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Implementation Of Khyber Pakhtunkhwa Local Government Reforms In Terms Of Revenue Generation (2013-2022) In District Peshawar

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Abstract

This research article is based on a Ph.D. thesis that explores the implementation of Khyber Pakhtunkhwa Local Government Reforms in terms of revenue generation (2013-2022) in District Peshawar. The study is qualitative, the research methodology is exploratory in nature, and a purposive sampling technique has been used. Primary data was collected through semi-structured interviews from seven tehsil municipal administrations (TMAs) of District Peshawar. The primary data was analyzed through a thematic analysis approach. The results show that revenue generation varies from tehsil to tehsil in District Peshawar. From 2015 to 2019, in all four towns/tehsils, [1]much revenue was generated and collected, and the reforms in terms of revenue generation were implemented to a greater extent; however, from 2019 onwards, very little revenue was generated and collected, and the reforms have not been implemented in District Peshawar. This study recommends that to implement the reforms practically there should be no political and bureaucratic impediments in the business of locally elected bodies, to ensure availability of funds to the locally elected bodies, imposition of hefty fines in connection with municipal offenses, functionality of the provincial finance commission, training of locally elected representatives, and public participation are mandatory with regard to the implementation of local government policies.

Keywords: *Local Government, Reforms, Implementation, Provincial Finance Commission, Tehsil Municipal Administration, Revenue, Tax,*

Background of the Study

The Dutch West India Company established the first modern local government system in New York. The Dutch West India Company's rule lasted for fifty years, from 1609 to 1664, until the government was transferred to James II after the second Dutch-Anglo War. In the 17th century, King James II introduced a modified version of the old local government system in Britain, which became the modern local government system. As time passed, other European countries also adopted the system (Hochul, 2018). Local government systems in the form of panchayats have been in practice since ancient times in the sub-continent, with records dating back to BC. The first local government system in India was introduced in Madras by the East India Company in 1678. Subsequently, the local government system was established in various regions of India (Hussain, 2020).

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After the creation of Pakistan, Ayub Khan, a military dictator, for the first time introduced the Basic Democracy System. This five-tier system granted control to non-elected officials over elected bodies and the system overall. In 1969, Muhammad Ayub Khan resigned, and General Yahya Khan took control. Despite conducting elections in 1970, the outcome led to the separation of Pakistan's East Wing, which became Bangladesh in 1971. Bhutto subsequently took power and ruled from 1971 to 1977, during which he attempted to improve the local government system. However, the system was never put into practice (Islam, 2018). In 1977, General Zia came into power and implemented local government ordinances, holding elections twice during his tenure. His local government system had four tiers in urban areas: town committees, municipal committees, municipal corporations, and metropolitan corporations. There were three levels in rural areas: union councils, tehsil or taluka councils, and district councils. When President Zia-ul-Haq passed away in 1988, Benazir Bhutto and Nawaz Sharif took over as leaders, but no local government reforms were introduced during their administrations. In 1999, martial law was imposed by Pervez Musharraf, and Nawaz Sharif's government was dismissed. In 2001, Musharraf established a three-tier local government system. These reforms were an improvement on those of previous martial law dictators. The system included union councils, tehsils, and district councils, and empowered locally elected bodies (Ashraf, 2017).

In 2008, the Pakistan People's Party (PPP) gained power and enacted the 18th Amendment to the 1973 Constitution in 2010. The amendment eliminated the concurrent legislative list and handed over 18 subjects to provincial governments. Additionally, Article 140-A was included in the constitution, which granted the four provinces of Pakistan the authority to create their own local governments. According to 140-A, in 2013, the Pakistan Tehreek-e-Insaf Party and Jumat-i-Islami formed a coalition government in Khyber Pakhtunkhwa, and introduced local reforms through the Khyber Pakhtunkhwa Local Government Act of 2013. Subsequently, elections were held in 2015 under this new system, which consisted of three tiers of government: district councils in every district, city district councils only in Peshawar, town councils also in Peshawar, and tehsil councils in every district (Tahira, 2017). The lowest tier of the local government system was made up of neighbourhood and village councils in both urban and rural areas. The PTI government completed its term, and in 2018 general elections were held, resulting in PTI forming a government with a two-thirds majority in Khyber Pakhtunkhwa. The Khyber Pakhtunkhwa Local Government Act of 2013 was amended in 2019 through the Khyber Pakhtunkhwa Local Government Amendment Act 2019, which reduced the government system to two tiers consisting of tehsil councils and village/neighborhood councils, and eliminated the district council. The provincial government devolved 24 departments under the Local Act in 2013, but the 2019 Local Government Act further reduced ten departments. The latest elections were held in 2021 under this new system. The Khyber Pakhtunkhwa Government created model bylaws for local governments in the province in 2013, known as the Khyber Pakhtunkhwa Local Government Act 2013, and later made amendments in 2019, known as the Khyber Pakhtunkhwa Local Government Amendment Act 2019 (PILDAT, 2019). In such local laws and reforms the procedure of elections, local areas and constitution of local governments, village/neighbourhood, tehsil councils and district governments, local government finance, property, taxation, establishment of provincial finance commission, local government commission, local government responsibility and enforcement of laws, etc. have been explained in detail. These laws/reforms are also known as Khyber Pakhtunkhwa Provincial Model Bylaws. These model bylaws have been implemented by all village/neighbourhood, tehsil, and district councils. They have also given the right to run their affairs and make some changes according to the provincial model bylaws and make their own bylaws. Through their bylaws, they can increase, decrease, and abolish the taxes at the local

level and make bylaws for building high-rises, zoning, classification, infrastructure, revenue generation, etc. (Rehman, 2019).

Statement of the Problem

The local government system creates a nexus between citizens and their state and plays a vital role in the democratic setup at the grass-roots level in every country. In Pakistan, various local government systems have been introduced. Keeping in view that such local governments were introduced by the military rulers on a non-party basis, political and fiscal powers were not devolved to a greater extent to locally elected bodies. Under the local government reforms introduced in the Khyber Pakhtunkhwa Province by the Pakistan Tahreek-i-Insaf government, in the form of the Local Government Act of 2013 and the Amendment Act 2019, local government elections were held in 2015 and 2021, respectively, in the province. However, it is still generally perceived that the devolution of such reforms is not transferred in its true essence to local governments in the district of Peshawar. In this research work, the researcher analyzed the local governments' reforms from 2013 to 2022 in Khyber Pakhtunkhwa as well as their implementation in terms of revenue generation in Peshawar District.

Objectives of the Study

i. To analyze the reforms with regard to local governments (2013–2022) in Khyber Pakhtunkhwa.
ii. To investigate the practical implementation in connection with revenue generation under the Khyber Pakhtunkhwa Local Government Reforms (2013–2022) in District Peshawar.

Research Questions

i. What reforms with regard to local governments (2013–2022) have been provided in Khyber Pakhtunkhwa?
ii. How far have local government reforms of Khyber Pakhtunkhwa (2013–22) in terms of revenue generation been practically implemented in District Peshawar?

Literature Review

Numerous investigations have been carried out to examine the local government reforms in Pakistan. The researcher has examined pertinent research work on the subject, such as journals, books, Ph.D. theses, and research articles published about local government reforms in Pakistan. The purpose of reviewing this literature is to pinpoint the gaps in the existing research, which the current study addresses.

Iqbal & Ashraf (2022), in their research work titled "Local Government System in Pakistan: A Historical Background," discuss how the local government system has evolved historically in terms of decentralization. They opine that in Pakistan, reforms were introduced with regard to local government with the passage of time through different governments, but no practical steps were taken to devolve powers practically.

Khan and et al. (2022) discuss in their research work titled "The Evolution of Local Government in sub-continent, Pakistan: A Case Study of Khyber Pakhtunkhwa. They put a glance over the democracy that came from Britain and spread over developed and developing countries. They further discussed the local government in ancient and British periods, which was limited to cantonments in terms of revenue generation and collection.

Khaliq (2012) discusses the local government system in Pakistan in different times. He adds that local government was introduced in the times of military governments in Pakistan. He opines about the governance program in terms of administrative and tax reforms with regard to Malakand and federally administered tribal areas. He further discusses education, health, and agriculture departments and some other departments and their devolution with regard to local government ordinance 2001. He mentions that 29 departments related to social service delivery were devolved administratively and financially to district governments.

Azhar (2012) discusses the essential parts of basic democracies, focusing on their structure and formation. It begins by highlighting three key points about basic democracies. Firstly, it mentions that out of the four levels of administration, three levels already existed traditionally, while the union level was newly created. Secondly, unlike in India, the political connection between these levels was established through indirect representation. Thirdly, basic democracies covered both urban and rural areas, unlike the panchayat raj system in India, which had a clear urban-rural dichotomy. (Azhar, 2012).

Jalal (1995) explains that the General Zia-ul-Haq local government system abolished nominations to local councils and allowed them to approve their own budgets and taxation proposals. The concept of "controlling authority" from the Basic Democracy laws was eliminated, granting significant autonomy to local councils. They were empowered to sanction budgets, impose taxes, and create by-laws independently. (Jalal, 1995).

Malik (2006) discusses that "Devolution of Power Plan 2000" aimed at decentralizing power to the local level in Pakistan. The decentralization movement introduced a variety of roles within administrative agencies and the services that these departments offered. Due to the absence of elected governments at the provincial and national levels during that time, these reforms, however, encountered challenges during their implementation (Malik, 2006).

The current literature lacks up-to-date information regarding the local government reforms implemented under the Pakistan Tehreek-i-Insaf governments. Consequently, this research aims to bridge this knowledge gap by adopting a scientific approach. The study intends to address the gap in the existing literature by providing updated information about the local government reforms in Pakistan.

Research Design

The researcher used a qualitative method and a purposive sampling technique to gather primary data through semi-structured interviews with key informants from seven tehsil municipal administrations (TMAs) in District Peshawar. These interviews were conducted in seven tehsils located in the district of Peshawar.

Data Collection and Participants

Primary data was collected through semi-structured interviews, and a purposive sampling technique was used to approach the respondents. A well-designed interview schedule was developed that focused on local government reforms in terms of revenue generation. Interviews were conducted with seven tehsil municipal officers (TMOS), tehsil officers infrastructure (TOI), tehsil officers revenue (TOR), tehsil officers accounts (TOA) and tehsil chairmen in District Peshawar. The respondents showed the data in connection with sources of revenue generation and collection from 2015 to 2023 in District Peshawar. They further shared their experiences to bring improvement to the local government system.

Data Analysis

Qualitative data was analyzed through thematic analysis following Miles & Huberman's (2019) coding method.

Results & Discussion

From the interviews, eight main codes were developed, which highlighted the sources of revenue generation and collection and impediments in the way of revenue generation in seven tehsils of District Peshawar.

Organization of Codes

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1. Imposition of taxes (trade license fee, doctor clinic tax, load-on-load tax, Shadi Hall tax, urban immovable property tax, generator tax, and mutation tax.

2. Abolition of taxes (generator tax, trade license tax)

3. Municipal offenses with regard to encroachment in public Places (obstruction/tempering roads/streets, construction) of illegal speed breaker on public roads or streets.

4. Issues: non-functionality of provincial finance commission.

5. Disinterest of provincial government and political intervention with regard to the imposition of fines

6. Distribution of District Peshawar into six tehsils an metropolitan government

7. non-participation of the public in the local government system

8. Untrained, locally elected representatives

Organizing Themes

Implementation of the reforms: Different taxes in the form of trade license fee, doctor clinic tax, load-on-load tax, shadi hall tax, urban immovable property tax, generator tax, and mutation tax were imposed from 2015 to 2018 under Khyber Pakhtunkhwa Local Government Reforms 2013, and revenue was generated and collected through tehsil municipal administrations.

Abolition of taxes: In 2019, generator tax and trade license tax were abolished, which reduced revenue generation.

Fines: Fines were imposed on those people who obstructed/tempered roads/streets, constructed of illegal speed breaker on public roads/streets.

Non-functionality of the Provinciall Finance Commission: The provincial financial commission is not functional. It allocates the budget, but the finance department does not send the amount to the local elected bodies. The reason for not releasing the budget is that the provincial government has deleted sections 30 and 32; in this connection, no funds can be transferred to any local government, TMA, village council, or neighborhood council.

Provincial government involvement in the local government system: Members of the provincial assembly and national assembly are not interested to run the system. They make hurdles in the way locally elected bodies in terms of revenue generation and especially collection.

Urban/rural area of Peshawar: In 2019, the Khyber Pakhtunkhwa Government amended the Local Government Act of 2013, resulting in the separation of four towns from District Peshawar into seven tehsils. Due to this distribution of the Peshawar area, some tehsils have a significant amount of urban areas and local government assets, while others have very little or no urban area. As a result, those tools without an urban area generate very little revenue beyond 2019.

Public Interest: The sustainability of the local government system is very important. The public has no awareness regarding local government reforms. The local elected bodies should engage them in the system.

Know-How of Elected Bodies: The locally elected bodies have no knowledge regarding the local reforms. They have not provided training to know and run the system well. Most of the elected representatives do not know the local laws and reforms made by the government from 2013–22.

According to Khyber Pakhtunkhwa Local Government Act 2013, there were three tiers of local government: village/neighbourhood, tehsil, and district government. In 2019, the Khyber Pakhtunkhwa Local Government Amended Act eliminated the district tier, resulting in two tiers of local government: village/neighborhood and tehsil government. At the village and neighborhood level, there is no mechanism to generate revenue, so they are not revenue-generating components. TMA is the sole department that has been generating revenue since 1979. It is sought that from 2015 to 2018 and from 2021 to 2023 what are the sources of revenue and how far reforms in terms of revenue generation have been implemented in district Peshawar. The Khyber Pakhtunkhwa Local Government Act 2013 established village/neighbourhood councils, four towns (Town-1, Town-2, Town-3, and Town-4) and a district government. From 2015 to 2019, the TMAs of these towns and the district government collected revenue from various sources. In 2019, the Khyber Pakhtunkhwa Local Government Amended Act 2019 was implemented, and district Peshawar was divided into six tehsils and the city metropolitan government. These are the city metropolitan government, tehsil peshthakhara, tehsil Badabher, tehsil Hasan Khel, tehsil Chamkani, tehsil Shah Alam, and tehsil Mathra. The respondents are chairmen from seven different tehsils, nazimeen from four different towns, tehsil officer regulations, and tehsil municipal officers from the district of Peshawar.

The researcher visited the seven tehsils municipal administration to gather primary data regarding revenue generation with regard to implementation of local government reforms (2013-22) in District Peshawar. The respondent's standpoint on the revenue generation of the seven tehsils is given below.

The researcher visited the seven-tehsil municipal administration and investigated the sources of revenue generation from the revenue generation cells. The respondents confirmed that from 2015 to 2019, various taxes such as trade license tax, doctor clinic tax, load-on-load tax, and shadi hall tax were implemented in District Peshawar. The trade tax, shadi hall tax, load on load, mutation taxes, and urban immovable property taxes were the main sources of revenue generation; rupees in crores were collected and utilized in terms of development works.

Another question was asked from respondents in connection with revenue generation mechanisms. The respondents confirmed that contractors collected the general taxes, such as the signs board tax, the Dr. clinic tax, the shadi hall tax, and the generator tax. Apart from taxes, there were government property assets such as shops, plazas, and parking lots, and handsome revenue was generated from them from 2015-19. Apart from the abovementioned taxes, mutation tax, also called 2%, is collected in the form of property transfers. Each tehsil has its

own properties, and mutation tax is handed over to the concerned tehsil. There is an urban immovable property tax, which is collected from shops and plazas by the excise department. 85% of the whole tax is given to the local government, and 15% is retained by the excise department for its services.

It was also questioned regarding the provincial finance commission, and the respondents disclosed that from 2015 to 2019, the finance commission was functional, allocated budgets to local councils, and the finance department of the Khyber Pakhtunkhwa transferred to the general accounts of assistant directors. The amount was further distributed according to the population among the village/neighborhood councils. In 2015 to 2019, the provincial finance commission (PFC) had allocated a budget, and the finance department of Khyber Pakhtunkhwa had released it to a greater extent. With the approval of standing committees, such a budget was incorporated in connection with development works, while after the 2021 elections, the PFC has not released a budget, and councils have not felt forming committees in councils. The main reason for not releasing the budget is that the provincial government has deleted sections 30 and 32 under the Khyber Pakhtunkhwa Local Government Reforms; in this connection, no funds can be transferred to any local government, TMA, village council, or neighborhood council. Although the PFC allocates the budget, it does not transfer it to any local government in Khyber Pakhtunkhwa province. The tehsil municipal administrations (TMAs) suffer.

It was also provided by the respondents that the district government in Peshawar operated from 2015 to 2019 and generated significantly more revenue than the current local government system established following the 2021 local elections. From 2021 onwards, there is a mutation tax, an urban immovable property tax, and an advertisement tax. The other taxes have been abolished. 50% of revenue has been decreased. The government assets have been distributed among seven tehsils after 2019 local government reforms.

The researcher also compared the seven tehsils of District Peshawar in terms of revenue generation. The respondents provided that some tehsils have more urban areas and they collect more mutation tax and urban immovable property tax compared to those tehsils that have less urban area. The mutation tax, which was abolished in 2019 and reintroduced in July 2022, significantly impacted all seven tehsils revenue generation.

The researcher also investigated from the respondents about the efficiency of local government systems established from 2015–19 and the local government system established after 2021 local government elections. The respondents categorically provided that after 2021 the revenue is insufficient to meet the needs of the TMAs. After 2021, the rate of property transfer has increased from 15% to 22%; that's why mutation tax collection has decreased. The people take no interest in the transfer of property. It seems very expensive to them.

It was also asked from the respondents regarding the implementation of the reforms in connection with revenue generation in District Peshawar. According to the respondents, the reforms in terms of revenue generation from 2015 to 2018 have been implemented to a greater extent. On the other hand, from 2019 onward, reforms in terms of revenue generation have not been implemented.

Conclusion and Recommendation

Revenue generation varies from Tehsil to Tehsil. From 2015 to 2019, in all four towns/tehsils, much revenue was generated. During that period, various taxes such as the mutation tax, urban immovable property tax, advertisement tax, doctor clinic tax, shadi hall tax, trade license fee, and generator tax were imposed. However, the Government of Khyber Pakhtunkhwa abolished some of these taxes starting in 2021. In 2019, the Khyber Pakhtunkhwa Government amended

the Local Government Act of 2013, resulting in the separation of four towns from District Peshawar into seven tehsils. Due to this distribution of the Peshawar area, some tehsils have a significant amount of urban areas and local government assets, while others have very little or no urban area. As a result, those tehsils without an urban area generate very little revenue beyond 2019. Some tehsils collect a significant amount of mutation tax due to the presence of urban areas and high-value properties. Markets and plazas contribute significantly to the collection of urban immovable property tax. While some tehsils have active tehsil municipal officers who impose fines for municipal offenses, this practice has not been implemented in all tehsils of District Peshawar. They provided that in some tehsils there is political intervention, and the politicians of the District Peshawar made impediments in imposing fines regarding municipal offenses. Some tehsils have urban land, which allows them to collect more money from the mutation tax compared to those with less or no urban area.

However, this research study has identified some obstacles in the way of implementation of local government reforms and presents some recommendations for running the local government smoothly.

The provincial assembly of Khyber Pakhtunkhwa does not want to reduce its power. There is political, administrative, and financial devolution written in the constitution, but the method has not been clarified. It should be cleared. In other countries, the local government system flourishes, but in Pakistan, day by day, it weakens. The method of devolution should be clarified in the constitution of Pakistan. The local government system of Khyber Pakhtunkhwa does not work independently and is not a system like federal government and provincial government. It should be made autonomous. Elections should be held on time, and there should be constant continuity in holding elections. The Local Government Act 2019 shall be implemented literally. The political candidates have political affiliation with the party and its workers. When they come in power, they focus on working for his party and party people. From 2013 to 2023, many cases were reported where chairmen appointed their relatives and party workers in local governments at TMA. People raised some questions against them and spoiled the prestige of the local government department. They should not work for a political party and its workers but for everyone. Some enforcement officers fined some shops and houses with regard to municipal offenses, but they were not willing to deposit the fine. Such cases were reported, and police were involved in such cases, but they could not cooperate. The government should cooperate with regard to municipal offenses, urban immovable property tax, and advertisement tax. The trade license should restore as it was in 2015 to 2019. PFC is not active. The Federal Government should transfer money to PFC directly, and it should be released to local governments directly. The provincial government should be neutral and not interfere in local government.

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