huge loss of potential revenue.

1.1.2 General findings

Data availability and its quality: Owing to non-availability of significant quantum of information and data required by the consultant for the purpose of this Study, together with significant inconsistences in the data that was provided, limited analysis could be performed. This is considered an inherent limitation in the conduct of the study. However, despite this limitation we have carried out a broad review and analysis based on the information that was made available to us and inquiries and interviews conducted with MC staff to provide an overall picture of the state of MC's finances and the underlying services it provides. Therefore, the findings and recommendations provided in this report should be read keeping in view this inherent limitation.

One significant reason for the non-availabilty of data was observed to be non-establishment of the Secretariat of the PFC, as provided in Section 3 of the Sindh (Fiscal Transfer) Rules, 2004, which was mandated to hire expert and collect and maintain the fiscal database of the local councils.

Governance and Financial Management: Municipalities' governance, internal control and financial management are extremely weak. There is also complete absence of any reliable budgeting system as currently budgets are prepared on the basis of previous year's expenditure and there is no concept of outcome-based budgeting. In practice, municipalities usually prepare their budgets on the basis of percentage increase over the previous year. They do not take actual income and expenditure patterns into account while projecting the budget. They do not even consider using average method for projecting future income and expenditure, though this is a widely used statistical tool.

The role of local government department (LGD), which is mandated under the Sindh Government, Rules of Business, 1986, to provide oversight and support for effective functioning of the local Councils, has not been effective. We also noted that the local government department did not even have the budget documents of the MCs, and it appears that there is absolutely no system or official in LGD, dedicated to the task of receiving and reviewing the budgets of MCs. Since the election of local representatives and formulation of current generation of local Councils, the local government department has not undertaken any training program for the newly elected representatives to familiarize them with their roles and responsibilities. It was revealed during interaction with the local Councils, during the course of this Study, that the local representatives require understanding of management and administration of local Councils as well as conduct of the Council's business. Due to lack of understanding on the matter, the local represenatives mostly rely on the advice of the local officials who, themselves lack capacity in dealing with the management and technical matters.

Similarly, under Sindh (Fiscal Transfer) Rules 2004, the finance department (FD) is mandated to ensure the timely transfer in accordance with the PFC award and monitor the expenditures reports through regular accounts statements. FD provides funds to the municipalities either through PFC Award or discretionary grants, however, this has also not been effective in improving the municipalities' outcomes because the funds, in the previous five years, were mostly allocated on an arbitrary basis, rather than any objective performance or need-based criteria.The funds provided, are also not monitored to ensure that they are used for the specific purpose for which they are given. It was observed that the municipalities do not prepare or submit their financial statements or any kind of actual accounts to LGD and FD. Our discussion with the officials in FD reveals that no such statements were available in the department. In the absence of proper accounts/ financial statements, neither the local Councils, nor the finance department, are in compliance with the Sindh (Fiscal Transfer) Rules 2004.

FD has not established an independent Secretariat of the PFC, as provided in Chapter II of the Sindh (Fiscal Transfer) Rules, 2004, to perform the functions described therein.

Ineffective human resource management: Fundamental reasons for the weaknesses identified in this study and highlighted in this report include ineffective human resource management, as well as the quality of people responsible for service delivery, as majority of the people seem to lack the necessary skills, experience, integrity and commitment required to achieve the desired results.

Digital / e-governance in municipalities: MCs have not taken any steps to take advantage of evolving technologies and e-government initiatives to enhance transparency, efficiency and effectiveness of their opeartions. It was noted that most of the municipal committees do not have their web sites, which need to be constituted, and shall provide basic information about their management and governance, including laws, rules and regulations, composition of management, and comprise of a Complaint Management System (CMS). Further, their financial statements also need to be published and placed on their web sites to ensure transparency. In the case of Karachi Division municipalities, DMC West and DMC Malir do not have any website. KMC, DMC East, DMC Korangi, DMC South and DMC Central have websites which contain basic information, however, they do not have any established protocols such as financial statements are not published and the complaint management link is not working. There is a strong need to establish the defined protocols in this regard, to develop comprehensive e-government initiatives, in order to ensure transparency, effectiveness in service delivery and efficiency of operations.

Like MCs, the LGD and FD have also not taken advantage of the evolving technologies in implementing e-government or digital government, which could make their roles with respect to monitoring of MC's finances and activities much more effective.

Information and complaint system: There is no system of providing information to public (such as through maintaining a robust web site) or facilitation desk. There is no complaint management system, which, if established with appropriate resources, can provide significant help to the municipalities' management in addressing significant and urgent issues and enhance its image amongst the dwellers.

Non-compliance of Budget Rules: The Municipalities do not follow the budget preparation process provided in the Sindh Local Councils (Budget) Rules 2017. Resultantly, the budgets are passed by the Councils in the first quarter of the financial year and seldomly submitted to the LGD and FD for review.

Complete absence of accounting andinternal control system and very high risk of fraud, corruption and material errors: The municipalities lack institutional capacity in maintaining accounts and initiaiting reports as has been provided in the Sindh (Fiscal Transfer) Rules, 2004. They also do not have any credible accounting system to generate reliable financial information, required for management and monitoring of the results and performance of the municipalities, and to ensure accountability over their assets and liabilties. The municipalities do not prepare quarterly, half-yearly or annual financial statements. Only revenues and expenditures are reported in the budget statements, which are also considered highly unreliable. Consequently, there is absolutely no financial discipline due to which the risk of fraud, corruption and material errors is very high.

Properties and assets record not available: In the absence of a suitable system of accounting and record keeping, and absence of any credible audit, there is no control on the properties and assets owned by the MC, and the risk of misuse and misappropriation of its properties and assets is considered high.

External / internal audit of municipalities: There is a system of external audit through the Director General (Local Govt.) Audit, Auditor General of Pakistan to ensure reliable financial reporting and effective financial discipline. The Director General apprised, during the workshop at Karachi, that his office has conducted audit of various municipalities despite the scarcity of time and resources and submitted his annual report to the Auditor General of Pakistan in the year 2017, however, the same has not yet been published and submitted to the GoS. The fact that absolutely no system of accounting was found and the lack of preparation of even the basic nature of financial records and statements indicates that the external audits, if conducted, have not been effective in the past.

The current system of Local Fund Audit (LFA) is largely based on the Local Council Accounts Rules, 1983 and instruction from GoS received from time to time. The system comprises of some pre-audit procedures, which is neither efficient nor effective. Hence, a challenge for the consultant was to assess the reliability of the financial reports.

Bank accounts and cash balances details not provided, which together with other weaknesses highlighted above, raises the risk of misappropriation of funds significantly: As proper information regarding bank accounts of the municipalities and cash balances were not provided, and no observation was made with regardd to effective cash and bank management system, provided in Section 2, 14 and 15 of the Sindh (Fiscal Transfer) Rules 2004, it is possible, rather more likely, that many municipalities may not be reflecting their true financial position in the budget books in order to obtain greater resources from the provincial government. Also, in the absence of appropriate controls on opening and maintenance of bank accounts, frequent transfer of officials in the MCs on ad hoc basis, and complete lack of accountability, the probability of misappropriation of funds from such accounts and cash balances is considered high. Such practice in the municipalities, in the absence of supervisory mechanism through Secretariat of Finance Commission provided in Sindh (Fiscal Transfer) Rules 2004 is prone to financial irregularties.

No documented vision and plan: We noted that there is no documented vision, long term, mid-term or short term plans for the development of LG system at the provincial level, or within the MCs to address major municipal issues and needs of the citizens keeping in view the increasing population of the province.

Bar on external borrowings is a major limitation on large development schemes: Currently, municipalities could not obtain borrowings and financial facility from banks and financial institutions as per Section 105 (1) Sindh Local Government Act, 2013. Given proper governance and required changes in the laws, identification of its major assets and their valuation, there may be huge potential for the municipalities to raise funds from financial sector or through issuance of bonds for major development schemes.

Lack of co-ordination with other agencies/departments: At present, there is significant confusion, overlap and lack of co-ordination between the municipalities' responsibilities and the role and function of Public Health Engineering Department (PHED) and Sindh Building Control Authority (SBCA).

Reluctance of People to Pay Taxes: The municipalities' dwellers are unenthusiastic to pay the taxes, because some dwellers are not provided by the services from the municipalities.The municipalities cannot increase the tax rate due to their drawbacks for providing the adequate services.

Lack of Awareness: People do not pay, not because they are reluctant to pay but primarily because of lack of awareness among the tax payers. Therefore, it will be very difficult to collect such tax if the rate of tax is increased.

Poor Socio-Economic Condition: Poor socio-economic condition was considered as one of the reason for low taxes and fees. The major population in Sindh province is poor or lower middle class, the dwellers are likely to have of poorer affordability to pay taxes for the municipalities' services. Therefore, if the rate of tax increases, people will feel it as a burden that will make a constraint to collect tax.

Political Intervention: Through the verbal inquiries and discussions, it was found that the elected representatives do not encourage taxes and fees collections for maintaining goodwill among the voters.

Low coverage of Water Supply: Coverage of the water supply service is reported to be low in majority of towns and there are no means available for measuring the delivery capacity of the water distribution system or in other words the volume of water that leaves the waterworks facilities remains unknown. The existing water distribution system does not have enough capacity to meet current needs. Further, the supply is intermittent due to low pressure.Low pressure and poor quality are some of the most prominent features of water supply in the district headquarters of Sindh, provided further that unbilled water consumption, and illegal distribution contribute to commercial losses. These factors lead to high levels of non-revenue water with no monitoring system and no incentive to reduce inefficiencies.

Inadequate collection and treatment of Solid Waste: Interviews from municipal representatives reveal a very low existing collection efficiency of solid waste. As a result, some of the solid waste remains un-collected which is, subsequently, scattered throughout the city. The uncollected solid waste is often dumped on the roadside, vacant plots, storm water drains and open drains. Much of the uncollected waste poses serious risk to public health through clogging of drains, formation of stagnant ponds, which provide breeding ground for mosquitoes and flies with consequent risks of Malaria and Cholera. Added to this, hazardous hospital and industrial wastes are seen to be treated as ordinary municipal waste and is mixed with the municipal waste. Burning of waste especially non-degradable components like plastic bags is a very common practice adding to air pollution causing respiratory diseases.

Sewerage and Drainage: Failure of infrastructure works has resulted from disposing-off sewage without any proper treatment. Frequent infiltration and overflows from open drains are cause of failure of infrastructure works thereby causing contamination of water supplies and deterioration of road pavement structures and breakage of roads.

Firefighting capacity: Assessment of the existing firefighting capacity revealed an awful situation. Most of the municipalities are holding just one (01) fire station which are less than the required number, given the population needs. Although, fire tenders are available in these fire stations, these are very few in number and even those require major maintenance work. Often, it has been observed that CNG and petrol filling stations are located in congested areas which are the potential source for any unfortunate incident(s).

Road Network: The road network, which comprises of roads and collectors including the secondary and tertiary network, is largely below the acceptable standard, generally due to lack of planning and un-controlled growth of the city, heavy traffic, mixed modes of transportation and narrow right-of-way (ROW), which results in traffic jams and accidents. It is further observed that, in all district headquarters of Sindh, the available road space is getting encroached by commercial establishments, street vendors, and on-street parking due to poor enforcement of the existing regulations. The municipal roads also lack proper street lighting and demarcation of lanes.

1.1.3 Legal Findings

Confusion of roles and responsibilities due to inconsistencies in laws: The SLGA, 2013, requires the Councils to perform key service delivery functions including water supply, drainage, sanitation, solid-waste management, building control, etc. However, certain provincial government departments have been formed by the provincial government such as PHED. However, independent public-utility companies / authorities and agencies such as SBCA, SSWMB, Rural Development Department, KDA, etc., perform similar tasks, resulting in overlap of functions and resources. Similarly, there are overlapping functions of KMC and DMCs in Schedule-V of the SLGA which need to be resolved. This results in confusion and there is no formally defined coordination mechanism to ensure effective and timely delivery of such services.

PFC Award: Section 112 of the SLGA, 2013, provide for the establishment of Provincial Finance Commission (PFC), headed by the Finance Minister of the province, as the local Councils receive allocations through the respective Provincial Finance Commission Awards. It cannot be overlooked that there is an inherent conflict of interest in the Provincial Finance Minister, being the head of the PFC. Other than that, the current fiscal transfer mechanism—the Provincial Financial Commission (PFC) Award— needs to be revised and linked to any objective criteria. For Example: the municipalities may be incentivized against any additional revenue generation from its own sources.

Provincial Local Government Commission has not been made effective and functioning: Section 120 of the SLGA, 2013, provides that Provincial Local Government Commission (PLGC) will perform some important functions, which includes, special inspections, special audit, and inquiry on any matter concerning the Councils. During our analysis of the existing situation, it appears that this Commission has not been made functional and no evidence is found regarding the Commission performing any such role.

Existence of encroachment: Municipalities were found to be facing prolonged and unauthorized occupation of, or undue, interference with land under its management and control. This has not only resulted in loss of land but also loss of significant revenue. While the law appears to empower the municipality/local Councils to take action against encroachment and to recover public property as well as arrears of rent (if such is due from the concerned entity convicted and responsible for encroachment), the understanding of the municipality representatives is not the same. During Consultative Workshops, MCs representatives claimed that the municipality lacked power to recover land and neither is there sufficient power given to recover the arrears of rent, let alone the mark-up that was due.

Limited capacity to perform Municipal Services: During the Consultative Sessions, it was generally observed that the staff of municipalities lack the capacity in terms of laws and regulations within the MCs to perform the tasks assigned to the respective municipalities. Furthermore, keeping in view the shortage of funds to meet the establishment expenditures even (also communicated during the Consultative Sessions by the representatives of municipalities), there are remote chances that the capacity building of their staff will ever be possible. Therefore, it was proposed that the municipalities may outsource some of its functions to private partners under public-private partnership arrangments.

1.2 Recommendations / Way Forwards

As a way-forward approach, municipal finance reforms should comprise the following:

Enhancing the human resource capacity: The most important issue is proper human resource framework-putting the right people on merit; establishing effective performance appraisal system and accountability for outcomes; training of both governing bodies / local Councils and officials is important. Owing to limited human resource capacity of the MC, the provincial government should provide appropriate support, either through its own officials or external consultants. There should be a thorough analysis of the validity of human resource records and payment of salaries through Treasury/District Accounts Officer to eliminate the risk of over staffing and consequently high establishment expenditure. For this purpose, the MC may consider a special audit by an independent professional firm for verification of payroll.

Governance: To support municipal reform of public financial management the problem of enforcement of the provisions under law and capacity of local government representatives should be dealt with**.**The roles, responsibilities and effectiveness of LGD and FD shall be to support and oversee the MC, to ensure that they are performing based on their outcomes.

Regular assessment of the schedule of charges: Given the existing state of revenue collection**,** an immediate and mandatory analysis of current taxes, rates, charges shall be conducted to ensure they are in line with market practices. The following considerations, among others mentioned in this report, shall be made: Manage revenue sources to ensure that fees owed are paid; recover all costs for emergency, safety, and protection services; recover all costs for damage and repair to public properties; recover costs for violations requiring some form of remediation; account for all costs associated with safety and security support for public events; account for the cost of renting public spaces, clean-up, and site management.

Improving the revenue mobilization system: The MC should carry out a thorough analysis to establish potential for each significant segment of revenue compared to its existing meagre collections together with identification of reasons and weaknesses in its revenue mobilization system. Based on such analysis, appropriate plans should be prepared and steps should be taken to enhance revenue mobilization from its own resources. Given the meager own revenues of local councils in general and to broaden MC fiscal base revenue sharing arrangement, exclusively from provincial own taxes shall be prioritised. For example, some international best practices suggest that few taxes may be considered ideal candidates for tax revenue sharing given its nature of user charges and /or mitigating or compensating environmental costs on the basis of location. This aspect of reforms have been rather ignored and might be useful to ensure benefits are attributed to local councils (urban and rural local councils. For example Motor vehicle tax is a user charge and may be proposed for revenue sharing, partly (50%) on collection principal and remaining (50%) on other criteria and/or population basis and /or put in the provincial pool. Also straight transfer earnings may be shared on the basis of same origin principle in many countries to mitigate the environmental costs to benefits areas where these costs are incurred or resources are extracted.

Survey of taxable properties: We recommend that provincial government may support municipalities of Sindh in undertaking the survey of taxable properties and assist them to put in place an independent and transparent procedure for assessing property tax with the use of latest technologies and subject experts.

Right to information: Though the law provide for right to information, however, the public remains unaware of this basic right mainly because the provincial government has not prescribed the manner in which this right will be exercised by the citizens and complied by the local Councils.

Introducing a Reward System: A system of reward or commission for collectors upon fulfilling the targeted demand and punishment for poor performers should be introduced.

Establishment of Finance Commission Secretariat: Since the municipalities are largely receipients of the transfer from the province, therefore immediate establishment of Secretariat Finance Commission is envisaged in Chapter II of the Sindh (Fiscal Transfer) Rules 2004 to maintain the database and perform the mandated functions.

Developing and implementing Anti-Fraud and Anti-Corruption Policy: Using local governance and corruption indicators can help to monitor changes over time. Since citizens have more contact with local agencies than with the Provincial and National Government, civil society engagement is crucial in these efforts. Institutional reforms, such as creating local Anti-Corruption agencies, can engage citizens in oversight mechanisms as well as policy decisions. Such an approach promotes stakeholder collaboration and aids in the design of effective local initiatives. In order to enforce financial and management discipline in the Local Councils, it is important to create awareness regarding fraud and misappropriation and to put in place Anti-Fraud and Corruption policy. The key objective of this policy should be to prevent, detect, discourage and expose fraudulent activities by encouraging a culture within the Municipality where all employees, members of the public and other stakeholders continuously conduct and promote integrity in their dealings with, or on behalf of municipality. Focus should be on Creating a culture which is ethical and intolerant to fraud and corruption; deterrence, prevention and detection of fraud and corruption e.g. falsification of records, misappropriation of assets, embezzlement, accepting or offering bribes, conflict of interest, abuse of power, etc; investigating detected fraud and corruption; taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution; applying sanctions, that includes blacklisting and prohibition from further employment.

Digital governance in municipalities: There is a strong need to establish the defined procedures for having website and implemented those protocols such as placing of budget books, financial statements and complaint management systems to interact with the citizens in order to ensure transparency, effectiveness in service delivery and efficiency of operations.

Realistic and timely preparation of budgets: Budgeting system needs improvements in several respects. Firstly, annual budget-making will be undertaken as part of a longer term plan of investment and resource generation. Realistic assumptions are expected from budget makers in regards to revenue earnings from internal sources. An effective outcome-based budgeting system should be introduced so that the expenditure incurred is linked with performance and outcomes.

Implementing appropriate Accounting System: It is recommended that the municipalities replace the present single entry accounting system with double entry system. To do that, two preconditions are changing the existing regulations in local government accounts system and training up the accounts personnel. With improvements in accounting system, logical classification of revenue and expenditure (matching of revenues and expenditures) and fixation of ceiling on administrative expenditures in order to make sound decisions regarding investments and cash management, is required. An appropriate accrual-based accounting system should be established to enable the preparation of reliable financial statements on monthly, quarterly, half-yearly and annual basis for the use of management as well as other stakeholders such as local government department and finance department. For this purpose, municipalities will need to acquire appropriate information technology system i.e. equipment and software.

Internal Audit Function: Establish an effective internal audit function to ensure monitoring of internal control system and financial discipline.

External Audit of municipalities: There should also be external audit of annual financial statements of the MC to be carried out by the Auditor General of Pakistan to ensure reliability of such financial statements and to ensure the availability of complete data. MC being a corporate entity, can also acquire services of a third party for audit of its assets, revenues and expenditures for its internal use as a source for decision making by the management.

Monitoring and Evaluation System should be in place: Strengthening Local Councils with adequate financial resources and technical capacity to ensure improved service delivery and establishment of a robust Monitoring and Evaluation system through development of key performance indicators.

Medium Term Fiscal Plan: Preparation of a Medium Term Fiscal Plan, which would set forth a five year rolling target for the municipal-level fiscal indicators, along with a clear target of the physical and financial targets, and adherence to performance standards.

Allowing the municipalities to borrow funds: As reported above, the MC are not allowed to borrow funds. If proper steps are taken to improve governance and reliable financial reporting, together with appropriate modification of laws to enable the MC to borrow funds, there could be huge potential for the MC to mobilize finances through borrowing for large schemes that could transform the MC and consequently the Sindh's future.

Defining the roles and responsibility to improve coordination: Institutional reform that includes clarity of roles and responsibilities between various public sector stakeholders in municipal services such as properly defining the roles of Public Health Engineering Department, Building Control Authority and the MCs to ensure better coordination.

Survey of services rendered: The MC should carry out various surveys in Sindh to assess the existing quality and quantum of services provided as well as the expectations and needs of the citizens for determining future scope, quality and quantity of services it should provide. This will help the MCs in developing its vision for strategic planning of their respective cities with short, medium and long-term plans/term based budgetary frameworks to meet the expectations of citizens.

Establishing Legal Action against Defaulters: Without punitive measures, collection efficiency could not be increased. Municipalities should bring pressure to bear on the defaulter to clear their arrears and should use the power which is provided by the SLGA against the tax defaulters through available course of action.

Raising Awareness amongst the inhabitants of the Municipalities about Tax Assessment:
There is need of raising awareness among taxpayer as to how tax amount is calculated and about the relationship between municipalities' service delivery and tax payment. Apparently, only a miniscule minority knows how tax is calculated. However, a substantial proportion of residents are aware of the relationship between better municipality service delivery and tax receipts.

Upgrade water supply facilities: There is immediate need for upgradation of the existing water supply infrastructure for all the district headquarters of Sindh. Bulk flow meters shall be installed at every major water production facility and at the inlet to every zone and commence recording daily meter readings. Focus should also be on using latest water supply network analysis/modeling techniques, especially for sizing of pipes. All aging pipelines (30 years and older) should be removed and resized according to the new requirements as per modeling results and should be replace regardless of serviceability, material type and condition. The favored pipe material will be high pressure PVC and/or HDPE pipes for better performance and durability. Physical surveys of households and water connections should be performed and all illegal connections should be legalized.

Efficiency in solid waste management: For safe disposal of municipal solid waste, there is a need to identify a suitable land and demarcate the same for a proper landfill site. The land should be identified in the nearby neighborhoods of municipalities where waste may be disposed safely for a considerable period of time. Solid waste including fecal contaminated sludge, grit, screenings and other wastes shall be treated or otherwise managed in a way that prevents harm to the natural environment and removes health risks to the general populace, in addition door-to-door collection of garbage should further be improved to minimize solid waste spillage on the streets and maximize collection making efficient waste management system.

Effective sewerage and drainage system: Open channels and drains shall be cleaned and properly maintained for proper and efficient flow of sewage. Gradually all open channels should be covered or converted into the underground sewage system. It is mandatory to work in conjunction with New Water Distribution system; the areas where new water network would be proposed & implemented along with complete new subsurface sewerage system shall also be placed. De-silting of all pumping stations should also be done on priority basis; During the de-silting works all repair of collecting tanks and replacement of screening should be mandatory; Pumps should be replaced or upgraded as per the working conditions and pumping requirement along with the replacement of rising mains/delivery pipes at the pumping stations and ultimately further investigations are required to bring several pumping stations to gravity flow.

Improvement in planning and maintenance of Roads and Streets: A comprehensive InterCity Road Network plan shall be prepared, approved and available with the municipalities for future development which shall include establishing the inspection and evaluation standards to clarify roles and responsibilities of the road administrator to provide safety for citizens; establishing a mechanism to facilitate the maintenance cycle considering financial, institutional and technical aspects; establishing technical assistance system such as dispatching a "road maintenance specialist team"; developing a repair plan based on the causes of damage, expected functions and lifecycle costs of the facility. An alternative renewable energy source (solar) with LED for energy saving should be considered for long-term planning purpose as there is a huge potential of solar power generation.

Firefighting department: An emergency plan should be made to handle disaster situations in city. Data management system should be integrated into the fire department of municipalities. Communications equipment should be upgraded and associated systems made consistent with current and advanced technology. Staffing levels in fire department also need review.

Clear definition of roles, responsibilities and functions: In order to enhance the revenue generation, a strong mechanism may be developed for effective coordination at the city/town level and between local government and the provincial government with the consensus of stakeholders, keeping the service delivery to the masses as the prime objective. Section 80 of the SLGA, 2013, provides that: A council may, for the performance of such functions as may be prescribed, appoint Committees or Sub-Committees consisting of its Members and co-opted members, if any.

Functional Incentive-based PFC Award: It is proposed that support from the provincial government in the form of PFC Award / grants should be provided on an objective criteria. The criteria should include incentives to municipalities for any additional revenue generation done by municipalities from their own sources of revenue.

Effective functioning of the Provincial Local Government Commission: It shall be ensured that important functions assigned to the PLGC, defined as under Section 120 are performed.

Anti-Encroachment initiatives: Discussion with various municipality representatives during consultative workshops reveal, that a number of factors contribute to inadequate efforts in regard to encroachment, including, lack of political will to exercise the MC’s revenue authority, political influence that prevents MC representatives from taking action against unauthorized occupation of public property and, at worse, complete disconnect with what is prescribed under the law. While enabling provisions exist under the Sindh Public Property (Removal of Encroachment) Act, 2010, including the permissibility of recovery of arrears of rent (including mark-up), Anti-encroachment and Resettlement functions of municipalities shall be enforced and proper support shall be provided in the form of trainings on the matter and other similar subjects (especially to municipality officials who were unaware of these powers).

Public Private Partnerships: Section 75 of SLGA, 2013, is an enabling provision, which provides that, the Government may set up a Board, Authority or any corporate body to perform any one or more functions of any Council, singly or jointly with any public or private body, and may acquire, continue, manage or operate any commercial venture or activity as deemed necessary in the public interest. It further provides that, the Council may, with the prior permission of the Government, promote, administer, execute or implement schemes for undertaking any commercial, business enterprise or enter into public private partnership. In this connection, it is proposed that the municipalities may outsource some of their functions to private partners by entering into public private partnership arrangements under the Sindh Public Private Partnership Act, 2010.

2. Introduction

The Government of Sindh has established the Directorate of Urban Policy & Strategic Planning (DUPSP) to provide technical support to the Planning & Development Department, Government of Sindh on policies, plans, issues, programmes, projects and schemes related to urban sector revitalization and development. The DUPSP has initiated a plan to carry out a study for the assessment of municipal finances in 30 selected municipal entities with an objective to assess their financial viability and strength in performing the municipal functions/ provision of services. The Directorate (''the PA") has engaged Deloitte Yousuf Adil Chartered Accountants in association with M/s Atif Nazar Private Limited ("the Consultants") to carry out the Study. The contract was signed on May 16, 2017 among the parties and the Consultants initiated the work as per their contract agreement.

The purpose of this consolidated report is to provide an overall analysis on the existing situation and identify future potential at the local Council level as per the scope of work, which includes significant findings, evaluation of performance of municipalities, identification of gaps and key takeaways and conclusions drawn. This report will also present the comparison of laws pertaining to Local Government at the provincial level and also present the inter-municipality comparison of revenue streams. This report is prepared in accordance with the requirements of the agreement between the PA and the Consultants and as per the procedures performed, detailed in section 2.3 below.

2.1 Overview – The need for Study

Municipal finance is about the revenue and expenditure decisions of municipal governments. It covers the sources of revenue that are used by municipal governments – taxes (property, income, sales, and excise taxes), user fees, and intergovernmental transfers. It includes ways of financing infrastructure through the use of operating revenues and borrowing as well as charges on developers and public private partnerships (PPP). In certain countries, infrastructure is also financed through floating of bonds backed by sovereign guarantees of the Governments.

Municipal finance addresses issues around expenditures at the local level and the accountability for expenditure and revenue decisions, including the municipal budgetary process and financial management.

Local governments make expenditures on a variety of services including transportation, fire protection, water, sewers, garbage collection, disposal, housing, health, recreation, culture, education, and social expenditures. The scope & nature of these expenditures vary from country to country and state to state, depending upon the prevailing regulatory framework & applicable laws. They fund these services and the infrastructure associated with them from a variety of sources.

Municipal finance affects economic development through its impact on the quality of local services and infrastructure required for expanding commerce and industry as well as its impact on the deepening of financial markets. Municipal finance affects the quality of the natural environment through its impact on municipal services such as water supply, sewage treatment, solid waste management, and public transportation. In the developed world, municipal finance even affects poverty reduction through its impact on the ability of municipal governments to undertake effective pro-poor programs of social, economic, health, education, social and community development.

Poor finances of municipalities result in poor basic services, low capital investment, low credibility of municipalities, poor revenue collection efficiency, corruption and the lack of innovation in resource mobilization. This vicious cycle leads to poor delivery and low quality of services.

The study is primarily focused on evaluating municipal finances and to help design potential projects and interventions. The amount of funding available is almost always inadequate to meet the needs of municipalities. Lack of revenue raising powers and unpredictable intergovernmental transfers often hinders the ability of municipalities from functioning efficiently.

In Pakistan, in general, and particularly in Sindh, local revenue generation of municipalities is always inadequate to finance its budgetary expenditures and infrastructure development. Historically, municipalities exhibit a large dependence on intergovernmental/provincial transfers.

2.2 The Objectives

The objectives of this Study are as follows:

- Assess municipal finance system, its performance and sustainability in the context of the changing socio-economic realities;

- Broaden the knowledge base on municipal fiscal and financial system;
- Increase awareness and build consensus on the need for municipal finance reform;
- Suggest a municipal finance reform agenda.

To achieve the above objectives, the key questions to address under the Study are:

- Is the existing municipal finance system adequate for Sindh's changing socio-economic realities?
- Can the existing finance system effectively deliver on the functions envisaged for municipalities under the Laws and Regulations?
- What needs to be done to make the existing system work?
- What roles will be required of the federal and provincial governments in reinforcing the municipal finance system?

In this context, the Study undertakes an assessment of the adequacy and sustainability of the existing municipal finance system for meeting the challenges of a growing economy and urbanization which is expected to rise further. The Study suggests a way forward for municipalities to be able to effectively respond to the challenges that they face and will face in the coming years.

2.3 Procedures Performed

The Consultants performed the following procedures during this engagement and in preparation of this report:

- Obtained initial understanding of the engagement through meetings with relevant governance bodies and services agencies, desk research and review of relevant guides such as Municipal Finances Handbook;
- Designed tools i.e. questionnaires and proforma which have been duly completed by almost all of the municipality representatives.;
- Conducted field visits in the in-scope municipalities which mainly comprises of meetings and interviews with key municipality personnel to obtain required information and gather responses on aforementioned questionnaires, pro-forma queries raised ;
- Performed data entry of available information and prepare the data for review, analysis and comparison.
- Subsequent face-to-face and telephonic discussions were held to discuss queries with regards to the data obtained;
- Performed analysis as per TOR on the data obtained from the municipality.;
- Subject Matter Experts were engaged to provide input on analysis related to gaps and recommendations with regards to municipal finances and service delivery;
- Conducted consultative workshops to validate the data collected and to update any outstanding required information;
- Conclude the analysis and provide recommendations as per the requirement of TOR.

2.4 Data collection, availability and quality

In order to perform a review and analysis of the data related to municipal finances and municipal services, the concerned Municipality representatives were requested to provide the required information vide letter from Local Government Department, followed by field visits and finally consultative workshops which were conducted for each cluster to collect relevant data regarding municipal finance in the shape of budget books, financial statements etc. and services being performed by the municipalities.

However, till the date of this report, complete data has not been provided. One of the reason for this is that sufficient and appropriate data is not available within the records of the municipality. It was noted that sometimes if any staff is transferred/terminated, he/she takes away all the records with him/her and there is no trace of the record. This finding is confirmed by discussions held at DG Audit Office Karachi and the minutes of the meetings are attached in appendices of the individual municipality report.

In addition to the availability of data, one of the key issue was the accuracy and reliability of data. The data provided is also found to be of substandard quality since it seems to be unrealistic. It was also noted that irregularities exist in the data, which have been documented in relevant reports of the individual municipalities. Owing to this challenge, analysis prepared will be based on the content provided to the consultants.

3. Municipal Governance & Legal Framework

3.1 Introduction

This section of the report is based on the legal framework of the Local Governments functioning in the Province with specific emphasis on "enabling" and "affecting" policies in the context of Revenue Mechanism and proposed amendments and recommendations to the DUPSP.

3.1.1 Objectives of the Legal Review

Government of Sindh, in a comprehensive attempt, is keen to create and establish a strong Local Government system in the Province of Sindh. In this connection this Legal Review will discuss "enabling" and "affecting" policies in the context of Revenue Mechanism and proposed amendments and recommendations to the DUPSP.

The legal review will complement the overall assessment by undertaking a comprehensive study to point out the flaws, inadequacies and discrepancies affecting the existing legal and regulatory framework. Working within the ambit of the Municipal Financial Assessment, the Legal Review would cover the following aspects:

1. SLGA 2013, rules, procedures and policies from the constitutional and statutory perspectives;
2. Background of Local Government System in Pakistan;
3. Legal Analysis of SLGA 2013 along with other Provincial Local Government Laws including Acts, Rules and Directions;
4. Intergovernmental Transfer mechanism;
5. Review of Legal Framework with particular reference to "Enabling Policies" as well as "Affecting Policies" in the context of Revenue Mechanism;
6. Submit Proposals for Enabling Policies to enhance revenue generation & improve revenue collection /Recovery of Charges including Public Private Partnerships;
7. Identify present role and institutional setup of various agencies and bodies concerned with delivery of municipal services and municipal governance;
8. Analysis of responses obtained during Consultative Workshops.

3.2 Background of Local Government System in Pakistan

In Pakistan, the Local Government systems were recognized for the first time in the year 1959, under the Basic Democracies Ordinance 1959, since then various acts, ordinances and orders have been passed to establish the local government systems, as detailed in the table below:

Period	Laws & Ordinances
1959 onwards	• Basic Democracies Ordinance 1959 • Municipal Administration Ordinance 1960 • Presidential Constitution 1962
1972 onwards	• Peoples' Local Government Ordinance 1972 • Representation for minorities, women, workers, peasants
1979 onwards	• Local Government Ordinance 1979 • Elections in 1979 and 1983
2001 onwards	• Local Government Ordinance 2001 • Elections in 2001 and 2005
2013 and beyond	• Local Government Acts 2013 by all provinces • Elections in 2015

Table 3 – Laws & Ordinances

The Constitution of Pakistan, 1973, recognizes the importance of local government institutions under Chapter 2 – Principles of Policy. Article 32 of the Constitution provides:

> "The State shall encourage local Government institutions composed of elected representatives of the areas concerned and in such institutions special representation will be given to peasants, workers and women."

In order to strengthen the local government systems, Article 140-A was added to the Constitution of Pakistan through the eighteenth amendment, passed in 2010. It was provided therein that each province shall, by law, establish a local government system and devolve *political*, *administrative* and *financial* responsibility and authority to the elected representatives of the local governments.

Currently the Sindh Local Government Act, 2013 is the latest law on the subject, thereby repealing the Sindh Local Government Ordinance 1979 revived through the Sindh (Repeal of the Sindh Peoples Local Government Act, 2012 and Revival of the Sindh Local Government Ordinance, 1979) Act, 2013.

3.2.1 Governance and structure of municipalities

The structure of local councils is difficult to describe concisely, as it is composed of eight types of elected bodies with multiple electoral systems. The stipulated councils for a given jurisdiction depend upon its urban or rural designation and population size.

In Karachi, Sindh's provincial capital, there are three tiers of local councils:

1. A metropolitan corporation;
2. District municipal corporations within the metropolitan corporation; and
3. Union committees within the district municipal corporations.

In Sindh's other urban areas (excluding Karachi) with populations of more than 300,000, there are two tiers of local councils:

1. Municipal corporations; and
2. Union committees within municipal corporations.

In Sindh's urban areas where population figures range from 30,000 to 300,000, one type of local council is used:

1. Municipal committees.

In Sindh's urban areas where population figures range from 5,000 to 30,000, one type of local council is used:

2. Town committees.

In Sindh's rural areas, there are two tiers of local councils:

1. District councils for each district; and
2. Union councils within district councils.

The local councils established under this law shall be body corporate and shall function under the provincial framework under the law "local government commission" is to be established for administrative accountability of elected functionaries. The commission shall comprise of two members of the provincial assembly one each to be nominated by the leader of the house and the leader of the opposition, two technocrats to be nominated by the government, Secretary Law and Secretary Local Government. The Minister, Local Government will be the chairman of the commission. Provincial Finance Commissions to be established under the law for distribution of resources among local councils. The Minister Finance will be the Chairman of the Commission. Minister Local Government, two members of the provincial assembly to be nominated by the government, Secretaries Law, Finance, P&D and Local Government Departments shall be its members.

The government shall exercise general supervision of the councils, to ensure that their main activities conform to the provisions of LG Laws and issue directions to councils for effective discharge of duties. Local body's elections will be conducted by the Election Commission of Pakistan instead of provincial election authority. The local body's elections are held on party basis. Elections of Mayor and Deputy Mayor, Chairman and Vice Chairman shall be held directly and from amongst the elected councilors, not from the outside candidates

For a detailed analysis of findings from interaction with municipality representatives with regards to legal powers, please refer to Appendix C - Analysis and finding of Consultative workshops-Legal Questionnaire- Hyderabad, Sukkur, Larkana and Karachi and Appendix D – Findings of the Workshop held in Hyderabad, Sukkur and Karachi.

3.3 Comparison of Local Government Acts of different Provinces

The aim of the comparison of Local Government laws of Sindh with the Local Government laws of other provinces is to understand the ways in which the other provinces have dealt with the problems confronted by the local governments, particularly related to financial management, optimization of resources and service delivery.

The following table presents the legal framework of all four provinces of Pakistan for regulation of finances, accounts, audit and taxes:

Legal Framework	Sindh	Punjab	KPK	Balochistan
Local Govt. Act	2013	2013	2013	2010
Fiscal Transfer Rules	2004 Under SLGO, 2001	2017 Under PLGA, 2013	2016 Under KPKLGA, 2013	2004 Under BLGO, 2001
Budget Rules	Local Council Budget Rules, 1985. Sindh TMAs Budget Rules, 2001.	Local Govt. Budget Rules, 2017.	Local Govt. Budget Rules, 2016.	District and TMA Budget Rules, 2003.
Local Govt. Internal Audit Rules	2004	2004	Nil	2004
Local Govt. Accounts Rules	Nil	2017	Nil	Nil
Local Govt. Conduct of Business Rules	Sindh Municipal Administration Rules of Business, 2002.	Nil	2015	Nil
Taxation	Sec 103 (Schedule-V) of SLGA, 2013. Sindh Local Fund Imposition of Taxes Rules, 2001.	Sec 115 (Schedule-III) PLGA-2013. Punjab Local Governments (Fee for Licensing of Professions and Vocations) Rules, 2017.	Chapter-X, KPK LGA, 2013. KPK Local Govt. Taxation Rules, 2016.	Chapter-XI (Schedule-II) of the BLGA, 2013.

Local Fund	Sindh Local Fund Act, 1930.	Local Fund Act, 1930. Punjab Local Fund Manual, 1976.	Local Fund Act, 1930.	Local Fund Act, 1930.

Table 4 – Legal framework of provinces

In addition, the detailed analysis of the constitutional powers (administrative, political and financial) of Local Government system, as provided under Article 140A of the Constitution of Pakistan, is provided in the table below[1]:

Powers	Category	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
Administrative	**LG Tiers**	Metropolitan Corporations, Municipal Corporations, Municipal Committee, Town Committee, Urban Committee and Ward in Urban Areas; District Councils and Union Councils in rural areas; All councils are led by Chairman and Vice Chairman.	Metropolitan Corporations in provincial capital; District Councils in rural areas; Municipal Corporations & Municipal Committees; Union Councils (UC) for both urban and rural areas (except for Lahore); All councils are led by Chairman and Vice Chairman.	City District Government for Peshawar and District Government for districts other than Peshawar; Tehsil Municipal Administration for a Tehsil; a Town Municipal Administration for a Town in a City District; Village Councils for a village in rural areas; Neighborhood Councils for a neighborhood in areas with urban characteristics; All councils are led by Nazim and Naib Nazim.	Metropolitan Corporation, Municipal Corporation, Municipal Committee in urban areas; District Councils and Union councils in rural areas; All councils are led by Chairman and Vice Chairman.
Political	**Elections**	Party based elections may occur at all tiers, provided that any candidate may contest election as independent candidate and may subsequently join any party.	Party based elections at all tiers.	District Councils and Tehsil Councils on party basis – Indirect Elections; Non-party basis for Village and Neighborhood Councils (VNC) – Direct Elections.	Party based elections at all tiers.
	Term of Office	Five (5) years.	Four (04) years.	Four (04) years.	Four (04) years.

[1] dtce.org.pk, 2014

Powers	Category	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
Financial	**Finance and Revenue**	Provincial Finance Commission Award; Own Source revenues by way of taxes, rates, fees and toll; Grants from the Provincial Government; Development Schemes funded by Provincial Government.	Provincial Finance Commission Award; Own Source revenues by way of taxes, rates, fees and toll; Grants from the Provincial Government; Development Schemes funded by Provincial Government.	Provincial Finance Commission Award; Own Source revenues by way of taxes, rates, fees and toll; Grants from the Provincial Government; Development Schemes funded by Provincial Government.	Provincial Finance Commission Award; Own Source revenues by way of taxes, rates, fees and toll; Grants from the Provincial Government Development Schemes funded by Provincial Government.

Table 5 – Constitutional powers in the provinces

Subsequent to the division of constitutional powers (administrative, political and financial), the following matrix presents a basic understanding of the common and distinguishing features of Local Government laws of all four provinces with respect to different subjects:

Subject	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
Drinking Water	Schedule - II of the Act: A Corporation, Municipal Committee or town Committee shall, within the limits of the funds at its disposal provide or cause to be provided, a supply of whole-some water sufficient for public and private purpose. All private sources of water supply within the Local Area concerned shall be subject to control, regulation and inspection by the Corporation, Municipal Committee or Town Committee.	The Union Council, under Section 72, has been entrusted with the responsibility to provide and maintain rural water supply schemes and public sources of drinking water. The District Council is required to assist Union Council in provision and maintenance of rural water supply schemes (Section 77). Municipal Committees to provide, manage, operate, maintain, and improve the municipal infrastructure and services including water Supply and control and development of water sources (Section 81). Similar function has been entrusted to Metropolitan and Municipal Corporations (Section 87).	Section 29 of the Act states that one of the functions of the Village/Neighborhood Council shall be to improve water supply sources, maintain water supply distribution system and take measures to prevent contamination of water. The District Council, under Section 19, is required to review development of integrated system of water reservoirs, water sources, treatment plants, drainage, liquid and solid waste disposal, sanitation and other municipal services. Tehsil Municipal Administration is also required by the Act, under Section 22, to provide, manage, operate, maintain, and improve municipal services (water supply	The Act requires regulation, through byelaws, of contamination of water reserved for drinking purposes. The Fourth Schedule requires local governments to make bye-laws for regulation of water supply.

Subject	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
			has been declared a municipal service by the Act).	
Health	Schedule 3 (Part-1) of the Act, defines compulsory functions of the District Council as: responsibility for the identification of projects and appraisal and approval of projects prepared and to be constructed by Union Councils in the following sub-section: Rural Health Centers, Basic Health Units, Family Welfare Clinics Union Councils, under Schedule IV of the Act, act as construction agency for Rural Health Centers, Family Welfare Clinics and Basic Health Units.	District Health Authority will be created under the Act and Section 2(v) declares an Authority as a local government. Composition of the District Health Authority is to be determined by the provincial government (Section 17).	Health Department has been devolved to the District Government under the Act (Section 12). Section 29 of the Act requires the Village / Neighborhood Council to monitor and supervise the performance of functionaries of Health Department along with other offices.	The Act, under Section 90, empowers Town Improvement Committee to undertake development schemes for health measures of citizens. Functions of the District Councils also include establishment, maintenance, and management of hospitals and rural health centers.
Education	Schedule 3 (Part-1) of the Act, defines compulsory functions of the District Council as: responsibility for the identification of projects and appraisal and approval of projects prepared and to be constructed by Union Councils in the following sub-section: Primary, Middle and Secondary Schools. The Union Councils will also do procurement and distribution of equipment and materials for Schools (Schedule IV).	District Education Authority will be created under the Act and section 2(V) declares an Authority as a local government. Composition of the District Education Authority is to be determined by the provincial government (Section 17).	Education is one of the Offices devolved to the District Government under Section 12 of the Act. First Schedule gives a list of the Education offices as: Primary and Secondary Education Vocational Education, Special Education. Adult Education and Literacy. The Act, under Section 28(e) requires Nazim, Village/Neighborhood Council to prepare and send quarterly reports on the performance of functionaries of education Offices located in the territory along with others.	The Act, under Section 142 requires a Local Council to make bye-laws which includes, under the Fourth Schedule, of compulsory primary education. The Fifth Schedule defines compulsory functions of an Urban Council, which include: and manage for promotion of education such educational institutions as may be required and approved compulsory primary education. Optional functions include: Promotion of adult education, construction and maintenance of buildings to be used for

Subject	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
				schools and hostels for students.
Solid-Waste Management	The Act, under Compulsory Functions, states that a Corporation, Municipal Committee or Town Committee shall be responsible for the sanitation, and may for that purpose take such measures, as are required by or under this Act. Schedule-III of the Act requires a District Council to discharge the overall responsibility for the identification of projects and appraisal and approval of projects prepared and to be constructed by Union Councils for sanitation along with other sectors.	A Union Council, under Section 72 of the Act, is required to provide, manage, operate, maintain, and improve the municipal infrastructure and services including sanitation and solid waste collection and sanitary disposal of solid, liquid, industrial, and hospital wastes. A Municipal Committee, under Section 81 of the Act, is required to provide, manage, operate, maintain, and improve the municipal infrastructure and services including sanitation and solid waste collection and sanitary disposal of solid, liquid, industrial, and hospital wastes. Metropolitan and Municipal Corporations, under Section 87 of the Act, are required to provide, manage, operate, maintain and improve the municipal infrastructure and services including sanitation and solid waste collection and sanitary disposal of solid, liquid, industrial and hospital wastes, treatment and disposal including landfill site and recycling plants. They are also required to develop integrated systems for liquid and solid waste disposal, sanitation and other municipal services.	According to the First Schedule of the Act, City District Govt. may set up District Municipal Offices for integrated development and management of solid waste management, treatment and disposal, including landfill sites and treatment plants. District Council, under Section 19 of the Act, shall review development of integrated system of liquid and solid waste disposal, sanitation and other municipal services. Regular provision of municipal services including solid waste management and sanitation remain the responsibility of Town / Tehsil Municipal Administrations.	The Fifth Schedule specifies maintenance of sanitation as a compulsory function of urban councils along with removal, collection, and disposal of refuse. Section 142 of the Act requires a local council to make bye laws for the regulation of sanitation along with other services.

Subject	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
Drainage & Sewerage	Schedule-II (Part-II – Compulsory Functions) of the SLGA Act provides that a Corporation, Municipal Committee or Town Committee shall, within the limits of the funds at its disposal provide adequate system of public drains in the Local Area and all such drains shall be constructed, maintained kept cleared and emptied with due regard to the health and convenience of the public. Schedule-II (Part-II – Optional Functions) of the SLGA Act provides that a Corporation, Municipal Committee or Town Committee may, and if so required by Government, shall prepare a drainage scheme in the prescribed manner for the construction of drains at public and private expenses, and other works for the effective drainage and disposal of sullage.	Section 87 of the PLGA provides that the Metropolitan Corporation and a Municipal Corporation shall develop integrated system of water reservoirs, water sources, treatment plants, drainage, liquid and solid waste disposal, sanitation and other municipal services. Eighth Schedule (General Powers of Local Governments) of PLGA provides that: A local government shall provide an adequate system of public drains in its local area and all such drains shall be constructed, maintained, kept cleared and emptied with due regard to the health and convenience of the public.	Section 19 of the KPKLGA provides that the District Council in a city district shall perform the following functions, namely: review development of integrated system of water reservoirs, water sources, treatment plants, drainage, liquid and solid waste disposal, sanitation and other municipal services. Section 29 of the KPKLGA provides that the Village council and Neighborhood Council, as the case may be, shall be to: make arrangements for sanitation, cleanliness, disposal of garbage and carcasses, drainage and sewerage system.	The definition of Municipal Services in the BLGA includes drainage. Fifth Schedule (Part-I – Urban Councils) of the BLGA provides: An Urban Council may and if the Government so directs shall undertake all or any of the functions as follows: Regulate private drainage and sewerage and for commercial and industrial area (s) for the adequate drainage and disposal of their waste. Fifth Schedule (Part-II – Rural Councils) of the BLGA provides: A District Council may and if the Government so directs shall undertake all or any of the following functions: provision and maintenance of adequate system of public drains and regulation of the disposal of industrial wastes.
Roads, Streets and Street Lights	Schedule-II (Part-I – Compulsory Functions) of the SLGA Act provides the functions to be performed by Metropolitan Corporation exclusively. It covers: planning, development and maintenance of Inter district roads, bridges, street lights and storm water drains. Schedule-II (Part-II – Compulsory Functions) of the SLGA Act provides that a Corporation, Municipal Committee or Town Committee shall provide and maintain such public streets and other means of public communication as may be necessary for the	Section 81 of the PLGA provides that: A Municipal Committee shall provide, manage, operate, maintain and improve the municipal infrastructure and services, including: roads and streets, street lighting. Section 87 of the PLGA provides that the Metropolitan Corporation and a Municipal Corporation shall provide, manage, operate, maintain and improve the municipal infrastructure and services, including: roads and streets, street lighting. Eighth Schedule (General Powers of	Section 29 of the KPKLGA provides that the Village council and Neighborhood Council, as the case may be, shall be to: maintain village level infrastructure, footpaths, tracks, streets, prevent and abate nuisances and encroachments in public ways, public streets and public places; Section 19 of the KPKLGA provides that the District Council in a city district shall perform the following functions, namely: review implementation of rules and bye-laws governing land use, housing, markets,	The definition of Municipal Services in the BLGA includes public roads, streets, foot paths, traffic signals, pavements and lighting thereof. Fifth Schedule (Part-I – Urban Councils) of the BLGA provides: An Urban Council may and if the Government so directs shall undertake all or any of the functions as follows: Provision and maintenance of public streets and other means of public communication; Regulation of private streets; Proper lighting of streets and roads.

Subject	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
	comfort and Convenience of the inhabitants of the local area concerned and of the visitors thereto. No new streets shall be laid out except with the precious sanction of the Corporation, Municipal Committee or Town Committee, and in conformity with the terms and conditions of such sanction. A Corporation, Municipal Committee or Town Committee shall take such measures as may be necessary for the proper lighting of the public streets and other public streets and other public places vesting in the Council concerned by oil, gas, electricity or such other illuminate as the Council may determine.	Local Governments) of PLGA provides that: A local government shall provide and maintain such public streets and other means of public communications as may be necessary. Eight Schedule further provides that: A local government shall take such measures as may be necessary for the proper lighting of the public streets and other public places vested in the local government by oil, gas, electricity or such other illuminant as the local government may determine.	zoning, environment, roads, traffic, tax, infrastructure and public utilities; Section 19 of the KPKLGA further provides that the District Council in a city district shall perform the following functions, namely: approve proposals for public transport and mass transit systems, construction of express ways, flyovers, bridges, roads, under passes, and inter-town streets.	Fifth Schedule (Part-II – Rural Councils) of the BLGA provides: A District Council may and if the Government so directs shall undertake all or any of the following functions: provision, maintenance, improvement and management of its public roads, public streets and public ways, culverts bridges, public buildings, wells, water pumps, tanks, ponds and other works of water supply.
Fire Fighting	Schedule-II (Part-I – Compulsory Functions) of the SLGA Act provides the functions to be performed by Metropolitan Corporation exclusively. It covers: Fire Fighting Service. Schedule-II (Part-II – Optional Functions) of the SLGA Act provides that: For the prevention and extinction of fire a Corporation, Municipal Committee or Town Committee may, and if so required by Government, shall maintain a fire brigade, consisting of such staff and such number of fire stations, and such implements, machinery, equipment and means of communicating intelligence as may be prescribed.	Section 81 of the PLGA provides that: A Municipal Committee shall provide, manage, operate, maintain and improve the municipal infrastructure and services, including firefighting. Section 81 of the PLGA provides that: The Metropolitan Corporation and a Municipal Corporation shall provide, manage, operate, maintain and improve the municipal infrastructure and services, including firefighting. Eighth Schedule (General Powers of Local Governments) of PLGA provides that: For the prevention and extinction of fires, the local government shall maintain a fire brigade consisting of such staff and such number of fire stations and such	The definition of Municipal Services in the KPKLGA includes firefighting. Section 19 of the KPKLGA provides that the District Council in a city district shall perform the following functions, namely: review development of integrated system of water reservoirs, water sources, treatment plants, drainage, liquid and solid waste disposal, sanitation and other **municipal services**. Section 19 of the KPKLGA provides that the functions and powers of tehsil municipal administration shall be to: provide, manage, operate, maintain and improve **municipal services**.	The definition of Municipal Services in the BLGA includes fire-fighting. Fifth Schedule (Part-I – Urban Councils) of the BLGA provides: An Urban Council may and if the Government so directs shall undertake all or any of the functions as follows: Maintenance of Fire-fighting. Forth Schedule – Matters respecting which bye-laws may be made – provides regulation of fire-fighting.

Subject	SLGA, 2013	PLGA, 2013	KPKLGA, 2013	BLGA, 2010
		implements, machinery, equipment and means of communicating intelligence as may be necessary. A local government shall prepare a fire-fighting plan and revise it at least once a year.	Section 25 of the KPKLGA provides that the functions and powers of Tehsil Council shall be to: approve bye-laws for delivery of **municipal services**.	
Right to Information	Right to information granted by Law, under Section 154, the requested information will be provided by the designated officer of the concerned municipality within 7 days.	Right to information with respect to local governments granted through Section 140 of the Act. The requested information will be provided within 15 days.	Right to Information is not part of the Act; yet the law has specific requirement to maintain information and disclosure for public (section 22, 29 and 36).	No provision for Right to information.
Taxation	The Act under Section 96 states that a Council may levy all or any of the taxes, rates, tolls and fees mentioned in Schedule - V of the Act. No provision for inviting public opinion / objections before levying a tax.	The Act, under Section 115, states that a local government shall not levy a tax without previous publication of the tax proposal and inviting and hearing public objections.	The Act, under Section 42, states that no tax shall be levied without previous publication of the tax proposal inviting and hearing public objections and approval of the respective local council.	The Act, under Section 114, states that no tax shall be levied without previous publication of the tax proposal and without inviting and considering / hearing public objections.

Subject	**SLGA, 2013**	**PLGA, 2013**	**KPKLGA, 2013**	**BLGA, 2010**
Use Of Properties of Local Governments	Section 77 of the Act provides that: All contracts for transfer by grant, sale, mortgage, lease or otherwise of immovable property or any interest and right thereto or disposal or sale of movable property or for leasing out rights to collect taxes] shall, subject to the rules be entered into after inviting offers in an open auction. Council may grant, sell or lease out land at rates to be fixed in consultation with the Government, to- (i) associations, organizations, individuals or any department or institution of the Federal or a Provincial Government for establishing, maintaining or extending educational, religious and charitable institutions or for such other purposes for the benefit of the public.	Section 130 of the Act states that a local government may grant lease of its immovable property through competitive bidding by public auction in the prescribed manner. The movable property of a local government which is required to be disposed of shall be sold through competitive bidding by public auction.	Section 40 of the Act lays down that Immovable properties of local government may be given on lease through competitive bidding in public auction for a period to be determined by the government. Movable property of a local government which is required to be disposed of and all articles declared unserviceable shall be sold through competitive bidding in public auction.	Section 110 of the Act specifies that immovable properties of local council may be given on lease through competitive bidding in public auction with the prior approval of the government. The movable property of a local council which, by the order of the Government is required to be disposed of and all articles declared unserviceable shall subject to approval by the Government, or any authority specially empowered by the Government in this regard, be sold through a transparent competitive bidding in public auction.
Standing / Monitoring Committees	The Act, under Section 84, states that a council may, for the performance of such functions as may be prescribed appoint committees or sub-committees consisting of its members and co-opted members, if any. It further states that the members of the committee or the sub-committee shall be elected by the council.	Section 67 of the Act states that a local government may appoint committees consisting of such number of its members and other persons to perform such functions and in such manner as may be prescribed.	The Act (Section 18) provides for the election of Standing Committee by District Council for each office of the District Government to oversee matters and service delivery obligations assigned to the office.	Section 64(8) states that a local council may appoint sub-committees consisting of such number of its members and other persons, if any, to perform such functions in such manner as may be prescribed. Explicit provision exists for the constitution of a Town Improvement Committee by a local council (Section 89) but the exercise of powers and performing of functions by the Committee has to be in accordance with specifications of the provincial government.

Table 6 – Laws on different subjects in the provinces

3.4 International Local Government Practices

This section illustrates current international practices of the local government system that are being practiced in the region. This comparison shall serve as proposals for reforming the local government system in Sindh.

3.4.1 Local Government System of Malaysia

The Malaysian Local Government laws prescribe that the Auditor shall submit to the local authority in respect of the preceding financial year annual observations on the accounts of the local authority for such year and to certify therein whether or not—(a) the accounts of the local authority were in order; (b) separate accounts of all commercial undertakings had been kept; (c) the accounts issued presented a true and fair view of the financial position of the local authority and of the commercial undertakings; (d) due provision had been made for redemption and repayment of all moneys borrowed by the local authority; (e) the amount set aside for depreciation and renewal of the assets of the local authority were adequate; and (f) all the requirements of the auditor had been complied with.

Whereas, the SLGA only provides that the Audit shall be conducted in such manner, after such intervals and by such authority, as provided under any law or as prescribed. Even though the Government of Sindh has enacted the rules; however, the Malaysian law is much more detailed and expressly mentions the requirements of the yearly audit.

The Malaysian Local Government Act, under Section 101, provides further powers of local authority. The functions under this section are much more detailed and clear as compared to SLGA, 2013. For example: a local authority shall have power (p) (i) to erect and maintain shops and dwelling-houses and flats and to sell, let or otherwise dispose off the same; (ii) to convert the use of buildings and to alter, enlarge, repair and improve the same; (iii) to make advances of money for the purpose of enabling residents in the local authority area and officers and employees of the local authority to acquire or to erect dwelling-houses, flats, shophouses, or industrial or commercial buildings and to recover such advances with interest thereon by instalments or otherwise as the local authority may in its discretion arrange.

Furthermore, Section 101 (U), provides that the local authority shall have power to provide assistance financially or otherwise to Councillors, officers, employees and other persons for the pursuit of approved courses of study or practical training upon such terms and conditions as the local authority may decide to impose. During the consultative sessions, it was observed that the staff of local government institutions lack proper training and complete understanding of the local Government laws. Therefore, a similar provision for undertaking study / training course may be included in Sindh.

Furthermore, Section 101(dd), provides that the local authority shall have power to enter into any contract with any other local authority or with any person to secure or further the carrying on, without the local authority area, of any work or undertaking which the local authority is authorized to carry on.

Section 104 provides for the penalties for breaches of by-laws. Similarly Section 109 provides for default in compliance with notice or order. Where any notice or order requires any act to be done or work to be executed within a period specified therein by the owner or occupier of any premises, default is made in complying with the requirement of such notice or order, the person in default shall be guilty of an offence. Whereas, the SLGA does not have any such provisions.

Section 110 provides the power to officers of local authority to enter any premises within the local authority area for the purpose of exercising any power of inspection, enquiry or execution of works which is given to a local authority. The provision is further reinforced by Section 112 that provides the penalty for obstructing the officers of local authority in the performance and execution of their duty shall be guilty of an offence.

In order to enhance the revenue generation of local government institutions, the Malaysian laws (Section 116 and 117) provides an option of installments for recovery of due payments against the services provided by the local authority from the owner and occupier of the premises within that area.

Furthermore, the Malaysian law (Section 121) provides the power of arrest to the officers of local authority, which would enable the local government institutions in the enforcement of its functions.

In light of the above, the Sindh Government may like to enact similar provisions in the local government laws, which would help perform their functions in a robust and effective manner.

3.4.2 Local Government System of Nepal

During the consultative sessions, it was discussed that support from the provincial government in the form of PFC Award / grants should be provided on an objective criteria – performance based incentive. The criteria may include incentives to municipalities for any additional revenue generation done by municipalities from their own sources of revenue.

In this connection the Nepalese local government system has a performance based grants system (PBGS), which assesses the performance of local government on the basis of set standards. Such a system not only strengthens upward accountability but also provide incentives for LGs to comply with national laws and regulations. Moreover, it provides opportunities for greater dialogue between the provincial and local levels.

The Nepalese government has legalized this system through government regulation, and made it a part of the regular government function and resource allocation. Further, the Nepalese government has observed that the incentives established by PBGSs may lead to improvements in the way that LGs handle cross-cutting issues such as gender, social inclusion, poverty targeting and the environment.

In light of the above, the Sindh Government may like to introduce similar performance based schemes and programs to incentive all those municipalities that generate additional revenue from their own sources.

3.5 Inter-Government Transfers Mechanism

3.5.1 National Finance Commission (NFC) Award

The mechanism of intergovernmental transfers is enshrined in the Constitution of Pakistan, 1973. According to Article 160 of the Constitution, it is mandatory to periodically set up National Finance Commission (NFC) by the President of Pakistan to recommend on the operation of federal divisible pool, borrowing powers, grants in aid and other such matters between the federal and provincial governments. The composition of NFC comprises of Federal Finance Minister as Chairman, Four Provincial Finance Ministers and four provincial statutory members, one from each province. NFC takes the decision on three matters; which taxes are to be included to determine the size of the federal divisible pool; how and in what proportion these taxes are vertically shared between the federation and provinces; and how provincial share is horizontally divided among the four provinces.

Vertical fiscal imbalance measures the difference between revenue sources and expenditures assignments among the federal and provincial governments. Whereas, the horizontal fiscal imbalance measures the differences in the revenue source and expenditure assignments of individual provinces.

As per the Constitution, the government is obligated to constitute NFC at an interval not exceeding 5 years, for the amicable resource distribution among the federation and their respective units. However, the NFC has failed to issue the award on a regular basis due to the challenges in finding a formula or arrangement that would be acceptable to all the four provinces.

3.5.2 Provincial Finance Commission (PFC) Award

The Provincial Finance Commission, constituted in 2001, is an apex body working under the jurisdiction of provincial government headed by its Provincial Minister of Finance. It has a special mandate to ascertain the share of available resources between provincial and local government, generally known as vertical distribution. It also formulates a criterion for distribution of allocated funds to local government horizontally among different tiers and local councils. This mechanism of distribution is known as Provincial Finance Commission (PFC) Award[2].

[2] Fdsindh.gov.pk, 2005

All local councils in the four provinces are entitled to receive formula based fiscal transfers from the dissemination of the Provincial Finance Commission (PFC) Award. This award was initially founded in 1951 under Article 160 of the Constitution. The key indicators involved in determining the award vary from province to province, since there are different indicators in the formula contingent upon the provinces' needs. This process ensures two objectives: maintainability of existing services at the district level and development grants to minimize poverty and inter-districts income differential.

It is important to note that PFC Award has not been awarded in Sindh since 2016. Unlike the National Finance Commission, where the same award continues till the new one is enacted, the PFC Award in Sindh functions under an interim arrangement. The indicators mentioned in the 2017-2018 Federal Budget[3] have been given ratios, which include but are not limited to, population, poverty / backwardness, revenue collection / generation and inverse population density

To date, four PFC Awards have been designed and implemented in Sindh province. Subsequent to the promulgation of the Sindh Local Government Ordinance (SLGO) 2001, the first PFC Award was prepared in the year 2002 and implemented during 2002-03 and 2003-04. The second award was formulated in the year 2004 and implemented during the following two upcoming financial years. The third award was presented in the year 2006-07 for an interim period of one year. In the year 2007-08, the fourth award was designed and remained intact till the termination of local government in the year 2009.

The PFC Award has formulated a divisible pool for distribution of resources between the provinces and its respective districts and prepared benchmarks of revenue and expenditures for the tiers of the governments that are consistent with their respective mandates. It further determined the provincial retained and allocable amounts, and developed a fiscal distribution criteria to minimize inter-regional disparities by means of equalization grants from provincial government to economically weaker districts. The process of fiscal allocation is considered as one of the possible ways to ensure a more efficient and effective public service delivery mechanism.

The following table details the distribution of funds among district governments under each Award:

PFC Award	Distribution of funds
2002	Under this award, recurring and development expenditures were determined and earmarked separately. The budget for recurring expenditure was determined from within the provincial divisible pool, consisting of federal tax assignment, straight transfers, and provincial tax receipt. 60% of the provincial divisible pool was retained by provincial government and remaining 40% was distributed among district governments. The amount allocated for district government was then horizontally distributed on the basis of multiple criteria. This criteria decided for distribution of funds among district governments as follows: • For population (50%), • For backwardness (17.5%) as determined on the basis of development index prepared by SPDC, • For tax collection (7.5%), and remaining, • 25% was earmarked as transitional grant to bridge any gap between the expenditure requirement and transfers on the basis of multiple criteria. It was decided that 65% of the 2.5% of GST will be distributed in lieu of OZT among district government, TMAs, and UAs on the basis of their historical shares.
2004	The size of the provincial divisible pool was determined after deducting the priority expenditures from provincial consolidated fund that comprises of federal transfers and grants and provincial tax revenues. These priority expenditures include pension, debt servicing, subsidy, and priority programs. Hence, 45% amount of the provincial divisible pool was retained by provincial government and remaining 55% was distributed among district government. This amount was distributed on the basis of multiple criteria as follows: • 50% population,

[3] finance.gov.pk, 2018

	• 17.5% HDI, • 7.5% tax collection, • 5% as performance benchmark and remaining • 20% was set aside as transitional assistance to for justification in the sense that it may not be less than that of previous allocations.
2006	The expenditure projection for provincial and district governments was taken to estimate the size of divisible pool. Consequently, the percentage of divisible pool retained by provincial government increased from 45% to almost 52% and provincial allocable amount to local government declined simultaneously. Horizontal distribution of provincial allocable amount among district governments was made under two broader categories; salary expenditures and grant in excess of salaries. Salary expenditures of all district governments were first protected and the remaining amount was then distributed on multiple criteria using parameters of population, service infrastructure, development needs and performance. Later, Performance grant was earmarked equally to all the district governments due to non availability of data on proposed performance indicators.
2007	The provincial allocable amount was distributed among district governments on the basis of multiple criteria including: • Fiscal need (55%), • Fiscal capacity (35%), and • Fiscal effort and performance (10%). Fiscal need comprises of: • Population (40%), • Development needs (10%), and • Area (5%). Similarly, fiscal capacity is based on a composite index comprises of three indicators reflecting service infrastructure in health, education, and road sectors. Remaining 10% was proposed to allocate on the performance of district government. It was proposed that the performance based allocation will be made equally to all the districts in first year and a committee will propose indicators to allocate this amount in the subsequent years. However, this was never allocated on the basis of performance indicators rather given equally.

Table 7 – Distribution of funds

3.5.3 Municipal Borrowing

The Sindh Government is fully cognizant of the recent changes to the federal landscape on borrowing. Pakistan's fiscal architecture underwent a fundamental change with the adoption of the 18th Constitutional Amendment. The 18th Amendment permits borrowing, both domestic and external, by provinces, subject to limitations imposed by the National Economic Council (NEC).

Clause (4) of Article 167, of the Constitution (a new clause inserted by the 18th Constitutional Amendment) reads:

> *"A province may raise domestic or international loan, or give guarantees on the security of the Provincial Consolidated Fund within such limits and subject to such conditions as may be specified by the National Economic Council."*

Likewise, Section 105(1) of the Sindh Local Government Act, 2013 provides an enabling clause on borrowing for Local Governments, which provides:

> *"A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of the Government."*

However, the Council cannot incur any debt or borrow any money or give any guaranty without prior approval of the Government. The approval of the Government has been made mandatory because these municipalities excessively rely on the inter-governmental transfers - up to 98%; and there has been weak evidence of efforts by the municipalities for generating revenue from their own sources.

3.5.4 Analysis

In schedule V of the Sindh Local Government Act 2013, the Local Government councils are empowered to levy taxes, rates, tolls and fees and they are bound to follow the directions of the Sindh government in this regard. Under article 98, the Sindh government can direct any LG council to levy certain tax which the concerned council is competent to levy or increase or reduce the rate of any tax; or suspend or abolish any tax levied by the council. Although councils are given the powers of levying taxes, still the final authority lies with the Sindh Government as it has been empowered to keep a check on Local bodies in this regard.

Basic issues relate to intergovernmental fiscal transfer in Sindh and seek primarily to lay down the parameters for the stronger local government role in order to assist, enhance and adopt a strong enabling policy. The proposal regarding vertical and horizontal sharing of provincial resources is made at best on the available datasets and given constraints. The vertical sharing of funds is based on the analysis of local and provincial functional assignments, whereas the horizontal sharing is based on the fiscal need (in terms of population, backwardness/HDI, and area) and performance of local councils. Besides, allocation of resources among local councils is also made on the basis of their fiscal base in terms of OZT share. OZT is treated as the fiscal transfers from provincial government to local government. Provincial government should maintain the amount of OZT as justified on historical growth.

3.6 Review of legal framework with particular reference to "Enabling" Policies as well as "Affecting" Policies in the context of Revenue Mechanism and services delivery

Following the spirit of the Constitution expressed through Article 140-A, the Sindh Government has provided legal provisions in the SLGA, 2013 enabling Local Governments to perform Administrative, Political and Financial functions effectively. In this context an "enabling policy" means a policy that enables and supports the local government to perform their functions efficiently, as prescribed in the law. Whereas, an "affecting policy" means a policy that affects or hinders the local government in performing their functions, as prescribed in the law.

One broad example of enabling and affecting provisions/policies is that the the Act has provided adequate authority to the municipalities to perform the municipal function, there is functional overlapping with other government agencies as explained in sub paragraph 3.7 of this report. Unclear roles, overlapping functions, and feeble coordination among various agencies responsible for poor governance and management have worsened the local problems. As a result of lack of coordination, the municipal and city development functions have become highly obliterated and have greatly affected the municipalities in the performance of their regular functions.

An analysis of enabling and affecting policies, has been provided in the table below and the proposals regarding enabling policies are covered under section 3.6.

3.6.1 Enabling Policies

- Section 7 (1) of SLGA 2013, provides that A Council shall be a body corporate, having perpetual succession and a common seal with power, subject to the provisions of this Act and the rules, to acquire, hold and alienate property, both movable and immovable and shall by its name sue and be sued.

- Section 74(b) of SLGA 2013, provides for transfer of the management and control of any institution or service maintained by Government to a Council. With enhanced capacity and better revenue generation, the Councils, at some stage in future, may request the Government to devolve or transfer more functions to it without requiring any amendments in the Act.

- Section 75 (1) of SLGA 2013, provides that the Government may set up a Board, Authority or any corporate body to perform any one or more functions of any Council, singly or jointly with any public or private body, and may acquire, continue, manage or operate any commercial venture or activity as deemed necessary in the public interest. Establishment of Sindh Solid Waste Mangement Board (SSWMB) is one such example, where a Board has been set up by the Government that has taken up the function of solid waste management in certain municipalities under a mutualy agreed arrangement between the SSWMB, municipality and the operator.

- Section 75 (2) of SLGA 2013, provides that any commercial operations or venture jointly with any private body or person in existence at the time of commencement of this Act shall continue to do so.

- Section 75 (3) of SLGA 2013, provides that the Council may, with the prior permission of Government, promote, administer, execute or implement schemes for undertaking any commercial, business enterprise or enter into public private partnership. In this connection, the government shall act as a facilitator to enable the Councils to perform this function. For example, some Councils own properties that can be used for the development of commercial or entertainment areas, which will be useful for the public and will help the Councils to generate additional revenue.

- Section 77 (1) of SLGA 2013, provides that every Council shall, within the budget grant, be competent to enter and perform all such contracts as it may consider necessary or expedient in order to carry into effect the provisions and purposes of this Act. This section provides autonomy to the Councils to enter into a contact(s) for execution and/or performance of any work or service in the interest of the council.

- Section 77 (6) of SLGA 2013, provides that the Government may subject to the other provisions of this Act, make rules laying down the procedure to regulate the making of contracts and the execution thereof. In this connection, the Government has enabled the Local Councils by framing the Sindh local Councils (Contract) Rules, 2016.

- Section 83 (1) of SLGA 2013, provides that All business of a Council, shall, to the extent and in the manner prescribed, be disposed of at its meetings, or at the meetings of its Committees, by its Mayor, Chairman or Officers. In this connection, the Government has enabled the Local Councils by making the Sindh Local Councils (Conduct of Business) Rules, 2016.

- Section 89 (1)(i) of SLGA 2013, provides that the Council may by a resolution passed by the majority of its members make recommendations to Government for effective implementation of the provisions of the Act.

- Section 96 (1) of SLGA 2013, provides that a Council may levy, in the prescribed manner, all or any of the taxes, rates, tolls and fees mentioned in Schedule V of the Act. In this connection, the Government has enabled the Local Councils by prescribing the manner under the Sindh Local Councils (Imposition, Assessment, Collection and Administration of Taxes, Rates, Toll and Fee) Rules, 2016.

- Section 98 (1) of SLGA 2013, is an enabling provision, which provides that the Government may direct any Council, (a) to levy any tax, rate, toll or fee which the Council is competent to levy under this Act; (b) to increase or reduce any rate, tax, toll or fee to such extent as may be specified.

- Section 100 (1) of SLGA 2013, provides that all taxes, rates, tolls and fees levied under this Act shall be collected in the prescribed manner by the persons authorized for such collection. In this connection, the Government has enabled the Local Councils by prescribing the manner under the Sindh Local Councils (Imposition, Assessment, Collection and Administration of Taxes, Rates, Toll and Fee) Rules, 2016.

- Section 103 (1) of SLGA 2013, provides that all taxes, rates, tolls, fees, and other charges levied by a Council shall be imposed, assessed, leased, compounded, administered and regulated in such manner and within such period as may be prescribed. Under this section, the Councils have powers to carry out assessment and conduct surveys for the purpose of preparation of schedule of taxes, rates, tolls, fees, etc.

- Section 103 (2) of SLGA 2013, provides for framing of rules for the purpose of obligations of the tax-payer and the duties and powers of the offcials and other agencies responsible for the assessment and collection of taxes. In this connection, the Government may frame the enabling rules. In addition, the Councils have powers prescribed under Section 139 to make regulation in this regard to describe the obligations of and ensure safeguards for the tax payers and have check on the persons responsible for collection.

- Section 117 (1) of SLGA 2013, provides that a Council may acquire and hold property, both movable and immovable, whether within or without the limits of the Council.

- Section 138 of SLGA 2013, provides that the Government may make rules for carrying out the purposes of this Act. The Councils or any other body formed under the auspices of this Act, may request the Government to frame the Rules that would facilitate it in the performance of its functions set out under the Act.

- Section 139 of SLGA 2013, provides that a Council may, and if required by Government shall, make bye-laws not inconsistent with the rules, for carrying out the purposes of this Act. By this provision, the Councils, can make regulations, bye-laws and/or issue directives / instructions for performance of its function set out under the Act.

- Section 141 (1) of SLGA 2013, provides that the Government may, by notification, delegate any of its powers under this Act or the rules to Council or to any officer under Government or the Council, as the case may be.

- Section 142 of SLGA 2013 enables a Council to form a Joint Committee with any other council or a local authority in a matter of mutual interest.

- Section 161 of SLGA 2013, is an enabling clause that provides for removal of difficulties. It provides that the Government may, within two years of the commencement of this Act, by order consistent with the Act, provide for the removal of any difficulty which may arise in giving effect to the provisions of this Act. A Council, by a resolution, may request the Government to remove any difficulty in the performance of its funtions, such as duplicacy of functions amongst various agencies.

3.6.2 Affecting Policies

- Section 5(1) of the Act, binds the local governments to work within the framework of the provincial government without defining the framework.

- Section 74(a) of the Act authorizes the government to take over any functions assigned to LGs. This clause can be an affectiong provision as the section does not specify the situations in which the government may do so.

- Section 98 (1) of the SLGA 2013 is an affecting provision, which empowers the Government to direct any Council, (c) to suspend or abolish the levy of any tax, rate, toll or fee; (d) to exempt any person or class of persons or property or class of property or goods or class of goods from the levy of any such tax, rate, toll or fee.

- Section 105(1) of the SLGA 2013, provides that the Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government.

- Section 123 (1) of the SLGA 2013, requires the Council to prepare a Schedule of Establishment showing the numbers of posts in each grade, which are deemed necessary for the efficient performance of its functions under this Act. However, section 123 (2) is an affecting provision, whereby it is provided that; if, in the opinion of Government, the number of posts in the Schedule of Establishment or the remuneration fixed for any post included in it is excessive, the Council shall, on being required by Government for doing so, reduce the number or the remuneration, as the case may be.

- Cantonment areas operate under their own separate management structures, such as Cantonment Boards, under the Cantonment Act, 1924. However, in certain cases, a Cantonment Board may fall in the areas of municipalities, such as, Karachi Metropolitan Corporation, District Municipal Corporations (DMCs) in Karachi or Hyderababd Municipal Corporation, which results in multiple and confusing jurisdictions. This issue is more pronounced in Karachi, for example, the DMCs have entered into an agreement with Sindh Solid Waste Management Board for lifting of garbage and cleaning of local areas, whereas the Cantonment Board falling within the overall jursidictions of these DMCs, have not.

- The SLGA, 2013, requires the Councils to perform key service delivery functions including water supply, drainage, sanitation, solid-waste management, building control, etc. However, the provincial government has formed independent public-utility companies / authorities such as SBCA, SSWMB, PHED, Rural Development Department, KDA, etc., to perform the same tasks, resulting in overlap of functions and resources. Government can remove such anomalies using its powers under Section 161 of the Act.

- The officers of the Local Councils do not have written job descriptions. Moreover, they do not receive any induction orientation or training with respect to the local government systems and their role in the Local Councils. In many cases, the Louncil Councils do not have any assigned offices, where they can be approached by the local community.

- Chapter XV of the SLGA 2013, provides for the enforcement of powers of the Councils; however, no detailed mechanism or any such support to the Councils have been provided in this regard. The Local Councils also do not have magisterial powers, thereby making the enforcement of their legal authority difficult in performing the functions assigned to them under the SLGA. During the Consultative Sessions, the representatives of local councils said that the Councils should be given magisterial power for effective enforcement of their legal responsibilities.

3.7 Proposal for Enabling policies to enhance revenue generation

1. Under Section 72 of the SLGA 2013 that deals with the functions of Local Councils, there is overlapping of functions under schedule II and III. Similarly, in Schedule V, there are overlapping functions between the different tiers of local government. For example: 'Tax on Transfer on Immovable Property' and 'Fees for slaughtering of animals' are covered under both Part - I (Taxes, rates, tolls and fees to be levied by KMC) and Part –II (Taxes, rates, tolls and fees to be levied by Municipal Committees, Town Committees, Corporations excluding KMC) of Schedule – V. Therefore, the functional authority between KMC and various DMCs may be clearly defined in Schedule-V.

2. Section 120 of the SLGA, 2013, provides the functions of the Provincial Local Government Commission (PLGC). Section 120(5) further provides that the PLGC has been granted the same powers, as are vested in a Civil Court under the Code of Civil Procedures, 1908 for: i) summoning and enforcing the attendance of any person and examining him on oath; ii) compelling the production of documents; iii) receiving evidence on affidavits; and iv) issuing commission for the examination of witnesses. In light of the above, it is proposed that the capacity of PLGC may be enhanced so that PLGC can undertake the tasks assigned to it under section 120; or it may outsource some of its functions to private partner under a public-private partnership arrangement.

3. Magisterial / Enforcement powers may be granted to the Local Councils by the provincial governments to enhance revenue collection / recovery. In this connection, Entry No.24 (Local Government and Housing Town Planning Department) of Schedule – II (Distribution of Business among Departments) of Sindh Rule of Business, 1986, provides that:

   > (11) Judicial powers for Local Councils.

4. Strong coordination mechanism is required amongst various local government agencies, especially public land owning bodies and service delivery agencies. In this connection, Entry No.24 (Local Government and Housing Town Planning Department) of Schedule – II (Distribution of Business among Departments) of Sindh Rule of Business, 1986, requires that:

   > (4) Supervision and coordination of devolution and transition related matters.
   >
   > (5) *Coordination, supervision and monitoring of Provincial, Foreign Aided and mage projects of Local Government.*

   Therefore, a legislation may be enacted in order to improve the ability of these agencies to plan, finance, and manage development programs, empower local governments to take the lead in urban and rural management.

5. Strong coordination mechanism is required in the matters related to audit and accounts of various tiers of Local Government, as provided at Entry No.24 (Local Government and Housing Town Planning Department) of Schedule – II (Distribution of Business among Departments) of Sindh Rule of Business, 1986:

   > *(9) Coordination in the matters related to audit and accounts of various tiers of Local Government.*

   Even though Public Accounts Committee (PAC) and Departmental Accounts Committee (DAC) are already constituted and function, t is proposed that regular meetings of DAC should be held to resolve the audit observations before PAC meeting.

6. The revenue generation from property tax may be enhanced by taking pragmatic and appropriate legal measures, such as property survey based on modern techniques of geo-spatial mapping, modernization under advance technology and innovation of technology by introducing an ICT based system and incremental reforms in policy and legislation.

7. For strengthening the coordination among all tiers of local government system, there is a need to bring civil service reform back on the agenda. The provinces can, for example, consider the establishment of the District Cadre Service under Sindh Public Service Commission. Furthermore, the training and capacity building of officers/ staff of Local Councils may also be taken up, as provided at Entry No.24 of Schedule – II (Distribution of Business among Departments) of Sindh Rule of Business, 1986:

   (6)*Supervision and coordination of the capacity building for Local Government elected representatives and officers/staff of Local Councils.*

8. Section 112 of the SLGA, 2013, provides for the establishment of Provincial Finance Commissions (PFC), headed by the Finance Minister of the province. The local councils receive allocations through the respective Provincial Finance Commission Awards. The current fiscal transfer mechanism—the Provincial Financial Commission (PFC) Award— needs to be revised based on international best practices. It is proposed that support from the provincial government in the form of PFC Award / grants should be provided on an objective criteria. The criteria should include incentives to municipalities for any additional revenue generation done by municipalities from their own sources of revenue.

9. Section 98 of the SLGA, 2013, provides that the government may direct any Council to suspend or abolish the levy of any tax, rate, toll or fee; or to exempt any person / property / goods from the levy of any tax, rate, toll or fee. In view of this, the Councils have limited powers to impose any tax, rate, toll or fee, which the Council is competent to levy. Therefore, the powers of local councils may be reviewed in order to enable the local government system to be more operative and effective resulting in the enhancement of fiscal revenue.

10. Section 5(1) of the SLGA, 2013 – the Councils established under this Act shall function within the framework (which is an un-defined term) of the provincial government – provides little autonomy to the local councils in terms of fiscal management and control over service delivery. The section needs to be clearly defined, so that the elected local councils have a clear authority to perform their functions in line with the enabling provisions.

11. The SLGA, 2013, requires the Councils to perform key service delivery functions including water supply, drainage, sanitation, solid-waste management, building control, etc. However, the provincial government has formed independent public-utility companies / authorities such as SBCA, SSWMB, PHED, Rural Development Department, KDA, etc., to perform the same tasks, resulting in overlap of functions and resources. In order to enhance the revenue generation, a strong mechanism may be developed for effective coordination between local government and the provincial government with the consensus of stakeholders keeping the service delivery to the masses as the prime objective.

12. Cantonment areas have their separate legal framework under Cantonment Act, 1924. These areas are operated under their own separate management structures, which create multiple confusing jurisdictions. Therefore, the Cantonment areas should be brought under the supervision of the relevant municipal authority in order to enable the local system to be more productive and beneficial for the masses. In this connection, reference is made to the Judgement of Honorable Supreme Court of Pakistan, in CP No. 607-K of 2002, decided on May 14, 2003, whereby the Court ordered that under no provision of law, the Cantonment Board was authorized to assume the role of Provincial Transport Authority, which was the competent authority for regional transportation. Route permit of the respondent was validly issued by the Regional Transport Authority and the Cantonment Board had no authority to stop the respondent's vehicles. The Cantonment area was included in the territorial limit of province in which it was situated.

13. Under Section 139 of SLGA 2013, a Council may, and if required by Government, shall, make bye-laws not inconsistent with the rules, for carrying out the purposes of the Act. In light of

this, it is proposed that the Councils should make rules and bye-laws under the powers conferred by the above sections.

14. Section 154 of SLGA 2013 is an enabling provision which provides the citizens the Right to Information. It further provides that the requested information will be provided by the designated officer in the concerned municipality within 7 days of the filing of the request. However, the government has not prescribed the manner in form of rules, by which the process is to be undertaken and completed. Furthermore, the appellate forum for redressal of grievances may be provided in the rules.

15. The officers of the Local Councils do not have written job descriptions. Moreover, they do not receive any induction orientation or training with respect to the local government systems and their role in the Local Councils. In many cases, the Louncil Councils do not have any assigned offices, where they can be approached by the local community. Therefore, the officers of the Local Councils shall be properly trained with respect to the local government systems and their role in the Local Councils in addition to the written job description.

16. It has been observed that the rates and rents are largely outdated – not in line with the current market rates – thereby creating a huge gap in existing revenue base. Therefore, it is proposed that the rates and rents should be regularly revised in line with the prevalent market rates.

17. Section 75 of SLGA 2013, is an enabling provision, which provides that, Government may set up a Board, Authority or any corporate body to perform any one or more functions of any Council, singly or jointly with any public or private body, and may acquire, continue, manage or operate any commercial venture or activity as deemed necessary in the public interest. It further provides that, the Council may, with the prior permission of the Government, promote, administer, execute or implement schemes for undertaking any commercial, business enterprise or enter into public private partnership. In this connection, the municipalities may outsource some of their functions to private partners by entering into public private partnership arrangements under the Sindh Public Private Partnership Act, 2010. The Public Private Partnership modality is defined as under.

18. Section 98 (1) of the SLGA 2013 is an affecting provision, which empowers the Government to direct any Council, (c) to suspend or abolish the levy of any tax, rate, toll or fee; (d) to exempt any person or class of persons or property or class of property or goods or class of goods from the levy of any such tax, rate, toll or fee. To remove this difficulty, the government may provide in Sindh Local Councils (Imposition, Assessment, Collection and Administration of Taxes, Rates, Toll and Fee) Rules, 2016 such instances in which it may be necessary for a government to do so and how will it compensate the council in such circumstances to protect it from monetary loss.

19. The officers of the Local Councils do not have written job descriptions. Moreover, they do not receive any induction orientation or training with respect to the local government systems and their role in the Local Councils. In many cases, the Louncil Councils do not have any assigned offices, where they can be approached by the local community. The Local Governemnt Department may remove this difficulty by framing all encompassing Service (Appoitment, Promotion, Transfer) Rules providing requirement of manpower in councils, job description, trainings, criteria for postings/transfers and promotions as it is mandated under the Government of Sidh Rules of Business, 1986 to build capacity of councils.

3.7.1 Public Private Partnerships

During the Consultative Sessions / Workshops conducted under the scope of this Municipal Finance Assessment Study (hereinafter referred to as **MFA Study**), it was generally recorded that the Municipalities receive inadequate funds – for development works or even for day-to-day operations of the municipalities. The receipt of funds include the funds from the Government of Sindh (hereinafter referred to as **Government**) and the revenues generated from the own sources of municipalities.

During the Consultative Sessions / Workshops held on April 06, 2018 at Karachi, the representative of DMC Central presented that DMC Central is one of the largest and most populated districts of Karachi. They explained that the existing sources of revenue are unable to meet the establishment expenditures including salaries of staff. Moreover, being the most populated district, the solid waste produced here is massive. Owing to deficit, DMC Central has requested the Secretary Local Government to increase their share of OZT to PKR 350 million per month, so that they have enough funds to i) pay the salaries on time, and ii) keep the district clean from solid waste. On the question of revenue from own sources, it was briefed that the recoveries from their own revenue sources is very low, for which, the DMC has recently conducted a survey to identify the potential areas of revenue. The result of the survey is still awaited.

Similarly, the representative of DMC Malir presented that the DMC had auctioned 3 *piris* (Animal Markets) at the rates of PKR 27.7 million, PKR 18 million and PKR 7.6 million, which would have been a major source of income. However, KMC interrupted the process by filing a petition in the Court, whereby the worthy Court has issued stay order against the auction proceeding resulting in a sudden drop in revenues of DMC Malir. In addition, the worthy Supreme Court has prohibited advertisements including billboard in Karachi, which has adversely affected the advertisement revenue of the DMC. Due to the above reasons, the financial position of DMC Malir has deteriorated, and it has been difficult for the municipality to meet its regular expenses.

In the meeting with Karachi Development Authority (hereinafter referred to as **KDA**), it was informed that KDA does not get any funds for development from the Government. All the development works are undertaken on its own resources, which are insufficient. Adding to that, the overlapping of functions between the municipalities have led to greater financial crisis in KDA. For Example: Traffic Engineering, which was under the domain of KDA, has been handed over to Karachi Metropolitan Corporation (hereinafter referred to as **KMC**) under the SLGA, 2013; KDA Pipe Manufacturing Factory, which has been a major source of resource generation for KDA, has deteriorated due to gradual reduction in its functions and subsequent dissolution in 2002 (when KDA was merged into City District Government Karachi under the Sindh Local Government Ordinance, 2002).

In the meeting with Sindh Solid Waste Management Board (hereinafter referred to as **SSWMB**), it was informed by the SSWMB representatives that SSWMB receives inadequate funds from the Government, as the funds for solid waste management are also being transferred to District Municipal Corporations (hereinafter referred to as **DMCs**). As mentioned earlier, this duplication and overlapping of functions between the municipalities is leading to wastage of resources.

In view of the few examples quoted-above, most of the municipalities are facing financial constraints in one way or another. Due to scarcity of funds, most of the municipalities are not even able to pay salaries to their staff on-time, clearly putting their basic function of development and maintenance of public facilities in question. With reference to the discussions held during the consultative sessions / workshops, it was suggested by the representatives of municipalities that their staff lack capacity in terms of technical knowledge, skills and experience. However, in these circumstances when they have shortage of funds to meet their existing expenses, the chances remain grim that such capacity-building will ever be possible.

Keeping in view the paucity of funds being faced by various municipalities, it is always supportive to have a provision for borrowing money / resources from external sources, so that any planned activities of the organizations are not affected. Subsequent to the legal research conducted on the subject matter, it was found that a Council cannot incur any debt or borrow any money or give any guaranty without prior approval of the Government, which is often withheld by the Government.

Section 105(1) of the Sindh Local Government Act, 2013 sets out:

> "*A Council*[4] *shall not incur any debt nor borrow any money or give any guaranty without prior approval of the Government*[5]."

[4] Council means a Corporation, Municipal Committee, Town Committee, District Council, Union Committee or Union Council, as the case may be (SLGA, 2013).
[5] Government means the Government of Sindh (SLGA, 2013).

The approval of the Government, as referred in the above-quoted law, is often withheld because these municipalities excessively rely on the inter-governmental transfers - up to 98%; and there has been weak evidence of efforts by the municipalities for generating revenue from their own sources. Therefore, if a certain municipality borrows any money or provides any guaranty, its financial responsibility directly falls on the shoulders of the provincial Government. However, this fact cannot be overlooked that most of the municipalities have huge potential of becoming financially independent by correctly tapping their own resource areas.

Mr. Saeed Ghani, the Honorable Minister for Planning & Development, Sindh, in the Consultative Session / Workshop at Karachi, said that the municipalities shall be empowered in financial and administrative matters and the same shall operate independently. He added that even though the current collection from own revenue areas of municipalities is poor, there is a huge potential of revenues from collection of taxes and fees, which shall be worked-upon by building the capacity of municipalities with the help of Federal and Provincial Governments.

Mr. Asad Ali Shah, Team Leader and Partner Deloitte, in the Karachi session, presented that the excessive reliance of municipalities on the inter-governmental transfers, and weak efforts for generating revenues from their own source is a major point of concern, especially when they have a high potential of revenues from collection of taxes, fees and levies falling under their domain. He added that this may be done by entering into public private partnership arrangements, so that the reliance on inter-governmental transfers is reduced.

The possibility of outsourcing some of the functions of municipalities to private partners by entering into public private partnership agreements is remarkable. The municipalities can actually contract out the function of collection of taxes, fees and levies to private partners under public private partnership arrangements. The municipalities can also outsource the building, financing, operating, managing and maintaining of public facilities to a private partner, depending upon the specific public private partnership model, under the public private partnership modality.

The term Public Private Partnership (hereinafter referred to as PPP) describes a range of possible relationships among public and private entities in the context of infrastructure and other services. Therefore, there is no single universally accepted definition of PPP. Instead, a wide range of definitions can be found.

The Sindh Public Private Partnership Act, 2010[6] defines PPP as:

> *"a partnership carried out under a Public-Private Partnership Agreement between the public sector represented by an Agency[7] and a private party for the provision of an infrastructure facility, management functions and / or service with a clear allocation of risks between the two parties."*

The PPP Knowledge Lab[8] defines PPP as:

> *"a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance".[9]*

The PPP Infrastructure Resource Centre of the World Bank Group[10] defines PPP as:

> *"Public-private partnerships are a mechanism for government to procure and implement public infrastructure and/or services using the resources and expertise of the private sector. Where governments are facing ageing or lack of infrastructure and require more efficient services, a partnership with the private sector can help foster new solutions and bring finance."*

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[6] As amended from time to time.
[7] Agency means a department, attached department, body corporate, autonomous body of the Government, local government, or any organization or corporation owned or controlled by the Government or local government.
[8] https://pppknowledgelab.org/
[9] https://pppknowledgelab.org/guide/sections/3-what-is-a-ppp-defining-public-private-partnership
[10] https://ppp.worldbank.org/public-private-partnership/about-public-private-partnerships

It is clear, however, that PPPs have been adopted around the world as a service delivery tool. Instead of the public sector procuring a public asset and providing a public service, the private sector creates the asset – a dedicated standalone business usually designed, financed, built, maintained and operated by the private partner – and/or delivers a service to a public sector entity/consumer, in return for payment that is linked to performance. PPPs allow each partner to concentrate on activities that best suit their skills. For the public sector, that means focusing on developing sector policies and identifying service needs, while for the private sector the key is to deliver those services efficiently and effectively.

In the case at hand, the municipalities can engage a private partner for specific tasks and link the remuneration of the private partner to the satisfactory performance of the assigned task. For example: the Government may contract out the function of collection of particular taxes, fees and levies, and set a certain percentage of the collection as remuneration of the private partner. In this way, the private partner will engage itself in the task ardently as its return will depend on its own efforts. Moreover, when assets (developed and constructed by the municipality itself or by the Government or by any other agency) are transferred to the municipalities for operations and maintenance, the municipalities can outsource this function to a private partner against the revenue from the asset for a certain period. For Example: Collection of toll against maintenance of a road for a particular period. Sharing of profits with the private partner against running a project like KDA Pipe Manufacturing Factory.

The opportunity of entering into PPPs is endorsed by the SLGA, 2013. Section 75 of the SLGA provides that:

> *(1) Government may set up a Board, Authority or any corporate body to perform any one or more functions of any Council*[11]*, singly or jointly with any public or private body, and may acquire, continue, manage or operate any commercial venture or activity as deemed necessary in the public interest.*
>
> *(3) The Council may, with the prior permission of the Government, promote, administer, execute or implement schemes for undertaking any commercial, business enterprise or enter into public private partnership.*

Effective PPPs recognize that the public and the private sectors each have certain advantages, relative to the other, in performing specific tasks. The private sector's role in the partnership is to make use of its expertise in commerce, management, operations and innovation to run the business efficiently. Whereas, the government focuses on policy, planning and regulation by delegating day-to-day operations to the private partner. Under the PPPs framework, the Government sees itself becoming more of a regulator and less a provider of public services.

The three main needs that motivate governments to enter into PPPs are[12]:

i. to attract private capital investment (often to either supplement public resources or release them for other public needs);
ii. to increase efficiency and use available resources more effectively; and
iii. to reform sectors through a reallocation of roles, incentives, and accountability.

The PPP modality, though at nascent stage in the province of Sindh at present, has great potential in the future. In view of the special characteristics of PPP projects and the need to attract qualified private investors to support these projects, a special legal and regulatory framework has already been created. The Government of Sindh has enacted the law called The Sindh PPP Act, 2010, and included a separate chapter for PPPs in the Sindh Public Procurement (SPP) Rules, 2010.

For sustained development, PPPs will have to be mainstreamed in Sindh, rather than being used only for a few special projects. To fully utilize the PPP potential and to ensure that PPP projects are successful and mutually beneficial, a comprehensive enabling environment for private parties and private investment is being created.

[11] Council means a Corporation, Municipal Committee, Town Committee, District Council, Union Committee or Union Council, as the case may be (SLGA, 2013).
[12] ADB Handbook on PPPs - https://www.adb.org/sites/default/files/institutional-document/31484/public-private-partnership.pdf

This is being done through the adoption of relevant policies, frameworks and introduction of clear guidelines for PPP arrangements.

3.8 Present role and institutional set-up of various agencies and bodies concerned with delivery of municipal services and municipal governance

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
Public Health & Engineering Department (PHED)	Schedule – II of the Sindh Rules of Business, 1986.	The PHED's role is to provide clean drinking water, hygiene facilities and a healthy environment to the public.	During the consultative sessions, it was recorded that the water and sanitations schemes are conceived by PHED, and all work is planned and executed by them on the schemes. However, after completion of the schemes, the same are handed over to municipalities for operations and maintenance. The relevant municipalities are not consulted at any time during the planning and/or construction stages, which causes serious issues in the operation of the schemes. Most of these schemes remain non-operational due to technical reasons. Subsequently, the municipalities are held responsible for failing to operate and manage the schemes, not realizing the fact that there may be lack of capacity in terms of human resources and their technical ability to manage the schemes. It was highlighted in the consultative sessions that the schemes are handed over to the concerned municipalities that do not have any technical training or capacity to operate and maintain the facility. Moreover, it was highlighted by the participants that the mostly the budgets / finances for operations and maintenance of schemes are incorrectly forecasted by the PHED staff at the time of the planning. The participants were therefore, of the unanimous view that the Government shall encourage PHED to coordinate with the concerned municipalities and take them on-board during planning, budgeting and construction stages, so that the capacity, technical skills and the finances needed for operations and maintenance are provided at the time of PC-I.

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
Karachi Water & Sewerage Board (KWSB)	The Karachi Water & Sewerage Board Act, 1996 amended by – The Karachi Water & Sewerage Board (Amendment) Act, 2015.	An Act to provide for the establishment of a Board for supply of water and disposal of sewerage in the Karachi Division. Whereas, to provide and maintain the safe and secure water supply for drinking and domestic use to residents of Karachi, it is expedient to assure smooth and uninterrupted flow from the source to destination and take stern action against water theft, illegal hydrants, outlet connections and damaging to water trunks.	As part of the Study, the Consultants conducted a Consultative Workshop in Karachi and had requested the participation of KWSB representatives, however no attendance was noted at the event on behalf of the same.
Karachi Development Authority (KDA)	The Karachi Development Authority Order, 1957 – established under President Order No. 5 of 1957, and notified dated 13/12/1957. KDA was merged with City District Government Karachi in 2002. Now the Government of Sindh has restored the KDA in its original position vide – The Karachi Development Authority (Revival and Amending) Act, 2016.	KDA used to be responsible for Master Planning, Traffic Engineering, Water Supply System of Karachi and Building Control Management through Karachi Building Control Authority. However, after establishment of KWSB in 1976, the water and sewerage system were transferred to it. In 1993, KDA was further bifurcated, as the government created Malir and Lyari Development Authorities.	The Study has identified certain issues in the working of KDA due to overlapping laws between the municipal agencies. Some of the instances are as listed below: The merger of KDA with City District Government Karachi (CDGK) and the subsequent revival, with many less functions and resources, has led to financial crisis in KDA. KDA doesn't get any funds for developments. The development works are performed with its own resources, which are not sufficient. Master Plan that used to be with KDA earlier has been transferred to SBCA, and the NOCs for sale and purchase of the property are to be issued by KMC. Resultantly, the land record remains in the custody of KDA but the NOC for sale/purchase in KDA developed areas are issued by the KMC, which has created

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
		After the promulgation of Sindh Local Government Ordinance 2002, the City District Government Karachi came into being and the KDA was merged in it. Functions of KDA were further slashed after amendments in the Sindh Building Control Ordinance 1979. In the same year, the most important function of Master Planning was also assigned to SBCA. Now the Government of Sindh has restored the KDA in its original position through Karachi Development Authority (Revival & Amending) Act, 2016. The KDA is now responsible for the following functions: • Planning, coordination and rendering planning advice; • Land development; • Roads and Bridges; • Housing (Public Housing Scheme, Low-cost Housing Scheme); • Redevelopment; • Manufacturing of pipes; • Design Bureau; • Anti- encroachment and Resettlement;	a functional dichotomy on one hand and inconvenience to the general public on the other. Since KDA is already engaged with computerization and archiving of the land record, the function of Master Planning may be handed back to KDA through amendment in SBCA Act 2013 to ensure the error free record and convenience of the public at large. Traffic Engineering was another important function that used to be under the domain of KDA. However, under Part – I of Schedule - II of SLGA 2013, the function has been handed over to KMC, which does not have the required skills and workforce to effectively manage the traffic engineering in city. Considering the mammoth size of traffic engineering and skills required for its management, it is recommended that this function may be handed back to KDA through an amendment in the law. Furthermore, the rules on the subject may be revised to develop the functions of traffic engineering and planning on modern lines well comparable to the size and requirement of the city. KDA Pipe Manufacturing Factory has been a major source of resource generation for KDA, which has deteriorated due to gradual reduction in its functions and subsequent dissolution in 2002. Due to the institutional distortions, KDA has not been able to upgrade this important asset to manufacture the material in accordance with the latest requirements. Pipes are not being purchased from the KDA Pipe Factory by the KWSB that used to be its regular customer. It is recommended that the Government provides funding to KDA for modernization of its important assets that need to be utilized for revenue generation, resultantly making KDA sustainable.

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
		• Research and Publication; • Horticulture - Parks & Recreation; • Computerization of land record; • Archiving of land record; • Land acquisition; • Charged parking in KDA maintained areas such as Gulistan e Johar.	
Hyderabad Development Authority (HDA)	Hyderabad Development Authority Ordinance, 1976 The Hyderabad Development Authority (Revival and Amending) Act, 2013	An Ordinance to make provision for the development, improvement and beautification of urban areas of the Hyderabad Division and establish an Authority for such purpose.	Contact details requested but not made available.
Water & Sanitation Authority (WASA)	Established under the Hyderabad Development Authority Ordinance, 1976	An Ordinance to make provision for the development, improvement and beautification of urban areas of the Hyderabad Division and establish an Authority for such purpose. **Section 9**: Subject to the general or special direction of the Government, the Authority shall: iii) provide, operate, and maintain public works relating to water supply,	Contact details requested but not made available.

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
		drainage, sewerage and disposal of solid waste. **Section 64:** On coming into force of this Ordinance: i) all powers and functions of a local council, local authority or body, Government agency or other Organization or Institution in respect of formulation, sanction and execution of a scheme or in respect of providing, operating and maintaining services such as water supply, sewerage and drainage or such other service within the controller area or part thereof, shall be exercised and performed by the Authority.	

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
Sindh Solid Waste Management Board (SSWMB)	Sindh Solid Waste Management Board Act, 2014	An Act to provide for the establishment of a Board called as the **Sindh Solid Waste Management Board** for the collection and disposal of solid and other waste in the Province of Sindh.	In the meeting with SSWMB, it was briefed by their representatives that it is a common misconception that solid waste management is a function of KMC; whereas, DMCs used to be responsible for this job. After formation of SSWMB, the function has been mostly transferred to it. SSWMB has NOCs from South and East districts of Karachi. Malir and West have also surrendered their solid waste management function to SSWMB. However, the NOC from Central is still pending for the Council Resolution. It was informed that the organization has 2,894 employees (from South and East districts), out of which, 99% are political appointments that are not willing to work, but taking salaries regularly. Due to such appointment, the technical capacity of staff is weak. In addition, the worker's union is demanding, asking unlimited fuel provision for their vehicles. On the other hand, SSWMB is facing budget constraints, as the funds for solid waste management are also being transferred to DMCs, resulting in duplication and wastage of funds. Therefore, it is suggested that the overlapping law between various municipal agencies on solid waste management needs to revised and amended accordingly.
Sindh Building Control Authority (SBCA)	Sindh Building Control Ordinance, 1979	An Ordinance to provide for regulation of the planning, construction, control and demolition of buildings and disposal of buildings and plots in the Province of Sindh.	In the second Consultation Session / Workshop held at Hyderabad, it was briefed by SBCA representatives that earlier, when building control used to be with Hyderabad Development Authority / Karachi Development Authority, there used to be a link with the Master Plan. However, no guidance is taken from the Plan anymore. It was further informed that there is hardly any coordination exists between SBCA and Municipalities regarding issuance of NOCs for construction. In the Consultative Session, the representatives of municipalities recommended that there should be prohibitions on high-rise buildings for the time being, and survey may be conducted for

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
			phasing according to the availability of services. The Director SBCA said that the suggestions of municipalities should be considered by the Government for improving building control procedures. It was suggested by the participants that a coordination mechanism between various stakeholders at local and regional level needs to be established.
Local Fund Audit (LFA) Department	The Local Fund Audit Department, a provincial audit agency of Government of Sindh, is an attached department of Finance Department with its headquarters at Karachi. This department came into existence under the Sindh Local Fund Audit Act, 1930 i.e. well before the creation of Pakistan, which was promulgated under the Government of India Act 1935. Under Section 3 of the said Act of 1930, the Examiner (re-designated Director) Local Fund Accounts was appointed as Auditor to conduct audit of the Local Fund.	The main function of Local Fund Audit Department is to carry out audit of the accounts of Local Councils and other institutions in Sindh. The Director LFA, Finance Department, Government of Sindh, keeps the internal / departmental check on the expenditures incurred by the local councils. The external audit is conducted by DG (LG) Audit.	In the second Consultation Session / Workshop held at Hyderabad, it was informed by the LFA representatives that the municipalities bring their financial files for pre-expenditure audit to LFA, but LFA office does not keep copies of files / record of municipalities. However, a proper dispatch and receipt record is maintained with date-wise entries of municipal financial documents. They added that despite this internal audit, several issues are always highlighted by DG (Local Government) Audit. It may be because the LFA is not considered mandatory by the municipalities, as explained in the DG (LG) Audit section below. It was further informed salaries to municipal staff are paid only after clearance from LFA. Moreover, Sindh Bank only accepts those cheques of municipalities that are submitted with an advice of LFA. In the Consultation Session / Workshop held at Karachi, the Director LFA recommended that the function of LFA should be extended to maintenance of the accounts of the municipalities, in the SGLA 2013. He also suggested to engage training academy to provide trainings related to SLGA, revenue functions and responsibilities of municipalities to the staff of municipalities. Furthermore, it was agreed by the participants that the municipalities should be given powers through Municipal Magistrates to take legal actions, when needed.

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
DG (Local Government) Audit Office, Local Councils, Sindh, Karachi	DG (LG) Audit Office works under the umbrella of the Auditor General of Pakistan, which has a constitutional authority. It has no coordination / interface with the Local Fund Audit Department.	DG (LG) Audit conducts external audit of the municipal funds – in addition to the Local Fund Audit, which is primarily the internal or departmental check on the expenditures incurred by the local councils. DG (LG) Audit conducts compliance audit according to the prescribed rules and their application in the manner laid down by the Auditor General of Pakistan.	In a meeting with the office of DG (LG) Audit, it was briefed by their representatives that their office conducts compliance audit according to the prescribed rules and their application in the manner laid down by the Auditor General of Pakistan. Subsequent to the compliance audit, the audit observations are shared with the municipalities for resolution. However, due to lack of training/knowledge of the management of municipalities, the remaining or unsettled audit paras (as they have time limitation of 15 days) are published in the annual report, which is presented to the provincial government and the Public Accounts Committee of the Provincial Assembly. They added that the office faces serious audit issues including disregard of procedures by municipalities, non-production of data and going in-excess of sanctioned postings. Moreover, frequent transfers / postings result in the loss of data. Even though the rules and mechanisms exist for post-employment training; however, the new personnel are appointed without necessary trainings. It was highlighted that the Local Fund Audit (LFA) is not considered mandatory by the municipalities, and the pre-audit is often not conducted therefore. As a result, there is lack of control over expenditures such as POL. In the Consultation Session / Workshop held at Karachi, the DG Audit Local Council) suggested that since the SAP system is already available; therefore, the government can synchronize it at DMCs and KMC level; and subsequently all tiers of local governments can be connected to bring accuracy in recording and accounting.
Municipal Services Delivery Program (MSDP)	Municipal Services Delivery Program is a United States Agency for International Development (USAID) funded US$ 66 million program of Government of Sindh, which is	The US Government through USAID Pakistan had earmarked a grant of US US$ 66 million for the development of municipal infrastructure in six selected towns of Sindh, located in the districts that	MSDP is a USAID supported program for improvement of services that is working in Jacobabad city only. The Program Director has been directed by the Court to move his office from Karachi to Jacobabad, as the development work under MSDP is currently limited to Jacobabad only. Earlier, the government has decided that all schemes completed under MSDP would be maintained by the NSUSC but now after closing of NSUSC, the water and

Municipal Agency	Institutional Setup / Governing Law	Present Role / Mandate	Observations
	responsible for the development of municipal infrastructure in the selected towns of Sindh.	were affected by the floods in 2010. Under MSDP, emphasis has been given to smaller towns, which were falling outside the purview of SCIP. Accordingly, Jacobabad, Qambar, Shahdadkot, Mehar, Khairpur Nathan Shah and Johi were selected for the development of municipal infrastructure under this program.	drainage schemes will be handed over to PHED while solid waste be handled by the municipal committee Jacobabad.

Table 8 – Institutional set-up of various agencies and bodies

Disclaimer: This document is part of the Municipal Finance Assessment Study for Sindh that is focused on identifying issues and provide recommendations for improving the financial management of local councils in Sindh. For a detailed legal analysis of laws governing municipal agencies, a separate legal study is highly recommended.

4. Analysis of financial position of municipalities

The analysis of the municipalities' financial position have been assessed over the last 5 years (i.e. 2012-13 to 2016-17) with thorough review analysis of the data provided to by the municipalities during the efforts made the consultants in the shape of field visits, meetings, telephonic conversation and consultative workshops. Most of the assessments made have portrayed an unsatisfactory state of finances highlighting poor record management, inefficient revenue collection, high expenditures (especially in establishment), outdated tariff structure, weak capacity in terms of human resources and assets for service delivery, poor financial management and lack of vision in the staff.

As part of the scope, out of the 30 the selected municipalities, 20 were municipal committees (except Sujawal, which is a town committee), 3 corporations, 6 district municipal corporations and 1 metropolitan corporation (Karachi). Therefore, for the purpose of realistic comparison of municipal finances, the municipalities have been bifurcated in three categories; (i) municipal committees, (ii) municipal corporation and district municipal corporations and (iii) KMC (being the stand alone due to its nature, functions and size).

4.1 Comparative analysis of in-scope municipalities

Following a review of budget books, finance questionnaires and various tools filled and data provided by municipality officials, following is the comparative analysis of in-scope municipalities.

4.1.1 Analysis of statutory revenue streams

Having reviewed the revenue streams prescribed in SLGA 2013 (Part II of Schedule V), an analysis was carried out on revenue streams to compare and identify whether the taxes, fees, rates, etc. permissible under SLGA 2013 are been collected by the municipal committees. The table below provides the comparative analysis on 20 municipal committees:

The table above identifies the efforts of municipal committees for the purpose of revenue collection. It is noted from the table above that only one of the abovementioned revenue streams i.e. Fees for Markets, are been collected by all the municipalities. It is also noted that municipalities have the potential to tap into some revenue streams, however, none of these municipalities are collecting the below listed revenues:

- Tax on professions, trades and callings (Clinics, shops and other trades etc.)
- Tax on vehicles, other than motor vehicles and boats (Carts, horse carts etc.)
- Street lighting Rate and Fire Rate
- Conservancy Rate
- Cess on any of the taxes levied by Government
- School Fees
- Fees for specific services rendered by the Council

The table below provides the comparative analysis of the taxes, fees, rates etc. which are permissible under SLGA, 2013, for *municipal corporations and district municipal corporations*:

Particular	1. MC Mithi	2. MC Mirpurkhas	3. MC Badin	4. MC Thatta	5. TC Sujawal	6. MC Umerkot	7. MC Tando Muhammad	8. MC Dadu	9. MC Nawabshah	10. MC Moro	11. MC Sanghar	12. MC Tando Allahyar	13. MC Kotri	14. MC Hala	15. MC Kandhkot	16. MC Shikarpur	17. MC Shahdadkot	18. MC Jacobabad	19. MC Ghotki	20. MC Khairpur
Property Tax as may be determined by the Government																				
Tax on the transfer of immovable property																				
Tolls on road and bridges and ferries owned and maintained by Council																				
Tax on professions, trades and callings (Clinics, shops and other trades etc.)																				
Fee on births, marriages, adoptions and feasts																				
Advertisements including hoarding and billboard																				
Animals (Cattle Piri)																				
Tax on cinemas, dramatic and theatrical shows and other entertainments and amusements as may be determined by Government																				
Tax on vehicles, other than motor vehicles and																				

Particular	1. MC Mithi	2. MC Mirpurkhas	3. MC Badin	4. MC Thatta	5. TC Sujawal	6. MC Umerkot	7. MC Tando Muhammad	8. MC Dadu	9. MC Nawabshah	10. MC Moro	11. MC Sanghar	12. MC Tando Allahyar	13. MC Kotri	14. MC Hala	15. MC Kandhkot	16. MC Shikarpur	17. MC Shahdadkot	18. MC Jacobabad	19. MC Ghotki	20. MC Khairpur
boats (Carts, horse carts etc.)																				
Street lighting Rate and Fire Rate																				
Conservancy Rate																				
Rate for the execution of any work of Public Utility (Road cutting, construction work items blocking the roads etc.)																				
Rate for the provision of water works or the supply of water (connection fee, supply rate etc.)																				
Cess on any of the taxes levied by Government																				
School Fees																				
Fees for benefits derived from any works of public utility maintained by the Council																				
Fees at fairs, agricultural shows, industrial exhibitions, tournaments and other public gatherings																				
Fees for Markets																				

Particular	1. MC Mithi	2. MC Mirpurkhas	3. MC Badin	4. MC Thatta	5. TC Sujawal	6. MC Umerkot	7. MC Tando Muhammad	8. MC Dadu	9. MC Nawabshah	10. MC Moro	11. MC Sanghar	12. MC Tando Allahyar	13. MC Kotri	14. MC Hala	15. MC Kandhkot	16. MC Shikarpur	17. MC Shahdadkot	18. MC Jacobabad	19. MC Ghotki	20. MC Khairpur
Fees for licenses sanctions and permits granted by the Council																				
Fees for specific services rendered by the Council																				
Fees for the slaughtering of Animals																				
Parking Fee on roads																				
Any other fee leviable under any of the provisions of this Act (Katchi pacci piri, hand carts, raizki, transfers, encroachment etc.)																				
Any other tax which is levied by Government (Tower tax)																				

Table 9 - Comparative analysis of statutory revenue streams on 20 municipal committees

Legend
Collected in all years
Collected in few years
Not collected in any year

Particular	1. MCorp Hyderabad	2. MCorp Larkana	3. MCorp Sukkur	4. DMC Central	5. DMC South	6. DMC Malir	7. DMC Korangi	8. DMC West	9. DMC East
Property Tax as may be determined by the Government									
Tax on the transfer of immovable property									
Tolls on road and bridges and ferries owned and maintained by Council									
Tax on professions, trades and callings (Clinics, shops and other trades etc.)									
Fee on births, marriages, adoptions and feasts									
Advertisements including hoarding and billboard									
Animals (Cattle Piri)									
Tax on cinemas, dramatic and theatrical shows and other entertainments and amusements as may be determined by Government									
Tax on vehicles, other than motor vehicles and boats (Carts, horse carts etc.)									
Street lighting Rate and Fire Rate									
Conservancy Rate									
Rate for the execution of any work of Public Utility (Road cutting, construction work items blocking the roads etc.)									
Rate for the provision of water works or the supply of water (connection fee, supply rate etc.)									
Cess on any of the taxes levied by Government									
School Fees									
Fees for benefits derived from any works of public utility maintained by the Council									
Fees at fairs, agricultural shows, industrial exhibitions, tournaments and other public gatherings									

Particular	1. MCorp Hyderabad	2. MCorp Larkana	3. MCorp Sukkur	4. DMC Central	5. DMC South	6. DMC Malir	7. DMC Korangi	8. DMC West	9. DMC East
Fees for Markets									
Fees for licenses sanctions and permits granted by the Council									
Fees for specific services rendered by the Council									
Fees for the slaughtering of Animals									
Parking Fee on roads									
Any other fee leviable under any of the provisions of this Act (Katchi pacci piri, hand carts, raizki, transfers, encroachment etc.)									
Any other tax which is levied by Government (Tower tax)									

Table 10 - Comparative analysis of statutory revenue streams on municipal corporations and district municipal corporations

Legend	
Collected in all years	***Not collected in any year***
Collected in few years	***Data not available***

The table above identifies the efforts of MCorps and DMCs (except DMC West due to non-availability of data) for the purpose of revenue collection. It is noted from the table above that revenue streams i.e. Property Tax as may be determined by the Government, Tax on the transfer of immovable property, Advertisements including hoarding and billboard, Fees for licenses sanctions and permits granted by the Council and Any other fee leviable under any of the provisions of this Act (Katchi pacci piri, hand carts, raizki, transfers, encroachment etc.), are being collected by all the MCorps and DMCs. It is also noted that none of the municipalities are collecting the following listed revenues:

- Street lighting Rate and Fire Rate
- Cess on any of the taxes levied by Government
- School Fees
- Fees for specific services rendered by the Council

The revenue streams in all MCs, DMCs and MCorps has not been collected in all years, some revenue streams were collected in all years, some were collected in alternate years and some revenue streams were not collected at all and therefore due lack of a comparable analysis, revenue streams have not been noted for each MC. Section 4.2 covers the analysis on individual tariff structures for each MC.

4.1.2 Total Revenue - Expenditure Balance

The table below presents the total revenue – expenditure balance of 20 *municipal committees* by highlighting per-capita of total revenue and total expenditure along with the differences between per-capita of total revenue and total expenditure and the Compound Annual Growth Rate (CAGR). The revenue streams under the total revenue represent intergovernmental transfers and own source revenue while the expenditures under the total expenditure includes both revenue and capital expenditures. The per capita is calculated on the basis of population as per census 2017 (detailed in Appendix B - Population as per Census) and actual results of 2016-17 and where the actual results of 2016-17 were not available, 2015-16 actual results were considered for the purpose of calculation. The CAGR is calculated for the municipalities to the extent where the data was available for more than one year.

S. No	Municipality	Per-capita Total Revenue in Rs. (2016-17)	Per-capita Total Expenditure in Rs. (2016-17)	Difference B/W per capita of toal revenue and Expenditure	CAGR Total Revenue[13]	CAGR Total Expenditure[13]
1	MC Mithi	9,091.36	6,688.93	2402.43	1.62%	-10.47%
2	MC Mirpurkhas[14]	3,069.52	3,150.22	-80.70	17.30%	19.66%
3	MC Badin	2,092.03	2,214.13	-122.10	-2.04%	-0.38%
4	MC Thatta[14]	5,502.02	6,187.61	-685.59	11.11%	22.19%
5	TC Sujawal[14]	1,565.33	1,732.57	-167.24	-	-
6	MC Umerkot	2,239.78	2,484.34	-244.56	7.24%	4.80%
7	MC Tando Muhammad Khan	3,527.52	3,713.24	-185.72	9.44%	38.86%

[13] Compound Annual Growth Rate is calculated based on the availability of data.

[14] Due to non-availability of 2016-17 data, figures of 2015-16 is used to calculate per-capita.

8	MC Dadu[14]	1,576.51	1,923.23	-346.72	11.90%	22.74%
9	MC Nawabshah	1,481.78	1,941.21	-459.42	10.41%	27.75%
10	MC Moro	2,339.30	1,791.26	548.04	12.97%	4.77%
11	MC Sanghar	3,058.39	2,953.51	104.88	6.81%	0.95%
12	MC Tando Allahyar	1,878.46	1,720.09	158.38	15.90%	11.80%
13	MC Kotri	2,886.26	2,782.12	104.14	3.84%	-1.61%
14	MC Hala[14]	2,016.27	2,001.44	14.84	-5.82%	-9.84%
15	MC Kandhkot	2,043.68	1,759.77	283.90	19.88%	14.03%
16	MC Shikarpur	1,244.62	1,448.68	-204.06	11.23%	9.44%
17	MC Shahdadkot	1,950.26	1,400.22	550.04	15.75%	13.19%
18	MC Jacobabad	1,849.56	1,252.58	596.98	21.22%	14.50%
19	MC Ghotki	2,863.45	2,839.07	24.39	12.15%	20.11%
20	MC Khairpur	2,344.86	2,348.42	-3.56	8.51%	8.39%

Table 11 - Total revenue - expenditure balance of municipal committees

It is noted from the above table that 10 out of 20 municipal committees are in excess of expenditures over revenues. MC Mithi has the highest per-capita total revenue as well as total expenditure among all 20 municipal committees whereas MC Shikarpur and MC Jacobabad has the lowest per capita total revenue and per-capita total expenditure, respectively. The difference recorded between per capita of total revenue and expenditure indicates that MC Thatta, MC Nawabshah and MC Dadu are considered as the municipalities which has the highest deficit whereas MC Mithi, MC Jacobabad and MC Shahdadkot are considered as the municipalities which has the highest surplus between their per-capita revenue and expenditure.

It is also noted that growth rate of total expenditure is higher in municipalities; namely MC Mirpurkhas, MC Badin, MC Thatta, MC Tando Muhammad Khan, MC Dadu, MC Nawabshah and MC Ghotki, as compared to the growth rate of total revenue which arise negative impact on the fiscal position of the municipalities.

Further, as many as 8 out of 19 municipal committees (excluding TC Sujawal due to non-availability of data) posted a CAGR of Total Revenue of less than 10 percent, another 6 municipalities have a growth rate ranging between 10 to 15 percent and the remaining 5 municipalities have a growth rate above 15 percent. On the other hand, 9 out of 19 municipal committees posted a CAGR of Total Expenditure of less than 10 percent, another 4 municipalities have a growth rate ranging between 10 to 15 percent and the remaining 6 municipalities have a growth rate above 15 percent.

The table below presents the total revenue – expenditure balance of *municipal corporations and district municipal corporations* by highlighting per-capita of total revenue and total expenditure along with the differences between per-capita of total revenue and total expenditure and the Compounded Annual Growth Rate (CAGR). The revenue streams under the total revenue column represent intergovernmental transfers and own source revenue while the expenditures under the total expenditure column includes both revenue and capital expenditure. The per capita is calculated on the basis of population as per census 2017 and actual results of 2016-17 and where the actual results of 2016-17 were not available, 2015-16 actual results were considered for the purpose of calculation. The CAGR is calculated for the municipalities to the extent where the data was available for more than one year.

S. No	Municipality	Per-capita Total Revenue in Rs. (2016-17)	Per-capita Total Expenditure in Rs. (2016-17)	Difference B/W Per Capita revene and Per Capita Expenditure	CAGR Total RevenueError! Bookmark not defined.	CAGR Total Expenditure[13]
1	MCorp Hyderabad	2,139.10	1,971.15	167.95	16.47%	14.30%
2	MCorp Larkana	1,556.72	1,203.51	353.22	31.42%	23.93%
3	MCorp Sukkur[14]	2,259.45	2,261.42	-1.98	31.67%	31.93%
4	DMC Central	1,824.21	1,825.97	-1.75	97.83%	97.87%
5	DMC South	1,889.54	1,888.04	1.50	30.54%	23.03%
6	DMC Malir	1,247.34	1,245.94	1.40	18.61%	20.12%
7	DMC Korangi	1,413.31	1,463.59	-50.28	32.65%	18.62%
8	DMC West	Data N/A	Data N/A	Data N/A	Data N/A	Data N/A
9	DMC East	820.81	826.30	-5.49	22.88%	16.73%

Table 12 - Total revenue - expenditure balance of municipal corporations and district municipal corporations

It is noted from the above table that 4 out of 8 municipalities (excluding DMC West due to non-availability of data) exhibited an excess of expenditures over revenues. MCorp Sukkur has the highest per-capita total revenue as well as total expenditure among 8 aforementioned municipalities, whereas DMC East has the lowest per capita total revenue and per-capita total expenditure. The difference recorded between per capita of total revenue and expenditure indicates that DMC Korangi is considered as the municipality which has the highest deficit whereas MCorp Larkana and MCorp Hyderabad are considered as the municipalities which have the highest surplus recorded between their per-capita revenue and expenditure.

It is also noted that growth rate of total expenditure is higher in municipalities; namely MCorp Sukkur, DMC Central and DMC Malir, as compared to the growth rate of total revenue which result in a negative impact on the fiscal position of the municipalities. Further, unusual growth rate of 97.83% and 97.87% on total revenue and total expenditure respectively is noted in DMC Central which highlights possibility of overstatement in revenues and expenditures in revised figures of 2016-17.

4.1.3 Categories of Revenue and Expenditure

This section presents the fiscal position of the municipalities in more detail by dividing the revenues into intergovernmental transfer and own source revenue and expenditure into broad category of establishment, development and contingency. The table below illustrates structure of municipal revenues and expenditures of the 20 municipal committees:

S. No	Municipality	Per Capita IGT	CAGR IGT	Per Capita OSR	CAGR lOSR
1	MC Mithi	8,082.29	4.10%	1,009.07	-11.51%
2	MC Mirpurkhas	2,003.22	9.01%	1,066.30	39.87%
3	MC Badin	2,049.05	-1.16%	42.98	-23.37%
4	MC Thatta	5,435.91	11.19%	66.11	5.33%
5	TC Sujawal	1,481.61	Data N/A	83.72	Data N/A
6	MC Umerkot	2,029.57	6.17%	210.21	21.52%
7	MC Tando Muhammad Khan	3,393.02	10.74%	134.50	-9.78%
8	MC Dadu	1,539.47	12.07%	37.04	5.40%
9	MC Nawabshah	1,314.77	9.44%	167.01	20.01%
10	MC Moro	2,265.05	12.78%	74.25	19.66%

S. No	Municipality	Per Capita IGT	CAGR IGT	Per Capita OSR	CAGR IOSR
11	MC Sanghar	2,909.05	5.84%	149.34	47.05%
12	MC Tando Allahyar	1,673.04	15.76%	205.42	17.03%
13	MC Kotri	2,650.85	5.73%	235.41	-10.13%
14	MC Hala	1,858.70	-6.62%	157.58	6.34%
15	MC Kandhkot	1,796.62	19.06%	247.05	26.55%
16	MC Shikarpur	1,133.22	11.25%	111.40	11.06%
17	MC Shahdadkot	1,513.55	10.52%	436.71	56.92%
18	MC Jacobabad	1,672.48	23.08%	177.08	8.48%
19	MC Ghotki	2,719.66	13.54%	143.79	-7.13%
20	MC Khairpur	2,276.84	8.84%	68.03	-0.21%

Table 13 - Structure of municipal revenues - municipal committees

Below is the graphical presentation of above table:

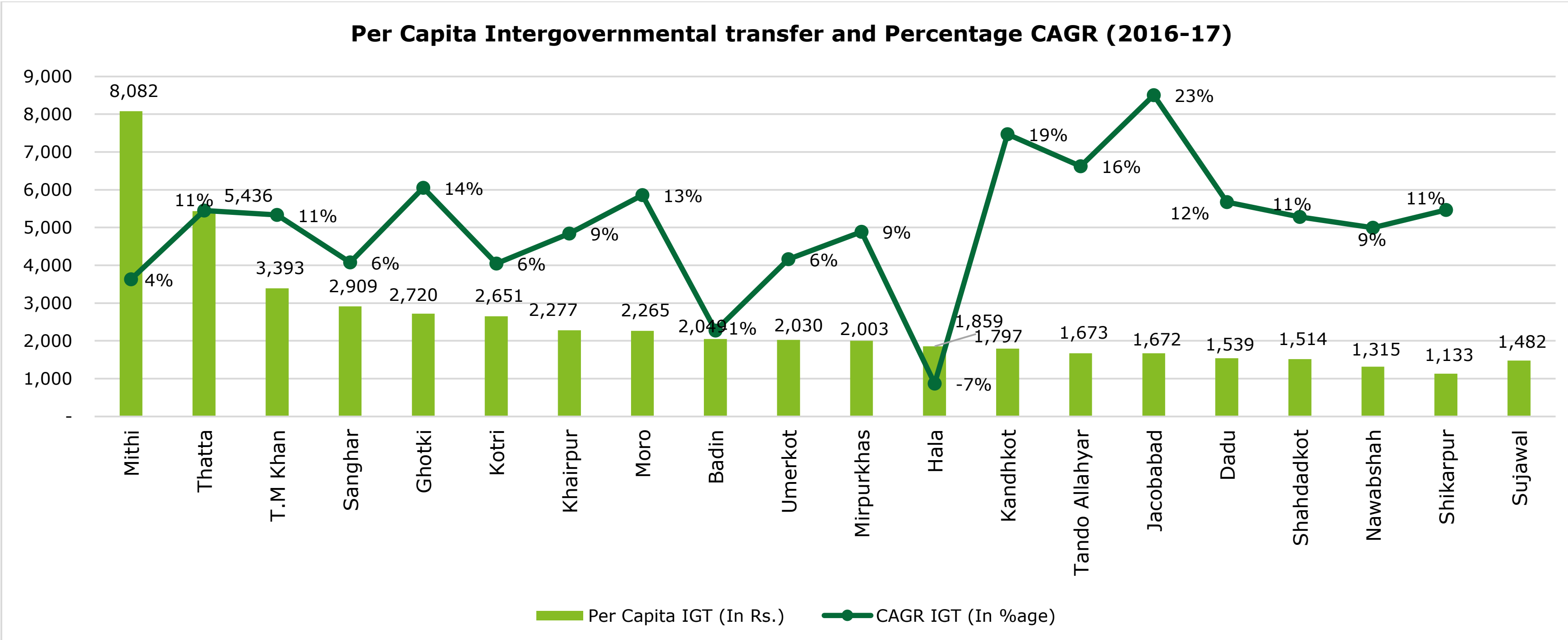


Figure 1 – Per Capita Intergovernmental Transfers and percentage of CAGR

Note: In MC Mirpurkhas, MC Thatta, TC Sujawal, MC Dadu, MC Hala and MC Kandhkot, 2015-16 data is used due to non availibilty of 2016-17 data

The above chart highlights the Intergovernmental transfer per capita and CAGR of MCs. The above chart of MCs shows that amongst all municipal committees, MC Shikarpur and MC Nawabshah recorded the lowest Intergovernmental transfer per capita i.e. Rs. 1133 and Rs. 1315. However, MC Mithi and MC Thatta have the highest per capita of Intergovernmental transfer (which is Rs. 8082 and Rs. 5436). Highest per capita of Intergovernmental transfer could mean that municipalities having high per capita of Intergovernmental transfer could serve more to its people in providing services rather than those municipalities having lowest per capita of Intergovernmental transfer.

The compounded annual growth rates (CAGR) for MCs in the chart shows that Intergovernmental transfers in MC Hala and MC Badin over the five years period from 2012-13 to 2016-17 has decreased by 7% and 1% respectively, whereas the highest growth in Intergovernmental transfer is observed to be 23% and 19% in MC Jacobabad and MC Kandhkot. The data of all years is not available for Town committee Sujawal that is why it is not possible to calculate CAGR for TC Sujawal.

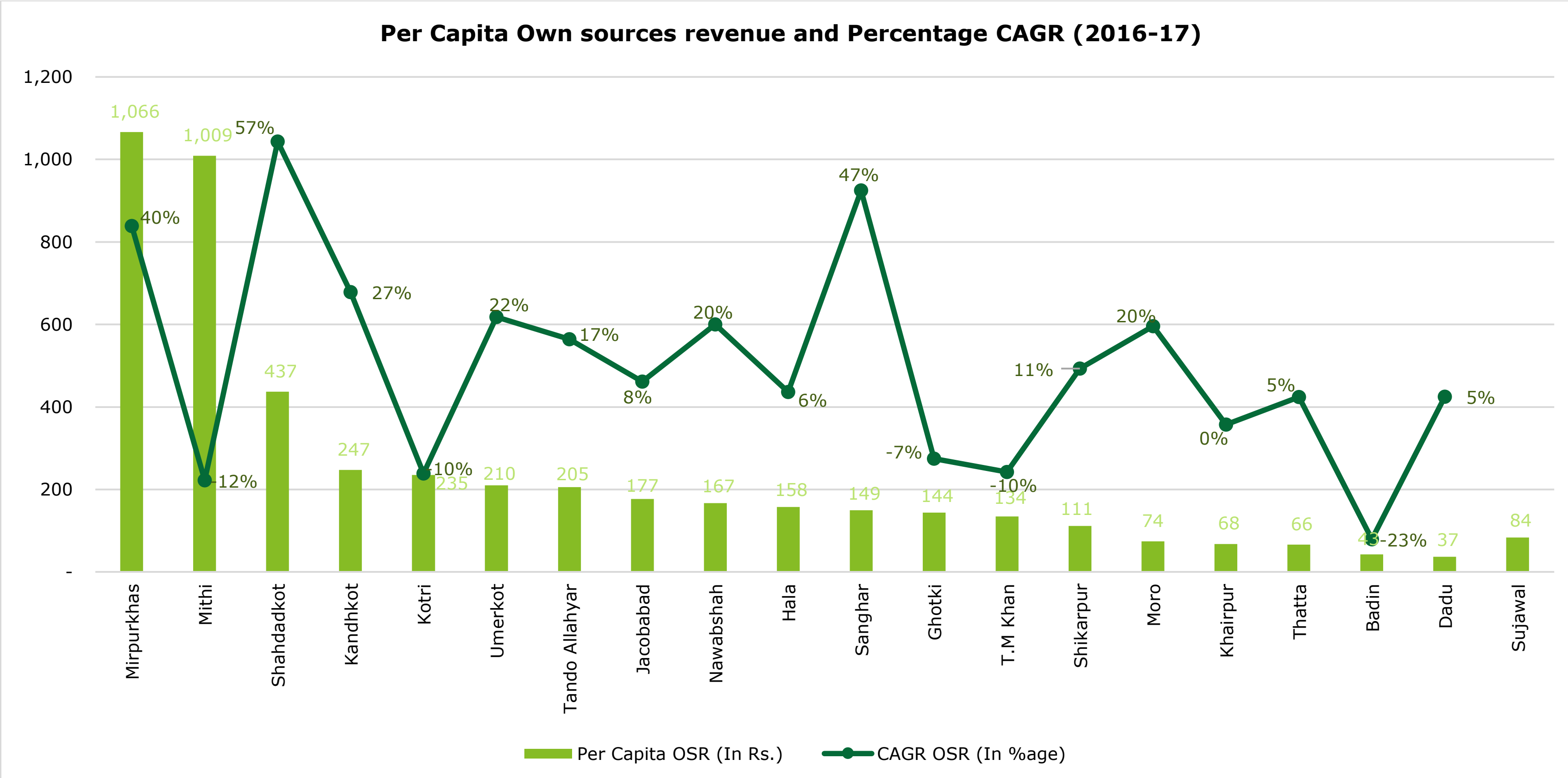


Figure 2 – Per Capita Own Source Revenue and Percentage of CAGR

Note: In MC Mirpurkhas, MC Thatta, TC Sujawal, MC Dadu, MC Hala and MC Kandhkot, 2015-16 data is used due to non availibilty of 2016-17 data

The above chart highlights the own source revenues per capita and CAGR of MCs, MCorps and DMCs. The first chart of MCs shows that amongst all municipal committees, MC Dadu and MC Badin recorded the lowest own sources revenue per capita i.e. Rs. 37 and Rs. 43. However, MC Mirpurkhas and MC Mithi have the highest per capita of own sources revenue which is Rs. 1,066 and Rs. 1,009. The data of all years is not available for TC Sujawal that is why it is not possible to calculate own sources revenue per capita of TC Sujawal. Having a a high per capita of own source revenues could imply that municipalities having high per capita of own source revenues is not solely dependent on Intergovernmental transfers and can bear major part of its expenditures in case of no or low Intergovernmental transfers.

The compounded annual growth rates (CAGR) for MCs in the chart shows that own sources revenues in MC Badin, MC Mithi, MC Kotri, MC Tando Muhammad Khan and MC Ghotki over the five year period from 2012-13 to 2016-17 has declined by approximately 23%, 12%, 10%, 10% and 7% respectively, whereas the highest growth in own sources revenues is observed in MC Shahdadkot, MC Sanghar, MC Mirpurkhas and MC Kandhkot which is 57%, 47%, 40% and 27% respectively.

S. No	Municipality	Per Capita EE	CAGR EE	Per Capita DE	CAGR DE	Per Capita CE	CAGR CE
1	MC Mithi	3,565.73	7.10%	1,279.43	-21.46%	530.48	-40.86%
2	MC Mirpurkhas	1,532.52	19.50%	814.87	12.76%	695.10	60.48%
3	MC Badin	1,111.93	11.31%	593.82	-12.97%	388.51	-5.57%
4	MC Thatta	2,812.16	23.22%	202.16	-36.79%	640.95	13.00%
5	TC Sujawal	838.88	Data N/A	564.91	Data N/A	244.04	Data N/A
6	MC Umerkot	1,204.50	11.92%	873.58	-3.22%	385.54	7.41%
7	MC T.M. Khan	1,688.28	21.62%	998.74	102.75%	108.04	10.69%
8	MC Dadu	932.74	11.49%	437.62	119.12%	294.32	10.85%
9	MC Nawabshah	899.56	33.99%	-	-	525.80	10.77%
10	MC Moro	1,375.37	10.03%	154.46	-7.62%	193.22	-10.96%
11	MC Sanghar	1,482.62	8.10%	711.09	-7.76%	562.43	-0.29%
12	MC Tando Allahyar	990.96	8.82%	400.25	21.22%	221.18	24.66%
13	MC Kotri	1,965.06	2.51%	-	-	599.22	-3.08%
14	MC Hala	1,455.62	15.49%	-	-100.00%	25.13	-1.20%
15	MC Kandhkot	1,005.48	9.51%	-	-	337.82	10.81%
16	MC Shikarpur	1,177.90	31.75%	61.33	-39.82%	43.38	-5.09%
17	MC Shahdadkot	1,138.73	19.85%	-	-100.00%	98.08	-6.97%
18	MC Jacobabad	803.51	7.79%	-	-	98.68	-1.86%
19	MC Ghotki	1,668.62	1.79%	422.65	-	747.80	48.13%
20	MC Khairpur	1,973.20	13.24%	9.17	-43.50%	253.90	20.67%

Table 14 - Structure of municipal expenditure - municipal corporations and district municipal corporations

Below is the graphical presentation of above table:

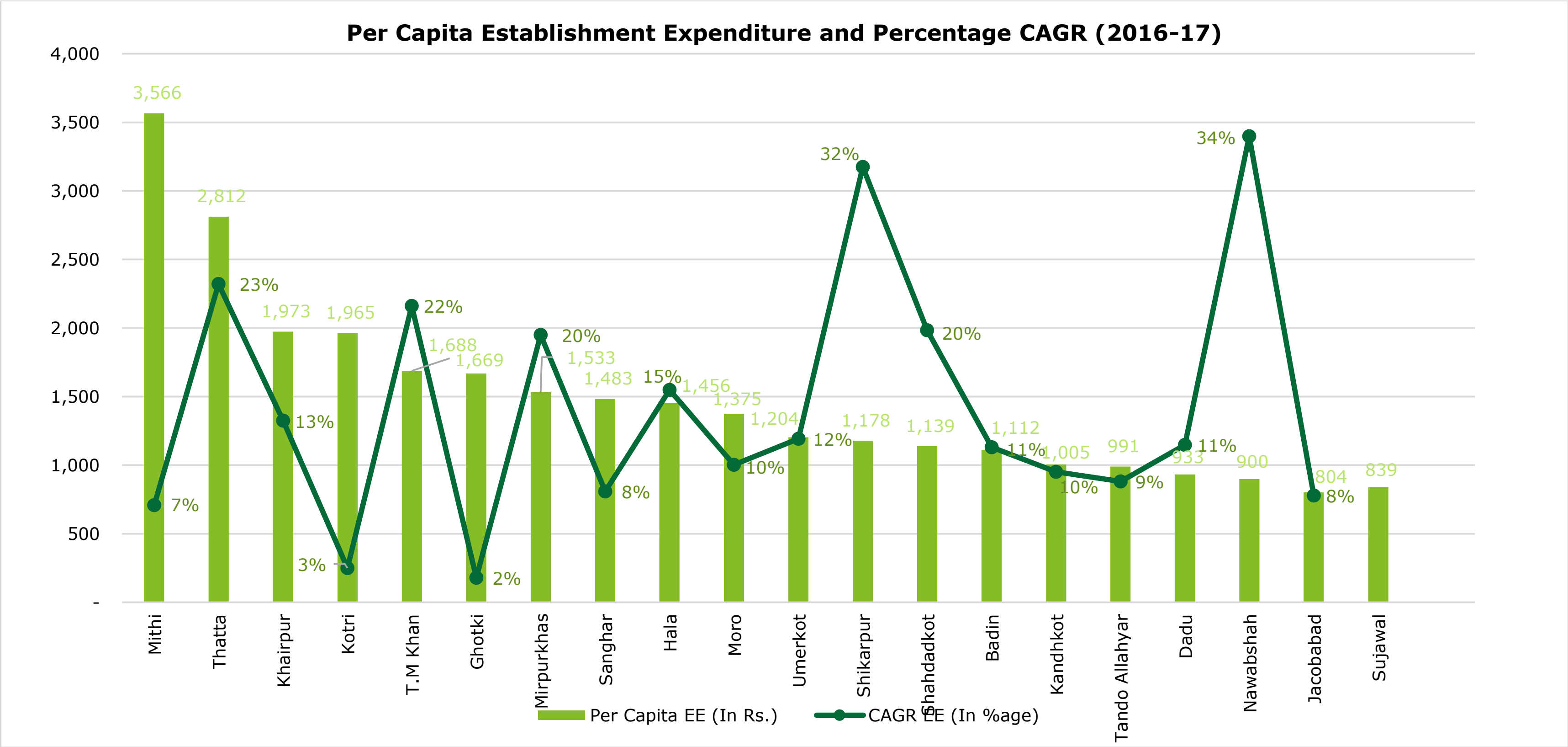


Figure 3 – Per Capita Establishment Expenditure and Percentage of CAGR

Note: In MC Mirpurkhas, MC Thatta, TC Sujawal, MC Dadu, MC Hala and MC Kandhkot, 2015-16 data is used due to non availibilty of 2016-17 data

The above chart highlights the establishment expenditure per capita and CAGR of MCs. The chart of MCs shows that amongst all municipal committees, MC Jacobabad, TC Sujawal, MC Nawabshah, MC Dadu and MC Tando Allahyar recorded the lowest establishment expenditure per capita i.e. Rs. 804, Rs. 839, Rs. 900, Rs. 933 and Rs. 991. However, MC Mithi and MC Thatta have the highest per capita of establishment expenditure which is Rs. 3,566 and Rs. 2,812. It is noted that MC Mirpurkhas and MC Tando Allahyar incur Rs. 1,533 and Rs. 991 establishment expenditure per capita for providing services to the population of 233,916 and 156,562 respectively, whereas MC Thatta and MC Hala incur Rs. 2,812 and Rs. 1,456 for providing services to the population of 54,697 and 65,731. It is clearly evident that MC Thatta and Hala incurred heavy establishment expenditure as compared to MC Mirpurkhas and MC Tando Allahyar as both municipalities serve more population without incurring heavy establishment expenditure. The data of all years is not available for TC Sujawal that is why it is not possible to calculate establishment expenditure per capita for TC Sujawal.

The compounded annual growth rates (CAGR) in MCs chart shows the growth in establishment expenditure per capita of MC Ghotki, MC Kotri, MC Mithi and MC Jacobabad over the five year period from 2012-13 to 2016-17 is approximately 2%, 3%, 7% and 8%, whereas the highest growth in establishment expenditure per capita is observed in MC Nawabshah and MC Shikarpur which is 34% and 32% respectively.

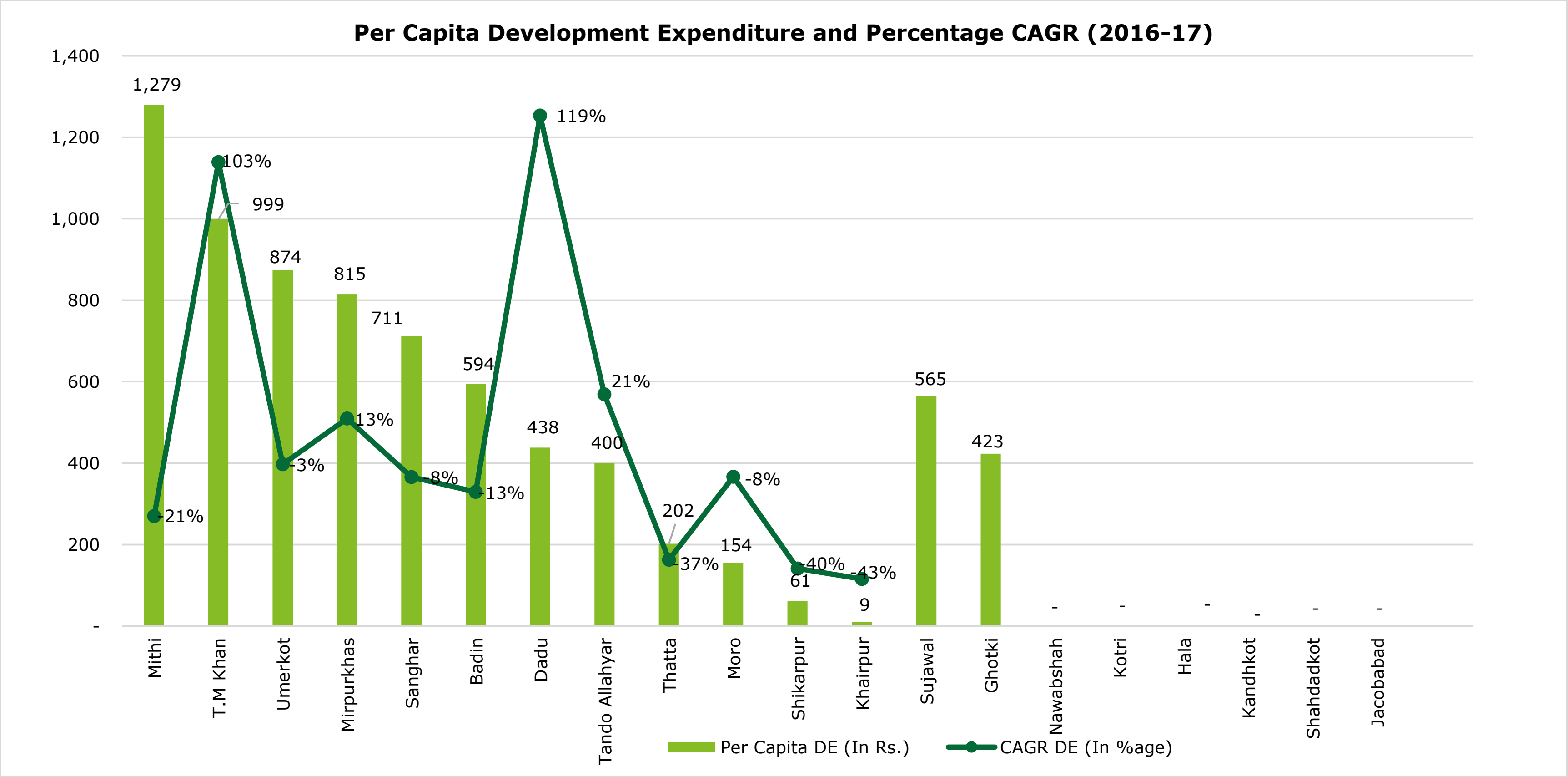


Figure 4 – Per Capita Development Expenditure and Percentage of CAGR

Note: In MC Mirpurkhas, MC Thatta, TC Sujawal, MC Dadu data for 2015-16 was used due to non availibilty of 2016-17 data. For MCs where no Development expenditure has been noted above, there was no expenditure recorded in the respective budget books.

The above charts highlights the development expenditure per capita and CAGR of MCs, MCorps and DMCs. The chart of MCs shows that amongst all municipal committees, MC Khairpur and MC Shikarpur recorded the lowest development expenditure per capita i.e. Rs. 9 and Rs. 61. However, MC Mithi and MC Tando Muhammad Khan have the highest per capita of development expenditure which is Rs. 1,279 and Rs. 999. In the case of MC Khairpur and MC Shikarpur, heavy non development expenditures majorly comprising of establishment expenditure observed in the case of MC Khairpur and MC Shikarpur left very less funds for development expenditures. It is noted that in MC Jacobababd, MC Kandhkot and MC Kotri development expenditure has been non-existent in all five years from 2012-13 to 2016-17. MC Nawabshah incurred development expenditure only in 2013-14 whereas, MC Hala and MC Shahdadkot incurred development expenditure in 2012-13 only.

The compounded annual growth rates (CAGR) of MCs in the chart shows that development expenditure per capita of MC Khairpur, MC Shikarpur, MC Thatta and MC Mithi over the five years period from 2012-13 to 2016-17 declines by approximately 43%, 40%, 37% and 21.46%, whereas the highest growth in development expenditure per capita is observed in MC Tando Muhammad khan and MC Dadu which is 103% and 119%.

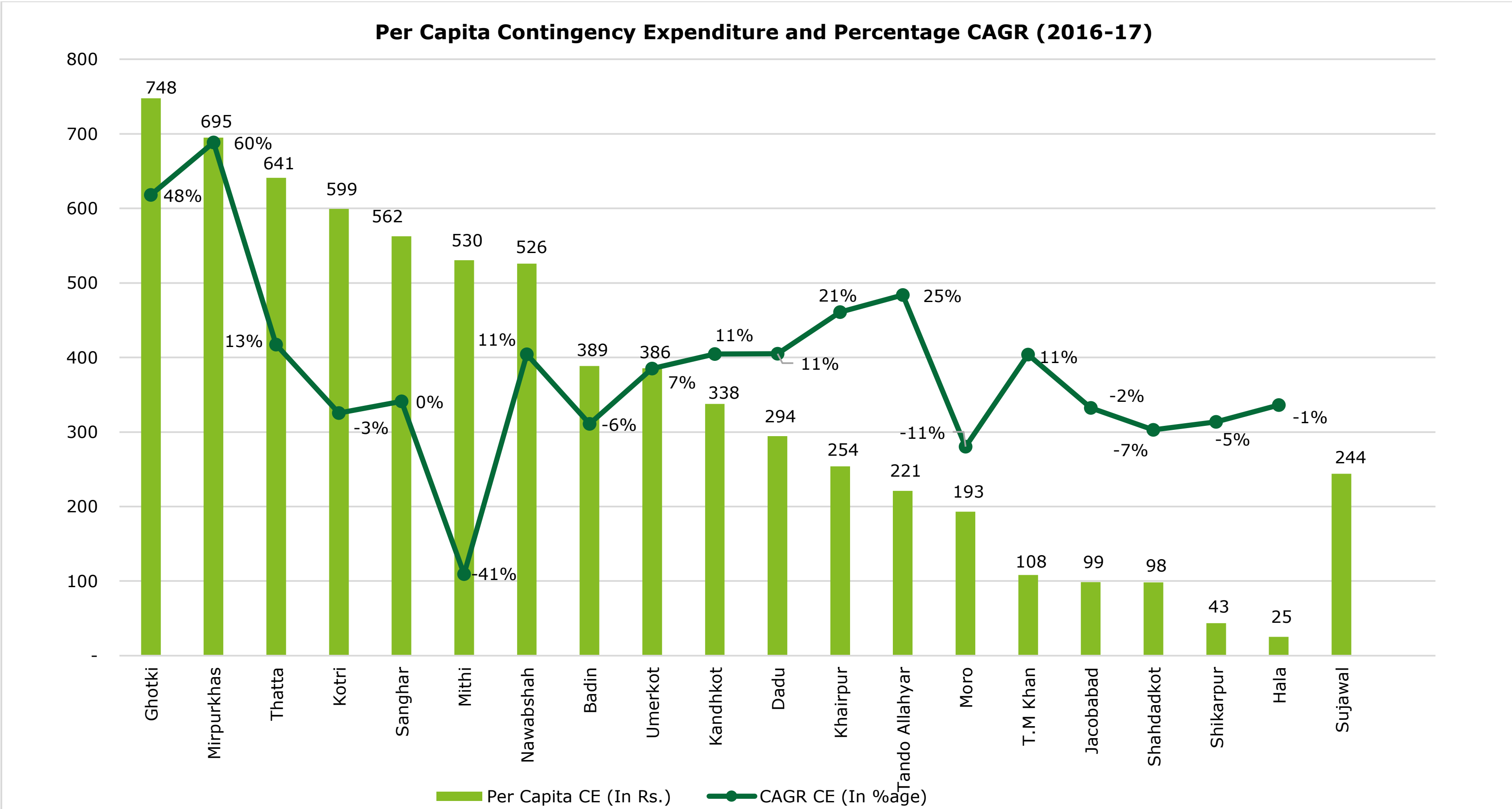


Figure 5 – Per Capita Contingency Expenditure and Percentage of CAGR

Note: In MC Mirpurkhas, MC Thatta, TC Sujawal, MC Dadu, MC Hala and MC Kandhkot, 2015-16 data is used due to non availibilty of 2016-17 data

The above chart highlights the per capita Contingency expenditure and CAGR of MCs, MCorps and DMCs. The chart of MCs shows that amongst all municipal committees, MC Hala and MC Shikarpur recorded the lowest contingency expenditure per capita i.e. Rs. 25 and Rs. 43. However, MC Ghotki and MC Mirpurkhas have the highest per capita of contingency expenditure which is Rs. 748 and Rs. 695. It is noted that in MC Nawabshah, MC Tando Muhammad Khan and MC Shikarpur have incurred contingency expenditure per capita of Rs. 526, Rs. 108 and Rs. 43 on the population of 279,688, 101,863 and 195,437 whereas MC Mirpurkhas, MC Kotri and MC Jacobabad incurred contingency expenditure per capita of Rs. 695, Rs. 599 and Rs. 99 on a population size of 233,916, 101,134 and 191,076 which indicates the overspending in contingency expenditure in these MCs.

The compounded annual growth rates (CAGR) in MCs chart shows that contingency expenditure per capita of MC Mithi and MC Moro over the five year period from 2012-13 to 2016-17 declines by approximately 41% and 11%, whereas the highest growth in contingency expenditure per capita is observed in MC Mirpurkhas and MC Ghotki which is 60% and 48%.

The tables below presents structure of municipal revenues and expenditures of the 9 municipal corporations and district municipal corporations:

S. No	Municipality	Per Capita IGT	CAGR IGT	Per Capita OSR	CAGR OSR
1	MCorp Hyderabad	1,884.07	16.97%	255.03	13.05%
2	MCorp Larkana	1,361.18	41.31%	195.54	2.01%
3	MCorp Sukkur	1,105.14	11.23%	1,154.30	83.53%
4	DMC Central	1,530.12	106.79%	294.09	61.44%
5	DMC South	1,212.89	24.34%	676.65	47.41%
6	DMC Malir	1,003.94	13.80%	243.40	66.68%
7	DMC Korangi	1,143.29	28.25%	270.01	68.11%
8	DMC West	Data N/A	Data N/A	Data N/A	Data N/A
9	DMC East	463.93	15.16%	356.88	38.75%

Table 15 - Structure of municipal revenues - municipal committees

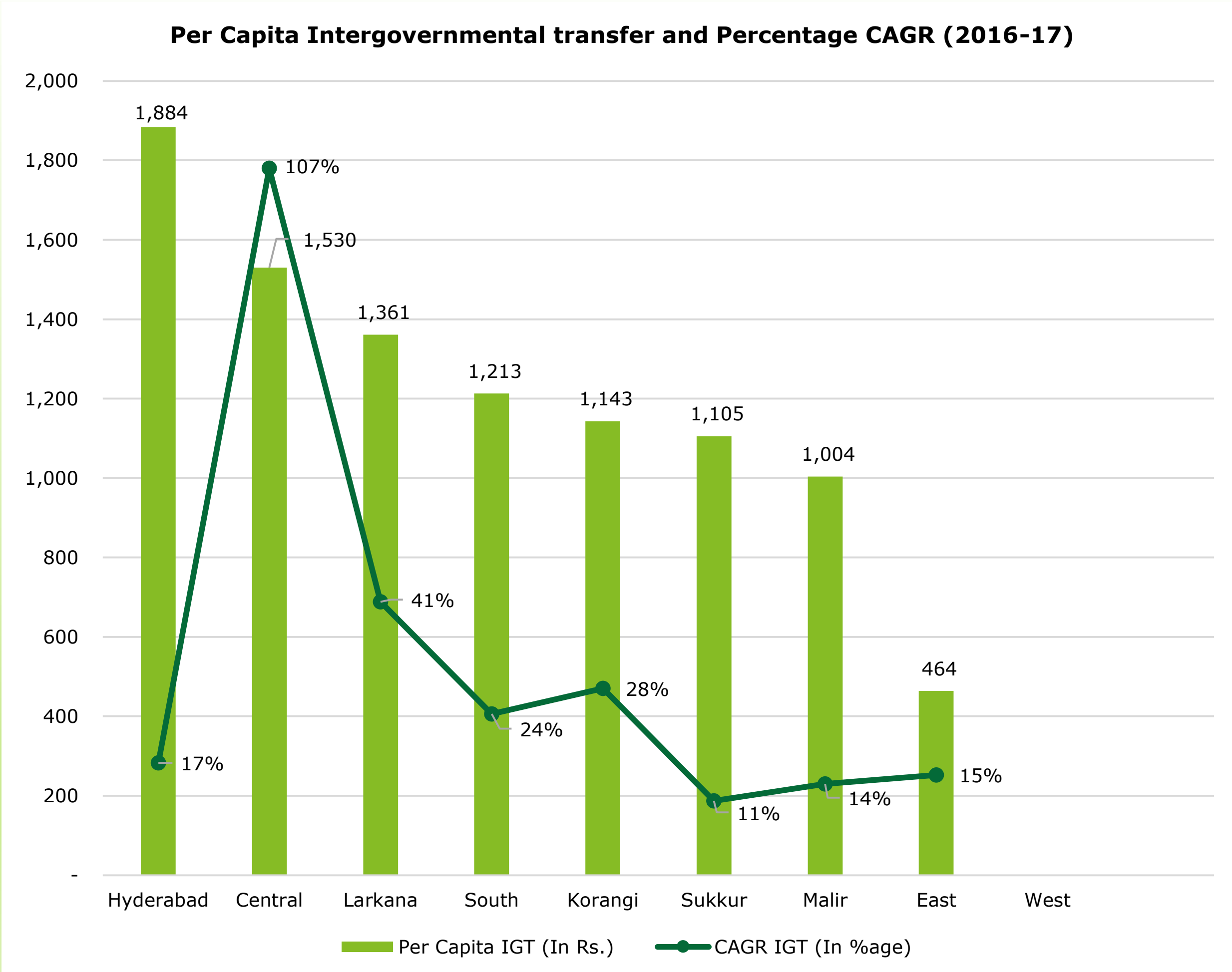


Figure 6 – Per Capita Intergovernmental Transfers and percentage of CAGR (MCorp and DMC)

Note: In MCorp Sukkur, 2015-16 data is used due to non availibilty of 2016-17 data.

The above chart of MCorps and DMCs shows that amongst all MCorps and DMCs, DMC East recorded the lowest Intergovernmental transfer per capita i.e. Rs. 464 whereas MCorp Hyderabad has the highest per capita of Intergovernmental transfer which is Rs. 1,884. There is no information of Intergovernmental transfer provided with respect to DMC West. Highest per capita of Intergovernmental transfer could mean that municipalities having high per capita of Intergovernmental transfer could serve more to its people in providing services rather than those municipalities having lowest per capita of Intergovernmental transfer.

The compounded annual growth rates (CAGR) in chart of MCorp and DMCs shows that MCorp Sukkur and DMC Malir over the five years period form 2012-13 to 2016-17 recorded the lowest Intergovernmental transfer i.e. approximately 11% and 14% whereas the highest growth in Intergovernmental transfer is observed to be 107% and 41% in DMC Central and MCorp Larkana.

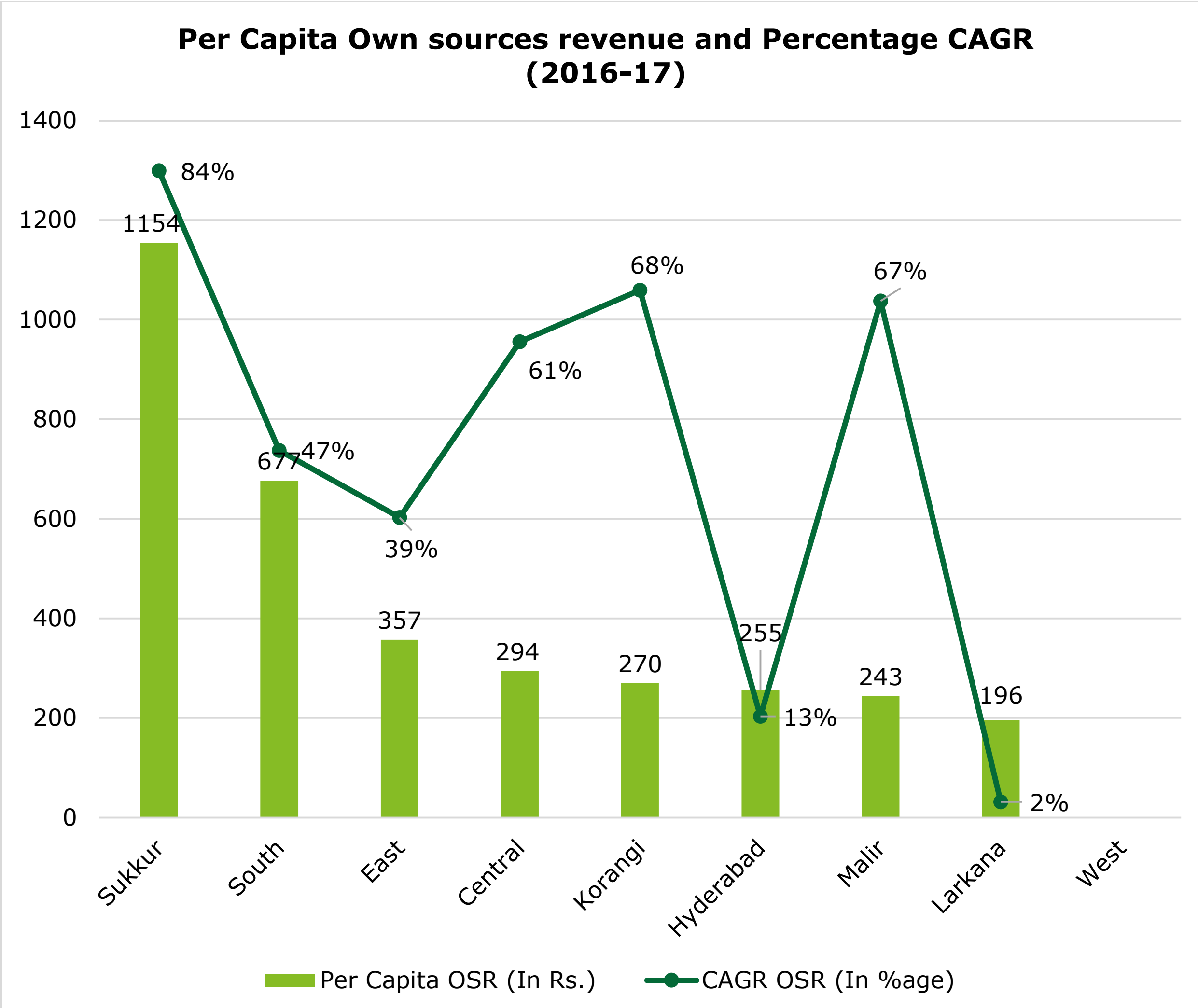


Figure 7 – Per Capita Own Source Revenue and percentage of CAGR (MCorp and DMC)

Note: In MCorp Sukkur, 2015-16 data is used due to non availibilty of 2016-17 data.

The chart of MCorps and DMCs shows that amongst all MCorps and DMCs, own sources revenue per capita of MCorp Larkana is lowest i.e. Rs. 196 whereas, MCorp Sukkur has the highest per capita of own sources revenue based which is Rs. 1154. There is no information of own sources revenue provided with respect to DMC West. Highest per capita of Own sources revenues could mean that municipalities having high per capita of own sources revenues is not solely dependent on the Intergovernmental transfers and can bear major part of its expenditures in case of no or low Intergovernmental transfers.

The compounded annual growth rates (CAGR) in chart of MCorp and DMCs shows that MCorp Larkana and MCorp Hyderabad over the five years period from 2012-13 to 2016-17 recorded the lowest own source revenue per capita i.e. approximately 2% and 13% whereas the highest growth in own sources revenues is observed to be 84%, 68%, 67% and 61% in MCorp Sukkur, DMC Korangi, DMC Malir and DMC Central.

The major categories of expenditures are establishment, development and contingencies of which per capita and CAGR is presented below for the purpose of analysis:

S. No	Municipality	Per Capita EE	CAGR EE	Per Capita DE	CAGR DE	Per Capita CE	CAGR CE
1	MCorp Hyderabad	1,604.94	15.39%	0.74	-64.93%	246.97	12.23%
2	MCorp Larkana	843.93	29.02%	127.32	17.41%	93.51	30.78%
3	MCorp Sukkur	1,976.03	30.63%	1.49	-39.07%	4.86	-31.51%
4	DMC Central	1,221.50	74.40%	24.71	723.67%	100.52	-13.96%
5	DMC South	1,195.82	25.72%	447.13	36.23%	174.21	-0.80%
6	DMC Malir	520.68	18.49%	114.55	-15.04%	141.45	8.78%
7	DMC Korangi	827.42	10.10%	301.30	40.70%	306.37	37.87%
8	DMC West	Data N/A	Data N/A	Data N/A	Data N/A	Data N/A	Data N/A
9	DMC East	418.85	12.51%	162.91	8.14%	244.54	39.46%

Table 16 - Structure of municipal expenditure - municipal corporations and district municipal corporations

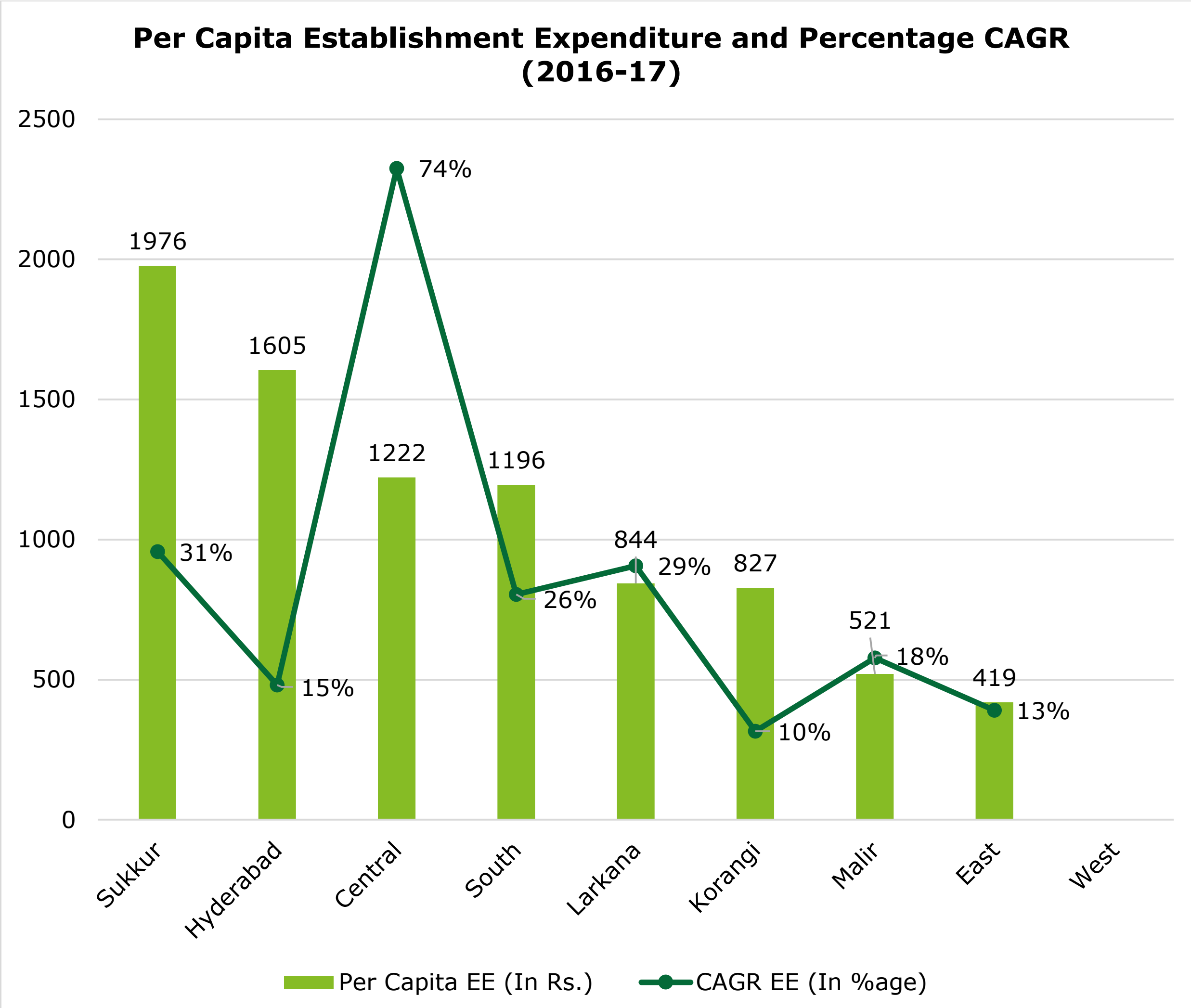


Figure 8 – Per Capita Establishment Expenditure and Percentage of CAGR (MCorp and DMC)

Note: In MCorp Sukkur, 2015-16 data is used due to non availibilty of 2016-17 data.

The above chart of MCorps and DMCs shows that amongst all MCorps and DMCs, DMC East recorded the lowest establishment expenditure per capita i.e. Rs. 419 whereas MCorp Sukkur have the highest establishment expenditure per capita which is Rs. 1,976. There is no information of establishment expenditure provided with respect to DMC West. It is noted that DMC East incur Rs. 419 per capita of establishment expenditure on providing services to the population of 2,909,921 whereas the DMC South and DMC Central incurs Rs. 1,196 and Rs. 1,222 on providing services to the population size of 1,791,751 and 2,972,639. Possible reasons for this inconsistency between DMCs with regards to establishment expenditure per capita is either that DMC East is significantly understaffed or had implemented cost controlling measures which kept its establishment expenditure per capita relatively lower than other municipalities or there might be an unreasonable increase in establishment expenditures of DMC South and DMC Central as DMC East provides similar level of services without having incurred huge establishment expenditures.

The compounded annual growth rates (CAGR) in chart of MCorp and DMCs shows that establishment expenditure per capita in DMC Korangi and DMC East over the five years period form 2012-13 to 2016-17 recorded the lowest growth i.e. approximately 10% and 13% whereas the highest growth in establishment expenditure is observed to be 74% (in the case of DMC Central).

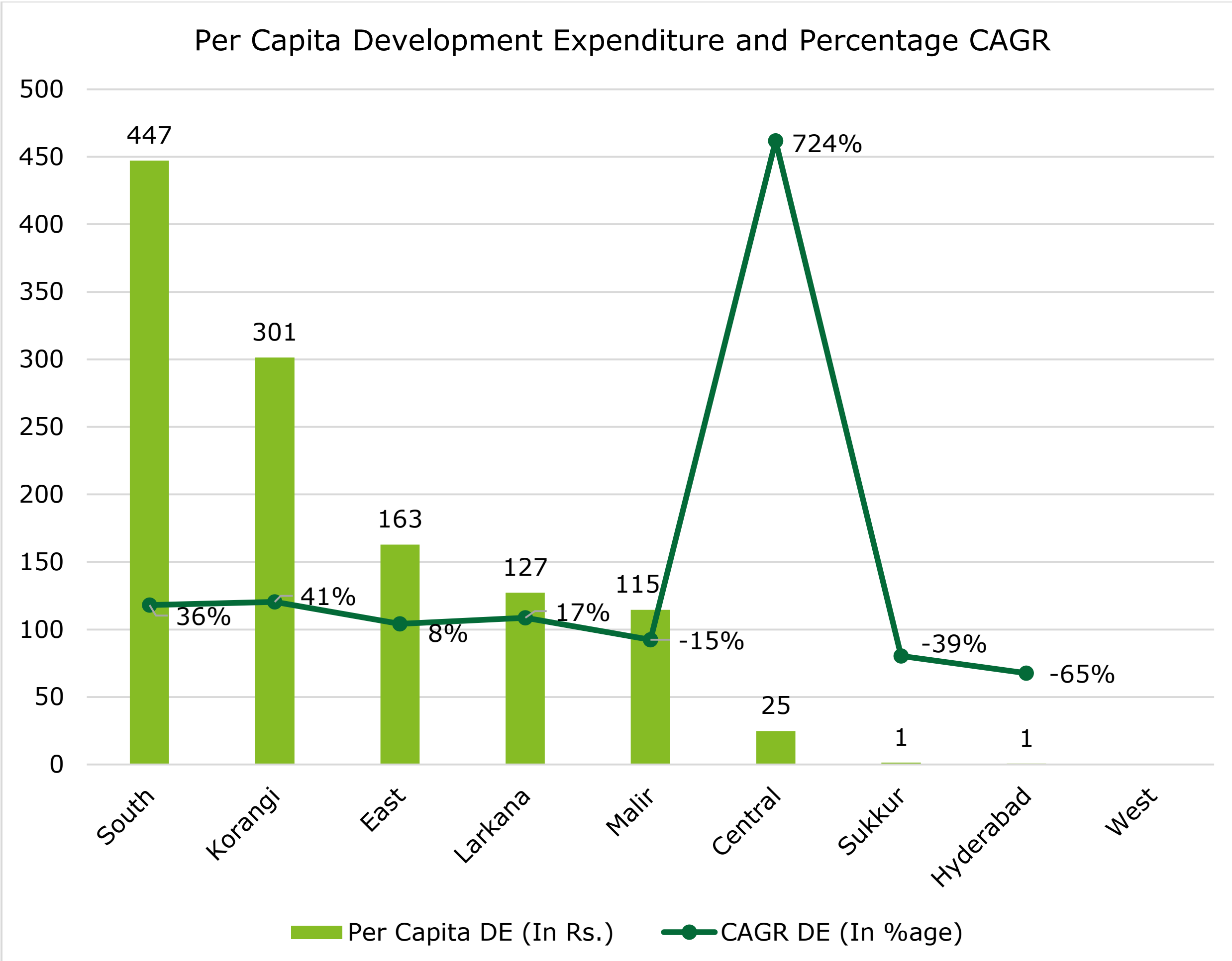


Figure 9 – Per Capita Development Expenditure and Percentage of CAGR (MCorp and DMC)

Note: In MCorp Sukkur, 2015-16 data is used due to non availibilty of 2016-17 data.

The above chart of MCorps and DMCs shows that amongst all MCorps and DMCs, MCorp Hyderabad, MCorp Sukkur and DMC Central recorded the lowest development expenditure per capita i.e. Rs. 1, Rs. 1 and Rs, 25 whereas DMC South and DMC Korangi have the highest development expenditure per capita which is Rs. 447 and Rs. 301 . It is noted that MCorp Larkana incurred Rs. 127 development expenditure per capita for a population size of 490,508, whereas, MCorp Hyderabad and MCorp Sukkur have only incurred Rs. 1 and Rs. 1 expenditure per capita on the population of 673,545 and 268,311. There is some heavy non-development expenditure majorly comprising of establishment expenditure incurred by MCorp Hyderabad and MCorp Sukkur leaving very less funds for development expenditures.

The compound annual growth rates (CAGR) in chart of MCorp and DMCs shows that development expenditure per capita in MCorp Hyderabad, MCorp Sukkur and DMC Malir over the five years period form 2012-13 to 2016-17 declined by approximately 65%, 39% and 15% whereas, the highest growth in development expenditure is observed to be 724% in DMC Central.

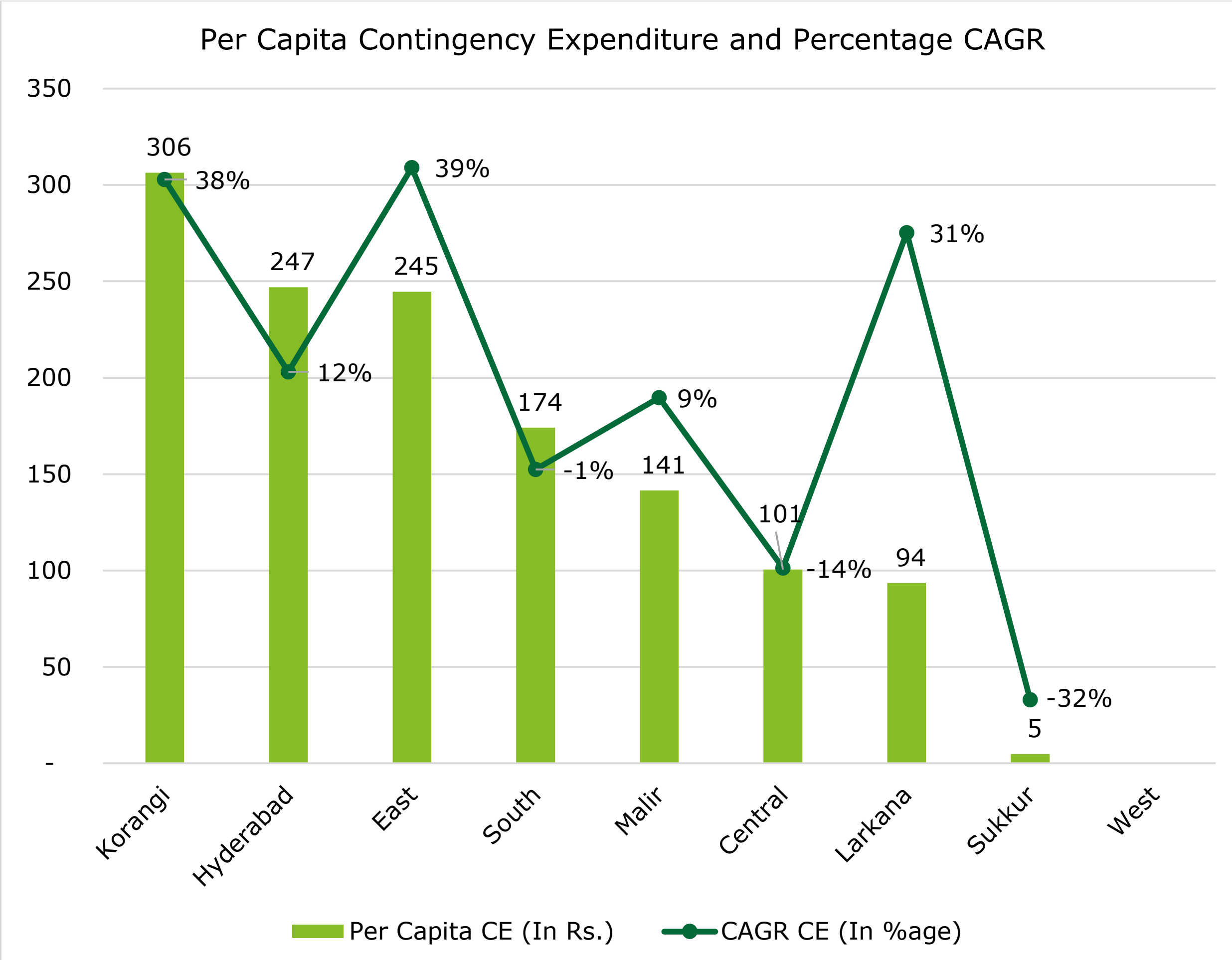


Figure 10 – Per Capita Contingency Expenditure and Percentage of CAGR (MCorp and DMC)

Note: In MCorp Sukkur, 2015-16 data is used due to non availibilty of 2016-17 data.

The chart of MCorps and DMCs shows that amongst all MCorps and DMCs, MCorp Sukkur recorded the lowest contingency expenditure per capita which is Rs. 5. However, DMC Korangi have the highest contingency expenditure per capita which is Rs. 306.

The compounded annual growth rates (CAGR) in chart of MCorp and DMCs shows that development expenditure per capita in MCorp Sukkur and DMC Central over the five years period form 2012-13 to 2016-17 declined by approximately 31% and 14%, whereas, the highest growth in development expenditure is observed in DMC East, DMC Korangi and MCorp Larkana which is 39%, 38% and 31%.

4.2 Analysis of tariff structure of municipalities

The requisition of schedule of charges was made to all thirty Municipal committees, Corporations, DMCs and KMC, however, schedule of charges of only twenty municipalities were provided by the respective representatives of the municipalities.

From review of Schedule of Charges (SOCs) provided to the consultants, it was noted that this analysis is limited to 20 out of 30 municipalities due to unavailability of Schedule of rates, charges and fees in below 10 municipalities:

1. MC Jacobabad

2. MC Shikarpur
3. MC Khairpur
4. MC Kandhkot
5. MC Mithi
6. MC Thatta
7. MC Sanghar
8. DMC Korangi
9. DMC West
10. KMC

While reviewing the available SOCs, we learnt that schedule of charges are not updated except in the case of MC Ghotki which produced their revised SOC in March 2017. Due to this fact, analysis of historic and current tariff structure along with comparison of rates among municipalities is not possible. The below table highlights the range of years within which the SOCs received by the consultants lie. The most outdated SOC is of MC Shahdadkot notified as at January 2, 1999. The detailed list of municipalities with notification date of SOCs is presented in Appendix A - List of municipality with notification date of SOCs:

Year Slab	No. of SOCs
1998-99 to 2004-05	11
2005-06 to 2010-11	8
2016-17	1

Table 17 - Year Slab of SOCs

Due to outdated schedule of charges, an inherent limitation in the analysis of tariff structure is that historic rates are being considered as the current rates which were taken from the schedule of charges provided which are generally not updated. However, a limited analysis is provided in the table below which consist of the ranges of comparable rates of major different revenue streams mentioned in the schedule of charges provided by the representatives of respective municipality:

		Ghotki	Sukkur	Shahdad kot	Larkana	Badin	Hyderabad	TAY	Nawabs hah	MPK	Sujaw al
Revenue streams charged by MCs	**Sub-Components**	**Amount in Rs.**									
Water Charges	Monthly	N/A	325-650	30-60	N/A	25-167	N/A	50-150	30-80	N/A	75-300
	One time Connection	N/A	3,000	60-100	N/A	700	N/A	60	N/A	N/A	375-1,300
Drainage		10	N/A	N/A	N/A	8.33 domestic	N/A	2.08 - 6	15-25	N/A	N/A
Entertainment Tax	Cinema fees	1,000/day	N/A	N/A	20/show	500/show	25/show	N/A	N/A	25/show	N/A
	Festival and other Entertainment	1,000/day	1,000/day	N/A	1,000/show	300/show	N/A	N/A	N/A	N/A	N/A
Pacca Piri per sft (Daily)		N/A	N/A	N/A	2	N/A	N/A	150	50	N/A	8
Katcha piri per sft (Daily)		N/A	N/A	3	N/A	0.5	N/A	5	40	N/A	8
Parking Fees	Bus/Truck/Trolly Car (per day)	25 to 100	10 to 700	N/A	N/A	5 to 25	3 to 10 per trip	N/A	2 to 20	2 to 5	3 to 10
Slaughter Fees	Per month	600	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Per Animal	N/A	N/A	5 to 10	10 to 20	15 to 20	2 to 5	3 to 6	8 to 10	5 to 15	N/A
Certificate Fees	Birth	50 to 100	N/A	N/A	30 to 100	20 to 100	N/A	30 to 75	N/A	N/A	N/A
	Of All Kinds	N/A	N/A	N/A	30	100	N/A	50	N/A	N/A	N/A
Cattle Fees	Cattle Pound (Each/day)	50	10 to50	N/A	10 to20	5 to 10	N/A	5 to 10	N/A	50 to 100	N/A
	Transfer of Cattle	10% by seller/animal 10% by purchaser	N/A	N/A	15 to 75 from seller 40 from Purchaser and purchaser is misprinted	3%	1% to 2% by seller/animal 1% to 2% by purchaser	3% by seller/animal 2% by purchaser	N/A	0.5% by seller	N/A
	Cattle Food (Each/day)	50	N/A	15	20 for big animal 10 for small animal	N/A	N/A	N/A	N/A	N/A	N/A
Transfer of Fees	Shops	N/A	2,000-10,000	N/A	N/A	10,000	50% on market value	N/A	N/A	N/A	N/A
	Pacca piri	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Road Cutting		40 to 200	N/A	N/A	N/A	5 to 25	90 to 120	15 to 100	N/A	N/A	1,000-1,500
License Fees	Trade License (Vegitable/Fruite /Fish/Beef/Chicken)	N/A	2,000	N/A	N/A	200	300	N/A	100	345	N/A
	Dangerouse License(P.year) (Patrol/CNG/GAS/oil)	N/A	5,000	N/A	2,000	2,000	N/A	2,000	N/A	N/A	N/A
Marriage hall/Public Gathering/Exibitions	Marriage hall (Per day)	200	N/A	N/A	500	N/A	N/A	1,000	N/A	N/A	N/A
	Exhibitions (Per day)	1,000	N/A	N/A	500	1,000	N/A	N/A	N/A	N/A	N/A

		Ghotki	Sukkur	Shahdad kot	Larkana	Badin	Hyderabad	TAY	Nawabs hah	MPK	Sujaw al
Revenue streams charged by MCs	**Sub-Components**	**Amount in Rs.**									
Immovable Property Tax	in %	N/A	N/A	N/A	N/A	0.02	0.02	N/A	N/A	0.01	N/A
Advertisment		30	40	N/A	24	5	30	N/A	N/A	N/A	120

		Umerkot	Dadu	TMK	Kotri	Moro	Hala	East	South	Malir	Centr al
Revenue streams charged by MCs	**Sub-Components**	**Amount in Rs.**									
Water Charges	Monthly	30-80	35-150	150-500	35-80	N/A	50-100	N/A	N/A	N/A	N/A
	One time Connection	20-30	200-500	500-1,500	150-300	N/A	150-250	N/A	N/A	N/A	N/A
Drainage		5 to 15	5 to 12	60- 500	N/A	10 to 20	10 to 42	N/A	N/A	N/A	N/A
Entertainment Tax	Cinema fees	N/A	200/day	5/ticket	N/A	1,000/year	N/A	N/A	N/A	N/A	N/A
	Festival and other Entertainment	N/A	500/day	1,000/show	N/A	500/show	N/A	N/A	N/A	N/A	N/A
Pacca Piri per sft (Daily)		N/A	5	5	N/A	3,000 per pacca piri	N/A	N/A	N/A	N/A	N/A
Katcha piri per sft (Daily)		0.5	5 to 20	1	0.1	3	N/A	N/A	N/A	N/A	N/A
Parking Fees	Bus/Truck/Trolly Car (per day)	15	6 to 10	N/A	N/A	2 to 10	N/A	N/A	N/A	N/A	5 to 10
Slaughter Fees	Per month	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	52	N/A
	Per Animal	5 to 10	5 to 10	20 to 25	3 to 8	5 to 10	N/A	5	N/A	N/A	N/A
Certificate Fees	Birth	N/A	20 to 80	N/A	20 to 50	N/A	20	N/A	N/A	N/A	N/A
	Of All Kinds	N/A	N/A	200	300	25	30	N/A	N/A	N/A	N/A
Cattle Fees	Cattle Pound (Each/day)	25 to 150	20 to 40	50	20 to 30	5 to 10	N/A	N/A	N/A	19.2/month	N/A
	Transfer of Cattle	N/A	N/A	3% on sell/animal	1% on seller	N/A	N/A	N/A	N/A	N/A	N/A
	Cattle Food (Each/day)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transfer of Fees	Shops	N/A	7,000	N/A	N/A	5000	N/A	N/A	N/A	N/A	N/A
	Pacca piri	N/A	N/A	N/A	N/A	3000	N/A	N/A	N/A	N/A	N/A
Road Cutting		N/A	5 to 50	25 to 250	10 to 350	15 to 50	150 to 500 domestic 250 to 800 commercial	N/A	N/A	N/A	N/A
License Fees	Trade License (Vegitable/Fruite	N/A	100	6,000	N/A	500	50	N/A	N/A	N/A	N/A

		Umerkot	Dadu	TMK	Kotri	Moro	Hala	East	South	Malir	Central
Revenue streams charged by MCs	**Sub-Components**	**Amount in Rs.**									
	/Fish/Beef/Chicken)										
	Dangerouse License(P.year) (Patrol/CNG/GAS/ oil)	N/A	N/A	10,000	1,500	N/A	200	N/A	N/A	N/A	N/A
Marriage hall/Public Gathering/Exibitions	Marriage hall (Per day)	N/A	N/A	500	N/A	N/A	N/A	N/A	300-500	N/A	83
	Exhibitions (Per day)	N/A	N/A	5,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Immovable Property Tax	in %	N/A	N/A	0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Advertisment		N/A	5	50	5 to 15	1,200 – 5,000 per year	4 to 10	4,000	N/A	N/A	N/A

Table 18 - Tariff structure of 20 municipalities

In general, even the most updated schedule of charges received from MC Ghotki i.e. March 16 2017 notification date, is limited in the number of items listed when compared to other MCs (for instance transfer of shops fee, tax on water and drainage, katch/ pacca piri fee, Slaughter house and immovable property rates were not listed). The most outdated schedule was received from MC Shahdadkot i.e. January 27 1999. As will be discussed in detail below, some of the municipalities charges very nominal rates for the services which seems quite insufficient to cover the costs of the services.

Water Supply and Drainage Charges:

The water supply charges include monthly water charges and connection fees, but most of schedule of charges do not incude water rates and connection fees i.e. only eleven MC SOCs contain water rates and only ten water connection fees are available. DMC's and KMC do not provide water and drainage services.

From above it is noted that highest rates were charges by MC Sukkur (Rs. 325 for residential, Rs. 650 for commercial as well as Rs. 3000 connection fees for both commercial and residential) and the lowest rate were found in MC shahdakot (Rs. 30 for residential, Rs. 60 for commercial, whereas the lowest water and drainage connection rate are Rs. 20 and Rs. 30 rates for water and drainage connection for residential and commercial respectively charged by MC Umerkot.

It is also found that some municipalities charges are very low, for example umerkot has water rates are Rs. 30 and 80 for residential and commercial respectively whereas Hala is charging Rs. 50 for residential and 100 for commercial.

It is therefore recommended that all municipality should revised their rates in order to generate more revenues as most of the municipalities charge rates in this regard that are below 200 which is not sufficient.

It is also noted that in most of schedules of charges there were no drainage rates i.e. 12 and remaining charging a nominal rates such as Tando Allah Yar charges Rs. 25 and 70 annually for residential and commercial except for Tando Muhammad Khan which charges Rs. 60 monthly for Residential and Rs. 500 monthly for commercial so other municipality revised their rates.

Road Cutting Charges:

The road cutting charges are categorized in to Concrete block road, Bricks of road, Metalled road and katcha road. The highest road cutting charged by hala whereas badin is charging nominal amount i.e. Rs.5 to 25 psft . It is also noted that most municipality did not bifurcate the charges for commercial and residential road except MC Hala so it is recommended that all municipality should bifurcate the charges in order to increase revenue. Further MC Badin and Dadu is charging below Rs. 50/sft in each category however, their schedule of charges are notified in 2002 if the rates were still not revised then municipality should revised the rates because these nominal rates may not recover the cost to road cutting.

We also noted that the majority of schedule of charges do not include road cutting charges including municipal corporations and DMC and KMC.

Immovable Property:

Immovable property tax collected on the transfer/sale of property and collected from seller. As per law the immovable property tax may be collected between 1% and 3% based on size of the property.

The chart shows that tax on immovable property is included in only four schedule of charges (Tando Muhammad Khan, Mirpurkhas, Hyderabad Municipal Corporation, and Badin).

Cattle Pirri:

Cattle pirri fees is categorized in to cattle pound, cattle transfer and cattle foods and these fees are bifurcated into big and small animals. In thirteen schedule of charges cattle pirri fees is included. The fees on transfer of cattle is a material fees generated by the municipalities as this fees is based on the selling value of the cattle. Ghotki is charging a material amount i.e. 10% on both seller and purchaser whereas Badin, Tando Muhammad Khan and Kotri is charging 2% to 3% which should be increased. Some municipalities have also been found to be charging a fixed price (MCorp Larkana is charging Rs.15 to 75 from seller and Rs.40 from purchaser)

Further it is also noted that some sizable municipalities (Larkana, sukkur, Nausheroferoz (Moro) and Shahdadkot) have very low cattle charges so they should increase their cattle fees.

Advertisement:

The advertisement charges are based on per sft. Ghotki, Sukkur, Nawabshah, Larkana, Badin, Hyderabad Municipal Corporation, Sujawal, Dadu, Kotri, Hala are charging below Rs. 100 psft (in case of MC Hala it is as low as 4 per square foot so it is recommended that they should increase their rates as it was observed that rates charged by DMC East are Rs. 4000 psft and for MC Naushero Feroze (Moro) rates range between 1200 to 5000 per sqft per year. Further, schedule of charges of Shahdadkot, Tando Allah Yar, Nawabshah, Mirpurkhas, Umerkot, DMC South and DMC Malir do not include advertisement rates and this item should be considered for revenue revenue collection.

Entertainment Tax:

Entertainment tax is bifurcated into cinema fees and festivals. It is noted that some municipalities charges on daily basis and some charging on the basis of number of shows whereas Moro is charging on annually basis. 10 out of the 20 MC Schedule of Charges have no rates defined for either of the above items. Further, many MCorps (Larkana, Hyderabad) are charging significantly low tariffs compared to MCs (Badin).

Parking Fee:

Parking fees charges is based on size of vehicles bifurcated into buses, truck wagon cars bike etc. The highest parking charges are from MC Badin ranging from Rs. 10 to Rs. 700 whereas lowest fees is charged by MC Mirpurkhas that are Rs.2 to 5 per cars which is very nominal.

Certificate fees

Certificate fees is bifurcated into marriage death and birth certificate which is also included in SLGA 2013. It is noted that Hala is charging lowest fees i.e. Rs 20 whereas Gotki is charging Rs 50 to 100 per certificate.

Marriage Halls and exhibition fees

Marriage Halls and exhibition fees is also included in SLGA. It is noted that these fees is charges on daily basis. It is noted that the marriage hall fees is ranging from 200 to 1000 and same fees range is for exhibitions except TMK which charges Rs 5000. It is noted that for 13 MC. It is noted that for 13 MCs no rate is defined for both Marriage halls and exhibitions.

Katcha Pirri

It is noted that Katcha pirri fees is very nominal ranging from Rs 1 to 40 per sqft per day, whereas upto Rs 40 are being charged as in the case of Nawabshah.

Pacca Pirri

Pacca pirri fees is also seems nominal ranging from Rs 2 to 150 per sqft on daily basis except MC Morro which is charging Rs 3000 per pacca pirri however, MCorp Larkana is charging the lowest rate - Rs 2 sqft on daily basis.

Slaughter House

This fees also seems lowest ranging from Rs. 2 to 25 per animal (including big and small size animals). The highest rate is charged by TMK of Rs. 20 to 25 per animal where as MCorp. Hyderabad is charging Rs 2 to 5 per animal which implies there is a potential to revise rates.

License Fees:

The trade license is bifurcated into trade license and dangerous trade. The trade license includes license fees on Vegetable, fruit, beef, fish and chicken shops and market whereas dangerous trade includes petrol, CNG, Gas and Oil. The lowest fees are charged by MC Hala i.e. Rs. 50 and Rs. 200, however these may be considered for revision as the highest trade and dangerous license fees is charged by TMK i.e. 6000 and Rs. 10000 whereas.

4.3 Collection and recovery analysis

Analysis on recovery rates

Based on the data provided by the municipality, the analysis on recovery was possible only in the case of Municipal Market, Shops, Buildings and Halls as well as Water and Drainage. As discussed above, while a number of revenue streams have been made permissible under the SLGA, it appears that efforts have not been expended to raise revenue from the own sources of revenue. In some cases, revenue streams have defined rates and charges (although these are outdated), yet no collections were observed. In general, where revenue collections have been documented in the concerned MC budget books, inadequate protocols around record-keeping and data management have been noted. As a result of unavailability of billing and other essential data with regards to majority of the revenue streams, the analysis on recovery and collection could not be performed except for shop rent and water and drainage of each municipality. Even in the case of Municpal Markets, Shops, Buildings and Halls and Water and Drainage , analysis was only possible with certain assumptions. For the purpose of comparison among municipalities, we further identified average recovery rates as tabulated below. This analysis was limited due to unavailability of data.

S. No	Municipality	Water & Drainage	Shop Rent
1	MC Mithi	70.95%	48.65%
2	MC Mirpurkhas	Data N/A	47.50%
3	MC Badin	77.89%	71.85
4	MC Thatta	Data N/A	Data N/A
5	TC Sujawal	Data N/A	Data N/A
6	MC Umerkot	35.69%	77.50%
7	MC Tando Muhammad Khan	9.60%	165.50%
8	MC Dadu	15.23%	59.90%
9	MC Nawabshah	78.17%	Data N/A
10	MC Moro	Data N/A	70.49%
11	MC Sanghar	Data N/A	83.33%
12	MC Tando Allahyar	8.00%	Data N/A
13	MC Kotri	56.06%	88.16%
14	MC Hala	Data N/A	Data N/A
15	MC Kandhkot	Data N/A	44.50%
16	MC Shikarpur	Data N/A	Data N/A
17	MC Shahdadkot	2.16%	55.72%
18	MC Jacobabad	Data N/A	Data N/A
19	MC Ghotki	Data N/A	94.93%
20	MC Khairpur	Data N/A	110.98%
21	MCorp Hyderabad - Latifabad city	Data N/A	101.76%
22	MCorp Hyderabad - Hyderabad city	Data N/A	74.71%
23	MCorp Larkana	Data N/A	Data N/A
24	MCorp Sukkur	0.01%	Data N/A
25	DMC Central	Data N/A	Data N/A
26	DMC South	Data N/A	Data N/A
27	DMC Malir	Data N/A	Data N/A
28	DMC Korangi	Data N/A	Data N/A
29	DMC West	Data N/A	Data N/A
30	DMC East	Data N/A	Data N/A

Table 19 – Recoveries from water drainage and shop rent

The above table highlights low average recovery rates in majority of the municipalities except MC Badin and MC Nawabshah for collection of water and drainage and MC Umerkot, MC Sanghar, MC Kotri and MC Ghotki for collection of shop rent. It is worth noting from the above table that average shop rent recovery exceeds 100% in MC Tando Muhammad Khan, MC Khaipur and MCorp Hyderabad – Latifabad city which raises concerns of possible discrepancies. The possible reasons of such recovery rates may include false reporting in budget books by municipality, incorrect shop rent figures or incomplete records provided by the municipal representatives to the consultants.

4.4 Assessment of fiscal health of municipalities

Municipal Committees:

The overall fiscal position of municipal committees during the period under scope i.e. from financial year 2012-13 to 2016-17 is presented in the table below, which provides average of revenue received and expenditure incurred and the surplus or deficit based on the figure of average revenue and expenditure. It is to be noted that this analysis could only be performed on the data made available to the consultants.

S. No	Municipality	No. of years to calculate average	Average Revenue	Average Expenditure	Deficit / Surplus
			-----------------Rs. in million----------------		
1	MC Mithi	5	170.53	149.05	21.48
2	MC Mirpurkhas	3	583.92	588.52	(4.60)
3	MC Badin	5	244.87	230.16	14.71
4	MC Thatta	4	266.59	256.73	9.86
5	TC Sujawal	1	138.55	153.35	(14.80)

S. No	Municipality	No. of years to calculate average	Average Revenue	Average Expenditure	Deficit / Surplus
			-----------------	Rs. in million	----------------
6	MC Umerkot	5	290.92	245.05	45.87
7	MC Tando Muhammad Khan	5	215.72	182.39	33.32
8	MC Dadu	4	224.31	224.07	0.24
9	MC Nawabshah	5	350.42	324.47	25.96
10	MC Moro	5	182.99	165.96	17.03
11	MC Sanghar	5	220.25	223.98	(3.72)
12	MC Tando Allahyar	5	217.12	216.45	0.67
13	MC Kotri	5	262.34	295.45	(33.10)
14	MC Hala	4	130.63	135.59	(4.96)
15	MC Kandhkot	4	167.21	158.94	8.27
16	MC Shikarpur	5	219.84	216.49	3.35
17	MC Shahdadkot	5	162.99	140.88	22.11
18	MC Jacobabad	5	224.83	174.96	49.87
19	MC Ghotki	3	285.67	292.07	(6.41)
20	MC Khairpur	5	387.81	388.56	(0.76)

Table 20 – Average revenue and expenditure pattern of MCs

In general, very weak fiscal position of municipal committees is highlighted as is indicative in the the above table where municipalities such as MC Mirpurkhas, TC Sujawal, MC Dadu, MC Sanghar, MC Tando Allahyar, MC Kotri, MC Hala, MC Ghotki and MC Khairpur are in either in deficit of municipal revenue over expenditure or have minute amount of surplus.

For the purpose of mapping the fiscal position (revenues and expenses) of the municipalities for comparison, we have calculated figures from all the data available for the relevant period of each municipality and presented, in below table, share of major revenue streams over total revenue and share of major expenses over total expenditure. However, due to non-availability of the data of actual position, we have used the data of revised figures extracted from the budget books. This analysis was limited in cases where no budget books or relevant data was available. The table below breaks the revenue and expenditure into major class for the purpose of comparison:

S. No	Municipality	% share of IGT	% share of OSR	Share of Total Revenue	% share of Estb Exp from Total	% share of Dev Exp from Total	% share of Cont Exp from Total	% share of Other Exp from Total	Share of Total Expenditure
1	MC Mithi	86.60%	13.40%	100.00%	45.38%	22.90%	27.88%	3.83%	100.00%
2	MC Mirpurkhas	73.15%	26.85%	100.00%	49.70%	27.36%	15.88%	7.05%	100.00%
3	MC Badin	96.75%	3.25%	100.00%	44.58%	33.41%	20.84%	1.17%	100.00%
4	MC Thatta	98.77%	1.23%	100.00%	49.77%	15.81%	12.35%	22.07%	100.00%
5	TC Sujawal	94.65%	5.35%	100.00%	48.42%	32.61%	14.09%	4.89%	100.00%
6	MC Umerkot	93.69%	6.31%	100.00%	52.45%	26.03%	20.86%	0.67%	100.00%
7	MC Tando Muhammad Khan	95.57%	4.43%	100.00%	63.77%	16.13%	3.86%	16.24%	100.00%
8	MC Dadu	97.12%	2.88%	100.00%	59.95%	9.33%	19.84%	10.87%	100.00%
9	MC Nawabshah	89.65%	10.35%	100.00%	40.90%	0.17%	28.29%	30.64%	100.00%
10	MC Moro	93.89%	6.11%	100.00%	70.58%	5.27%	17.48%	6.67%	100.00%
11	MC Sanghar	96.19%	3.81%	100.00%	47.04%	20.52%	23.67%	8.77%	100.00%
12	MC Tando Allahyar	89.86%	10.14%	100.00%	64.99%	14.68%	9.40%	10.92%	100.00%
13	MC Kotri	91.00%	9.00%	100.00%	63.19%	0.00%	17.46%	19.35%	100.00%
14	MC Hala	93.37%	6.63%	100.00%	57.67%	0.54%	1.02%	40.77%	100.00%
15	MC Kandhkot	90.37%	9.63%	100.00%	60.18%	0.00%	22.41%	17.41%	100.00%
16	MC Shikarpur	92.16%	7.84%	100.00%	72.98%	11.87%	3.96%	11.19%	100.00%
17	MC Shahdadkot	89.53%	10.47%	100.00%	77.46%	1.42%	9.46%	11.66%	100.00%
18	MC Jacobabad	88.13%	11.87%	100.00%	74.11%	0.00%	12.99%	12.90%	100.00%
19	MC Ghotki	93.56%	6.44%	100.00%	62.47%	5.37%	22.43%	9.73%	100.00%
20	MC Khairpur	95.18%	4.82%	100.00%	72.40%	1.55%	10.56%	15.49%	100.00%

Table 21 – Percentages of major items to totals of MCs

From the above table, it needs to be pointed out that all of the municipal committees are not generating sufficient revenue from its own sources as intergovernmental transfers account for a substantial part of the total revenues ranging from 73.13% in MC Mirpurkhas (being the lowest) to 98.77% in MC Thatta (being the highest).

In contrast, it is highlighted that establishment cost accounts for a substantial part of the total expenditures ranging from 40.90% in MC Nawabshah (being lowest) to 77.46% in MC Shahdadkot (being highest). Municipalities such as MC Nawabshah, MC Kotri, MC Hala, MC Kandhkot and MC Jacobabad have incurred zero/very less amount of development expense over the period whereas the highest development expenses incurred by MC Badin contributes 33.41% to total expenditure.

Municipal Corporations and District Municipal Corporations

S. No	Municipality	No. of years to calculate average	Average Revenue	Average Expenditure	Deficit / Surplus
			----------------Rs. in million-------------		
1	MCorp Hyderabad	5	1,150.88	1,134.32	16.55
2	MCorp Larkana	5	423.02	389.97	33.05
3	MCorp Sukkur	4	453.23	430.79[15]	22.43
4	DMC Central	2	4,081.89	4,085.55	(3.66)
5	DMC South	5	1,944.25	2,055.87	(111.63)
6	DMC Malir	5	1,868.61	1,855.16	13.45
7	DMC Korangi	5	1,686.33	1,442.20	244.13
8	DMC West	Data N/A	Data N/A	Data N/A	Data N/A
9	DMC East	5	1,670.84	1,808.86	(138.02)

Table 22 - Average revenue and expenditure pattern of MCorps and DMCs

In general, very weak fiscal position of MCorp and DMCs is evident from the above table where municipalities such as DMC Central, DMC South and DMC East are in deficit or MCorp Hyderabad, Larkana, Sukkur and DMC Malir have minute amount of surplus.

For the purpose of calculating the fiscal position (revenues and expenses) of the MCorp and DMCs for comparison, we have taken figures from all the data available for the relevant period of each municipality and presented in below table, share of major revenue streams over total revenue and share of major expenses over total expenditure. However, due to non-availability of the data of actual position for some years, the data of revised figures extracted from the budget books has been used. This analysis was limited in cases where no budget books or relevant data was available. The table below breaks the revenue and expenditure into major class for comparison purposes:

S. No	Municipality	% share of IGT	% share of OSR	Share of Total Revenue	% share of Estb Exp from Total	% share of Dev Exp from Total	% share of Cont Exp from Total	% share of other exp from Total	Share of Total Expenditure
1	MCorp Hyderabad	84.91%	15.09%	100.00%	74.58%	1.71%	13.42%	10.29%	100.00%
2	MCorp Larkana	83.38%	16.62%	100.00%	78.86%	6.07%	5.01%	10.06%	100.00%
3	MCorp Sukkur	70.48%	29.52%	100.00%	85.00%	0.17%	0.56%	14.27%	100.00%
4	DMC Central	82.66%	17.34%	100.00%	69.92%	1.01%	7.91%	21.17%	100.00%
5	DMC South	69.01%	30.99%	100.00%	65.76%	14.90%	16.13%	3.22%	100.00%
6	DMC Malir	80.32%	19.68%	100.00%	42.47%	18.65%	13.89%	24.99%	100.00%
7	DMC Korangi	86.11%	13.89%	100.00%	56.52%	18.87%	21.64%	2.97%	100.00%
8	DMC West	Data N/A	Data N/A	Data N/A	Data N/A	Data N/A	Data N/A	Data N/A	Data N/A
9	DMC East	63.59%	36.41%	100.00%	52.43%	25.91%	21.65%	0.00%	100.00%

Table 23 – Percentages of major items to totals of MCorps and DMC

From the above table, it needs to be pointed out that all of the MCorp and DMCs are not generating sufficient revenue from its own sources as intergovernmental transfers account for a substantial part of the total revenues ranging from 63.59% in DMC East (being the lowest) to 86.11% in DMC Korangi (being the highest).

In contrast, it is highlighted that establishment costs accounts for a substantial part of the total expenditures ranging from 42.47% in DMC Malir (being lowest) to 85.00% in MCorp Sukkur (being highest). Municipalities such as MCorp Hyderabad, MCorp Larkana, MCorp Sukkur and DMC Central have incurred very less amount of development expense over the period whereas the highest development expenses incurred by DMC East contributes 25.91% to total expenditure.

Karachi Metropolitan Corporation

Under the SLGA 2013, provision has been made for a Metropolitan Corporation for Karachi division. While many of the functions of the Karachi Metropolitan Corporation and other municipalities have an overlap, Part I of Schedule II of the SLGA highlights functions exclusively to be performed by the

[15] "Average expenditure" for MCorp Sukkur was calculated from 3 years data of expenditure available with the Consultants.

Metropolitan Corporation. As such the analysis of the functions of KMC and the revenue streams has been kept separate as detailed below.
The following table summarizes the revenue and expenditures streams as per the budget books of the respective years provided by KMC.

Finances	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
	-------------------------Rs. in million------------------------				
Intergovernmental Transfers	8,923.50	10,908.50	10,250.46	9,698.92	5,790.02
Own Source Revenue	3,092.99	10,512.85	7,210.50	8,929.68	13,069.03
Total Revenue Receipts	12,016.49	21,421.35	17,460.96	18,628.60	18,859.05
Salaries / Establishment	9,088.54	10,539.86	8,290.27	8,444.24	9,459.17
Contingencies	1,146.46	1,445.12	1,100.85	847.02	1,058.76
Capital Expenditures	1,600.13	3,559.33	2,470.21	748.2	602.05
Other Expenditures	407.81	401.20	3,305.04	5,576.96	6,958.72
Total revenue and capital expenses	12,242.94	15,945.51	15,166.37	15,616.42	18,078.70
Surplus / (Deficit)	(226.45)	5,475.84	2,294.59	3,012.18	780.35

Table 24 – Financial position of KMCs over 5 years

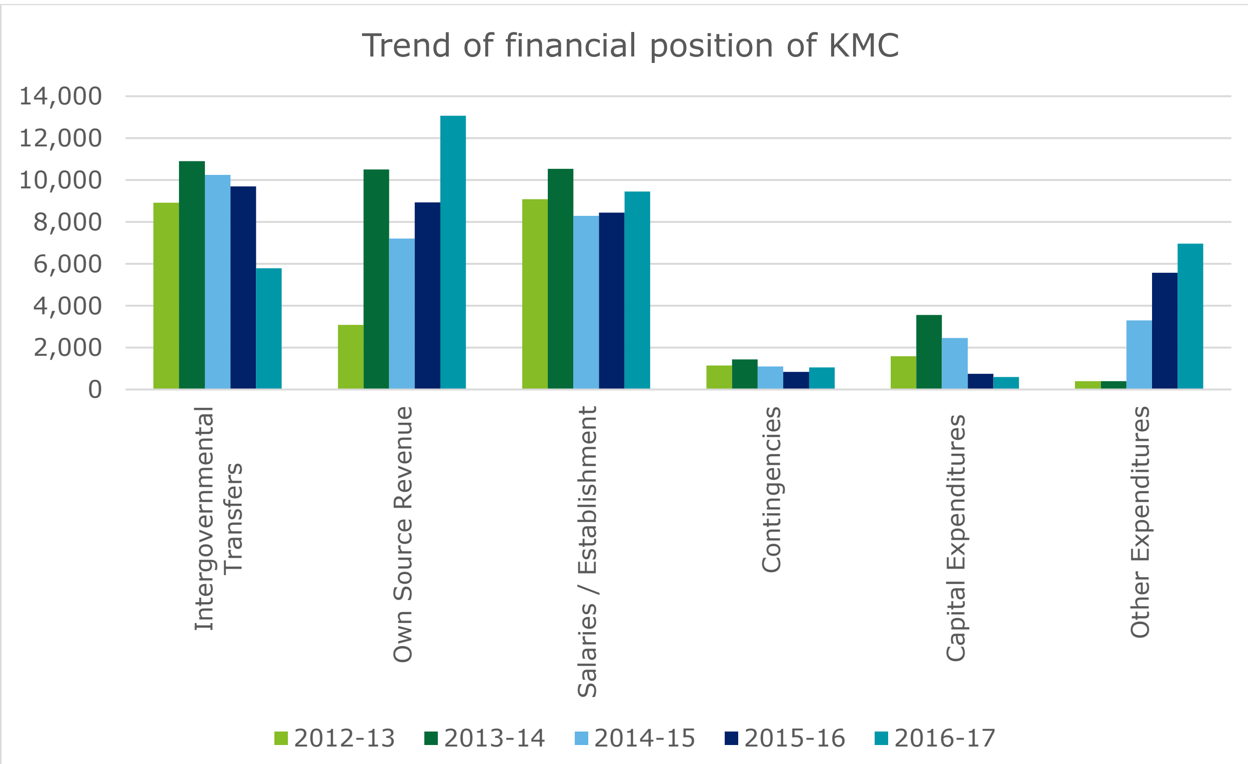


Figure 11 – Financial Position of KMC

While significant variation/volatility had been observed in intergovernmental transfers and own source revenue, excluding 2016-17 provides a more realistic view of the overall fiscal position of KMC as detailed in the table above. This is particularly due to the revised figures used (in the absence of actual figures).

The average growth in revenue (from 2012-13 to 2015-16) is observed to be approximately 15.74% and the average growth in expenditure over the same period is 8.45%. Own Sources of revenue also played a major role in keeping KMC financially sustainable as its average contribution to total revenues was 42.78% over the same period.

The major contributors to own source revenues comprise of Fees which increased at an average growth rate of 70.93% from 2012-13 to 2015-16.

KMC remained in surplus in the years 2013-14, 2014-15, 2015-16 and 2016-17 (amounting to Rs. 5,475.84 million, Rs. 2,294.59 million, 3,012.18 million and 780.35 million respectively). The deficit in the year 2012-13 (amounting to Rs. 226.45 million is attributed to very low recovery from taxes and land management (encroachment, katchi abadi and other leases) fee in 2012-13. The deficit in 2012-13 was also larger due to higher overall expenditure (particularly development and repair and maintenance).

In terms of expenditures, revenue expenditures (which contributes 85.795 to total expenditures) have increased at a growth rate of 11.79% of the 4 year period, while capital expenditures (which contributes 14.21% to total expenditures) actually decreased by 22.38% over the same period.

The major contributor to overall expenditure are salaries (which contribute 71.87%). Other expenditure which includes Rs. 3,181 million, Rs. 5,470 million and Rs. 6,725 million in the year 2014-15, 2015-16 and 2016-17 for development scheme, therefore the expenditure is considerable high in these years. Capital expenditures includes capital purchases which incurred in all the years and transfer to DMCs which incurred in 2012-13, 2013-14 and 2014-15.

5. Municipal services

Municipal services or city services refer to basic services (water supply, sewerage, drainage, solid waste, roads/streets, primary education, public health, recreation, firefighting, street lighting, markets, public toilets that residents of a city expect from city government in return for the taxes that residents pay.

As per SLGA, 2013, Section 72: "A Council shall, subject to rules and directions given by government and within the limits of the funds at its disposal, undertake all or any of the functions, given in Schedule II in the case of a Corporation, a District Municipal Corporation, Municipal committee and Town Committee, in Schedule III in the case of a District Council, and in Schedule IV in the case of a Union Council and such other functions as are entrusted to them by government:

> Provided that no Corporation shall undertake such functions as are assigned to and performed by anybody, agency or authority established by or under any law for the time being in force.
>
> Provided further that government may at any time require the Metropolitan Corporation to perform any function of a District Municipal Corporation subject to such conditions as government may specify".

Under the Sindh Local Government Act (SLGA), 2013, water supply, sewerage/drainage, solid waste management, roads, streets, streets lights and market repair and maintenance services, parks and recreation services and firefighting services are some major services which are mandated to municipalities, the section below regarding Municipal functions describes, in detail, the functions of municipalities in the light of SLGA 2013.

5.1 Municipal Functions

As per the SLGA the functions of municipalities are defined above, and the services are mentioned in the table below with the status of services in the municipalities of district headquarters of Sindh.

Municipality	Water supply	Sewerage	Drainage	Solid Waste	Recreation	Roads / streets	Streetlights	Firefighting	Primary Education	Public Health	Infectious diseases	Public vehicle	Adult education	Public toilets	Markets (R&M)
Ghotki															
Jacobabad															
Kandhkot															
Khairpur															
Larkana															
Shahdadkot															
Shikarpur															
Sukkur															
Hyderabad															
Kotri															
Hala															
Moro															
Nawab shah															
Sanghar															
Dadu															
TandoAllahyar															
Badin															

Municipality	Water supply	Sewerage	Drainage	Solid Waste	Recreation	Roads / streets	Streetlights	Firefighting	Primary Education	Public Health	Infectious diseases	Public vehicle	Adult education	Public toilets	Markets (R&M)
Mirpur has	Services	Services	Services	Services	Services	Services	Services	Services	No Services	No Services	No Services	No Services	No Services	No Services	Services
Mithi	Services	Services	Services	Services	Services	Services	Services	Services	No Services	No Services	No Services	No Services	No Services	No Services	Services
Sujawal	Services	Services	Services	Services	Services	Services	Services	Services	No Services	No Services	No Services	No Services	No Services	No Services	Services
Tando M khan	Services	Services	Services	Services	Services	Services	Services	Services	No Services	No Services	No Services	No Services	No Services	No Services	Services
Thatta	Services	Services	Services	Services	Services	Services	Services	Services	No Services	No Services	No Services	No Services	No Services	No Services	Services
Umerkot	Services	Services	Services	Services	Services	Services	Services	No Services	No Services	No Services	No Services	No Services	No Services	No Services	Services
Central	No Services	No Services	Services	No Services	Services	Services	Services	No Services	Services	Services	No Services	No Services	No Services	No Services	Services
East	No Services	No Services	Services	No Services	Services	Services	Services	No Services	Services	Services	No Services	No Services	No Services	No Services	Services
KMC	No Services	No Services	Services	No Services	Services	Services	Services	Services	No Services	No Services	No Services	No Services	No Services	No Services	Services
Korangi	No Services	No Services	Services	No Services	Services	Services	Services	No Services	Services	Services	No Services	No Services	No Services	No Services	Services
Malir	No Services	No Services	Services	No Services	Services	Services	Services	No Services	Services	Services	No Services	No Services	No Services	No Services	Services
South	No Services	No Services	Services	No Services	Services	Services	Services	No Services	Services	Services	No Services	No Services	No Services	Services	Services
West	No Services	No Services	Services	No Services	Services	Services	Services	No Services	Services	Services	No Services	No Services	No Services	No Services	Services

No Services **Services**

Table 25 – Functions of Municipalities

5.2 Municipal Service Delivery Assessment

While reviewing the proformas filled by MC representatives and upon analyses after incorporating the data following Consultative Workshops, it is suggested that there are gaps in the quality and quantity of services being provided to the citizen of province of Sindh. Particularly, in its capacity as the primary level (sphere of government) that functions the closest to communities as municipalities; local bodies, town committees, municipal committees/corporations the development and provision of services to communities, the current state of service delivery is not up to the mark.

For instance, services in floods, urban traffic jams, accumulated waste at roadsides, and people queuing up to get water from water delivery tankers across cities are some of the urgent needs to be addressed and the challenges of delivering urban services in district headquarters of Sindh.

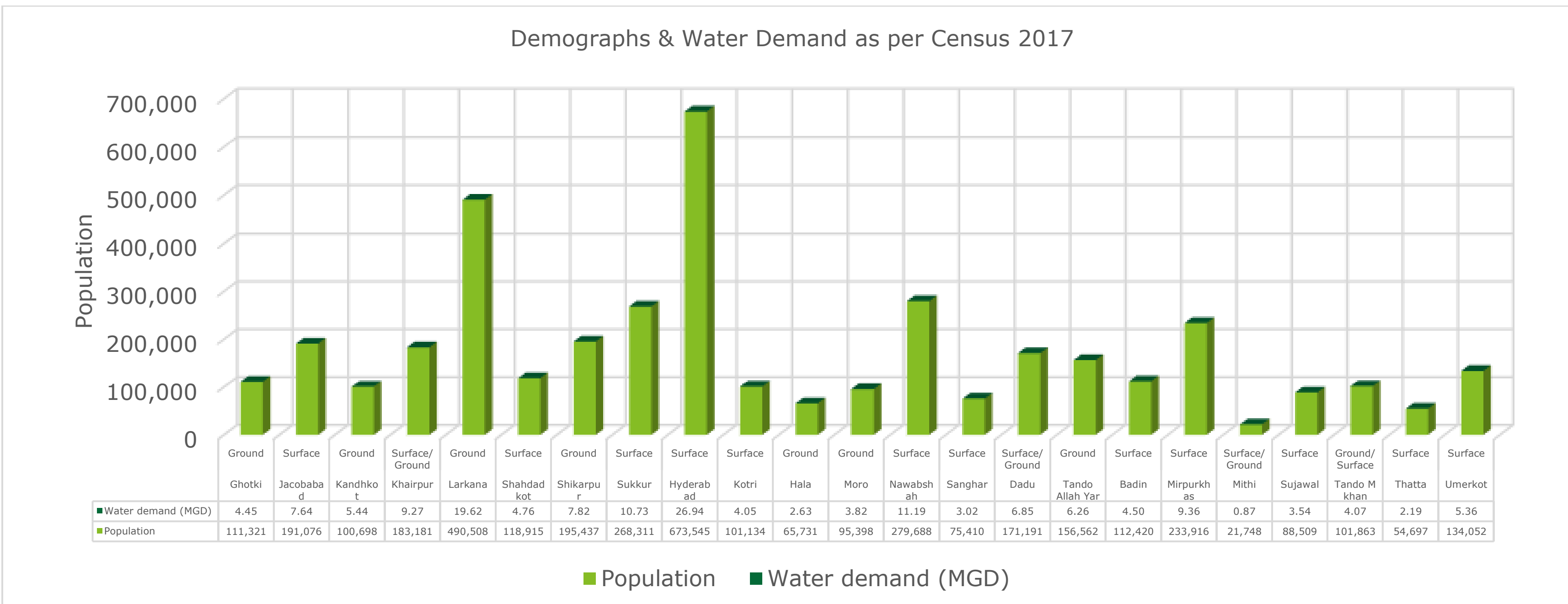
While collecting the available evidence to document the condition of municipal service delivery in district headquarters of Sindh, the biggest challenge is the discontinuity and inconsistency of data from fragmented sources of information. The following report is to provide an overview of the state of municipal services in water supply, sewerage/drainage, solid waste management, roads, streets, streets lights and market repair and maintenance services, parks and recreation services and firefighting services. The overview represents a clear picture of deficiency and negligence, however, there are some examples of significant achievements in generating a turnaround in the delivery of specific services in some cities.

5.2.1 Water Supply Services

Indus River is the principal source of water for province of Sindh, the agriculture sector of Sindh also depends on Indus river and its canals. In addition to the Indus river, the water requirements of cities like Ghotki Khandkot, Larkana, Shikarpur, Moro, Hala, Tando Allahyar and some parts of Dadu, Mithi and Tando Muhammad Khan are met from sources such as individual Donkey pumps/hand pumps i.e. ground water sources.

Overall, the facilities suffered from inadequate maintenance over the years due to variety of reasons such as silted-up raw water storage ponds, a dilapidated pump house and unserviceable pumping equipment. These are the manifestations of operational practices that will need to be changed if the future improvements advocated are to be of any benefit.

The state of water demand and dependency in urban areas are compared below (the current demand of water is calculated on the basis of National Reference Manual Page # 212 Section Water Supply, where the daily water demand per person is taken as 40 gallons per day. Comparison of water demand, water supply, demand-supply gap, availability of water treatment plants (whether functional or nonfunctional) and intake water has been identified in the table 24.



	Ghotki	Jacobabad	Kandhkot	Khairpur	Larkana	Shahdadkot	Shikarpur	Sukkur	Hyderabad	Kotri	Hala	Moro	Nawabshah	Sanghar	Dadu	Tando Allah Yar	Badin	Mirpurkhas	Mithi	Sujawal	Tando M khan	Thatta	Umerkot
	Ground	Surface	Ground	Surface/ Ground	Ground	Surface	Ground	Surface	Surface	Surface	Ground	Ground	Surface	Surface	Surface/ Ground	Ground	Surface	Surface	Surface/ Ground	Surface	Ground/ Surface	Surface	Surface
Water demand (MGD)	4.45	7.64	5.44	9.27	19.62	4.76	7.82	10.73	26.94	4.05	2.63	3.82	11.19	3.02	6.85	6.26	4.50	9.36	0.87	3.54	4.07	2.19	5.36
Population	111,321	191,076	100,698	183,181	490,508	118,915	195,437	268,311	673,545	101,134	65,731	95,398	279,688	75,410	171,191	156,562	112,420	233,916	21,748	88,509	101,863	54,697	134,052

Figure 12 – Water Demand and Dependency of Municipalities

The state of water supply demand & supply gap of individual MC is compared below:

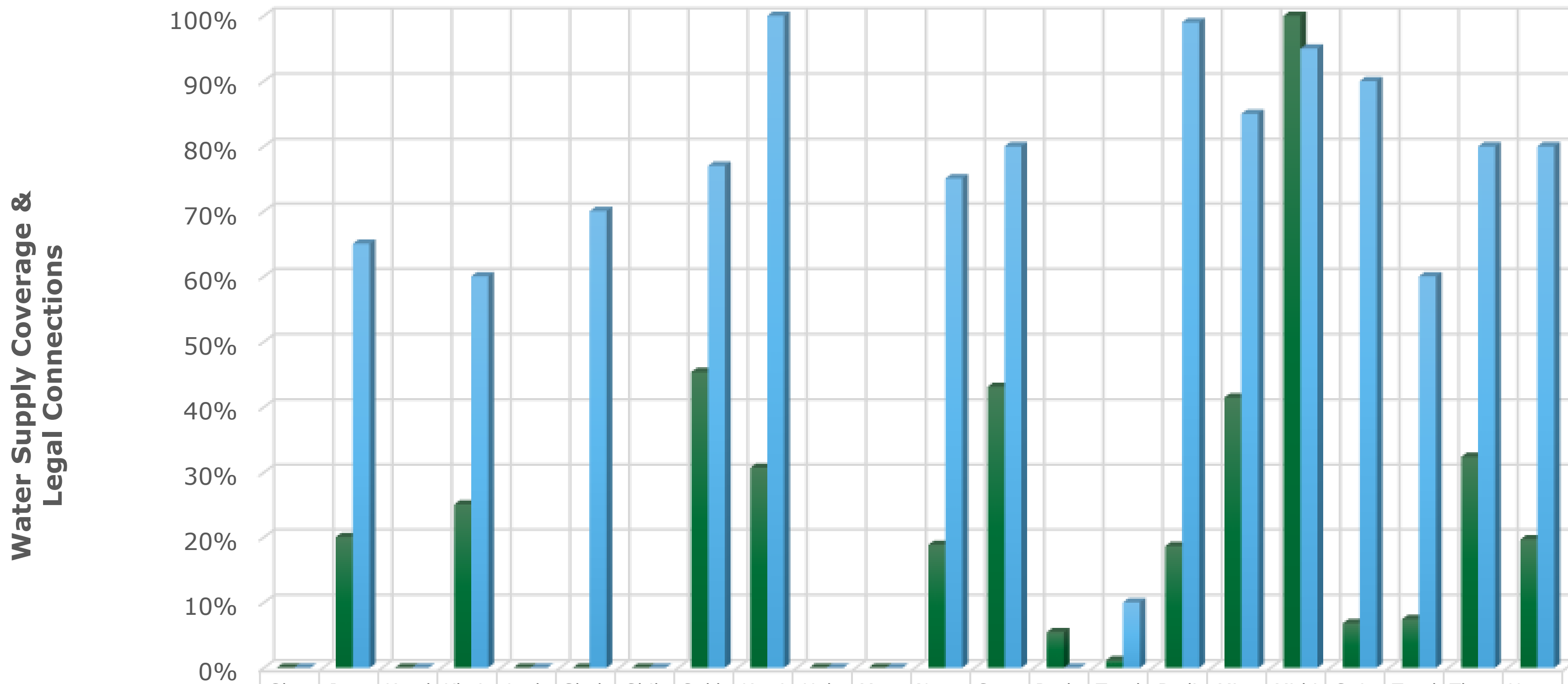
Municipality	Water supply source / intake	No of water supply schemes	Water Supplied (MGD)	Water demand (MGD) @ 40 G/C/D	Demand and supply GAP (MGD)	Water Treatment
Ghotki	Ground	0	0	4.45	-4.45	N/A
Jacobabad	Khirther canal	1	4	7.64	-3.64	Settled water
Kandhkot	Ground	0	0	4.03	-4.03	N/A
Khairpur	Mir Wah and Rohri Canal, Khakishah	3	6.3	7.33	-1.03	Settled water
Larkana	Ground	0	0	19.62	-19.62	N/A
Shahdadkot	Tanwari minor	3	2.5	4.76	-2.26	R.O Plant/settled water
Shikarpur	Ground	0	0	7.82	-7.82	N/A
Sukkur	River Indus	3	6	10.73	-4.73	Settled water
Kotri	River Indus	12	2.5	4.05	-1.55	Settled water
Hala	Ground	0	0	2.63	-2.63	N/A
Moro	Ground	0	0	3.82	-3.82	N/A
Nawabshah	Rohri and Gajra canal	2	9	11.19	-2.19	Settled water
Sanghar	Tori Minor canal	2	1.3	3.02	-1.72	Settled water
Dadu	Ground	4	3.6	6.85	-3.25	Settled water
Tando Allah Yar	Ground	3	0.44	6.26	-5.82	Ground water supplied
Badin	Kazia Vah	2	2.6	4.50	-1.90	Settled water
Mirpurkhas	West and East Jamrao, Mirpur Minor and Jarwari canals	4	8	9.36	-1.36	Settled water
Mithi	Mithrao irrigation canal /Ground	9	1.2	0.87	0.33	Settled water / RO plants
Sujawal	Daro Vah canal	2	1.8	3.54	-1.74	Settled water
Tando M khan	Phuleli Canal	3	1.31	4.07	-2.76	Settled water
Thatta	K.B. Feeder	2	2	2.19	-0.19	Settled water
Umerkot	Tharwar Canal	4	2.8	5.36	-2.56	functional treatment plant

Table 26 Water Supply & Demand Gap

The analysis performed in the above table is on the basis of services proforma filled by the respective municipalities. Overall, there is no means for measuring the capacity of the system or the volume of water that is being supplied to the distribution system. In general, the waterworks infrastructure has suffered from poor maintenance over the years due to a number of reasons which has resulted in silting up of raw water storage ponds, dilapidation of pump houses and unserviceable pumping equipment. The treatment capacity has reduced nearly to zero except in few towns where treatment plants are installed but are not functioning properly. These current operational practices need to be changed if the future improvements advocated are to be of any benefit.

To provide access to clean water to the citizens, proper treatment (sedimentation. filtration and disinfection) is required. As the water retrieved/drawn from Indus River is generally turbid and biologically contaminated, low pressure in the system encourages those consumers who can afford the cost to install booster pumps, thereby increasing energy consumption. Others make provision for storage of water by investing in storage tanks, which is difficult for low income households as it requires money and space. The poor quality of water implies large amounts to be spent, subsequently, by consumers on treatment of water-borne diseases causing increased financial burden. As per the data provided by municipal committee's/corporation's the water is neither treated nor disinfected properly before supplying to the populace. Some treatment through sedimentation is carried out to the raw water while it is stored or is in transition to the storage ponds.

Coverage of the water supply service is reported to be low in majority of towns and there are no means available for measuring the delivery capacity of the water distribution system or in other words the volume of water that leaves the waterworks facilities remains unknown. The existing water distribution system does not have enough capacity to meet current needs. Further, the supply is intermittent due to low pressure, and poor quality are some of the most prominent features of water supply in the district headquarters of Sindh. It is further provided that unbilled water consumption, and illegal distribution contribute to commercial losses. These factors leads to high levels of non-revenue water with no monitoring system and no incentive to reduce inefficiencies. The urban water situation in district headquarters in Sindh such as the poor service delivery, bad maintenance of physical systems, weak recovery system of costs, and lack in generation of revenues in complexed by rapid increase in urban population and continuing expansion of city limits, rapidly increases the challenge of delivering water to the end-users. As per the services proforma filled by respective municipalities, the state of water supply coverage and legal water connections in individual MC is compared below:



	Ghotki	Jacobabad	Kandhkot	Khairpur	Larkana	Shahdadkot	Shikarpur	Sukkur	Kotri	Hala	Moro	Nawabshah	Sanghar	Dadu	Tando Allah Yar	Badin	Mirpurkhas	Mithi	Sujawal	Tando M khan	Thatta	Umerkot
Legal water connections %	0%	20%	0%	25%	0%	0%	0%	45%	31%	0%	0%	19%	43%	5%	1%	19%	41%	100%	7%	7%	32%	20%
Water Coverage	0%	65%	0%	60%	0%	70%	0%	77%	100%	0%	0%	75%	80%	0%	10%	99%	85%	95%	90%	60%	80%	80%

Figure 13 – Water Supply Coverage and legal connections coverage

The graph below represents the average percentage of all municipalities regarding water coverage and legal water connections.

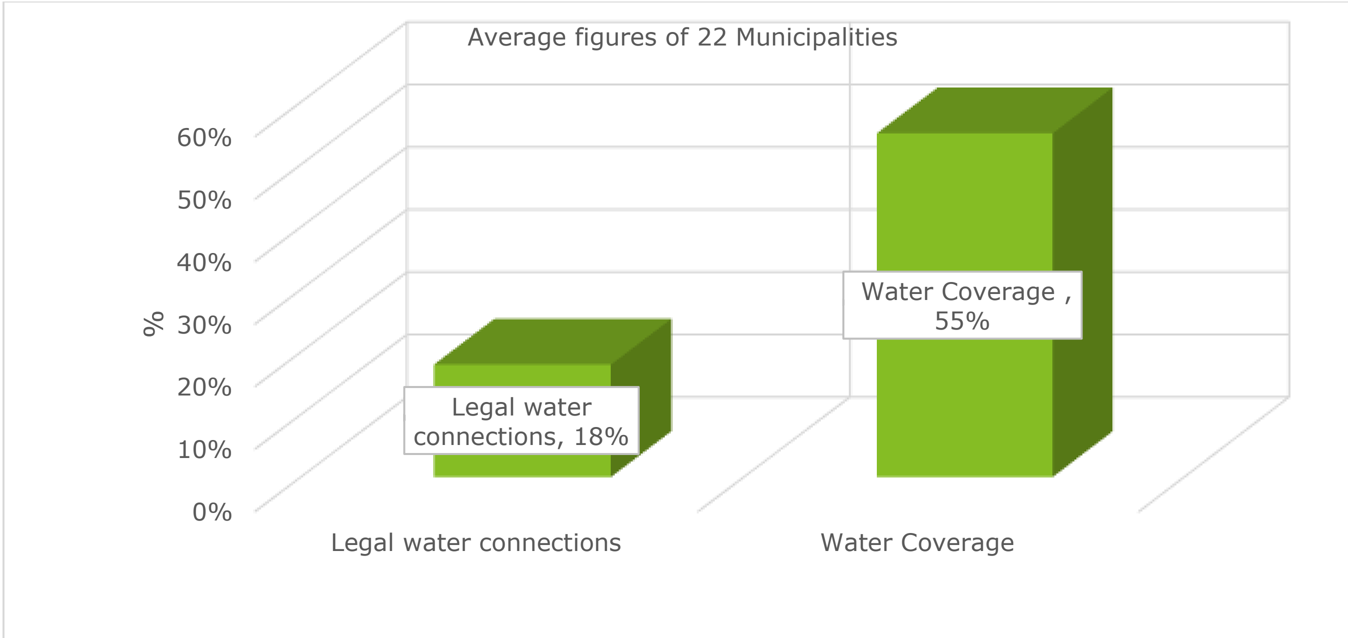


Figure 14 – Average Water Coverage and Legal Connections for 22 Municipalities

5.2.2 Sewerage / Drainage Services

The existing sewerage/drainage system in district headquarters of Sindh primarily constitutes of open drains and partially closed conduit sewers. Sewage is being disposed off without proper treatment to agricultural lands and natural drains.

There are open drains classed as follows; A, B & C (sized 9", 15" & 18", respectively) and nallah (categorized as open drain exceeding 18" wide open channel) for the collection and conveyance of sewage in the urban areas. Due to partially open sewerage and drainage system, the whole collection system also intakes debris and solid waste along with sewage/wastewater. Such open drains are an environmental problem in district headquarters, as there are no septic/sedimentation tank arrangements which could allow sedimentation of solids specifically human excreta tends to flow freely in the open channels along the streets and roadsides causing health and environmental issues. Frequent infiltration and overflows from open drains are cause of failure of infrastructure works thereby causing contamination of water and deterioration of road pavement structures. The state of wastewater generation and collection efficiency of individual MC is compared below. Generation of wastewater is estimated at approximately 80% of the daily water supply[16], however the total wastewater generation estimation will only be authentic after flow metering is installed at all disposal stations, however the total wastewater generation estimation will only be authentic after flow metering is installed at all disposal stations. A separate assessment may be carried out in future studies to ascertain the current wastewater discharges from individual district headquarter of Sindh.

[16] Wastewater Master Plan Tando Allahyaar where it was estimated 80% of water supplied in year 2013.

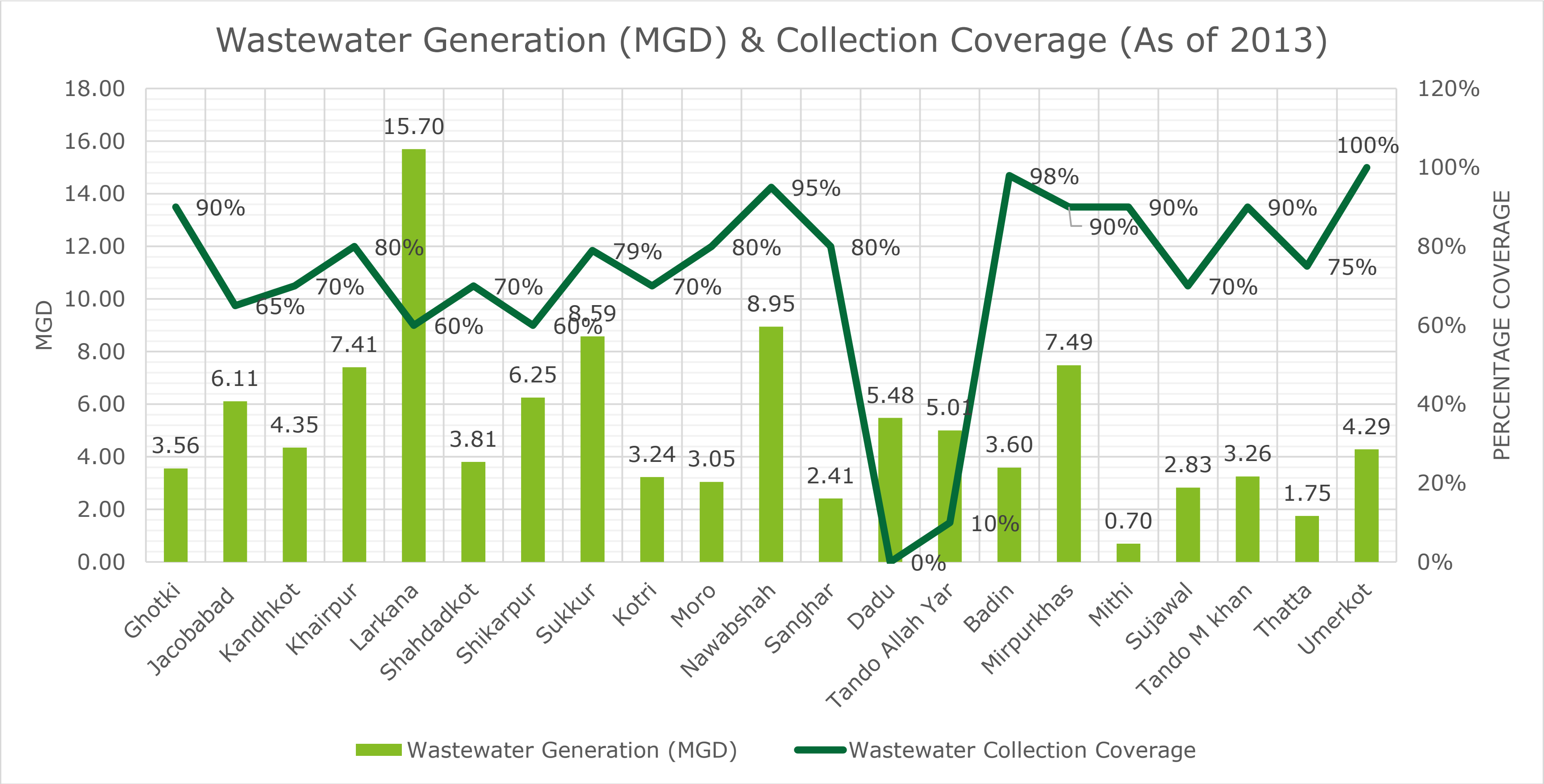


Figure 15 – Waster water generation and collection coverage

Serviceability condition of the existing conveyance system is not good and is mostly deteriorating. The conveyance network is under stress because of solid waste being ingressed into the system by the collection network. The non-functional oxidation ponds are available in most towns and are improperly designed and built, and not fully utilized.

The disposal system of the towns is based on disposal stations and these disposal stations are working on need basis instead of being developed proactively. It is observed that most disposal stations (pumps) are installed on negative head and there are no proper screening arrangements at the inlet of stations. The analysis performed in the table below is on the basis of services proforma filled by the respective municipalities. The table below represents information regarding availability of wastewater treatment facility (whether functional or nonfunctional), number of disposal stations, etc.

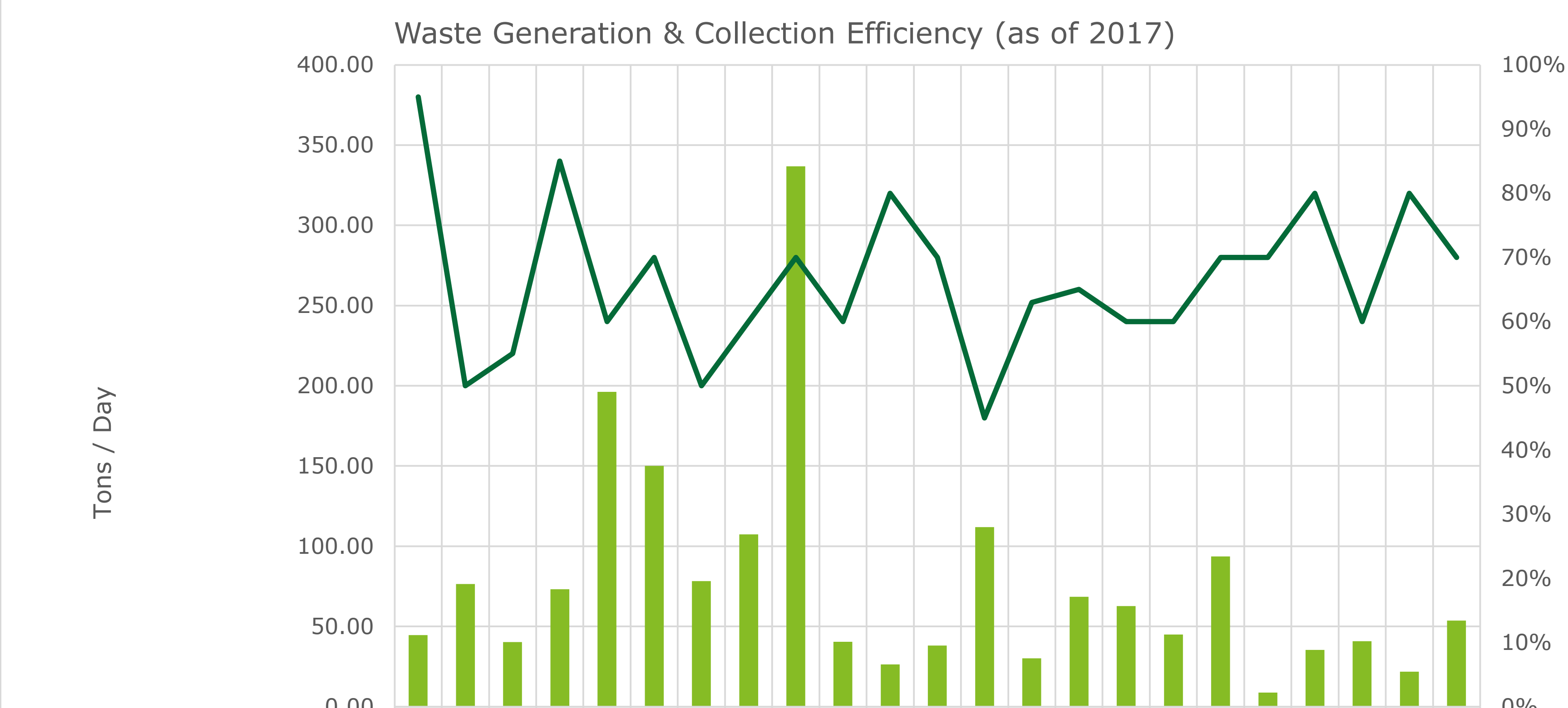
S.No	Municipality	No of disposal station	Treatment	Final disposal
1	**Ghotki**	7	Nonfunctional ponds	Bagho-Wah
2	**Jacobabad**	6	Nonfunctional ponds	River Indus
3	**Kandhkot**	3	None	Gudo Canal
4	**Khairpur**	18	None	Scarp drain
5	**Larkana**	18	Nonfunctional ponds	Rice /dadu canal
6	**Shahdadkot**	6	None	Scarp drain
7	**Shikarpur**	19	None	Scarp drain
8	**Sukkur**	27	Nonfunctional ponds	River Indus
10	**Kotri**	3	Nonfunctional ponds	River Indus
11	**Moro**	3	Nonfunctional ponds	Dollatpur minor
12	**Nawabshah**	13	Nonfunctional ponds	Scarp drain
13	**Sanghar**	6	None	Scarp drain
14	**Dadu**	10	Nonfunctional ponds	Not shared
15	**Tando Allah Yar**	10	Nonfunctional ponds	River Indus
16	**Badin**	4	None	LBOD
17	**Mirpurkhas**	14	Nonfunctional ponds	Dhoro puran
18	**Mithi**	3	Nonfunctional ponds	Desert
19	**Sujawal**	3	Nonfunctional ponds	Scarp drain
20	**Tando M khan**	3	None	Scarp drain
21	**Thatta**	9	Nonfunctional ponds	Scarp drain
22	**Umerkot**	3	Nonfunctional ponds	Scarp drain

Table 27 Water Supply & Demand Gap

5.2.3 Solid Waste Management Services

The solid waste management is one of primary services of the municipal services which has an immediate and significant impact on the outlook of a zone managed by the municipality. It is perhaps the most neglected service of municipal services in the towns of Sindh which would have otherwise made a significant difference in uplifting the aesthetic value and hygienic conditions of the province. As mentioned in section 3.7 the Government of Sindh has recently established Sindh Solid Waste Management Board (SSWMB) under Sindh Solid Waste Management Board Act 2014 with an objective to institutionalize and functionalize the sector on modern developing grounds. The SSWMB has initiated the process of formulating policies to support sustainable waste management practices in the province.

There is general lack of public awareness in the communities on solid waste management and its impact on public health, hygiene and environment. In majority of Municipal committee's/corporation the door to door waste collection is not in practice. The individual households or hired sanitary workers brings solid waste to the nearest secondary collection point where street sweeping of roads and commercial areas is carried out which is done manually by sanitary workers or sweepers, usually, with a short hand broom. Usually in towns street sweeping is carried out between 7:00 A.M to 10:00 A.M and 3:00 P.M to 6:00 P.M whereas sweeping of roads and commercial areas are carried out daily between 06:30 A.M to 11:00 A.M and 02:30 P.M to 05:00 P.M manually by sanitary workers, using hand carts (single wheeler – wheel barrow and two-wheeler). Handcarts are used to carry solid waste to the nearest secondary collection. However, street sweeping is not carried out regularly on streets of all towns. The state of solid waste generation and collection/lifting efficiency of individual MC is compared below:



	Ghotki	Jacobabad	Kandhkot	Khairpur	Larkana	Shahdadkot	Shikarpur	Sukkur	Hyderabad	Kotri	Hala	Moro	Nawabshah	Sanghar	Dadu	Tando Allah Yar	Badin	Mirpurkhas	Mithi	Sujawal	Tando M khan	Thatta	Umerkot
Solid waste Generation (Tons/Day)	44.53	76.43	40.28	73.27	196.2	150.0	78.17	107.3	336.7	40.45	26.29	38.16	111.8	30.16	68.48	62.62	44.97	93.57	8.70	35.40	40.75	21.88	53.62
Lifting Capicity %	95%	50%	55%	85%	60%	70%	50%	60%	70%	60%	80%	70%	45%	63%	65%	60%	60%	70%	70%	80%	60%	80%	70%

Figure 16 – Solid waste generation and collection efficiency

The existing solid waste generation and collection/lifting efficiency of is reported to be low and some of the solid waste remains un-collected which is scattered throughout the cities. The uncollected solid waste is dumped on the roadside, vacant plots, storm water drains and open drains. Much of the uncollected waste poses serious risk to public health through breeding grounds for vermin, clogging of drains, formation of stagnant ponds, which provide spawning places for mosquitoes and flies with consequent risks of Malaria and Cholera and other disease vectors. Various points outside the towns named as khads, are the depression areas where garbage is being disposed-off.

The Hazardous and hospital waste is being disposed-off by either washing it off into municipal drainage system or by burning it inside the hospital. The dangerous and infectious waste of hospitals (government and private) that is required to be segregated, treated and properly dispose of, is being thrown openly in the hospital premises. Burning of waste especially non-degradable components like plastic bags is a very common practice, which adds to air pollution causing respiratory diseases amongst the communities.

Scavenging activity is common in all the towns, the scavengers purchase pet bottles, newspaper, metal and other recyclable material directly from households and sell it to ragman. The ragman sort out recyclable waste at their premises and sell to recyclable industry in Hyderabad or Lahore.

Although, scavengers play an important role in solid waste management of individual towns as they separate recyclable materials at various stages, they do add to the problem significantly as they further spread the waste in their quest of finding recyclable material from designated secondary collection points as well as disposal sites.

The disposal practices at the open dumping sites are highly unsatisfactory. The poor management of solid waste has led to contamination of groundwater and surface water through leachate and pollution of air through unregulated burning of waste. Unscientific practices in processing and disposal compound the environmental hazards posed by solid waste.

5.2.4 Roads/Streets and Street Lights Services

According to Schedule-II of SLGA 2013, operation and maintenance of the streets and collector road network is primarily the responsibility of the concerned municipal committee/corporations, however, national highways, and provincial highways come under the National and Provincial Highways Authority/Department, respectively. There is an overall observation that services and regular maintenance is not being carried out properly. There is no mechanism for regular inspection, monitoring the network, pavement and allied infrastructure/road or street fixtures for evaluation and maintenance requirements. Patch work is limited to areas of influential people instead of providing it on traffic demand and usage of pavement/deterioration which may be caused due to faulty roads/street drainage and impounding of pavement. Encroachment on roads and streets (permanent/moveable) is yet another issue, which is common in all urban centers of the province.

It is further observed that in all district headquarters of Sindh, municipal roads are increasingly faced with the twin challenges of providing adequate road space for future use and improving the poor condition of existing roads due to the neglect of maintenance over the years. Current road designs do not adequately provide for facilities such as footpaths and cycle tracks. The available road space is getting encroached by commercial establishments, street vendors, and on-street parking due to poor enforcement of the existing regulations. The variety of vehicles on the roads moving at different speeds without any demarcated lanes also adds to the challenges of urban transport.

It is common observation that frequent spillages and overflows from open drains are the cause of failure of road infrastructure and allied works such as breakage of roads, and contamination of water supplies. In addition, lack of planning and uncontrolled growth of the city, heavy traffic, mixed modes of transportation, narrow and encroached right-of-way (ROW) are the main factors to be considered for traffic jams and accidents. Road users experience a number of traffic problems such as wrong parking, encroachments, delays, poor traffic management at intersections and the unsatisfactory geometric design of roads. Operational capacity of roads is reduced due to poor quality of pavement surface, inadequate pedestrian walkways, inadequate lighting and lack of designing intersections.

In addition to the roads and streets, street lighting is an important part of a municipality’s night time landscape—lighting can be used to enhance public safety and security while improving the aesthetic appeal of the surrounding properties. However, street lighting represents a large electrical load and can be one of the highest costs for individual municipality, as per the services proforma filled by respective municipalities, the state of 3-lane, 2-lane, 1-lane roads and respective street lights coverage of individual MC’s compared below:

Municipality	3 lane Road length	Street lights Coverage (%)	2 lane Road/length	Street lights Coverage (%)	1 lane Road / streets length	Street lights Coverage (%)
Ghotki	Not shared	Not shared	Not shared	Not shared	Not shared	95%
Jacobabad	None	Not shared	Not shared	Not shared	Not shared	Not shared

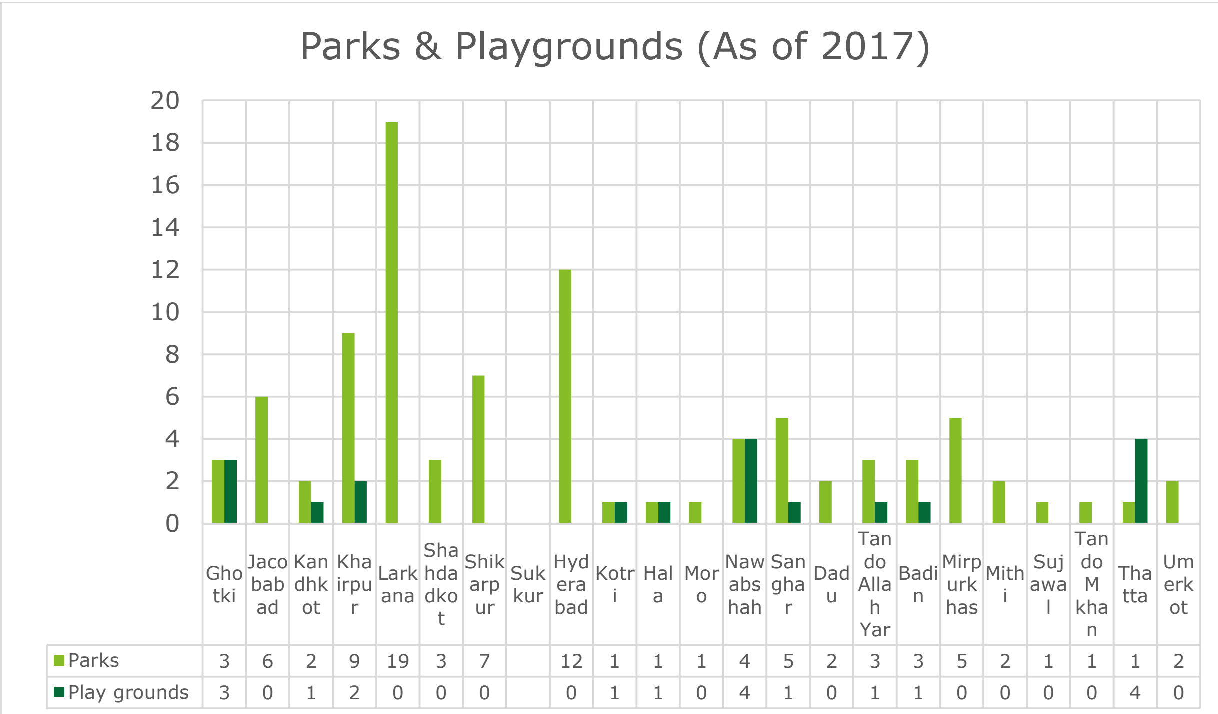
Municipality	3 lane Road length	Street lights Coverage (%)	2 lane Road/length	Street lights Coverage (%)	1 lane Road / streets length	Street lights Coverage (%)
Kandhkot	None	Not shared	Not shared	Not shared	Not shared	259 poles
Khairpur	None	Not shared	11 km	Not shared	30 km	Not shared
Larkana	None	Not shared	Not shared	Not shared	Not shared	Not shared
Shahdadkot	None	Not shared	Not shared	Not shared	Not shared	259 poles
Shikarpur	None	50%	1 km	Not shared	7 km'	50%
Sukkur	None	None	15 km	60%	25 km	60%
Hyderabad	None	None	6 roads	50%	30 roads	20%
Kotri	None	None	None	None	20 km	60%
Hala	None	None	6.4 km	25%	11.2 km	20%
Moro	None	None	2 km	0%	Not shared	Not shared
Nawab shah	Not shared	50%	Not shared	Not shared	Not shared	Not shared
Sanghar	None	None	1.5 km	70%	8 km	70%
Dadu	Not shared	Not shared	Not shared	Not shared	5 km	70%
TandoAllahyar	None	None	4 km	0%	5 km	0%
Badin	None	None	10 km	70%	100 km	70%
Mirpur has	4.9 km	80%	4.9 km	80%	15 km	80%
Mithi	None	None	5 km	80%	5 km	80%
Sujawal	None	None	2 km	0%	1 km	70%
Tando M khan	Not shared	Not shared	Not shared	Not shared	Not shared	Not shared
Thatta	None	None	10 km	30%	8 km	30%
Umerkot	None	None	5 km	80%	15 km	80%
Central	388690 Rft	50%	269908 Rft	45%	1320559 Rft	50%
East	Not shared	Not shared	Not shared	Not shared	Not shared	Not shared
KMC	Not shared	Not shared	Not shared	Not shared	Not shared	Not shared
Korangi	Not shared	Not shared	Not shared	Not shared	Not shared	Not shared
Malir	None	None	33 km	20%	165 km	55%
South	29,800 Rft	90%	2,59, 720 Rft	80%	34,300 Rft	85%
West	Not shared	Not shared	Not shared	Not shared	Not shared	Not shared

Table 28 – Summary of Municipal Infrastructure of Municipalities

From the above table only a few municipalities possess 03-lane roads. The data for the street light coverage is not fully available and the available data shows an insufficient provision of street light coverage on these roads. Most of the municipalities are provided with 02-lane and 01-lane roads, although there are occasions when data is not shared. There is no 100% street light coverage for a particular road type (03/02/01-lane), in any of the municipalities. Several municipalities have sufficient street light coverage for their roads (01 & 02 lane only).

5.2.5 Parks and Recreation Services

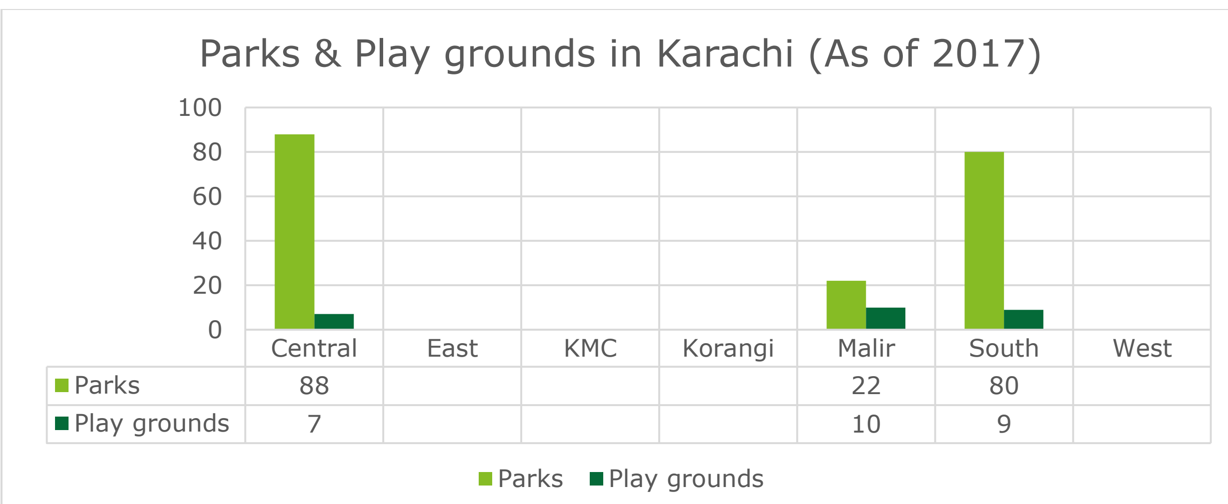
Parks are important services offered by municipality . There are quite few categories of parks in which these have been classified such as; parks, playgrounds, greenbelts, roundabouts, monuments, fountains, roadside plantation and nurseries. In district headquarters of Sindh, parks, open spaces and leisure precincts are not sufficient even following the land use standards have been provided by the government through National Reference Manual (Community, Facilities, Institutional and Amenity Uses) page 137. The state of parks and playgrounds of individual municipal Committee/corporation (Excluding DMCs)is compared below:



	Ghotki	Jacobabad	Kandhkot	Khairpur	Larkana	Shahdadkot	Shikarpur	Sukkur	Hyderabad	Kotri	Hala	Moro	Nawabshah	Sanghar	Dadu	Tando Allah Yar	Badin	Mirpurkhas	Mithi	Sujawal	Tando M khan	Thatta	Umerkot
Parks	3	6	2	9	19	3	7		12	1	1	1	4	5	2	3	3	5	2	1	1	1	2
Play grounds	3	0	1	2	0	0	0		0	1	1	0	4	1	0	1	1	0	0	0	0	4	0

Figure 17 – Number of parks and playgrounds

Data analysis shows that most of the municipalities are providing recreational activities for general public, however they are not in line with their population density. Recreational facilities are mostly parks and play grounds, but these are not offering sufficient essential services e.g. food facilities, drinking water, plantation and maintenance etc. Following illustrates the state of parks and play grounds in Karachi:



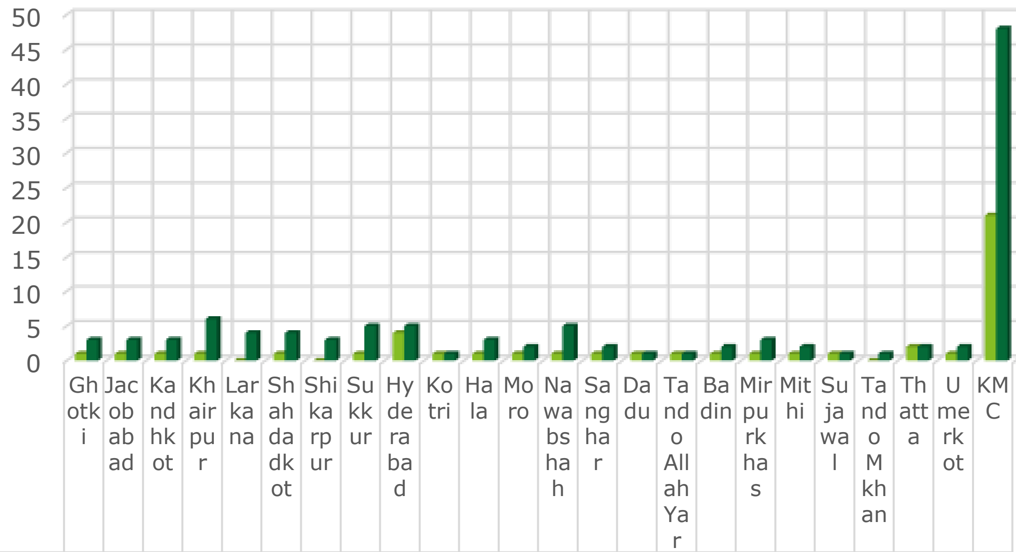
	Central	East	KMC	Korangi	Malir	South	West
Parks	88				22	80	
Play grounds	7				10	9	

Figure 18 – Number of parks and playgrounds in Karachi

The municipal Corporation are mandated to develop and maintain parks and sports grounds etc. for public recreation. The DMCs and KMC showing as blank figures in the chart have not shared the data related to parks and play grounds, since these services do not generate any revenue but are solely supported through the municipal funds therefore, these facilities are not in good condition. In general, urban open spaces are valued for the health, social, economic, and environmental benefits. Outdoor physical activity is important for the well-being of youth, while playfulness is crucial for creativity and innovation.

5.2.6 Firefighting Services

In order to maintain the standards of firefighting, according to the national standards, there must be a fire station for population reaching 100,000 mark, with an area of 2,025 square meters[17]. An abridge status of firefighting facilities in the municipalities as per the services proforma filled by respective municipalities is presented below:



	Ghotki	Jacobabad	Kandhkot	Khairpur	Larkana	Shahdadkot	Shikarpur	Sukkur	Hyderabad	Kotri	Hala	Moro	Nawabshah	Sanghar	Dadu	Tando Allah Yar	Badin	Mirpurkhas	Mithi	Sujawal	Tando M khan	Thatta	Umerkot	KMC
Fire station	1	1	1	1	0	1	0	1	4	1	1	1	1	1	1	1	1	1	1	1	0	2	1	21
Fire tenders	3	3	3	6	4	4	3	5	5	1	3	2	5	2	1	1	2	3	2	1	1	2	2	48

Figure 19 – Number of Fire Stations and Fire tenders

There is no fire station in three (03) of the municipalities. Most of the municipalities are holding just one (01) fire station which are less than the required number as per population. Although fire tenders are available in these fire stations but most of them require major maintenance. The data for human resources available at these fire stations is not shared by almost half of the municipalities.

In addition, considering the pace of urbanization, density of households, the risk of urban fire is higher in the city, particularly in the congested part of the city. The CNG and petrol filling stations located in congested areas are the potential source for any unfortunate incident. Similarly, the sale of petroleum products in bottles and cans at small shops located within residential areas is also common practice. These practices combined with mass culture of smoking cigarettes and electricity short-circuiting poses a major fire risk.

5.2.7 Markets and Shops Maintenance services

The municipalities also establish markets and provide services with limited resources which are also a substantial source of revenue for the municipalities, which includes shops, hotels, flats etc. In addition, individual MC provide repair and maintenance services to these markets in order to make them serviceable to the minimum possible extent. The individual municipalities need to allocate budget and require technical manpower to maintain markets properly as these markets are source of revenue for MCs. There are many other potential businesses / commercial events / festivals which should be introduced in the city in order to improve MC's source of revenue.

5.2.8 Other Services

SLGA 2013 provides for certain essential functions to be performed by the municipalities and some of the functions have been discussed above as these functions are the major source of revenues and expenditures of municipalities. However, a municipality has to perform various other voluntary functions and provide services for the benefit of the citizens such as abattoirs maintenance, marriages

[17] National Reference Manual Page # 142 Chapter 6

record, education, health, etc. For the operation of above discussed services the municipalities shall have to allocate budgets. In addition for management of municipal land and spaces, municipalities may require a full-fledged institutional arrangement for the betterment of municipal infrastructure and services.

5.3 Role of other departments in the provision of services

Public Health Engineering & Rural Development Department (PHED) along with Local government department are the lead government provincial department for the development of drinking water supply and sanitation sector. NSUSC, a private utility company, previously, had provided service delivery in eight cities of central Sindh from 2009-2017.

In large MCs, independent water utilities, such as KWSB and WASA Hyderabad, are delegated with different levels of administrative, financial and operational autonomy. In small and medium size town/ cities MC/ town committees are responsible for drinking water services. The rural areas are catered under PHED. Beside this an autonomous body has also been established as Sindh Solid Waste Management Board.

According to Annual Budget Statement of 2017-18, GoS has allocated 28,759 million to various departments, including Local Government, PHED and others, for only development of schemes for Water and Sanitation. The financial planning and budgeting for water and sanitation is mainly driven by Local Govt. and PHED of Sindh province.

5.3.1 Role of Planning and Development Department

The enactment of the 18th Constitutional Amendment in April 2010 resulted in a shift of legislative and administrative authority from federation to provinces. In 2011, the policy and administrative functions of water and sanitation also shifted to the provinces though these were already part of the provincial government under 1973 Constitution. The Planning & Development Department (P&DD) has the main role of financing and approving development projects of water and sanitation.

5.3.2 Role of Public Health Engineering & Rural Development Department

Sindh Rules of Business, 1986, delegate the responsibility of water supply, drainage and sanitation to PHED. However in 2017, GoS has made amendments in Sindh Rules of Business, 1986, vide notification of SGA&CD that the responsibility of PHED is execution of urban and rural water supply and sanitation scheme (except for Karachi and Hyderabad) and after completion, PHED shall hand over the scheme to respective MCs/ local council of operation and maintenance. On the other hand, SLGA 2013 envisages the responsibilities of provision, access, operation, maintenance of drinking water and improved sanitation services to respective councils within their jurisdiction at district, sub district/ town and union Council level.

The Government of Sindh has also approved Provincial Drinking Water and Sanitation Policies in 2017 through a notification issued by PHED Department under the direction of Chief Minister of Sindh. Though, both approved policies seek an integrated approach for safely managed drinking water and sanitation through collaborative arrangements among different service providers, there is lack of clarity and ownership across the board. These two policies are aligned with the SDGs’ approach, and Sindh Sanitation policy has also forecasted some targets for eradication of open defecation, access to basic sanitation, wastewater treatment, solid waste management and hygiene. However, the specific targets of SDG 6.1 and 6.2 with consideration of existing and future financial investment had not been articulated in these policies.

5.3.3 Role of Sindh Environmental Protection Agency (SEPA)

Sindh Environmental Protection Act, 2014, delegates the responsibility of monitoring, controlling and surveillance of Sindh environmental quality standards (SEQS) on municipal / drinking water, municipal/ industrial effluents to Sindh Environmental Protection Agency. In addition, the Honorable Supreme Court Karachi registry has endorsed the role of SEPA as a regulatory and monitoring authority of environmental issues in constitution petition No. 38 of 2016.

5.3.4 Role of Local Government Department

LGD is one of the key service providers along with its role in policy formulation. However, analysis of the current ADP revealed that major portion of 77% of development budget has been allocated to LGD, which means more funding is being made in the major cities/ urban areas for KW&SB and WASA Hyderabad for rehabilitation and expansions in their infrastructure. The local Councils/ Municipal committees etc. are responsible for operation and maintenance; however, since the Councils have no structural capacity to maintain the same according to the requirement, thus, no real improvement in service delivery to the people is materialized. Hence, there is a crucial need for allocating sufficient capacity building budget for this set-up. The LGD has been implementing Saaf Suthro Sindh Programme in thirteen selected districts in association with local community organizations for which a major chunk of funding and resource is being availed from national and international partners.

5.3.5 Role of KWSB and WASA

KWSB in Karachi and WASA in Hyderabad is responsible for planning, designing and construction of water supply, sewerage & drainage facilities for Rehabilitation and augmentation of the existing system, Operation and maintenance of water supply, sewerage & drainage system. Billing and collection of all rates, fees and charges for the services provided to its consumer. In addition role of WASA is to undertake bulk production, filtration/treatment, transmission and retail distribution purifying of water, collection, pumping, treatment & disposal of sewage & industrial waste, enforcement against defaulters and unauthorized connections etc, short term and long term planning for tapping additional water sources & its implementation to meet water supply and sewerage demand projected. K-IV project completion by KWSB would serve the inhabitants of Karachi to have 260MGD of water.

5.3.6 Role of NSUSC in Northern Sindh

NSUSC, a private utility company, had provided service delivery in eight cities of central Sindh from 2009-2017. Role and responsibilities of NSUSC comprised of; to continually improve or increase the levels of service and cost-effectiveness of water supply, sanitation and solid waste management services in the Service Area mindful of the interests and expectations of Customers. NSUSC shall create Demonstration Areas (DNIs) where targeted infrastructure investments and cost recovery efforts may be combined for more effective/sustainable service provisions. NSUSC shall establish and operate a management information system, satisfactory to the TMA, including but not limited to accounting and financial reporting system, customer database and billing systems, asset register, and system for logging progress of requests for new connections/disconnections and complaints. NSUSC shall collect process and make available information on assets and operational performance and provide periodical reports to the TMA/MCs.

5.3.7 Role of SSWMB in Sindh

After the passing of Sindh Solid Waste Management Board Act in 2014, Sindh Solid Waste Management Board (SSWMB) has been established which has the responsibility to collect and dispose all kinds of solid waste being generated in Sindh. As indicated, TC/MC is officially responsible for the entire solid waste management of the district under the directives of SSWMB. At present SSWMB has directed the municipal committees for identification of land for Garbage Transfer Stations and Landfills so that garbage collection and transfer & transport operations can be handed over to SSWMB for effective management of solid waste. Meanwhile, feasibility studies of medical hazardous waste of Hyderabad, Mirpurkhas and Shaheed Benazirabad are in progress. Once the municipal committees would be able to allocate proper and adequate land for waste disposal on long-term basis then SSWMB will come into action for effective SWM at primary and secondary level in these District Headquarter Towns.

5.4 Investments proposals

The outcome of the consultative workshop in context to the investment priorities communicated by the municipalities based on the needs of services required and on the basis of the demand by the citizens living in the towns are presented in the following table. The highest priority was observed to be water and its distribution, sewerage and drainage is next in the priority scale, whereas solid waste is 3rd on the demand list of the municipalities.

Municipality	1st Priority	2nd Priority	3rd Priority	4th Priority	5th Priority	6th Priority	7th Priority
MC Ghotki							
MC Jacobabad							
MC Kandhkot							
MC Khairpur							
MC Larkana							
MC Shahdadkot							

Water

Sewerage

Municipality	1st Priority	2nd Priority	3rd Priority	4th Priority	5th Priority	6th Priority	7th Priority
MC Shikarpur							
MC Sukkur							
MC Hyderabad							
MC Kotri							
MC Hala							
MC Moro							
MC Nawabshah							
MC Sanghar							
MC Dadu							
MC Tando Allahyar							
MC Badin							
MC Mirpurkhas							
MC Mithi							
TC Sujawal							
MC Tando M khan							
MC Thatta							
MC Umerkot							
DMC Central							
DMC East							
KMC							
DMC Korangi							
DMC Malir							
DMC South							
DMC West							

Solid waste
Parks
Firefighting
Markets
Roads / Streets
Not applicable
Not Shared

Table 29 – Investment priorities of Municipalities

5.5 Way forward

In general, the MC's should carry out various surveys of the city to assess the existing Level of Services (LoS) provided as well as the expectations and needs of the citizens for determining future scope, quality and quantity of services it should provide. This will help the MC's in developing its short, medium and long-term plans/budgets to meet the expectations of citizens as well as to upgrade their LoS in different Municipal Services.

5.5.1 Municipal Infrastructure

- There is need to improve the infrastructure of Water Supply Schemes (Surface Based) by carrying out separate studies for the augmentation of Source of Water, increase in Storage Facilities to minimum 45-60 days, operationalize & upgrade the Water Treatment Plants (WTPs) where available and plan new WTPs where there is no infrastructure.
- Separate studies are required for the Ground Water based MCs, there is an urgent need to bring in Surface Based Water Supply Schemes to MCs (Tando Allah Yar, Tando M Khan, Dadu & Ghotki) as the ground supply is very limited. Ground Water monitoring of Shikarpur and Larkana in terms of quantity and quality is required to plan for future.
- Separate studies are required to prepare strategic plans to convert open drains into sewer system to improve the overall MCs environment.

- The infrastructure for the Wastewater treatment being generated from all MCs studied does non-exist. Where the oxidation ponds land is demarcated, these are are non-functional due to shortage of treatment area or poor selection of site.
- The wastewater treatment and recycling would help MCs to cover its Parks and Play Ground Water requirements.
- There is no proper Solid Waste Disposal Site (Landfill Site) available with any MCs studied, except Karachi Region which has two dumping Sites.
- No Policy or consistency witnessed about the selection of Waste Hauling Equipment. There is need to gradually shift to use proper waste management vehicles for waste collection & transportation. Communal waste bins location shall also be defined in all MCs.
- Site identification and demarcation of land to cater the current and future needs for Water Supply Schemes, Wastewater Treatment Facilities and Solid Waste Management Facilities are required in all MCs on scientific and engineering basis. At least Land shall be demarcated for such important infrastructure which may be built in phases.
- Environmental, Social and Technical Screening must be given due consideration for the identification of land and its demarcation.
- MCs (Shikarpur, Larkana & Tando M Khan) has no Fire Station, the Fire Station at all 23 MCs need up-gradation with the provision of latest technology & equipment. This infrastructure will not only serve the MCs but also to the adjoining Town Committees.
- The Parks and Play Grounds lacks basic facilities, the basic facilities like food outlets, drinking water, seating shelters, plantation and greenery must be ensured at the available facilities. The number of recreation facility is in-sufficient at all MCs as per the National Reference Manual.
- It is studied that in all MCs there is a culture of mobile markets which not only creates traffic jams but also a big challenge for MCs to maintain the market areas. New areas shall be built to accommodate mobile markets with the provision of all Municipal services. In case of MC Mithi there is a need to develop cold storage as the perishable items are imported from outside Mithi on daily basis.
- The offices of the MCs outside Karachi have mostly poor infrastructure, even MC Kotri has no MC office and is accommodated in a school building. Prototype designs and color schemes shall be defined for the DMCs, MCs offices for the identification, recognition and to strengthen the MCs to deliver the services to masses.
- There is need to built intra-city Bus Stations in almost all MCs studied.
- The workshop facility to maintain the vehicle fleet of MCs need to be designed and built in all MCs. Currently adhoc arrangements are done in most of the MCs.
- No any Information Technology Tools like GIS System, SCADA, Communication tools is being in used in any of the MCs. There is need to bring in such system to provide day to day services to the masses.

5.5.2 Water Supply

Pure drinking water should be accessible to all residents as it is the constitutional right. In an aforementioned scenario of water supply, district headquarters of Sindh demands serious efforts to improve the situation.

Water Demand Management focuses effort on optimization of the existing infrastructures with more attention given to non-technical approaches. It is essentially responsible for managing water within the community in a collaborative manner through strategies, programs and activities that aim to bring about a change in attitudes, practices and perceptions and in the way people currently use water through a variety of approaches, some of which are:

a) Increase efficiency in the management of the water supply system
b) Adoption by consumers of efficient water-saving fixtures and appliances:
c) Efficient dissemination of information to influence consumer behavior on water issues
d) Use of alternative water sources
e) Timing of water usage or consumption patterns
f) Adoption of waterless alternatives
g) Regulatory efficiencies

5.5.3 Sewerage / Drainage

a) The infrastructure of drainage / sewerage built for conveyance and pumping of sewage/wastewater being generated in the town, needs revamping. Building treatment plant (primary & secondary) such as oxidation ponds prior to safe disposal of sewage is required.
b) Existing drains, sewers and wet wells (suction well) of pumping stations are filled with sludge and solid waste. Some of the sewers and drains are surcharged because the pumping stations to which they discharge are non-functional or are operated with the level in the wet well above the level of the incoming drain or sewer.
c) Competent engineers should carry out the detailed design of storm water drains and take into account climatic and hydrological data. The size of the drains should be calculated according to the amount of water they would be expected to carry in a storm. In addition, based on the rainfall intensity in the peak rainfall season, the concerned department should work out the runoff amount and design a separate drainage system.
d) Storm water drains are best constructed using a concrete lining. Earth drains are more likely to become clogged and overgrown, and cause problems with storm water flow during minor floods. This can lead to the formation of stagnant pools and result in breeding sites for disease vectors, such as mosquitoes, increasing the risk of malaria, and snails, increasing the risk of schistosomiasis.
e) Installation of Pumping stations at gravity level - if the drainage system fails to convey water by gravity, construction of a pumping station or flood diversion works can be considered to protect the masses.
f) The drains must also be properly maintained and cleaned regularly and extended to receive the maximum flow-rate. It is common to find that new drains become dumps for solid waste or even sewage because of inadequate maintenance. The Municipality should therefore establish how often drains are to be cleaned and who will be responsible for the maintenance. Often, the best solution is for community members themselves to take responsibility.
g) It is further recommended that encroachment needs to be removed and main channels /river require cleanup for smooth storm water flow.

5.5.4 Solid waste management

a) The sustainability of any solid waste management system depends on numerous factors; however, the most important factor is the will of the people to change the existing system and develop something better. People in the Sindh in general, are willing to contribute positively and participate in a solid waste management system.
b) Waste Collection; Collection of the waste should be undertaken at the doorstep level and people from economically backward sections may be employed for the same. These people should be properly trained and equipped. The collected waste materials should be removed using covered trucks and trailers. Care should be taken not to spill the waste during transportation. All the collection workers should be provided with proper handling equipment's and their safety should be ensured by the SSWMB and concerned authorities.
c) Waste segregation; Long-term sustainability of the solid waste management system also depends on the level of segregation of waste. Segregation of waste should be made into three streams i.e. bio-degradable, recyclables and garbage/waste (non-recyclables); this will also help in finding appropriate disposal options. Segregation of waste should be done at the source. Segregated waste can be collected on a weekly basis from households and on a daily basis from business establishments.
d) Emphasis should be placed on the three R's – reduction, reuse, and recycle. This will help in creating less waste and in increased material recovery.
e) Waste Disposal; disposal of the waste should be undertaken in a prescribed scientific manner. Sanitary landfill sites should be designed specifically for the final disposal of wastes. Sanitary landfills minimize the risks to human health and the environment associated with solid wastes. Formal engineering preparations with an examination of geological and hydrological features and related environmental impact analysis should be carried out before a sanitary landfill is built. Staff working in the sanitary landfill should be properly equipped and trained. SSWMB should find and demarcate a proper location for sanitary landfills and take immediate actions to improve the situation.
f) Deposit-refund System: It is further recommended that reduction can be achieved by starting a deposit-refund system, i.e. it should be made compulsory for certain types of waste to be taken care of by the company producing them under extended producer's responsibilities. In

order to ensure that these particular wastes go back to the producers, an extra deposit (20-30% of the price) could be charged when customer purchases these items, and this deposit should be recoverable on return of the items (say cover/foil/plastic bottles etc.). This may reduce the burden of waste to a great extent. Wastes such as chip packages, drinking water bottles, soft drink bottles, etc. should be included in this system.

5.5.5 Recreational activities (Parks & Playgrounds)

a) Municipalities in Sindh needs to adopt policies for development of parks, playgrounds and such other recreational areas on self-sustained basis.

b) According to the National Reference Manual (Community, Facilities, Institutional and Amenity Uses, page 137), 04-05 Hectares space shall be allocated for the development of Community Park per 100,000 masses for recreational purpose. Therefore, master Plan shall be developed to improve such infrastructure to meet minimum standards, consider same reference for metropolitan city Like Karachi according to the National Reference Manual (Table 6.12 under passive recreation standard page 138) for metropolitan city parks specialized facility containing zoo and biological garden shall comprise /covering a minimum 50-70 hectare of area per 2 million population. The table below represents the number of parks and play grounds a particular municipality should have in view of its population as per the standard.

S.No	Municipality	Population	Community park rquired in Hectors (as per standard NRM 1986)	Community park rquired in Acre (as per standard NRM 1986)
1	**Ghotki**	111,321	5.57	13.75
2	**Jacobabad**	191,076	9.55	23.60
3	**Kandhkot**	100,698	5.03	12.44
4	**Khairpur**	183,181	9.16	22.62
5	**Larkana**	490,508	24.53	60.58
6	**Shahdadkot**	118,915	5.95	14.69
7	**Shikarpur**	195,437	9.77	24.14
8	**Sukkur**	268,311	13.42	33.14
9	**Hyderabad**	673,545	33.68	83.18
10	**Kotri**	101,134	5.06	12.49
11	**Hala**	65,731	3.29	8.12
12	**Moro**	95,398	4.77	11.78
13	**Nawabshah**	279,688	13.98	34.54
14	**Sanghar**	75,410	3.77	9.31
15	**Dadu**	171,191	8.56	21.14
16	**Tando Allah Yar**	156,562	7.83	19.34
17	**Badin**	112,420	5.62	13.88
18	**Mirpurkhas**	233,916	11.70	28.89
19	**Mithi**	21,748	1.09	2.69
20	**Sujawal**	88,509	4.43	10.93
21	**Tando M khan**	101,863	5.09	12.58
22	**Thatta**	54,697	2.73	6.76
23	**Umerkot**	134,052	6.70	16.56
24	**Karachi**	16054988	481.65	1189.67

Table 30 – Required Parks and playgrounds as per NRM

c) The environmental laws and standards should be followed to improve environmental conditions, protect and improve biodiversity, promote outdoor activities and active lifestyles, increase social interaction and exchange, and provide healthy urban conditions for good physical and mental well-being. If it is designed well, urban green spaces can be universally accessible, providing benefits for all members of the urban community.

d) Planning and designing of urban green spaces should actively involve the local community and the intended users. This will ensure community engagement and the delivery of interventions that serve the needs of the community. In addition, green space must be considered as a part of the whole urban planning process and the wider green infrastructure network. Urban greening interventions should be embedded in local planning frameworks and masterplans and be reflected in other sector policies (such as housing, transport, health, sustainability, biodiversity and so on).
e) Urban green space interventions are most effective when a dual approach is used, coupling a physical improvement to the urban environment with a social engagement and participation element promoting the use of green spaces and reaching out to different local users.
f) Currently municipalities are not charging any fee for parks. In context of developing Open spaces / Parks, the municipalities may be able to tap a source of revenue in future, provided these parks are developed and maintained as standard service providers.

5.5.6 Roads, Streets and Streets Lights

Following are some general recommendations for the improvement of Internal Roads and Streets and Street lights:

i. A comprehensive InterCity Road Network plan shall be prepared, approved and available with the individual municipality for future development;
ii. Establish the inspection and evaluation standards to clarify road administrators' responsibilities for providing safety for citizens;
iii. Establish a mechanism to facilitate the maintenance cycle considering financial, institutional and technical aspects;
iv. Establish technical assistance system such as dispatching a "road maintenance specialist team"; and
v. Develop a repair plan based on the causes of damage, expected functions and lifecycle costs of the facility, and start repairing work in a systematic manner.

Where urban cities in Sindh experiencing shortage of electricity, providing street and public lighting is one of the least affordable services a municipality can resort to which can consume up to 38% of energy load which also cause greenhouse gas emissions. New energy-efficient technologies (LED lights and solar panels) and design can cut street lighting costs dramatically (up to 60%) and reduce greenhouse gas emissions by the same amount. These savings can reduce the need for extra energy requirement hence help diverting the saved energy to the populations in remote areas.

Recognizing the opportunity to provide more efficient street lighting, particularly in Karachi, one should learn from the example of Indonesia where Asian Development Bank (ADB) initiated a pilot project in collaboration local municipalities. The objective of the Pilot LED Project was to demonstrate reductions in the peak electricity demand in selective municipalities and pilot PLN substations by focusing on demand side management through street lamp retrofits using the relatively new energy-efficient LED technology.

The Pilot LED Project was successful in demonstrating significant savings and in developing new specifications for LED luminaries that focused on luminaries' performance and quality of delivered illumination. The Pilot LED Project resulted in significant energy reductions that were measured and verified for municipalities and the PLN facilities. The post-retrofit meter readings show an average energy savings for both municipalities of 50%, with Batang realizing an average 59% savings and Semarang realizing an average 44% savings. Energy savings at PLN's Cilegon generation station and GarduInduk substations were measured at over 44%.

5.5.7 Firefighting

Inadequacy in firefighting capacity should not be compromised. Firefighting squad must be strengthened in terms of its manning and equipment. Hence, adequate number of fire tenders must be available with appropriate number of staff who must be well trained and competent. Emergency Management Plan should also be prepared.

There is no defined procedure / guidelines to carry out a detailed Environmental Impact and Social Assessment for the site selection for water, wastewater and waste disposal site(s) in municipalities of Sindh. Mandatory and immediate rehabilitation of the existing infrastructure is recommended

Subsequent plans and operations can be undertaken with certainty of the relevance and credibility of the data and parameters to be used. Infrastructures are expensive and to adopt questionable parameters in their planning is not a practice that should be encouraged. As stated in Section 5.2.6 above according to the national standards, there must be a fire station and two fire engine/tenders for population reaching 100,000 mark, with an area of 2,025 square meters, The fire station requirement of individual municipality is expressed bellow, however area requirement can not be compared insufficet data. The table below represents the number of fire stations and fire tenders a particular municipality should have in view of its population as per the standard.

S.No	Municipality	Population	Fire Station requirement (as per standard NRM 1986)	Fire tender requirement (as per standard NRM 1986)
1	**Ghotki**	111,321	1	2
2	**Jacobabad**	191,076	2	4
3	**Kandhkot**	100,698	1	2
4	**Khairpur**	183,181	2	4
5	**Larkana**	490,508	5	10
6	**Shahdadkot**	118,915	1	2
7	**Shikarpur**	195,437	2	4
8	**Sukkur**	268,311	3	6
9	**Hyderabad**	673,545	7	14
10	**Kotri**	101,134	1	2
11	**Hala**	65,731	1	2
12	**Moro**	95,398	1	2
13	**Nawabshah**	279,688	3	6
14	**Sanghar**	75,410	1	2
15	**Dadu**	171,191	2	4
16	**Tando Allah Yar**	156,562	2	4
17	**Badin**	112,420	1	2
18	**Mirpurkhas**	233,916	2	4
19	**Mithi**	21,748	1	2
20	**Sujawal**	88,509	1	2
21	**Tando M khan**	101,863	1	2
22	**Thatta**	54,697	1	2
23	**Umerkot**	134,052	1	2
24	**Karachi**	16054988	160	320

Table 31 – Required Firefighting stations as per NRM

5.5.8 Public toilets

Places, where we live, shop, work, take recreation – are more accessible and attractive when public toilets are well planned, designed, maintained, clearly signposted, and available when people need to use them (including late at night). This is one of the amenities that helps to attract a more diverse range of visitors, encouraging them to spend longer in towns and city centers, and to visit again.

Public access to toilets is important for local shops and businesses too. Businesses operate to turn a profit, and customer footfall is the lifeblood of the retail and leisure sectors. However, alluring the window display, however good the sales pitch, people need first to feel drawn into the area. People respond to, and recognize, areas that show a strong brand image, a sense of civic pride, where it is obvious from the street furniture, local environment, and signage that people are welcomed, that their needs are understood and catered for.

However, in Karachi most people have encountered a public toilet in an unacceptable condition and most people are less concerned about who provides or maintains toilets, so long as there is greater public access to them.

The DMCs should adopt strategic approach in order to provide basic WASH services to masses, decisions about toilet provision should also form part of each local authority's strategic planning, taking into account varying needs at regional, district and local level. City centers, transport hubs, shopping markets and tourist hot spots will often be priority areas for public toilets.

6. SWOT Analysis

In this section an analysis of the strengths, weaknesses, opportunities and threats related to the respective municipalities is provided. It is important in this approach to rather firmly delineate the line separating strengths and weaknesses – which are current, already existent attributes – from opportunities and threats, which are future possibilities or potentials. Similarly strengths and opportunities are positively valued attributes or potentials, whereas weaknesses and threats are negatively valued. Our synoptic SWOT view is presented below in Figure 27:

<table>
<tr><th></th><th>Positively valued</th><th>Negatively valued</th></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Current relevant traits</td><td>STRENGTHS
Debt-free municipalities
Elected representatives are head of municipalities
Diversity of solutions available
Governed by ‘Local Government Commission’ having strong professionals</td><td>WEAKNESSES
Weak internal controls
Schedule of charges not updated/revised
Lack of trained and skilled workforce
Lack of coordination with other authorities
Weak recoveries</td></tr>
<tr><td>Future potentials</td><td>OPPORTUNITIES
Creating efficiencies in tax collection
Rehabilitation of public facilities
Providing municipal services to each house of the province
To improve municipal infrastructure and service delivery for collecting taxes and fees described in SLGA</td><td>THREATS
Frequent changes in the laws and regulations
Transfers (in/out) of employees
Political intervention</td></tr>
</table>

Table 32 – SWOT Analysis

7. Findings and recommendations

7.1 Key Findings

7.1.1 Revenue Findings

Excessive reliance on inter-governmental transfers: There is excessive reliance on transfers from provincial government as the percentage contribution from own source revenues is very low and no significant efforts were observed in the past five years to improve this situation. In-fact, a declining trend in collection of certain revenue streams was observed and no recoveries are being made from many other revenue streams permissible under the law, including the recovery of arrears.

Poorly defined schedule of charges (including taxes, rates and fees): In many cases, revenue streams made permissible under SLGA, have defined rates and charges which are mostly outdated. Even where schedule of charges are updated (as in the case of MC Ghotki i.e. with notification date of March 16 2017), the number of items listed when compared to other MCs (for instance transfer of shops fee, tax on water and drainage, katch/ pacca piri fee, Slaughter house and immovable property rates) are limited. Some Schedule of Charges are over 15 years old (MC Shahdadkot made their Schedule of Charge available which had a notification date of January 27 1999).

No Reassessment of Property Tax: This most important item of municipality's source of revenue has not been revised regularly, even though it should be reassessed at regular intervals to keep it at par with the prevailing market rate. Even when it is revised or reassessed, in many cases, assessments are not done at the prevailing market rates. It is a fact that property tax is the main tax instrument with the municipalities for raising revenues and that this tax remains grossly untapped and unused, especially as it is being collected without assessment of market value of properties. The untapped potential of property taxes is, therefore, considered huge. Secondly, it has been observed that property tax is being recovered by the provincial government, and municipalities have no control and limited information as to whether they receive their share every year. A well-administrated property tax is a pre-requisite for strong municipal fiscal base. As published in a newspaper in March 2018, the Government of Sindh plans to devolve the property tax collection to DMCs, for which work on maintaining a proper database and building the capacity of local bodies staff will start soon. Pursuant to this, the Sindh Government has already had a survey conducted in the jurisdiction of Municipal Corporation Sukkur for assessment of taxable properties. In the same manner provincial government, may support all other municipalities of Sindh in undertaking similar surveys and assist them to put in place an independent and transparent procedure for assessing property tax with the use of latest technologies and subject experts.

Lack of development expenditures owing to lack of, and wastage of resources: Substantial part of total expenditures are attributed to establishment / salaries which leaves very low amount of funds for any development schemes. Large establishment / non-development expenditure indicates that, there is significant risk of employees or staff who are being paid salaries but are not working/providing any services.

Lack of Transparency of Assessment: The assessment system is not transparent to a very large section of the citizens. Many citizens resent this and are reluctant to pay and as a result they adopt various means of evading it in collusion with some of the officials concerned. Low assessment leads to low collection. In the absence of public disclosure of information through electronic means, the public remains unaware of the material facts regarding financial state of municipalities.

Rate and Fees: Like property assessment, fees and rates are not also fixed correctly and according to the expenditures incurred. The relevant expenditures are not correctly captured in order to assess and make comparison with relevant revenues. This results in huge loss of potential revenue.

7.1.2 General findings

Data availability and its quality: Owing to non-availability of significant quantum of information and data required by the consultant for the purpose of this Study, together with significant inconsistencies in the data that was provided, limited analysis could be performed. This is considered an inherent limitation in the conduct of the study. However, despite this limitation we have carried out a broad review and analysis based on the information that was made available to us and inquiries and interviews conducted with MC staff to provide an overall picture of the state of MC's finances and the underlying services it provides. Therefore, the findings and recommendations provided in this report should be read keeping in view this inherent limitation.

One significant reason for the non-availabilty of data was observed to be non-establishment of the Secretariat of the PFC, as provided in Section 3 of the Sindh (Fiscal Transfer) Rules, 2004, which was mandated to hire expert and collect and maintain the fiscal database of the local councils.

Governance and Financial Management: Municipalities' governance, internal control and financial management are extremely weak. There is also complete absence of any reliable budgeting system as currently budgets are prepared on the basis of previous year's expenditure and there is no concept of outcome-based budgeting. In practice, municipalities usually prepare their budgets on the basis of percentage increase over the previous year. They do not take actual income and expenditure patterns into account while projecting the budget. They do not even consider using average method for projecting future income and expenditure, though this is a widely used statistical tool.

The role of local government department (LGD), which is mandated under the Sindh Government, Rules of Business, 1986, to provide oversight and support for effective functioning of the local Councils, has not been effective. We also noted that the local government department did not even have the budget documents of the MCs, and it appears that there is absolutely no system or official in LGD, dedicated to the task of receiving and reviewing the budgets of MCs. Since the election of local representatives and formulation of current generation of local Councils, the local government department has not undertaken any training program for the newly elected representatives to familiarize them with their roles and responsibilities. It was revealed during interaction with the local Councils, during the course of this Study, that the local representatives require understanding of management and administration of local Councils as well as conduct of the Council's business. Due to lack of understanding on the matter, the local represenatives mostly rely on the advice of the local officials who, themselves lack capacity in dealing with the management and technical matters.

Similarly, under Sindh (Fiscal Transfer) Rules 2004, the finance department (FD) is mandated to ensure the timely transfer in accordance with the PFC award and monitor the expenditures reports through regular accounts statements. FD provides funds to the municipalities either through PFC Award or discretionary grants, however, this has also not been effective in improving the municipalities' outcomes because the funds, in the previous five years, were mostly allocated on an arbitrary basis, rather than any objective performance or need-based criteria.The funds provided, are also not monitored to ensure that they are used for the specific purpose for which they are given. It was observed that the municipalities do not prepare or submit their financial statements or any kind of actual accounts to LGD and FD. Our discussion with the officials in FD reveals that no such statements were available in the department. In the absence of proper accounts/ financial statements, neither the local Councils, nor the finance department, are in compliance with the Sindh (Fiscal Transfer) Rules 2004.

FD has not established an independent Secretariat of the PFC, as provided in Chapter II of the Sindh (Fiscal Transfer) Rules, 2004, to perform the functions described therein.

Ineffective human resource management: Fundamental reasons for the weaknesses identified in this study and highlighted in this report include ineffective human resource management, as well as the quality of people responsible for service delivery, as majority of the people seem to lack the necessary skills, experience, integrity and commitment required to achieve the desired results.

Digital / e-governance in municipalities: MCs have not taken any steps to take advantage of evolving technologies and e-government initiatives to enhance transparency, efficiency and effectiveness of their opeartions. It was noted that most of the municipal committees do not have their web sites, which need to be constituted, and shall provide basic information about their management and governance, including laws, rules and regulations, composition of management, and comprise of a Complaint Management System (CMS). Further, their financial statements also need to be published and placed on their web sites to ensure transparency. In the case of Karachi Division municipalities, DMC West and DMC Malir do not have any website. KMC, DMC East, DMC Korangi, DMC South and DMC Central have websites which contain basic information, however, they do not have any established protocols such as financial statements are not published and the complaint management link is not working. There is a strong need to establish the defined protocols in this regard, to develop comprehensive e-government initiatives, in order to ensure transparency, effectiveness in service delivery and efficiency of operations.

Like MCs, the LGD and FD have also not taken advantage of the evolving technologies in implementing e-government or digital government, which could make their roles with respect to monitoring of MC's finances and activities much more effective.

Information and complaint system: There is no system of providing information to public (such as through maintaining a robust web site) or facilitation desk. There is no complaint management system, which, if established with appropriate resources, can provide significant help to the municipalities' management in addressing significant and urgent issues and enhance its image amongst the dwellers.

Non-compliance of Budget Rules: The Municipalities do not follow the budget preparation process provided in the Sindh Local Councils (Budget) Rules 2017. Resultantly, the budgets are passed by the Councils in the first quarter of the financial year and seldomly submitted to the LGD and FD for review.

Complete absence of accounting andinternal control system and very high risk of fraud, corruption and material errors: The municipalities lack institutional capacity in maintaining accounts and initiaiting reports as has been provided in the Sindh (Fiscal Transfer) Rules, 2004. They also do not have any credible accounting system to generate reliable financial information, required for management and monitoring of the results and performance of the municipalities, and to ensure accountability over their assets and liabilties. The municipalities do not prepare quarterly, half-yearly or annual financial statements. Only revenues and expenditures are reported in the budget statements, which are also considered highly unreliable. Consequently, there is absolutely no financial discipline due to which the risk of fraud, corruption and material errors is very high.

Properties and assets record not available: In the absence of a suitable system of accounting and record keeping, and absence of any credible audit, there is no control on the properties and assets owned by the MC, and the risk of misuse and misappropriation of its properties and assets is considered high.

External / internal audit of municipalities: There is a system of external audit through the Director General (Local Govt.) Audit, Auditor General of Pakistan to ensure reliable financial reporting and effective financial discipline. The Director General apprised, during the workshop at Karachi, that his office has conducted audit of various municipalities despite the scarcity of time and resources and submitted his annual report to the Auditor General of Pakistan in the year 2017, however, the same has not yet been published and submitted to the GoS. The fact that absolutely no system of accounting was found and the lack of preparation of even the basic nature of financial records and statements indicates that the external audits, if conducted, have not been effective in the past.

The current system of Local Fund Audit (LFA) is largely based on the Local Council Accounts Rules, 1983 and instruction from GoS received from time to time. The system comprises of some pre-audit procedures, which is neither efficient nor effective. Hence, a challenge for the consultant was to assess the reliability of the financial reports.

Bank accounts and cash balances details not provided, which together with other weaknesses highlighted above, raises the risk of misappropriation of funds significantly: As proper information regarding bank accounts of the municipalities and cash balances were not provided, and no observation was made with regardd to effective cash and bank management system, provided in Section 2, 14 and 15 of the Sindh (Fiscal Transfer) Rules 2004, it is possible, rather more likely, that many municipalities may not be reflecting their true financial position in the budget books in order to obtain greater resources from the provincial government. Also, in the absence of appropriate controls on opening and maintenance of bank accounts, frequent transfer of officials in the MCs on ad hoc basis, and complete lack of accountability, the probability of misappropriation of funds from such accounts and cash balances is considered high. Such practice in the municipalities, in the absence of supervisory mechanism through Secretariat of Finance Commission provided in Sindh (Fiscal Transfer) Rules 2004 is prone to financial irregularties.

No documented vision and plan: We noted that there is no documented vision, long term, mid-term or short term plans for the development of LG system at the provincial level, or within the MCs to address major municipal issues and needs of the citizens keeping in view the increasing population of the province.

Bar on external borrowings is a major limitation on large development schemes: Currently, municipalities could not obtain borrowings and financial facility from banks and financial institutions as per Section 105 (1) Sindh Local Government Act, 2013. Given proper governance and required changes in the laws, identification of its major assets and their valuation, there may be huge potential for the municipalities to raise funds from financial sector or through issuance of bonds for major development schemes.

Lack of co-ordination with other agencies/departments: At present, there is significant confusion, overlap and lack of co-ordination between the municipalities' responsibilities and the role and function of Public Health Engineering Department (PHED) and Sindh Building Control Authority (SBCA).

Reluctance of People to Pay Taxes: The municipalities' dwellers are unenthusiastic to pay the taxes, because some dwellers are not provided by the services from the municipalities.The municipalities cannot increase the tax rate due to their drawbacks for providing the adequate services.

Lack of Awareness: People do not pay, not because they are reluctant to pay but primarily because of lack of awareness among the tax payers. Therefore, it will be very difficult to collect such tax if the rate of tax is increased.

Poor Socio-Economic Condition: Poor socio-economic condition was considered as one of the reason for low taxes and fees. The major population in Sindh province is poor or lower middle class, the dwellers are likely to have of poorer affordability to pay taxes for the municipalities' services. Therefore, if the rate of tax increases, people will feel it as a burden that will make a constraint to collect tax.

Political Intervention: Through the verbal inquiries and discussions, it was found that the elected representatives do not encourage taxes and fees collections for maintaining goodwill among the voters.

Low coverage of Water Supply: Coverage of the water supply service is reported to be low in majority of towns and there are no means available for measuring the delivery capacity of the water distribution system or in other words the volume of water that leaves the waterworks facilities remains unknown. The existing water distribution system does not have enough capacity to meet current needs. Further, the supply is intermittent due to low pressure. Low pressure and poor quality are some of the most prominent features of water supply in the district headquarters of Sindh, provided further that unbilled water consumption, and illegal distribution contribute to commercial losses. These factors lead to high levels of non-revenue water with no monitoring system and no incentive to reduce inefficiencies.

Inadequate collection and treatment of Solid Waste: Interviews from municipal representatives reveal a very low existing collection efficiency of solid waste. As a result, some of the solid waste remains un-collected which is, subsequently, scattered throughout the city. The uncollected solid waste is often dumped on the roadside, vacant plots, storm water drains and open drains. Much of the uncollected waste poses serious risk to public health through clogging of drains, formation of stagnant ponds, which provide breeding ground for mosquitoes and flies with consequent risks of Malaria and

Cholera. Added to this, hazardous hospital and industrial wastes are seen to be treated as ordinary municipal waste and is mixed with the municipal waste. Burning of waste especially non-degradable components like plastic bags is a very common practice adding to air pollution causing respiratory diseases.

Sewerage and Drainage: Failure of infrastructure works has resulted from disposing-off sewage without any proper treatment. Frequent infiltration and overflows from open drains are cause of failure of infrastructure works thereby causing contamination of water supplies and deterioration of road pavement structures and breakage of roads.

Firefighting capacity: Assessment of the existing firefighting capacity revealed an awful situation. Most of the municipalities are holding just one (01) fire station which are less than the required number, given the population needs. Although, fire tenders are available in these fire stations, these are very few in number and even those require major maintenance work. Often, it has been observed that CNG and petrol filling stations are located in congested areas which are the potential source for any unfortunate incident(s).

Road Network: The road network, which comprises of roads and collectors including the secondary and tertiary network, is largely below the acceptable standard, generally due to lack of planning and un-controlled growth of the city, heavy traffic, mixed modes of transportation and narrow right-of-way (ROW), which results in traffic jams and accidents. It is further observed that, in all district headquarters of Sindh, the available road space is getting encroached by commercial establishments, street vendors, and on-street parking due to poor enforcement of the existing regulations. The municipal roads also lack proper street lighting and demarcation of lanes.
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7.1.3 Legal Findings

Confusion of roles and responsibilities due to inconsistencies in laws: The SLGA, 2013, requires the Councils to perform key service delivery functions including water supply, drainage, sanitation, solid-waste management, building control, etc. However, certain provincial government departments have been formed by the provincial government such as PHED. However, independent public-utility companies / authorities and agencies such as SBCA, SSWMB, Rural Development Department, KDA, etc., perform similar tasks, resulting in overlap of functions and resources. Similarly, there are overlapping functions of KMC and DMCs in Schedule-V of the SLGA which need to be resolved. This results in confusion and there is no formally defined coordination mechanism to ensure effective and timely delivery of such services.

PFC Award: Section 112 of the SLGA, 2013, provide for the establishment of Provincial Finance Commission (PFC), headed by the Finance Minister of the province, as the local Councils receive allocations through the respective Provincial Finance Commission Awards. It cannot be overlooked that there is an inherent conflict of interest in the Provincial Finance Minister, being the head of the PFC. Other than that, the current fiscal transfer mechanism—the Provincial Financial Commission (PFC) Award— needs to be revised and linked to any objective criteria. For Example: the municipalities may be incentivized against any additional revenue generation from its own sources.

Provincial Local Government Commission has not been made effective and functioning: Section 120 of the SLGA, 2013, provides that Provincial Local Government Commission (PLGC) will perform some important functions, which includes, special inspections, special audit, and inquiry on any matter concerning the Councils. During our analysis of the existing situation, it appears that this Commission has not been made functional and no evidence is found regarding the Commission performing any such role.

Existence of encroachment: Municipalities were found to be facing prolonged and unauthorized occupation of, or undue, interference with land under its management and control. This has not only resulted in loss of land but also loss of significant revenue. While the law appears to empower the municipality/local Councils to take action against encroachment and to recover public property as well as arrears of rent (if such is due from the concerned entity convicted and responsible for encroachment), the understanding of the municipality representatives is not the same. During

Consultative Workshops, MCs representatives claimed that the municipality lacked power to recover land and neither is there sufficient power given to recover the arrears of rent, let alone the mark-up that was due.

Limited capacity to perform Municipal Services: During the Consultative Sessions, it was generally observed that the staff of municipalities lack the capacity in terms of laws and regulations within the MCs to perform the tasks assigned to the respective municipalities. Furthermore, keeping in view the shortage of funds to meet the establishment expenditures even (also communicated during the Consultative Sessions by the representatives of municipalities), there are remote chances that the capacity building of their staff will ever be possible. Therefore, it was proposed that the municipalities may outsource some of its functions to private partners under public-private partnership arrangments.

7.2 Future needs/requirements

Municipalities have become weak and ineffective on account of a variety of reasons, including the stability in local government system, failure to hold regular elections, prolonged supersession and inadequate devolution of powers and functions. As a result, municipalities are not able to perform effectively as democratic units of self-government. Having regard to these inadequacies it is considered necessary that provisions relating to municipalities are incorporated in the Laws and Regulations particularly for putting on a firmer footing the relationship between the provincial government and municipalities with respect to:

- the functions and taxation powers,
- arrangements for revenue sharing,
- ensuring regular conduct of elections and,
- providing adequate representation to the weaker sections

As a way-forward approach, municipal finance reforms should comprise the following:

Enhancing the human resource capacity: The most important issue is proper human resource framework- putting the right people on merit; establishing effective performance appraisal system and accountability for outcomes; training of both governing bodies / local Councils and officials is important. Owing to limited human resource capacity of the MC, the provincial government should provide appropriate support, either through its own officials or external consultants. There should be a thorough analysis of the validity of human resource records and payment of salaries through Treasury/District Accounts Officer to eliminate the risk of over staffing and consequently high establishment expenditure. For this purpose, the MC may consider a special audit by an independent professional firm for verification of payroll.

Governance: To support municipal reform of public financial management the problem of enforcement of the provisions under law and capacity of local government representatives should be dealt with**.**The roles, responsibilities and effectiveness of LGD and FD shall be to support and oversee the MC, to ensure that they are performing based on their outcomes.

Regular assessment of the schedule of charges: Given the existing state of revenue collection**,** an immediate and mandatory analysis of current taxes, rates, charges shall be conducted to ensure they are in line with market practices. The following considerations, among others mentioned in this report, shall be made: Manage revenue sources to ensure that fees owed are paid; recover all costs for emergency, safety, and protection services; recover all costs for damage and repair to public properties; recover costs for violations requiring some form of remediation; account for all costs associated with safety and security support for public events; account for the cost of renting public spaces, clean-up, and site management.

Improving the revenue mobilization system: The MC should carry out a thorough analysis to establish potential for each significant segment of revenue compared to its existing meagre collections together with identification of reasons and weaknesses in its revenue mobilization system. Based on such analysis, appropriate plans should be prepared and steps should be taken to enhance revenue mobilization from its own resources. Given the meager own revenues of local councils in general and to broaden MC fiscal base revenue sharing arrangement, exclusively from provincial own taxes shall be prioritised. For example, some international best practices suggest that few taxes may be considered ideal candidates for tax revenue sharing given its nature of user charges and /or mitigating or compensating environmental costs on the basis of location. This aspect of reforms have been rather ignored and might be useful to ensure benefits are attributed to local councils (urban and rural local councils. For example Motor vehicle tax is a user charge and may be proposed for revenue sharing, partly (50%) on collection principal and remaining (50%) on other criteria and/or population basis and /or put in the provincial pool. Also straight transfer earnings may be shared on the basis of same origin principle in many countries to mitigate the environmental costs to benefits areas where these costs are incurred or resources are extracted.

Survey of taxable properties: We recommend that provincial government may support municipalities of Sindh in undertaking the survey of taxable properties and assist them to put in place an independent and transparent procedure for assessing property tax with the use of latest technologies and subject experts.

Right to information: Though the law provide for right to information, however, the public remains unaware of this basic right mainly because the provincial government has not prescribed the manner in which this right will be exercised by the citizens and complied by the local Councils.

Introducing a Reward System: A system of reward or commission for collectors upon fulfilling the targeted demand and punishment for poor performers should be introduced.

Establishment of Finance Commission Secretariat: Since the municipalities are largely receipients of the transfer from the province, therefore immediate establishment of Secretariat Finance Commission is envisaged in Chapter II of the Sindh (Fiscal Transfer) Rules 2004 to maintain the database and perform the mandated functions.

Developing and implementing Anti-Fraud and Anti-Corruption Policy: Using local governance and corruption indicators (discussed below) can help to monitor changes over time. Since citizens have more contact with local agencies than with the Provincial and National Government, civil society engagement is crucial in these efforts. Institutional reforms, such as creating local Anti-Corruption agencies, can engage citizens in oversight mechanisms as well as policy decisions. Such an approach promotes stakeholder collaboration and aids in the design of effective local initiatives. In order to enforce financial and management discipline in the Local Councils, it is important to create awareness regarding fraud and misappropriation and to put in place Anti-Fraud and Corruption policy. The key objective of this policy should be to prevent, detect, discourage and expose fraudulent activities by encouraging a culture within the Municipality where all employees, members of the public and other stakeholders continuously conduct and promote integrity in their dealings with, or on behalf of municipality. Focus should be on Creating a culture which is ethical and intolerant to fraud and corruption; deterrence, prevention and detection of fraud and corruption e.g. falsification of records, misappropriation of assets, embezzlement, accepting or offering bribes, conflict of interest, abuse of power, etc; investigating detected fraud and corruption; taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution; applying sanctions, that includes blacklisting and prohibition from further employment.

Digital governance in municipalities: There is a strong need to establish the defined procedures for having website and implemented those protocols such as placing of budget books, financial statements and complaint management systems to interact with the citizens in order to ensure transparency, effectiveness in service delivery and efficiency of operations.

Realistic and timely preparation of budgets: Budgeting system needs improvements in several respects. Firstly, annual budget-making will be undertaken as part of a longer term plan of investment and resource generation. Realistic assumptions are expected from budget makers in regards to revenue earnings from internal sources. An effective outcome-based budgeting system should be introduced so that the expenditure incurred is linked with performance and outcomes.

Implementing appropriate Accounting System: It is recommended that the municipalities replace the present single entry accounting system with double entry system. To do that, two preconditions are changing the existing regulations in local government accounts system and training up the accounts personnel. With improvements in accounting system, logical classification of revenue and expenditure (matching of revenues and expenditures) and fixation of ceiling on administrative expenditures in order to make sound decisions regarding investments and cash management, is required. An appropriate accrual-based accounting system should be established to enable the preparation of reliable financial statements on monthly, quarterly, half-yearly and annual basis for the use of management as well as other stakeholders such as local government department and finance department. For this purpose, municipalities will need to acquire appropriate information technology system i.e. equipment and software.

Internal Audit Function: Establish an effective internal audit function to ensure monitoring of internal control system and financial discipline.

External Audit of municipalities: There should also be external audit of annual financial statements of the MC to be carried out by the Auditor General of Pakistan to ensure reliability of such financial statements and to ensure the availability of complete data. MC being a corporate entity, can also acquire services of a third party for audit of its assets, revenues and expenditures for its internal use as a source for decision making by the management.

Monitoring and Evaluation System should be in place: Strengthening Local Councils with adequate financial resources and technical capacity to ensure improved service delivery and establishment of a robust Monitoring and Evaluation system through development of key performance indicators.

Medium Term Fiscal Plan: Preparation of a Medium Term Fiscal Plan, which would set forth a five year rolling target for the municipal-level fiscal indicators, along with a clear target of the physical and financial targets, and adherence to performance standards.

Allowing the municipalities to borrow funds: As reported above, the MC are not allowed to borrow funds. If proper steps are taken to improve governance and reliable financial reporting, together with appropriate modification of laws to enable the MC to borrow funds, there could be huge potential for the MC to mobilize finances through borrowing for large schemes that could transform the MC and consequently the Sindh’s future.

Defining the roles and responsibility to improve coordination: Institutional reform that includes clarity of roles and responsibilities between various public sector stakeholders in municipal services such as properly defining the roles of Public Health Engineering Department, Building Control Authority and the MCs to ensure better coordination.

Survey of services rendered: The MC should carry out various surveys in Sindh to assess the existing quality and quantum of services provided as well as the expectations and needs of the citizens for determining future scope, quality and quantity of services it should provide. This will help the MCs in developing its vision for strategic planning of their respective cities with short, medium and long-term plans/term based budgetary frameworks to meet the expectations of citizens.

Establishing Legal Action against Defaulters: Without punitive measures, collection efficiency could not be increased. Municipalities should bring pressure to bear on the defaulter to clear their arrears and should use the power which is provided by the SLGA against the tax defaulters through available course of action.

Raising Awareness amongst the inhabitants of the Municipalities about Tax Assessment: There is need of raising awareness among taxpayer as to how tax amount is calculated and about the relationship between municipalities’ service delivery and tax payment. Apparently, only a miniscule minority knows how tax is calculated. However, a substantial proportion of residents are aware of the relationship between better municipality service delivery and tax receipts

Upgrade water supply facilities: There is immediate need for upgradation of the existing water supply infrastructure for all the district headquarters of Sindh. Bulk flow meters shall be installed at every major water production facility and at the inlet to every zone and commence recording daily meter readings. Focus should also be on using latest water supply network analysis/modeling techniques, especially for sizing of pipes. All aging pipelines (30 years and older) should be removed and resized according to the new requirements as per modeling results and should be replace regardless of serviceability, material type and condition. The favored pipe material will be high pressure PVC and/or HDPE pipes for better performance and durability. Physical surveys of households and water connections should be performed and all illegal connections should be legalized.

Efficiency in solid waste management: For safe disposal of municipal solid waste, there is a need to identify a suitable land and demarcate the same for a proper landfill site. The land should be identified in the nearby neighborhoods of municipalities where waste may be disposed safely for a considerable period of time. Solid waste including fecal contaminated sludge, grit, screenings and other wastes shall be treated or otherwise managed in a way that prevents harm to the natural environment and removes health risks to the general populace, in addition door-to-door collection of garbage should further be improved to minimize solid waste spillage on the streets and maximize collection making efficient waste management system.

Effective sewerage and drainage system: Open channels and drains shall be cleaned and properly maintained for proper and efficient flow of sewage. Gradually all open channels should be covered or converted into the underground sewage system. It is mandatory to work in conjunction with New Water Distribution system; the areas where new water network would be proposed & implemented along with complete new subsurface sewerage system shall also be placed. De-silting of all pumping stations should also be done on priority basis; During the de-silting works all repair of collecting tanks and replacement of screening should be mandatory; Pumps should be replaced or upgraded as per the working conditions and pumping requirement along with the replacement of rising mains/delivery pipes at the pumping stations and ultimately further investigations are required to bring several pumping stations to gravity flow.

Improvement in planning and maintenance of Roads and Streets: A comprehensive InterCity Road Network plan shall be prepared, approved and available with the municipalities for future development which shall include establishing the inspection and evaluation standards to clarify roles and responsibilities of the road administrator to provide safety for citizens; establishing a mechanism to facilitate the maintenance cycle considering financial, institutional and technical aspects; establishing technical assistance system such as dispatching a "road maintenance specialist team"; developing a repair plan based on the causes of damage, expected functions and lifecycle costs of the facility. An alternative renewable energy source (solar) with LED for energy saving should be considered for long-term planning purpose as there is a huge potential of solar power generation.

Firefighting department: An emergency plan should be made to handle disaster situations in city. Data management system should be integrated into the fire department of municipalities. Communications equipment should be upgraded and associated systems made consistent with current and advanced technology. Staffing levels in fire department also need review.

Clear definition of roles, responsibilities and functions: In order to enhance the revenue generation, a strong mechanism may be developed for effective coordination at the city/town level and between local government and the provincial government with the consensus of stakeholders, keeping the service delivery to the masses as the prime objective. Section 80 of the SLGA, 2013, provides that: A council may, for the performance of such functions as may be prescribed, appoint Committees or Sub-Committees consisting of its Members and co-opted members, if any.

Functional Incentive-based PFC Award: It is proposed that support from the provincial government in the form of PFC Award / grants should be provided on an objective criteria. The criteria should include incentives to municipalities for any additional revenue generation done by municipalities from their own sources of revenue.

Effective functioning of the Provincial Local Government Commission: It shall be ensured that important functions assigned to the PLGC, defined as under Section 120 are performed.

Anti-Encroachment initiatives: Discussion with various municipality representatives during consultative workshops reveal, that a number of factors contribute to inadequate efforts in regard to encroachment, including, lack of political will to exercise the MC’s revenue authority, political influence that prevents MC representatives from taking action against unauthorized occupation of public property and, at worse, complete disconnect with what is prescribed under the law. While enabling provisions exist under the Sindh Public Property (Removal of Encroachment) Act, 2010, including the permissibility of recovery of arrears of rent (including mark-up), Anti- encroachment and Resettlement functions of municipalities shall be enforced and proper support shall be provided in the form of trainings on the matter and other similar subjects (especially to municipality officials who were unaware of these powers).

Public Private Partnerships: Section 75 of SLGA, 2013, is an enabling provision, which provides that, the Government may set up a Board, Authority or any corporate body to perform any one or more functions of any Council, singly or jointly with any public or private body, and may acquire, continue, manage or operate any commercial venture or activity as deemed necessary in the public interest. It further provides that, the Council may, with the prior permission of the Government, promote, administer, execute or implement schemes for undertaking any commercial, business enterprise or enter into public private partnership. In this connection, it is proposed that the municipalities may outsource some of their functions to private partners by entering into public private partnership arrangements under the Sindh Public Private Partnership Act, 2010.

7.3 Summary and conclusions

There are serious difficulties in the current system of municipal finance in Sindh. Although municipalities have been given several revenue sources with revenue rising potential, and these assignments are largely consistent with general principles of decentralization, these sources have proven to be erratic and unreliable. The municipalities have little incentive to increase their tax efforts and even less discretion in their choices of tax rates. For the most part, municipalities remains heavily dependent on the inter-governmental transfer for their revenues, and much uncertainty surrounds the levels of this support.

There is scope for improvement of revenue generation capabilities of the municipalities. Systematic improvements in every aspect of the municipalities are needed for this. The public representatives will have to be more dynamic and conscious about the needs of the people and must find out the means to finance the required services and infrastructures. The solution of almost all the problems lie in terms of increased initiative with elected representatives and the permanent staff within the respective jurisdictions and not outside those. From the above report, it is apparent that the municipalities' faces lots of problem in carrying out their daily activities, which restrict them from providing services, as envisaged under rule, to the citizens. In such a circumstance, the provincial government should give importance to the issues and take necessary steps for solution.

Municipalities of Sindh province are not bound by any performance standards either in respect of revenue-raising or delivery of services. The result is twofold, they continue to operate at sub-optional levels and hardly ever formulate plans for eliminating inefficiencies in the internal mobilization and management of resources, and secondly, they are hardly ever confronted with a hard budget constraint, rely as they do on intergovernmental transfers. The economy-wide costs of the absence of any form of performance standards are phenomenally large.

The importance of 'own source revenues' in the financial structure of municipalities has declined. It is not only their share has dipped and the growth rates have also declined. As a result, municipalities of Sindh are at a high risk in maintaining their fiscal identity as the third tier of government.

An increasingly visible aspect of urban Sindh is the rising vulnerability for urban populations due to increased urban population concentration and inadequate municipal capacity and services to assure their safety and security. Sindh's urban areas are increasingly susceptible to various forms of negative externalities including both so-called natural disasters and man-made disasters. These threats include natural disasters, such as floods, heavy rainfall that may resulted in loss of life and huge financial losses due to poor infrastructure. Vulnerability also comes from man-made hazards such as fires, acute pollution of air and water, industrial accidents, and mass transportation and traffic accidents. The incidence and impacts of these problems depends significantly on the effective capacity of municipalities.

The municipal finance system is a crucial component in addressing issues of growth, poverty reduction, and urbanization. It deserves far greater than attention than what it has been given to it thus far. Municipal finance reforms as discussed earlier are now inevitable for the sustained growth of the municipalities.

8. Limitation and caveats

This report has been prepared pursuant to the following limitations:

1) The information contained herein is valid only as of the indicated date in the cover letter and only for the indicated purpose.
2) The information and documentation received from DUPSP, municipalities and Finance Department is construed to be authentic and complete and no attempt has been made to verify the authenticity and completeness of such information except for possible sanity checks based on available data. DUPSP was responsible for provision and authenticity of all information, facts and figures, and books of accounts for the purposes of this study. We do not accept any responsibility for the correctness and completeness of the facts and figures provided to us for our analysis and examination.
3) The scope of the examination was determined by the procuring agency and was not aimed to identify an exhaustive and complete list of findings that may be relevant. Our scope was limited to the years 2012-13 to 2016-17. Certain information used for the purpose of review is also a subject matter of other information's where some supporting documentation have not been made available for our review as of the date of this report.
4) As the procedures performed by us do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the subject matters examined as part of the fieldwork. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you. The procedures were necessarily limited in scope and cannot be relied upon to detect fraud or other illegal acts in general.
5) While all efforts have been made to create a standard budget book entry template, to attempt to align the template with Form B1 and B2 of the Sindh Local Councils (Budget) Rules, 2017, and to validate the data entered with the respective municipal representatives during various correspondence including Consultative Workshops held, the Consultant shall hold no responsibility for the large extent of inconsistencies with the manner of budget book preparation prescribed, observed in the budget books received, that are reflected in our standard template and which may serve as non-compliance on behalf of the respective municipal representatives.
6) This report is solely for the information and use of DUPSP and is not intended to be and should not be used by anyone other than DUPSP. Without our prior written permission, this report is not to be disclosed, quoted or referenced, in whole or in part, to any third party. We assume no liability whatsoever to any party (including any third parties) for the contents of this report. We will not be involved in any litigation/inquiry with any court, regulatory authority etc. However, if for any reason whatsoever, we are required to appear in the court of law or another legal forum, to make representations on behalf of any of the parties to or in our defense, our time at our scale of charges, the legal cost, including the cost of legal representation would be borne by DUPSP. Further, if any proceedings are initiated by any investigation agencies or any legal proceedings are initiated with respect to, or in relation to this engagement, the procuring agency will be responsible to compensate the Consultants for any time and costs incurred on such proceedings at Deloitte's scale of charges. In addition, any liability for any loss or damage suffered by the procuring agency arising out of or in connection with this engagement will not be a liability of Consultants, its partners, directors, employees and agents (in contract or under statute or otherwise). However, the liability of Consultants and subcontractors for any loss or damage caused, including any loss or damage caused as a result of the negligence, shall be limited to the amount of the fee to be charged by us for this engagement.
7) Although, due care and attention has been taken in performance of our procedures, no liability can be inferred for any inaccuracies or omissions reported from the results thereof.
8) Unless otherwise noted, the information in this report is based on assertions made by individuals and/or contained in documents provided to us and, unless otherwise stated, we have not tested the veracity of such information through any independent sources.

9) We are not responsible for DUPSP's obligations to regulators and other stakeholders and DUPSP remains responsible for its reporting and similar obligations. DUPSP should look to its legal counsel for legal advice in connection with these matters.
10) The working papers created by the Consultants during this engagement are the property of Consultants. DUPSP understands that Consultants does not retain working papers indefinitely.
11) The information contained herein is for the exclusive use of DUPSP for the sole and specific purposes noted herein and in the contract and should not be used for any other purpose by DUPSP or any other party.
12) Possession of this report, or a copy thereof, does not carry with it the right of publication or distribution to or use by any third party. Any third party that uses the information contained herein does so at its sole risk and agrees to hold us and our respective personnel harmless from any claims resulting from use by any other third party. Access by any third party does not create privity between us and any third party.
13) No item in this report shall be changed by anyone other than the Consultants, and we shall have no responsibility for unauthorized changes.
14) Our report is that of Study, therefore no opinion on the affairs of the business or any part thereof is provided and should not be so construed.
15) The ultimate responsibility for the preparation and implementation of policies and procedures rests with the Local Government Department - Government of Sindh and management of the Local Bodies. Our findings are based solely on the facts provided to us as described above; should more facts and circumstances come to our knowledge, our finding / conclusion may change.

9. References

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10. Appendices

10.1 Appendix A - List of municipality with notification date of SOCs:

S. No	Municipality	Date of Notification
1	MC Shahdadkot	January 27, 1999
2	MC Umerkot	April 10, 2001
3	MC Nawabshah	February 19, 2002
4	MC Nausheroferoz (Moro)	March 12, 2002
5	MC Tando Allahyar	April 11, 2002
6	MC Hala	June 26, 2002
7	MC Kotri	July 4, 2002
8	MC Dadu	July 19, 2002
9	MCorp Larkana	August 29, 2002
10	MC Badin	December 13, 2002
11	DMC East	September 23, 2003
12	TC Sujawal	June 12, 2006
13	MC Mirpurkhas	February 10, 2007
14	MCorp Hyderabad - Latifabad city	March 16, 2007
15	DMC Central	January 28, 2008
16	MCorp Sukkur	June 14, 2008
17	DMC South	January 9, 2009
18	MCorp Hyderabad - Hyderabad city	February 20, 2009
19	DMC Malir	November 11, 2009
20	MC Tando Muhammad Khan	December 10, 2010
21	MC Ghotki	March 16, 2017

Table 33 - List of SOCs with notification date

10.2 Appendix B - Population as per Census

S. No	Municipalities	Population
1	MC Mithi	21,748
2	MC Mirpurkhas	233,916
3	MC Badin	112,420
4	MC Thatta	54,697
5	TC Sujawal	88,509
6	MC Umerkot	134,052
7	MC Tando Muhammad Khan	101,863
8	MC Dadu	171,191
9	MC Nawabshah	279,688
10	MC Moro	95,398
11	MC Sanghar	75,410
12	MC Tando Allahyar	156,562
13	MCorp Hyderabad	673,545
14	MC Kotri	101,134
15	MC Hala	65,731
16	MCorp Larkana	490,508
17	MC Kandhkot	100,698
18	MC Shikarpur	195,437
19	MC Shahdadkot	118,915
20	MC Jacobabad	191,076
21	MCorp Sukkur	268,311
22	MC Ghotki	111,321

23	MC Khairpur	183,181
24	DMC Central	2,972,639
25	DMC South	1,791,751
26	DMC Malir	2,008,901
27	DMC Korangi	2,457,019
28	DMC West	3,914,757
29	DMC East	2,909,921
30	KMC	N/A

Table 34 - Population as per Census 2017

10.3 Appendix C - Analysis and finding of Consultative workshops-Legal Questionnaire-Hyderabad, Sukkur, Larkana and Karachi

Consultative workshops were held in Hyederabad, Sukkur/Larkana and Karachi for all the thirty Districts in Sindh. Legal questionnaire were put forward before the participants with regard to the functions, administration, hurdles, finance, service deliveries and enhancement of the financial revenue of the local Government.

Q. Under the Sindh Public Property (Removal of Encroachment) Act 2010, whether the municipality facing prolonged unauthorized occupation of or undue interference with public property – building, land, place or premises vesting, in or under the management or control of local council?

Ans. Most of the participants were of the view that municipalities facing prolonged unauthorized occupation of or undue interference with public properties, buildings, lands, place or premises under the management or control of local council. They were of the view that lack of coordination was the main hurdle with regard to resolve the issue.

Q. Under Sind Buildings Control Ordinance 1979, whether the municipality currently have any authority to regulate planning, construction, prices charged and demolition of dangerous buildings over any land, general or owned by the Municipality?

Ans. General response to the question was in negative and they were of the view that there must some sort of arrangement and coordination between the departments so that a comprehensive mechanism may be established in order to provide the better service delivery to the masses.

Q. What suggestions can be provided to improve the valuation and estimation of lands and buildings for the purpose of increase in immovable property tax?

Ans. It was the general opinion of the participants that judicial powers under the Sindh Local Government Act are required and strong coordination between the departments is the only solution to this issue.

Q. What are the ways and means in your opinion to improve fiscal resources to be available at the disposal of local administration for better accomplishment of service deliveries to the masses?

Ans. In general, it was participants' opinion that rate of tax is very low. They suggested that cattle fee, shop rental fee and other fee may be increased and at the same time magisterial power should be delegated to the relevant local representatives carrying out the tax collection assignments in order to keep up the expectations of masses by providing service deliveries.

Q. How can your Department be able to increase own-source revenue collections and what are the legal hurdles or constraints under which your department is unable or incapable of going ahead in order to achieve desired goals for local government?

Ans. Most of the participants were of the view that competent staff with proper training and complete and comprehensive understanding of the local Government law would be helpful in increasing revenue collection subject to strong coordination between the provincial staff and municipality representatives.

Q. Any appropriate and suitable suggestion which you deem suitable for improving transparency, disclosure, developing or any additional resource or guidelines from local authorities, provincial authorities and national authorities.

Ans. Participants were of the view that an organized audit plan should be implemented. While some were of the view that salary should be increased and appointment should be made on merit. Some were of the view that local council should revise the tax structure in order to increase the revenue.

Q. Most of government records, such as land registry and, are still kept on paper, which is vulnerable to fire, theft, and so forth. Do you suggest automating records management will not only reduce the burden of records keeping responsibilities on individuals but also make the process more efficient and transparent and improve the performance of the local government.

Ans. Almost all the participants were of the considered opinion that Information Technology department should be established on modern lines and record be kept at different places to avoid any unpleasant surprise or any untoward accident.

Q. What are the legal hurdles or constraints under which your department is unable or incapable of achieving the local government's desire goal with regard to the service deliveries to the masses?

Ans. Participants of the workshop were of the view that minimizing the political pressure and by assigning magisterial powers to the local representatives under the local government Act should be delegated in order to cope up the legal formalities and consequently achieve the desire goal of local government in terms of service deliveries to the masses.

Q. Whether any measures with regard to the check and balance are being taken or any audit plan is in operation at your District?

Ans. Most of the participants were of the view that proper audit plan is there in their departments but proper implementation and addressing the audit recommendations and accountability is the essence for the transparent check and balance.

10.4 Appendix D – Findings of the Workshop held in Hyderabad, Sukkur and Karachi

1. Local administration in most the cases seemed to be ignorant with regard to the rules and regulations relating to Local Govt. Act. 2013 and their responsibilities and authorities and lack of basic understanding of the local laws. It is suggested that proper training may be provided to the local administrative staff in order to fulfill their assignments with confidence and in a proper way.

2. Most of the local govt. staff opined that in order to improve fiscal resources there must be strong coordination and harmonization between the provincial govt. and local administration for better accomplishment of their tasks and better service deliveries.

3. Local representatives were of the view that lack of administrative powers under the law are the main hurdles and their Department feels unable or incapable of going ahead in order to achieve desired goals for local government and increase own-source revenue collections until and unless the political hurdles and constraints under which their Dept. is working are removed.

4. Local representatives were of the view and made the suggestion that they deem appropriate and suitable for improving transparency, disclosure, developing or any additional resource or guidelines from local higher authorities or at provincial governmental level if a proper check and balance and proper audit system is placed and implementation of the same is ensured.

5. According to the local administration staff, most of government records, such as land registry are still kept on paper, which is vulnerable to fire, theft, or open to any unforeseen casualties. It is suggested automating records management will not only reduce the burden of records responsibilities on individuals but also make the process more efficient and transparent and improve the performance of the local government.

6. With regard to the encroachment issues, the local staff was of the view that the local political pressure is the main hurdle in order to fulfil their duties and responsibilities in a clyster clear and more transparent manner.

7. Representatives of local administration were very vocal in their opinion that reforms should be prudently crafted and immediately implemented for the sake of democratic growth. Both the federal and provincial setups should plausibly decentralize power to the local bodies, equip them with modern training of effective and efficient public administration, remove bureaucratic hurdles and create a friendly environment between the bureaucracy and the local bodies while also keeping in place strict checks and balances against corruption.