DECENTRALIZATION AND PUBLIC SECTOR PERFORMANCE: AN ANALYSIS OF DEVOLUTION PLAN 2001 OF PAKISTAN

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DECNTRALIZATION AND PUBLIC SECTOR PERFORMANCE: AN ANALYSIS OF DEVOLUTION PLAN 2001 OF PAKISTAN

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DECLARATION

I hereby declare that this thesis, neither as a whole nor as a part thereof, has been copied out from any source. It is further declare that I have carried out this research by myself and have completed this thesis on the basis of my personal efforts under the guidance and help of my Supervisor. If any part of this thesis is proven to be copied out or earlier submitted, I shall stand by the consequence. No option of work presented in this thesis has been submitted in support of any application for any other degree or qualification in International Islamic University or any other University or Institute of learning.

Faiz ur Rahim

The Holy Prophet may the peace and blessings of Allah be on him, said:

"Everyone of you is a
shepherd and everyone is accountable
for his flock".

(Sahih Al-Bukhari and Muslim)

"Anyone who has been
given the charge of a people but
does not live up to it with sincerity
will not taste even the fragrance
of paradise".

(Sahih Al-Bukhari)

"The most beloved of men and
the nearest to God in rank on the
Day of Judgment will be a just ruler, and
the most despised of them and
the farthest from Him in rank
will be an unjust ruler".

(Tirmidhi and Tabarani)

Approval Sheet

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Abstract Summary

Decentralization is believed to increase mass participation to promote democratic values and bring about political stability. It provides a forum for dialogue on local priorities, and can be a breeding nursery for future political leaders. The Federation of Pakistan has been criticized for its failure in delivering public goods and services adequately at the local level. Even after implementation of devolution plan 2001. The politicians and common masses have been experience their discomfort and confusion on the media regarding the efficiency of local governments. The idea of devolution stems from the Tiebout Hypothesis (1956) according to which, "households vote with their feet by moving around the local government jurisdictions with the mix of public goods and taxes that maximize their utility". The local governments are supposed to provide a social environment that increases the satisfaction level of the community. The main objective of the study is to evaluate the performance of local governments in Pakistan in the context of Devolution Plan (2001). This needs to identify the determinants of the "citizen satisfaction" regarding local government services. The demographic and socio-economic characteristics of the citizens like age, gender, professions, education level, social status and geographical locations may be the possible determinants.

We would like to construct a satisfaction index and to determine the underlying dimensions of satisfaction from local government services via an exploratory factor analysis of the information obtained through questionnaire. Multiple choice models will be used for the purpose to identify the determinants of citizen satisfaction.

The determinants of citizen satisfaction from local government performance identified through an ordered logistic regression analysis could lead to some important and policy related results. We hypothesized that with the rolling back of the devolution policy will adversely affect the satisfaction level of masses. The results support the hypothesis and the devolution policy variable is found to be significant in all the relevant models employed in the analysis. The results are also verified by the descriptive statistical analysis based on trends of satisfaction starting from the baseline survey. There is a positive trend in satisfaction from many services of the

local governments throughout the devolution period and which suddenly dropped with the rolling back of the devolution policy in 2008.

The impact of socio-economic and demographic variables on citizen satisfaction is found statistically significant in majority of cases. People living in the urban city districts are comparatively more satisfied than the inhabitants of rural areas from local government performance. The regression results also indicated that people with lower social status are more satisfied in general. The findings indicate that the devolution process contributed to reduction in income disparities and alleviating poverty. However, we note a heterogeneous level of satisfaction from local government services in different provinces. This situation is very alarming and suggests for some institutional and political reforms. It also indicates very strong concern for the devolution model followed in Pakistan and calls for a detailed review of the policies and strategies of implementation. After all, the man-devised models do carry errors and omissions. People learn from experiences and there is always room for improvement provided the process continues in the right direction.

Acknowledgement

All Praises to Allah (SWA), who created man out of dust, made him His vicegerent on earth and made the angels prostate before him to make him realize the importance and centrality of human race in the Divine scheme of Universe. May Allah forgive the whole Muslim Ummah both alive and dead, mercy upon all and guide the whole humanity to the path that merits His pleasure. After Almighty Allah, may the greatest blessings of Allah (SWA) be upon His Prophet Muhammad (SWA), the most perfect and exalted, a source of guidance for humanity forever.

My heartiest gratitude to my respectable supervisor Prof. Dr. Nasim Shah Shirazi for his extended guidance and support, all the way long. I acknowledge with thanks the contributions of all the honorable teacher(s) whom I happened to learn throughout my academic career.

I might not have been able to complete the long arduous journey without the help of my family, the dedication and sincerity of my parents, brothers and sisters. Their silent prayers for me and their encouragement at every step have no doubt been invaluable assets of my life. No less valuable is the contribution of my wife - Yasmin and my beloved children, Zarwa, Zunaira, Abdullah and lovely Abdur Rehman.

Friends, for the contributions they made intentionally or unintentionally are recognized, acknowledged and appreciated. Also, special thanks and gratitude to my seniors and teachers-cum friends Dr. Hafiz Muhammad Yasin, Dr.Atiquzzafar Khan, Dr. Arshad Ali Bhatti, Mr. Malik Muhammad, Dr. Sajid Amin Javed and my student Mr. Abid Hussain for being supportive, always.

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DEDICATION

This work is dedicated to my beloved

father (late) Abdur Rahim Khan, who served the nation as teacher for sixty years (from 1946 to 1986 in public school and 1986 to 2006 in his private school). His love, inspiration and guidance have always been working as

a source of motivation for me.

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Chapter 1

Introduction

1.1 Background

Pakistan is a federation of four provinces. Federal, provincial and local governments are operating simultaneously in the country. The resource sharing mechanism and distributional issues always remained a matter of debate among different units of the federation.

According to Jaffery and Sadaqat (2006), "the systematic resource transfer takes place at four stages. At the first stage, the National Finance Commission (NFC) awards the share of revenues to the federal and provincial governments. At the second stage, Provincial Finance Commission (PFC) delegates the authority of resource utilization to local levels". The vertical resource sharing occurs at local levels in the third stage i.e. from District Government to Tehsil Municipal Administration and finally to Union Councils. In parallel, the random transfers also occur and take the shape of special grants, discretionary funds to executives, development funds to parliamentarian and so on.

The decentralization policy of Pakistan 2001, often called the devolution plan, which introduced major changes in the central- Provincial-local governance relationship, is viewed as a landmark innovation. Devolving most of the local government functions to elected councils at district level, resulting into people participation in managing their affaires along with service delivery was generally welcomed. The devolution plan, in the context of its pros and cons, became a hot issue of debate in electronic and

print media of Pakistan and still it remains to be so thereby generating a bulk of literature.

The literature on public economics has generally converged to the consensus that public functions of decentralized will improve the satisfaction level of the people since the public goods are provided at the doorstep of citizen according to their local menu (Tiebout 1956). Pakistan is one of the countries, which have experimented different local government models at different periods. Recently it has opted for sub-national governments (district governments) to achieve the goals of better governance and efficient service delivery.

Before we start a detailed discussion regarding devolution plan 2001 and political history of decentralization in Pakistan it would be better to have a look into the concept of decentralization and arguments in favor and against this concept.

1.2 The concept of decentralization

Decentralization means the devolution of power and responsibilities from central government towards lower tiers of the state[1]. Maintaining macroeconomic stability, allocative efficiency and distributional equality are also among the concerns of decentralization.

However, multiple factors like poor infrastructure, political instability, dictatorial mindset of rulers etc, sometimes restrain the central governments from devolving powers to local governments as their policy priorities. It might not be in harmony with different national goals or might conflict with them even.

1 See Samuelson (1954) and Oates (1972) and Oates (2001) for pioneering research.

Many developing economies have opted entirely different models of decentralization to deal with their issues of poor governance and inefficient macroeconomic performance. In simple words, there is no uniformity in the policies and strategies across these economies. The policy makers and economists finally agree that decentralization of a nation's fiscal structure is a sensible strategy to achieve a better economic performance of the public sector. However, it is interesting to note that still there are some important studies which intimate either no relationship or a negative association between macroeconomic performance and decentralization in cross country analysis and similarly in single countries.

In short, we can say that the prevailing literature on the relationship between decentralization and macroeconomic performance does not provide any definite conclusion on the direction or importance of the relationship, and the issue still remains inconclusive.

According to Faquet (1997), "the debate on decentralization dates back to the writings of the 17^{th} and 18^{th} century social philosophers like Rousseau, Mill, Tocqueville, Montesquieu and Madison. Central governments are distrusted, and tiny democratic governments are preferred by the general public associated with the continued hope of preserving the liberties of free men". Bennet (1990) stated that the case of a decentralized government was articulated. His arguments can be divided into two categories: the values of efficiency and values of governance.

Decentralization brings the decisions making process closer to the reach of individuals. This promotes the responsiveness of local officials as well as their accountability to voters. This may be the result of our tendency to expect that local

decision makers are more informed about the issues of their local constituencies than the central decision makers. Moreover, to the extent that there is accountability through local elections, these elections are mainly driven by the problems of local allocation, while national elections can seldom attach any weight to issues of service delivery at local level.

1.3 Motivation of the study

The Federation of Pakistan has been heavily criticized for its failure in delivering adequately the public goods and services at the local level. Even after implementation of devolution plan 2001, the media, politicians and common masses are facing a sort of discomfort and confusion regarding the efficiency of local governments. Pakistan as well as most of the developing countries is plagued with corruption and mismanagement in the bureaucracy and therefore many well designed policy plans often turn out to be ineffective. This situation motivates us to investigate into the design of devolution plan and the allied institutional arrangements made for its implementation, and to evaluate its links with improvement in public sector performance through an assessment of satisfaction level of the people.

A single implementation formula will not work equally well everywhere. Thus empirical, community-based evidence is needed to identify the specific conditions under which the formula works efficiently. This research adopts a result oriented evaluation of devolution, to pinpoint policy adaptation over time and policy differentiation across the territory. The empirical evidence from this research work will be in a position to bring forth the circumstances under which the devolution may

work efficiently. This study will provide guidance to the policy makers in issues which need attention in order to achieve the maximum benefits.

1.4 Research problem

The idea of devolution stems from the Tiebout Hypothesis (1956) according to which, "households vote with their feet by moving around the local government jurisdictions with the mix of public goods and taxes that maximize their utility". Local governments develop certain localities where they provide different bundles of public goods and services so that every observer may find a locality with the most appropriate menu of such goods/ services. This research study investigates whether the utility (satisfaction) level of the people has increased from decentralization plan 2001 in Pakistan, as expected from efficiency point of view.

The district and local governments are supposed to plan for a social environment that increases the satisfaction level of the community. At the same time, these governments have to arrange for necessary resources to finance their local budgets.

All local governments have different capabilities keeping in view the available physical, financial, human resources and physical infrastructure. Some districts may have more financial resources while others may have more skills, honest officials to manage their responsibilities. Thus, the outcome of decentralization may vary across districts. Differences in socio-demographic and geographic characteristics of localities may also contribute to improvement or impediment of different outcomes. By virtue of location, literacy standards, profession and level of people's income, various local governments may be providing varying levels of satisfaction to the people.

Assessment of the level of citizen's satisfaction to measure the performance of local governments is one of the main objective of this study.

1.5 Rationale and Scope of the study

Many studies have been conducted on the experience of decentralization in Pakistan. They have tried to identify the advantages and disadvantages of this experience, as will be discussed in the literature review. Many writers have emphasized the benefits expected from a decentralized system, especially in terms of efficiency and participation of people at the grassroots level in the assignment. Others have questioned the efficiency of such a system and expressed concern about the possible negative consequences, particularly with regard to macroeconomic policy and income redistribution. Concerns have been shown about the potential dangers of decentralization (eg, elite capture) in a socially stratified society like that of Pakistan. Widespread corruption in the delegate dispensation has also been an important area of concern in these studies.

The impact on service delivery is an important element, but it is only one aspect of the overall evaluation of the decentralization reform in Pakistan. There are other questions which are equally important. One goal of this study is to have the comparison of perceived satisfaction with the decentralization reform during the period of validity when the program worked (2001-2007) and after the disbandment of the program (2008 to date). This way of examining the effectiveness of the decentralization policy is very important but the existing literature is silent on this aspect. In order to fill this important research gap, this study aims to evaluate the performance of the local government system by measuring the level of citizen

satisfaction with the services delivered by the local government as a result of decentralization plan. This study is the need of time when the debates are still going on and the Supreme Court of Pakistan is passing orders to conduct local bodies' elections. It may prove a useful piece of information for researchers, civil society activists, policy makers, and citizens at large.

1.6 Research objectives

We may categorize the research objectives of this study as under.

1. The main objective of the study is to assess the performance of local government in the context of the Devolution Plan (2001). This is achieved through quantification and comparative analysis of citizen satisfaction from the local government system (2001-09). Specifically, we intend to evaluate the impact of decentralization on the level of citizen satisfaction and then to compare the position during the period of policy intervention and after that when the local government system was held in abeyance (2009 to date).
2. Our second objective is to identify the determinants of the "citizen satisfaction" regarding local government services. These determinants are mostly demographic involving socio-economic characteristics of the citizens like age, gender, profession, education, social status and geographical location.
3. In addition to above, another important objective of the study is to assess citizen satisfaction from various services provided by the local governments i.e. administrative, community services, social services like education, health etc.

1.7 Hypotheses

The hypotheses to be tested are the following:

H1: Devolution of authority to local governments improves the level of satisfaction of the citizens.

This hypothesis is based upon the vision of Oates (1972), who stated that "*allocative efficiency is attained by providing the mix of output that best reflects the preferences of the individuals who make up society" And* further *"by allowing many different local governments to provide certain public goods, more creative methods of provision at lower costs arise".*

The hypothesis would be tested through comparison of the citizen satisfaction before and after the devolution plan. We have evidences from the available literature on public economics showing that the efficiency of public sector is measured through satisfaction of the citizen and that a comparison of before-after effects is feasible to carry out such research requirement. Beuermann (2010) investigated the impact of decentralization policy intervention in rural Russia by using before and after comparison for a very short time span to find that short-term interventions cannot result into higher satisfaction with local public services. However, it can direct the local management to move in the right direction.

The literature provides some evidences of successful decentralization in Latin America through a short run policy intervention. Santos (1998) is a widely quoted case study of decentralization in the city of Porto Alegre, Brazil. Another is Faguet (2001) which is least known but discusses spectacular success of the post-1994 decentralization in Bolivia. Between 1989-1996 the access of masses to basic

sanitation (water and sewerage) increased. Similarly primary and secondary school enrollment nearly doubled, while tax collections increased by 48 percent (Santos 1998). Diaz-Serrano & Rodriguez-Pose (2012) also focus on the relation between decentralization and life security and other satisfaction measures associated with local government and democracy. Using data from the European Social Survey, they find that both fiscal and political decentralization, as measured by the Regional Authority Index (L. Hooghe et al. 2008) do influence satisfaction level. Voigt & Blume (2009), show via a cross-country analysis that happiness is influenced by several aspects of decentralization, (e.g. the sub-national share of expenditures and unconditional transfers from the national to lower governments).

Previous literature shows that the effect of decentralization on quality, delivery of services and public satisfaction is ambiguous. Little evidence has been provided on the role of local governments in enhancing efficiency. It leaves a room for new research and therefore we make it our first hypothesis to be tested, so as to suggest some directions in decentralization reforms.

Hypothesis 2: The devolution model (2001) of Pakistan can lead to heterogynous satisfaction outcomes among citizens of different localities and jurisdictions. People living in urban city districts and provinces with closer political bindings with the center are generally more satisfied.

The public economists have raised this issue and discussed it as dangers of decentralization. As Shah (2012) wrote "in the layer-cake model that had prevailed in Pakistan till 2010, there was a hierarchical relationship among the federal, provincial,

and local governments with the federal government at the apex and the dominant player".

Prud'homme (1995) also notes the same drawback of decentralization by nothing "corollary of this thesis is that, on equal terms, decentralization of tax and spending goes against the decentralization of activities and likely lead to a concentration of growth in a few urban areas.

H3: The devolution plan (2001) empowers the lower segment of the society. The poorer/ vulnerable people are generally more satisfied from the devolution/ decentralization policies as compared to the rich/ elite class.

According to World Bank (2004), decentralization in the provision of public services has become an increasingly relied institutional arrangement aimed to improve pro-poor delivery. Shah (1998), Wallis and Oates (1988) World Bank (1994) and UNDP (1993) also consider that decentralization makes governments more responsive to local needs by 'tailoring levels of consumption to the preferences of smaller. In contrast, the opponents like Crook and Sverrisson (2001) and Smith (1985) hold that lack of human, financial and technical resources will prevent the local governments from providing appropriate public services, and thus the power should remain in the hands of central governments that are relatively resource rich. Prud'homme (1995) also endorses the second opinion and states that decentralization can increase disparity and adversely affect equity in distribution. What evidence does exist is largely inconclusive, and therefore we include this hypothesis to investigate the fact.

H4: The level of people satisfaction from the local government is positively linked with the level of education of masses i.e. more aware people are more satisfied from the decentralized governments.

According to Christensen and Laegreid (2002), the educational level has a significant effect on trust in parliament, the cabinet and the civil service however this is not true for local councils, political parties and politicians.

1.8 Data source and methodology

We are using secondary data sets which are collected by United Nation Development Program (UNDP) under the project namely "Social Audit of local Governance and Delivery of the Public Services". The survey has been conducted during 2009-10 when the local governments have been operating and then in 2011-12 when these governments lost their active role.

The survey is based on structured questionnaire comprising six parts. Part A provides information on respondent's demographic background such as gender, age, educational level, occupation and residential status. Part B contains nine questions related to the individual's perception towards his satisfaction from services of local government. . Section C, D and E are designed to collect information on respondents' overall satisfaction with health, education, and local governance as well as community services provided by the local governments.

This study uses the short Likert scale extracted from questionnaire to measure the satisfaction level of the respondents. These scales are primarily introduced by Lyons et al., (1992), Cronin & Taylor 1992 and Oliver, 1997 for the same purpose. The respondents are asked to rate their level of satisfaction from facility/ service provided

by local governments. The responses are ranked with the higher in a manner that the higher scores on this scale indicating higher levels of satisfaction.

1.8.1 Analytical procedure

Data from 20000 valid questionnaires is analyzed using SPSS version 20.Descriptive statistical analysis is used to evaluate respondents' demographic characteristics and their satisfaction from local government services. An ***exploratory factor analysis*** is performed on the items included in the questionnaire to construct a satisfaction index and to determine the underlying factors/ dimensions of satisfaction from local government services. ***Multiple choice models (Ordered Logit)*** are used to identify the determinants of citizen satisfaction. Further details are provided in chapter-4.

1.9 Organizational structure of the study

This document is divided into seven chapters. The next (second) chapter is an extension and further elaborations of the concept of fiscal decentralization and provides the history of local government practices in Pakistan. Third chapter reviews the related theoretical and empirical literature on fiscal decentralization, case studies providing international experiences and also the literature on local governments of Pakistan. At the end of the chapter, the extent and scope of existing research work in the area is discussed and the contribution of this study is highlighted.

The fourth chapter provides the theoretical framework of this research upon which the empirical model is built for further analysis. Fifth chapter analysis the results/ findings of this effort along with discussion. The last chapter concludes the study as usual by drawing the potential policy implications and suggesting some future directions to the policy makers/ researchers.

Chapter-2

Political Economy of Decentralization In Pakistan

This chapter briefly introduces the political history of devolution process in Pakistan. Without complete knowledge of the history of decentralization and resource distribution, it is hard to identify the drawbacks in resource distribution mechanism and newly introduced devolution process (2001). This section summarizes all structures of local governments and awards passed by the National Finance Commission from time to time after independence. The developments taking place overtime based upon historical facts can better indicate the future line of action.

2.1 A Brief history of resource distribution and local governance

This section overviews the resource distribution mechanism and the nature of local governance during different political eras of Pakistan.

2.1.1 The pre independence period

i) Resource distribution

The Niemeyer Award was introduced in 1935 by the British government for resource distribution between centre and provinces in India. Under this award, a major part of sales tax was allocated to the provincial governments. In the case of income tax, 50 percent of total revenue was reversed for the center 50% allocated to the provinces. When Pakistan came into being in 1947, the same provision was continued in operation until March 1952.

2.1.2 From independence to 1958

A) Resource distribution

The Raisman Award was established in December 1947. The federation allocated 50 % of its total income to the provinces, out of this share of the provinces 55 % was allocated to the West Pakistan with further distribution like, Punjab (27%), Sind (12%) Northern Frontier Province (8%), Bahawalpur (0.6%), Khairpur (0.6%), Baluchistan (4%) and residual (2.8%) was suspended for special education. Remaining 45% of the total provincial share was allocated to East Pakistan.[2]

B) Local governance

Given that the independence movement was driven by the Muslim League via political mobilizations at the provincial and higher levels, there was very little attention to local government after independence. These were restricted and controlled by central bureaucracy by not holding the elections (Waseem 1994). Throughout the decade of 1950s, the weakening local governments worked under the influence of center and the center dominated civil and military establishments (Jalal 1995, Callard 1957 and Talbot 1998).

2.1.3 Ayub Khan's regime (1958-1966)

A) Resource distribution

i) Revenue sharing under one unit

During the execution of the Raisman award, all the four provinces of West Pakistan were merged into one unit in 1955. Thus, from this date onwards, the whole country

2 Government of Pakistan, (1991)

was represented by two entities, namely East Pakistan and West Pakistan. During the era of one Unit, two awards were announced, i.e. 1961 and 1965.

ii) National Finance Committee 1970

In April 1970, for the first time, a committee was constituted (rather than a commission) to work in the Federal Ministry of Finance to give recommendations on the allocation of intergovernmental friendly resources. According to the recommendation, the vertical distribution of resources between the federal and provincial governments should be in ratio of 20:80 respectively.

B) Local governance

Pakistan introduced its first experiment of local governments called basic democracy under Martial Law of 1958 which later on represented a political arrangement at central and provincial level by replacing the national and provincial assemblies. In 1961, the new local governments were established under the presidential ordinance. It comprised a hierarchical system of four levels (union council, the municipal council, tehsil council and district councils) followed by the provincial and national assemblies and these were administered by the President of Pakistan (Rizvi 1976).

2.1.4 The PPP regime under Z.A. Bhutto (1972-1977)

A) Resource distribution

This item can be shaded in the context of 1973 constitution. After the separation of East Pakistan in December 1971, Mr. Zulfiqar Ali Bhutto, the leader of the majority party (Pakistan People's Party) in West Pakistan took over the charge as the first civilian Martial Law Administrator of the country by evading the regime of General Yahiya Khan. In 1973, Pakistan's new constitution was approved by the National

Assembly and Mr. Bhutto became the Prime Minister on March 23, 1973. Special arrangements were made for the resource distribution through the new constitution to make the process more smooth and acceptable. It became mandatory for the federal government to reconstitute the NFC after every five years. The finance committee was appointed to suggest and comment on the mechanism of resource distribution in Pakistan. Therefore, with the new laws, an effort was made to ensure a distribution of resources amicably.

In 1974, the first National Finance Commission (NFC) was established under the new constitution. Under this commission the divisible pool consisted of sales tax, income tax and the export duty on cotton. The population size was taken as the sole criterion for horizontal resource distribution among provinces. Accordingly, the share of Punjab province rose to 60.25 percent of the total provincial share. As a result, due to the non-diversification of the formula, the smaller provinces were negatively affected. The vertical distribution of resources remained unchanged i.e. Federal 60%, Provinces 40%.

B) Local governance

During the period of Zulfiqar Ali Bhutto, no local election was conducted and BD system was held in abeyance.

2.15 The Zia's period (1977-1982) and post-Zia era

A) Resource distribution

After the military takeover in 1977, the second NFC award was announced by the President General Zia-ul-Haq in 1979. The basis of the distribution of resources

among the provinces remained the same, i.e: population size. Revised NFC award of 1979 for the divisible pool of taxes was as under;

Table: 2.1 Provincial shares 1979 award (percent)

Punjab	Sind	NWFP	Baluchistan
57.97	23.34	13.39	5.30

Source: Government of Pakistan, 2006 (b)

The third NFC award of 1985 was unable to recommend any improvements/change in the delivery mechanism.

B) Local governance

The local governments were revived under Military regime of General Zia-ul-Haq. He established local governments in 1979 and used these governments for political legitimacy of his Martial Law till 1985. This was followed by the general elections of 1985 on non-party basis and a democratic parliament headed by Prime Minister Muhammad Khan Jonejowas established. The new parliament passed the 8thConstitutional amendment that validated the previous action, of the military rule. It was apparently democratic but factually a Presidential sort of government (Noman 1988). Jalal (1995) commented on this situation that "the local governments were revived through the promulgation of local government ordinances (LGOs) and local bodies were elected in all four provinces during 1979 and 1980. In essence, the military sought to use its previous strategy of 'divide and rule' by making a brand new and competing category of 'collaborative' local-level politicians".

According to Mohmand and Cheema (2007), the increased political importance of local authorities was not accompanied by the decentralization of functions or transfer

of monetary powers from federal or provincial governments to local authorities. The comparative analysis shows that there was very little change in the functions and powers assigned to local governments during the periods, i.e. local governments of 1980 and basic democracy of 1960. Therefore, increased importance of local government could not prove itself to be politically legitimate systems during the two military regimes. In fact, local governments continued to lack constitutional protection and their creation and maintenance remained at the whim of the provinces, that retained suspension of powers.

Wilder (1999) stated that, "the unequivocal adoption of the representative principle was significantly weakened as the government adopted the procedures of holding local elections on a non-party basis. Although, non-party local level elections remained the general principle in areas that comprise Pakistan since the colonial period, nonetheless Zia manipulated this principle to neutralize the influence of political parties at the local level. Historical proof suggests that these measures resulted into the localization and personalization of politics at the local level".

2.1.5 The period of conspiracies and unstable democracies (1989-1999)

A) Resource distribution

The democratic government of Mr. Nawaz Sharif announced the 4th NFC Award in 1990. The commission concluded its recommendations in April 1991. According to Ghaus and Pasha (1994), "this award is considered a major achievement after a gap of almost 16 years. There were many positive recommendations like expansion of the resource base to include more taxes. Similarly, the proportion of horizontal share of the provinces grew by 17 percentage points (i.e. from 28 percent to 45 percent of

federal tax revenues)". This award maintained the same previous practice of resources distribution among the provinces according to their population size, as presented in Table.

Table: 2.2 Provincial share-1991 awards (percent)

Punjab	Sind	NWFP	Baluchistan
57.88	*23.28*	*13.54*	*5.30*

Source: Government of Pakistan, 1991

B) Local governance

According to Wilder (1999), "the revival of the provincial and federal governments elected in 1985 strengthened the local governments and the localization of politics that had stated with the 1979 elections of local bodies". He further stated that "the dominance of these revived assemblies by local bodies politicians helped in promoting the culture of second rank politics at the provincial and national levels".

2.1.6 The third military regime (1999-2007)

A) Resource distribution

This can be studied with reforms the 6th and 7th NFC awards during the Military regime of Gen Pervez Musharraf. Despite problems in the implementation stage, the two NFC awards of 1991 and 1997 remained successful in bringing improvements in resource allocation mechanism. The 6th National Finance Commission for 2000 was formed by General Pervez Musharraf, the then president of Pakistan. The provinces demanded 50% while the center was ready for 45% of share from the distributional pool. The tenure completed without any progress in this case.

The seventh NFC award 2006

This award was convened during the government of Prime Minister Shoukat Aziz, although entirely directed by Pervez Musharraf. After unproductive completion of 6th NFC award, the new commission was nominated on July 21, 2005. However, the deadlock still prevailed among stakeholders. The commission faced difficulties in reaching a consensus on the resource distribution mechanism. Therefore, as a last resort, under Article 160 (6) of the 1973 Constitution, all the chief ministers of the provinces vested the authority to the President to declare an acceptable distributional formula of resources distribution. Therefore, President General Pervez Musharraf amended the "Distribution of revenues and grants - in -Aid Order, 1997" through an ordinance in 2006 and the provincial share in the distributional pool increased, but the implementation had to be done gradually. (Ahmed et al, 2007).

B) Local governance

The new devolution plan (2001)

Decentralization reforms were introduced via the "devolution of power" plan initiated in January 2000 and implemented through a series of local elections that ended in August 2001.

These reforms introduced some additional characteristics of the plan. First, in addition to delegate administrative and expenditure responsibilities to local governments, the reforms added some changes within the command levels of the administration. It changed the responsibility structure of the authorities (political or bureaucratic) and, the management of fiscal resources. Secondly, the method of decentralization was not uniform in all functions, but involved significant heterogeneity in extent between

administrative departments. Finally, the reforms worked fairly and quickly under the military regime at a time when no elected provincial and federal governments were there.

The local government ordinance (LGO) 2001 was covered under schedule VI of the Constitution of Islamic Republic of Pakistan. The ordinance regulates the local government system and its relationship with provincial governments. Through this ordinance, administrative and fiscal authority with regard to the provision of key social services (basic health care, education, drinking water and sanitation) has been transferred to the lower formations of government. Around 110 District governments 335 tehsils Municipal Administrations and 6022 Union Councils were formulated.

2.2 Provincial to local transfers

All provinces established Provincial Finance Commissions (PFCs) in 2001.These commissions created awards for the distribution of provincial resources to local governments. The legal basis of the PFCs was provided through the amendments of the LGO (2001). The intension behind these local provisions was to create formula based medium term transfer systems. The Provincial Finance Commissions were asked to design a strategy for resource distribution among the districts in their respective provinces. The formula includes two form of transfers, the current transfers and event transfers. The current transfers were intended to maintain existing services at the district level and subsidies were introduced to minimize poverty and income deficiencies within the districts. Each province had its own preferences according to their social, economic and political settings, and could select the distribution criteria accordingly.

Population size was the most important indicator used in all provincial awards. Earlier, local governments were not receiving transfers from the provinces, except the discretionary grants for specific purposes. District and TMA local funds were created as separate accounting entities, distinct from provincial consolidated fund, to stop re-appropriation by the provinces. The intention was to enable each local government finance its spending from own revenues or formula-based unconditional transfers.

2.3 Political economy of decentralization and local governance

In this section, we discuss the main features of devolution plan in some detail.

2.3.1 Devolution plan 2001 as partial decentralization model

The issue of local government, in Pakistan should be discussed in the context of federalism in general. The truth is that despite being apparently a federation, Pakistan's financial structure is highly centralized. For example, the Constitution of Pakistan empowers the federation to impose taxes on the most important productive contributions in non-farm income, customs, excise duties, sales taxes, and income taxes. After collection, these taxes are shared between the center and the provinces and between provinces and local authorities.

Moreover it is astonishing that own generated revenue resources of local governments are less than 0.1 % of GDP. The buoyancy and efficiency of local taxes suffer not only from a small and inelastic tax base, but also from the weakness in the tax administration. This current devolution plan is in the nature of only a partial decentralization model (expenditure decentralization) and does not address this weakness.

The local governments are dependent upon federal government for their resources through the respective provincial governments. However, the demands of local governments over the provinces are not identical because of differences in provincial rights to share with the federation, and that local governments have no constitutional rights to participate in income (ADB / WB / DFID, 2004).

2.3.2 Dual federalism in Pakistan

According to Shah (2012), "Pakistan is practicing a different sort of local government system which can be called dual federalism". He stated that "the dual federalism model empowering provinces, nevertheless, has significant conceptual shortcomings". He concluded that under dual federalism;

a) Both the center and the provinces compete to claim a larger share of the fixed national pie.
b) Empowering provinces can create potential for the greater duplication of government structures.
c) The federation may face the situation of agency problems with incomplete contracts. In most of countries, empowering provinces does not necessarily imply that decision- making moves closer to the people.
d) Empowered provinces create incentives for weaker and numerous local governments.

Table: 2.3 Shares of federal, provincial and local government revenues and expenditures

Government	1955	1965	1985	1995	2005	2010	2011
Expenditure shares							
Federal	60	60	65	67	70	66	67
Provincial	35	30	30	29	20	25	28
Local	5	10	5	4	10	9	5
All	100	100	100	100	100	100	100
Revenue shares							
Federal	70	85	90	90	93	94	93
Provincial	25	10	5	5	6	5	6
Local	5	5	5	5	1	1	1
All	100		100	100	100	100	100

2.3.3 Local participation and accountability

According to Keefer (2004, 2005), Keefer and Khemani (2003), "the perception of voters regarding the credibility of the elections, along with the local politics of patronage and weak capacity matching of preference candidates, is making nearly half of the electorate politically inert and cause relatively low turnout. This suggests that policy failures and the inability of politicians to make credible pre-electoral political promises that prevailed in the period before devolution are also evident at the local level". A better federal transfer system should be both competitive and cooperative.

In summary, the historical critical review of the local government in Pakistan by the researchers recommends that the key of successful delivery of public services is to adapt adequacy, transparency and regular flow of funds to stakeholders. This should be accompanied with aims and objectives of the financing and delivery of services

through clearly identified assignments, which will lead to an optimal level of growth and equity. If the federation of Pakistan focuses on the devolution of power, with adequate financial devolution, then it would lead to maximum economic outcomes.

2.4 Conclusion

In this scenario, the discussion on decentralization model of Pakistan cannot be concluded at a single node. The theoretical foundations of decentralization, the international experience and the history of domestic experience of decentralization in Pakistan are mismatching and vogue. The adoption of dual federalism model, partial decentralization, distrust of local community and lacking political will have created a further complexity. In this situation the benefit/ loss assessment of decentralization in Pakistan is very difficult. However this study is trying to assess the performance of public sector through satisfaction level of citizen from the ongoing practice of decentralization in Pakistan.

Chapter 3

Literature Review

3.1 Decentralization theory

The principles of decentralization discussed in the literature have been fruitfully applied to national-provincial relations in developing countries like Argentina, Brazil, Colombia, South Africa, India, China, and Pakistan. The concept of fiscal decentralization originally based on the Tiebout model (1956) that criticized the market based solution for the provision of public goods suggested by Erik Lindahl (1919), Musgrave (1939) and Samuelson (1954). Tiebout argued that "when public goods are local rather than pure, competitive forces tend to make local governments provide public goods almost optimally". He further hypothesized that "the greater the number of communities and the greater the variety among them, the closer the consumer will come to fully realize his preference position". He further stated that "citizens 'vote with their feet' and move to a neighborhood where their favorite basket of public goods exists to increase their welfare gains". However the overall outcome of the Tiebout model regarding its success is a mixed one failure in some countries and success in other countries.

Wallace Oates (1972) further developed the theory of fiscal decentralization through his seminal work. He argued that "central government, due to imperfect information, produces a uniform level of public goods across districts. While the provision is appropriate for uniform national goods such as national defense, it may be inappropriate for goods that are local such as school funding and construction of health clinics". Uniform funding for construction of health clinics, can be inefficient

because it ignores the heterogeneous tastes and preferences among residents of different districts. Perhaps a community may like more funding for health-related activities other may prefer the money to be spent on local schools. Local governments can get better information about preferences of their constituencies. Decentralization is preferred when tastes are heterogeneous and there are no side effects in all jurisdictions. In contrast, spending of a central government that provides a common level of public goods and services, containing spillovers and homogeneity across localities, is more efficient. The issue of side effects is important for investment in roads, transportation, communication, research and public outreach, pollution or epidemic control, and so on. The second generation theory, which is typically an agency theory, was first introduced by Qianand Weingast (1997). They offer an approach which appeals to the theory of the firm. The approach is taken as a critique of the traditional theory that ignores incentive problems i.e. what leads the government officials to behave manager of the firm? In the managerial theory of the firm, the managers have their own incentives; they do not behave in the interests of share holders. The incentives for managers and the interests of shareholders are then aligned through the market. Similarly, public officials have no incentives to advance the interests of citizens. The incentives of government officials and the interests of citizens are aligned through appropriate political institutions, like the parliament or councils of public representatives.

Besley and Coate (2003) have further developed the theory to fit more accurately to the present day needs. The initial assumption in above mentioned economic literature suggests that the central government provides uniform public goods across country.

Besley and Coate argue that "the positive spillovers in many districts represent a major drawback of decentralization. Instead of focusing on the scope of a public good, the main focus is on the legislative process which allocates money for public goods". They suggest a game theoretic framework which begins with a national legislature comprising local representatives.

Platteau and Abraham (2002) using a game theoretic model assert that there is a multiple equilibriums game played in local politics with just one of the outcomes being cooperation. To get better results from a certain level of institutional decentralization, some training regarding running a government and participatory development programs must be in place.

As Lockwood (2006) summarizes, "there are two major approaches to the problem: the 'standard' model and political economy approach. The 'standard' model assumes that the central and local governments are benevolent, i.e. maximize the total welfare in their respective jurisdictions".

The new literature political economy discusses various issues and their implications with in different political institutions. Weingast (2005) suggests that the importance of the fiscal incentive approach. Acknowledging that public officials have their own objectives, the fiscal incentive approach emphasizes how fiscal institutions create incentives for public officials that affect their policy choices to foster local economic performance. Thus, taxation and the transfer system should be designed to induce market preserving decentralization.

Kessing (2010) discusses accountability loss excused by distorted elections. He argues that random factors such as weather and economic shocks may result in

inefficient politicians being voted out by mistake, leading to a decreased accountability of incumbent politicians. Additionally, he claims that the uniformity of service provision in a centralized system is not always considered as an efficiency reducing factor. Whether uniformity of provision reduces efficiency or otherwise, depends on the question of how citizens decide their votes. If citizens in each region vote looking at the level of provision in all regions, then uniformity of public service provision is better for reasons of inter-regional equity. If citizens vote on the basis of the level of public good provision in their own region, then discriminatory regime can reduce accountability.

Hatfield and Miquel (2008) discuss a decentralization frame work where spillovers and taste heterogeneity are not taken as significant factors. They suggest a partial decentralization that depends on a balance between the desire to redistribute and the need to avoid highly distortive taxes. Central government public goods provision becomes redistributive in favor of capital-poor citizens if funded by capital taxes. They suggest that centrally provided public goods should be funded by capital taxes as a redistributive goal. Koethen Buerger (2008) suggests a model where the welfare trade-off between centralize and decentralize systems depends on how the policy choices are able to internalize spill over sin public consumption. He argues that although spillovers may exist, a decentralized system, may promote welfare better than a centralized system.

Hindriksand Lockwood (2009) illustrates the role of political institutions in the extent to which voters can control or hold accountable the incumbents under the two systems. They show that citizen welfare is lower in a centralized system as compared

to a decentralized system. This is because bad incumbents can pool with the good one sand therefore the cost to public is lower in case of centralization. They also show that uniformity under centralization allows voters to prevent selective rent diversion, but at the cost of a greater risk of appropriation by bad incumbents. Further, decentralization provides better circumstances to disciplined politicians and selects good over bad incumbent sand hence promotes better quality of government.

3.2 The advantages of decentralization

The literature on decentralization suggests many benefits to developing nations in the context of budgetary control. According to Fishman and Gatti (2002) and Smoke (2001, 2003), one such benefit is the promise of a more responsive approach to public needs by local governments.

Tanzi (2001) pointed out some potential disadvantages of the implementation of decentralization. According to him, we may the risks of excessive regulation, more restrictions on capital movement, more corruption, more disparities and declining transparency.

Weinschelbaum and Tommasi (1999) used the principle-agent theory for comparison of the two systems. According to him decentralized mechanism is preferable to a centralized one when the problem of inter jurisdictional externality is less important than the effect of coordination.

Basley and Coate (2000) stress the importance of the mechanisms of aggregation policy on the balance between centralized and decentralized provision of public goods. Wade (1997) argues that centralization can also better exploit economies of

scale in the provision of the general facilities, but these economies of scale are less important in the local management and maintenance.

Seabright (1996) concludes his findings in that centralization allows policy coordination, which is especially important if there are indirect effects through competition. However centralization has costs in terms of diminished responsibility, in the sense of reduced probability that the welfare of a given locality can determine the reelection of the government.

Bardhan and Mookherjee (2000) develop a simple analytical framework to compare the conflicting aspects of centralized and decentralized system of administration. Decentralization, by transferring control rights from officials with center to local governments, usually tends to expand the supply of services as the authority shifts to those who are more sensitive to user's needs. Since the control of local government often in the hands local elites, there is a tendency for the services to be over provided to local elites at the expense of non-elites.

The literature provided some evidences of successful decentralization in Latin America through a short run policy intervention. Santos (1998) is the widely observed decentralization case in the city of Porto Alegre, Brazil and another is the Faguet (2001) least known but spectacular success of the post-1994 decentralization in Bolivia. Between 1989-1996 the access of masses to basic sanitation (water and sewerage), as well as primary and secondary enrollment nearly doubled, while tax collections increased by 48 percent (Santos 1998).

Prud'homme (2003) states that, "decentralization is a vague term, because it refers to both a system and a process." McKinnon (1995) and Qian and Weingast (1997) focus

on the incentive associated with decentralization that effect sub-national governments and suggest that regional disparities may be related to the efficiency of public services.

3.3 Empirical evolution of decentralization theory

In this section, we refer some empirical works that evaluate the performance decentralized system.

3.3.1 Decentralization and public sector performance

Shah (2006) asserts that fiscally decentralized system can support macroeconomic stabilization policies of government more effectively. Foster and Rozenzweig (2004) note that decentralized local governments in India are significantly more responsive to local needs as they are given authority to collect income tax.

Azfar et al. (2002) conducted a household's survey in Philippines with respect to the stated public-investment priorities of officials viz-a-viz the aspiration of local people. The finding suggests that decentralization improves, the quality of information used in public investment decision making. Azfar et al. (2002) in Uganda came with qualitatively similar results.

Crook and Sverrisson (2001) added a brief empirical observation by examining the fiscal decentralization experience of West Bengal, which was nearly unambiguously positive. Bryson and Cornia (2000), present the case of fiscal decentralization in the former state of Czechoslovakia. The local governments had similar institutions in the beginning however they began to diverge after independence. While the local Czech Republic remained largely dependent on the central government for funds, Slovakia

adopted the opposite approach. It could devolve fiscal responsibility so much that local governments needed very little help from the central government.

Kanbur and Zhang (2005), show that decentralization led to higher regional inequalities in Chinese provinces during the period of 1952-1999. Similarly, Zhang and Zou (1998) find that a higher degree of fiscal decentralization in government spending is associated with lower provincial economic growth over the period 1978 to 1992. Contrary to these findings, Bonet (2006) finds a negative impact of fiscal decentralization on regional income distribution. Ahmad et al (2008) suggest that links between decentralization and convergence are tenuous.

3.3.2 Assessment of local government performance through Public service delivery

Faguet (2004) found that fiscal decentralization led to more sensitive treatment of local needs in Bolivia. Schwartz et al. (2002) observed that fiscal decentralization led to increased allocation toward local healthcare budgets in the Philippines. In contrast, Zhang and Zou (1998) found that while the level of fiscal decentralization in China varies between provinces, the net results have been negative in service delivery.

Faguet (2000) finds that public investment in education, water and sanitation increased significantly in three quarters of all municipalities and that public investment responded to local needs. King and Ozler (1998) evaluate a study of Nicaragua and find significant positive effect on student's performance in the communities concerned.

Galasso and Ravallion (2000), used data of the Household Expenditure survey for 1995-96 to assess the targeted performance of the program. They find that the

program was mildly pro-poor: i.e., a somewhat larger fraction of the poor received benefits from the program than the non-poor. But they also find some evidence of local capture.

Extending the work of Akin et al (2005) regarding Philippines, Schwartz et al. (2002) found that although local health expenditures increased both in magnitude and budget share, the types of public health care services decreased, implying that public spending on privately beneficial health care increased. The case of Uganda has been well studied regarding the impacts of fiscal decentralization on public good provision, with emphasis on health.

Akin et al. (2005) noticed that aggregate regional primary health care expenditures over a period of three years in Uganda fell from nearly 33% of the total budget to less than 16%. Similarly, spending on non-illicit drugs fell by 50%. Again in case of Uganda, Hutchinson et al. (2003) found that decentralization led to enhancement in secondary curative healthcare at the cost of decreased primary preventative healthcare. Similar to the first case, this outcome suggests that private benefits are being provided with public money.

Jeppsson (2001) finds that local governments may actually decrease fund allocation to healthcare unless specific provision is earmarked by the central government. This undermines decentralization by eliminating local decision making. Robalino et al (2002), Ramani (2002), Oriakhi (2006), Elhiraika (2007), are some of the works on decentralization and social services. Robalino et al (2002) investigated the linkages between fiscal decentralization and health outcomes. The findings revealed that higher fiscal decentralization led to improved health outcomes (lower mortality rates),

particularly in the environments with strong political rights and high levels of ethno-linguistic fragmentation.

Ramani (2002) examined the linkage between fiscal decentralization, rural development and poverty reduction, in Sri Lanka. He analyzed the issue of decentralization in terms of minimizing the costs of infrastructure provision, by adopting a regional perspective to see how the systems work that cross jurisdiction boundaries. He used descriptive analysis of some basic social services, human poverty index and output growth in different provinces of Sri Lanka. He argued that intergovernmental transfer system could certainly help target resources to deprived areas and improve the pro-poor projects. In addition, factor endowments of different jurisdictions may make it more cost-effective for one to provide services to another.

In a similar study, Oriakhi (2006) examined fiscal decentralization and efficient service delivery in Nigeria. His work is descriptive, but based on data on education and health indicators and other infrastructural facilities. He concluded that service delivery by sub-national governments has been poor which could be attributed to some constraints like the mismatch between expenditure assignments and sources of revenue as lopsided vertical allocation formula that favored the federal government, rent seeking, and ineffective monitoring of public expenditures. He suggested some remedial measures to improve service delivery at the sub-national levels like reformation and modernization of institutions and processes for budgetary and financial management, devolution of a greater share in both revenue/tax sources and funds allocation from the federation to sub-national government.

Akramov and Asante (2009) developed a simple framework to explain disparities in local public services among decentralized districts in Ghana. Their findings suggest that geography and ethnic diversity are important determinants of local public service delivery.

3.2.2 Assessment of local government performance through efficiency analysis

The empirical literature on public sector efficiency generally exhibits a typical pattern. Efficiency scores are constructed using stochastic or non-stochastic approaches. Subsequently, an efficiency analysis is employed using descriptive statistics, correlation or regression against selected non-discretionary inputs. Some empirical studies take efficiency as an explanatory variable for economic growth.

Empirical investigations on the impact of decentralization on public sector efficiency are provided by Barankay and Lockwood (2007) and Adam, Delis, and Kammas (2008).The first study by Barankay and Lockwood (2007) investigates the correlation between expenditure decentralization and efficiency out comes. Using a panel regression approach for Swiss education sector, they find evidence in that a high ratio of decentralized expenditure, (local government/ total consolidate expenditure) is associated with higher educational attainment. The second study by Adam, Dellis, and Kammas (2008) investigates the relationship between public sector efficiency and fiscal decentralization in the case of OECD countries. They find evidence that public sector efficiency is increasing with fiscal decentralization.

Empirical studies on the political economy of decentralization are also limited. An important contributor to this area includes Enikolopovand Zhuravskaya (2007). Using a panel data from 75 developing countries across 25 years, the study provides

evidence that the strength of national political parties significantly improves the outcomes of decentralization, such as economic growth, quality of governance and public service provision. They also observe that administrative subordination does not improve the outcome of decentralization.

Adam, Dellis and Kammas (2008) investigate the public sector efficiency (dependant variable) against a measure of fiscal decentralization and other political variables for 21 OECD countries. In the first stage, they use data envelopment analysis (DEA) to obtain a public sector efficiency (PSE) score following the method used by Afonso, Schucknecht, and Tanzi (2005). In the second stage, they perform an econometric analysis to explain the PSE on selected non-discretionary inputs including fiscal decentralization measures, coalitions, number of spending ministers, total factor productivity growth, dependency ratio, the degree of openness, index of government regulation and ethno-linguistic fractionalization. They find evidence that fiscal decentralization has a positive and significant impact on public sector efficiency as against coalition and large government that have a negative impact.

The studies by Enikolopov and Zhuravskaya (2007) and Adam, Delis and Kammas (2008) are in the nature of cross-country analyses. Accordingly, these studies are not in a positive to capture local political dynamics. In addition, a cross country analysis suffers from different political and fiscal institution bias, which is not the case with cross-local government's studies as noted by (Borge, Falch, and Tovmo 2008).

Borge, Falch and Tovmo (2008) investigate whether the efficiency of local government is affected by political and budgetary institutions, fiscal capacity and democratic participation. In the first stage, they estimate public sector efficiency in

Norwegian local governments using several alternative measures. Subsequently, using panel data regression with efficiency as the dependant variable, they find evidence that a high degree of party fragmentation and high fiscal capacity are responsible for low efficiency. They also find evidence that greater democratic participation contributes to greater efficiency, and a centralized top-down budgetary process is responsible for low efficiency.

The literature on decentralization in case of Indonesia mainly discusses the policy implementation and evaluation. More specifically, it highlights the context, background, institutional arrangements, obstacles and the potential of decentralization policies in Indonesia (See for example Alm, Aten and Bahl 2000). Other studies highlight Indonesia as a case study of the policy adoption in comparison with other countries (See Bahl et. al. 2006; IMF Fiscal Affairs Department 2009).

Decentralization policy in relation to particular issues in Indonesia is also evaluated in the literature. Corruption is one such crucial issue. Due to weak institutional arrangements in the early stages of decentralization motivate, corruption was widespread at the local levels. During 2006, there were 265 corruption cases in the local legislatures with almost 1,000 suspects prosecuted across Indonesia not only the corruption occurred in legislation but also in the executive offices. There were 46 corruption cases in 2006 with 61 Governors/Mayors prosecuted.

Still other studies highlight the potential outcomes of decentralization in a particular sector following the adoption of decentralization policy such as in forest management (PalmerandEngel2007; Barretal.2006), fisheries management (Satria and Matsuda 2004) and education (Arzedel Granado et al 2007; Behrman, Deolalikar and Soon

2002; Toyamah and Usman 2004). These studies draw attention to the gap between the beliefs and reality, i.e. that decentralization will result in better outcomes as theoretically prescribed and the outcome noted after its implementation in the context of Indonesian institutions.

Given that fiscal decentralization in Indonesia took place parallel to political decentralization and democratization, many scholars focused on the relationship between decentralization and democratization. They illustrate the ambiguity of such a relationship when the country in has witnessed the emergence of new patterns of highly diffused and decentralized corruption, rule by predatory local officials, politikaliran, patron-client affiliation, the rise of money politics and the consolidation of old oligarchic powers (See Sulistyo 2002; Hadiz 2004; Ufen 2006; Tomsa 2008; Chua 2009). In such institutional environment, decentralization and democratization in Indonesia can be characterized as a protracted transition rather than a consolidated phase of transition (Malley 2000; Bunte 2009), and a period of the agony of decentralization with a gap between professional optimism and realistic pessimism (Van Klinken 2007). Despite a growing literature on decentralization in the case of Indonesia, there has been little attention to the investigation of the expected outcomes of the policy.

Alderman (1998) evaluates targeted social-assistance program (Nadihm Ekonomike) in Albania. The research is based on the household survey conducted in 1996 after decentralization was initiated in 1995. He founds modest gains made in targeting efficiency and profitability following the decentralization of local authorities. No

evidence of conservancies that was observed decentralization initiative program will benefit more to the well-off members of the community.

Chatto-padhyay and Duflo (2001) measured the impact of political reservation policy of decentralization in a district of West Bengal. They found if the leader of a village council was female, then the participation of women in policy making process was more likely.

Rodríguez-Pose and others (2007), test the hypothesis that the transfer of powers and resources to lower levels of government allows a better match of public policies to local needs and a better allocation of resources. Lower levels of economic growth were observed for countries where decentralization was driven from above. In other words, higher economic growth could result where bottom-up approach was introduced.

3.2.3 Assessment of local government performance through satisfaction index

There are several reasons for both academicians and public administrators to seek a comprehensive measure of citizen's satisfaction with provision of public services. From the perspective of an administrator, a general question as to "how satisfied are you with the services of government XYZ?" is often considered a key survey question that attracts a good deal of attention. Such an overall assessment is thought to reflect citizens' summative judgment about the performance of local government and its officials in all surveys (Folz, 1996; Hatry et al., 1992; Miller & Kobayashi, 2000; Miller & Miller, 1991). In other words, it represents a judgment in which citizens combine their varied experiences with local government, weigh the relative importance of each experience, and make an overall assessment. Thus, administrators

recognize the inherent importance of properly gauged the overall citizen's satisfaction, regardless of how vague the concept itself and how ambiguous the managerial implications may be.

However, the measurement of overall citizen's satisfaction can and often does have more specific managerial utility as well. Such a satisfaction is a necessary criterion variable for identifying the key drivers, or the derived importance of specific urban services. The key driver analysis uses regression techniques to examine as to which specific service features or attributes best predict the overall satisfaction (Allen & Rao, 2000; Myers & Alpert, 1968; Oliver, 1997; Vavra, 1997). This approach has been applied to local government performance, with respect to specific urban services (police, schools, parks, etc.) as the potential key drivers of satisfaction (Van Ryzin et al. 2004). For the key driver results to be meaningful, however, the overall satisfaction criterion must be a valid and reliable one. When the key drivers are plotted against the evaluative ratings given to each service, the result is a derived performance-importance analysis (Crompton & Duray, 1985; Neslin, 1981; Oliver, 1997; Van Ryzin & Immerwahr, 2004). This kind of analysis is especially useful for administrators as it puts citizen's survey results squarely in an action-oriented framework (Miller & Kobayashi, 2000; Miller & Miller, 1991; Segal & Summers, 2002). Having a good measure of overall citizen's satisfaction is critical to draw accurate inferences about the relative importance of specific services.

So far as the academicians and public administration scholars are concerned, they would certainly be interested in identifying a valid and reliable measure of overall citizen's satisfaction. A number of scholarly studies have focused on overall citizen's

satisfaction as a key dependent variable (DeHoog, Lowery, & Lyons, 1990; Fitzgerald & Durant, 1980; Kelly & Swindell, 2002; Lovrich & Taylor, 1976; Lyons, Lowery, &DeHoog et al., 1992). More importantly, efforts have been made to develop and test models that explain the basic perceptions which the citizens develop in forming their satisfaction judgments (DeHoog et al., 1990; Fitzgerald & Durant, 1980; Van Ryzin, 2004). These models generally attempt to examine how specific service evaluations and other potential determinants (such as the background characteristics and expectations of citizens) combine to influence the overall satisfaction with urban services provided by governments. Some studies in the field also have evaluated the behavioral consequences of overall dissatisfaction with urban services, such as complaining, intentions to move out of the city, and distrust in government (Lyons et al., 1992; Van Ryzin et al., 2004). Surprisingly, much of this research relies only on single item measures of overall citizen's satisfaction, with little or no attempt made to demonstrate their empirical reliability or validity. For any field of research to make scientific progress, good measures must be available for the key theoretical constructs of interest. It seems therefore reasonable, that a scholarly study of citizen's satisfaction (or otherwise) with urban services would be meaningful provided some standardized measures of overall citizen's satisfaction are available and empirically verifiable.

However, "trust" on the local and the national governments could differ, as claimed by Leigh (2006). How to distinguish between trust at the local level and at the national level, rather in terms of "localized trust" and "generalized trust"? It is important to note that the main goal of this thesis is to analyze the determinants of

satisfaction in local government. Hence, the phenomenon of satisfaction may be better understood in terms of "political, social, governance and fiscal satisfaction, this because it captures confidence in power institutions, and not in other members of society.

The phenomenon of trust on local government has a number of specific features that make it different from confidence in national institutions. Local government is "closer" to citizens in terms of the importance it gives to the problems. It is usually responsive to issues of local significance. "Local" Councilors are directly elected by local community and supposedly they keep in touch with their people and have to take care of their thinking and aspirations. The figure of mayor is primarily seen as a community leader and someone who would speak up for the area and would be the focus of accountability and responsibility (Chivite-Matthews& Teal 2001). It would also be logical to expect that people would trust local government officials more than national government officials (Labonne et al. 2007). However we find controversial evidence in the literature on this aspect (Chivite-Matthews& Teal 2001).

As mentioned earlier, there is extensive research on various possible determinants of citizens' confidence in national political institutions. In order to better understand the determinants of trust phenomenon, these can be divided into three logical groups namely, the demographic characteristics of the respondents, the individual's perception about institutional performance and the factors of social and political environment and legitimacy.

Michael Bratton (2012) develops the political relations between citizens and local government in sub-Saharan Africa, with particular attention to the responsiveness of

leadership. Citizens consider local councils as weak institutions with limited functions and elected councilors as largely impassive. He proposed civic activism as a corrective device and according to him people can refuse to pay taxes as an effective measure to make the councilors accountable. In their efforts to improve customer satisfaction, public representatives must attend to both procedural dimensions of local government performance and the substance of service delivery.

Andren and Martinson (2001) investigate the determinants of life satisfaction in Romania. Life satisfaction increases with the importance of standard housing, health, economic development, education, trusts others, and living in countryside, and decreases with rising unemployment. However, satisfaction with life in Romania was lower than in Western countries, with about 75 % of the people in the survey sample not entirely satisfied with life in general.

3.3 Studies on decentralization related to Pakistan

Some reports have focused on the political economy context of devolution in Pakistan. The International Crisis Group (a Brussels-based international nonprofit organization recently voted as one of the ten most influential research and policy organizations in the world) published a report (ICG-2004)3. In 2005, Akbar Zaidi, a Karachi-based social scientist, published a report (Zaidi 2005).4in collaboration with Islamabad based think tank "Sustainable Development Policy Institute (SDPI)" and University of Zurich. Cheema, Asim Khawaja, and Adnan Qadir Khan published

3Devolution in Pakistan: Reform or Regression (ICG 2004).
4Political Economy of Decentralization in Pakistan (Zaidi 2005)

another report Cheema, Asim Khawaja, et.al (2005)5. Shah Rukh Rafi Khan, et al. (2007) published a book6 on decentralization related to Pakistan.

Two other reports by international aid agencies are noteworthy. That focused on the rationale, design, initial impact assessment devolution program, and the way forward. World Bank, ADB and DFID were commissioned by the Government of Pakistan to seek 'analysis and advice on the progress of devolution and, particularly, on the ways to ensure that decentralization contributes to improving service delivery as the central goal.' Their report7 remains the most extensive analytical study of devolution as practiced in its early years in Pakistan. The other report is diagnostic study by the Urban Institute and the USAID (2006)8to investigate service delivery in four districts and some Tehsil Municipal Administrations (TMAs) following devolution. As expected from major donors of the project, these two reports tend to ignore politics of devolution and avoid criticizing its major features.

Three other major reports have focused on assessing the impact of devolution. Two of these use perception surveys. In 2005, results of a survey conducted by CIET and commissioned by NRB were made public in (2005)9 This survey (CIET 2005) built a baseline data set in 2002 measuring citizen satisfaction of and aiming to 'find

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5Decentralization in Pakistan: Context, Content and Causes (Cheema, Khawaja et al. 2005)

6'Initiating Devolution for Service Delivery in Pakistan: Ignoring the Power Structure' with Oxford University Press

7Devolved Social Service Delivery in Pakistan (World Bank, ADB, DFID-2004)

8'Assessing the Impact of Devolution on Healthcare and Education in Pakistan' (Nayyar-Stone, Ebel et al. 2006)

9'Social Audit of Governance and Delivery of Public Services' commissioned by NRB (National Reconciliation Bureau) and conducted by CIET (Canadian Institute for Energy Training) an international organization with a track record of conducting surveys, were made public by NRB.

empirical evidence of whether and in what circumstances devolution is working, and offers pointers for issues which need attention in order to reach maximum benefits.'

In 2007, results of an exhaustive survey of citizens' satisfaction with government services was conducted in Faisalabad under the auspices of a DFID-funded project and District Government Faisalabad were published (SPU 2007)10. Unlike CIET, this survey only focused on one district and, therefore, it would be difficult to say that the results could be generalized to all Pakistan. However, keeping in view the relative strength and size of local governments in Faisalabad and the impressive scale and methodology of this survey, the results are important.

The Karachi-based Social Policy and Development Centre (SPDC) drew upon large scale data on financial and other aggregate social services to see the impacts of devolution regarding citizen empowerment, gender relations, and service delivery and the results were published in their major 2007 annual review11. Independent, insightful and comprehensive, this excellent report is an important addition to the study of devolution in Pakistan.

Anwar Shah (2012) argues that constitutional dictums are subsequently ignored and a centralized federal system prevailed. The new economic order requires a more responsive, leaner, efficient, and accountable government structure. Nevertheless, have significant conceptual shortcomings. Shahzad et al. (2010) refers the results of an opinion poll of citizen's views regarding local governments in Pakistan. Majority of the people showed an overall distrust on the performance of all level governments. However, people revealed some trust on Union Councils and District Councils.

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10 Selected Services in Faisalabad: Perceptions and Realities (SPU 2007)

11 Devolution and Human Development in Pakistan (SPDC 2007)

Following is the example of some questions and the responses of the citizens.

Typical questions and Citizen's Responsiveness about Governments

Table: 3.1 frequently asked questions about federal, provincial and local governments

Questions asked	Federal	Provincial	District	Tehsil	*Union*	None	Don't Know
Which level of government is most honest in giving out contracts?	8%	10%	9%	5%	***10%***	36%	22%
Which level of government can you easily access?	6%	6%	7%	6%	***36%***	26%	12%
When making decisions, which level of government tries to learn citizens' opinions?	4%	8%	11%	8%	***12%***	36%	19%
Which level of government is most responsive? (1st choice)	8%	8%	9%	7%	***30%***	25%	11%
Who do you want to provide the social services?	14%	23%	***50% (Local Government)***				13%

In a major study on decentralization in Pakistan, Cheema et al. (2003) make two remarkable propositions which are relevant to our study: (i) In Pakistan, historically, decentralization measures in terms of local government have always been carried out by military led governments led by military. While political power remains in their own hands, the administration sought greater political legitimacy through local government. (ii) While those "unrepresentative central governments" have carried out reforms of the "representative" local governments, but they also managed to establish control over local governments through the bureaucracy.

Ali (2007) suggests that there is greater need of transparency and flow of information between the central and local governments. Khattak et al. (2010) suggests that the criteria used to deal with the distribution of resources should be expanded

horizontally. Decentralization must be accompanied by adequate fiscal devolution and appropriate delegation of powers of assessment to the provinces. This can lead to positive competition among jurisdictions; ensure greater efficiency and ultimately promote economic growth.

Mehmood and Sadiq (2010) examine the relationship between human development and fiscal decentralization. They use time series data to analyze the channels through which decentralization stimulates economic growth and to see its impact on the provision of health services and education in the provinces.

Arshad, Muhammad (2010), finds that, fiscal decentralization is positively related with economic growth. Such findings may imply that the instruments could be used for achieving long-term economic growth in Pakistan. However, it is also suggested that factors such as over-dependence of provincial governments on the federation, undefined functional and tax responsibilities, limited and ineffective tax base for provincial and local governments may undermine the full benefits of fiscal decentralization.

3.4 Contribution of this research work

The present study is pioneer in Pakistan in the sense that public sector performance (local government) is being assessed through citizen's satisfaction by using exploratory factor analysis and ordered logistic regression.

The main contribution of this study is to develop a relationship between public sector services and citizens' satisfaction, especially in groups of different characteristics across Pakistan for both urban and rural areas. It is important to note that currently new local government laws are under discussion in two provinces and there are some

local government related administrative processes in place in all four provinces, though they are not uniform.

This study also looks at the differences between the elected councils and *Nazims* of local governments and the administrators (bureaucrats) appointed by the provincial governments at each tier and to explore the merits and demerits of the emerging local government models in different provinces. This study, therefore, attempts to present a picture of what is happening in each province and tries to assess the kinds of differences that are likely to accrue in terms of service delivery to citizens as a result of these structural changes.

In order to fill the crucial gap of qualitative analytical links, this present Social Audit has adopt a multipronged approach to provide greater analytical depth in understanding the dynamics of public service delivery to communities under the 'elected' and 'administrative' local government systems.

Linking Public Service Delivery with Economic Benefits

The study is based upon citizen's perception regarding local issues. The study reveals that the main stated problems by the people are economic in nature (low income, joblessness), and therefore any social development policy, strategy or intervention must address economic and social problems together and in an integrated manner. Therefore, it seems more appropriate that local government delivering public service will needs to work regarding with economic systems to sufficiently 'satisfy' citizens of Pakistan.

Divergence of perceptions and mismatch of functioning between citizens and service providers is a major cause of policy failure in Pakistan. This research is a real

contribution in this connection. Assessment through citizen satisfaction about performance of public sector i.e. which services are deteriorating, and what is 'good for the public' is an excellent technique to judge the performance of public sector. Entry of this research study is well timely, when both politician and beaucrates are confused and their debates are inconclusive.

Chapter 4

4 Theoretical Model and Empirical Methodology

4.1 The model

According to Samuelson (1954) the provision of public goods would be most efficient (allocative) if the sum of marginal rates of substitution between private and public goods for all the individuals and the marginal rate of transformation between private and public goods are equal. The conditions for the optimal provision of public goods are developed as;

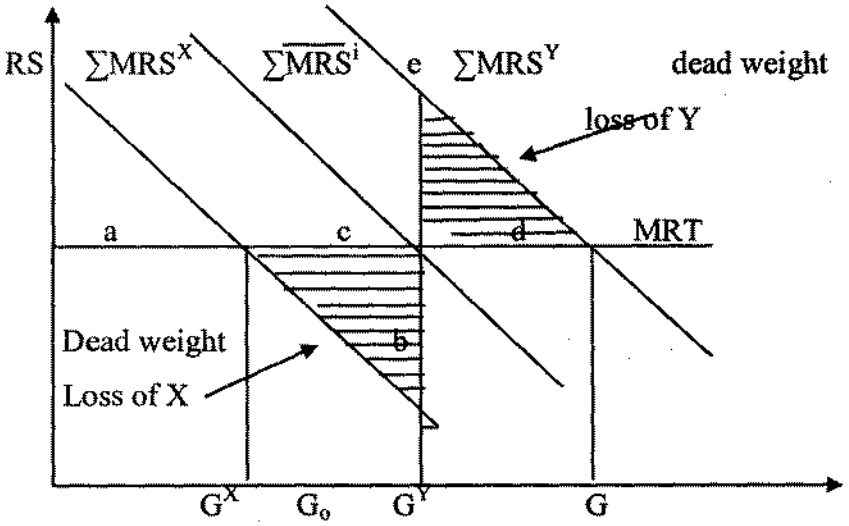
$$\sum MRS = MRT$$

This equality demands for government to have perfect information about preferences of individuals. However, the individuals usually do not reveal their true preferences which would otherwise imply their willingness to pay for public goods. Individuals who have the capacity to pay tend to be free riders and to conceal their performance. As a result, the summation of marginal benefits from consuming the public good is undervalued and the conditions for Pareto efficient allocation of public goods do not hold.

Tiebout (1956) argues that, although revealing individual's preferences is problematic in case of centralized public goods provision, it needs not better for provision of local public goods. Assuming full knowledge of households and free mobility of households and resources within the country, an individual can choose that locality which best satisfies his preferences for public goods.

Figure 4.1 illustrates the benefits from decentralizing responsibilities for provision of local public goods (Boadway, Wildasin, 1984):

Figure: 4.1



For two localities, X and Y, the sum of marginal benefits to their residents for different levels of public good G are represented by $\sum MRS^i$ curves (i=X, Y). The marginal cost of the provision of public goods G is assumed to be constant or uniform across localities and equal to MRT. Thus, the optimal amounts of G^X and G^Y refer to the case when marginal benefits are equal to marginal costs that are to the amounts of G^X and G^Y. But the central government could provide the level G_o, which satisfies the condition that average marginal costs across localities are equal to average marginal benefits. Thus, assuming uniformity of centralized provision, each region gets the level of provision away from its optimum level, which in turn causes inefficiency. The inefficiency under centralized provision is illustrated by the dead weight loss abc for region X and cde for region Y. Such level of public goods provision is less than optimal and results in a total deadweight loss shown by the area *abc +cde.*

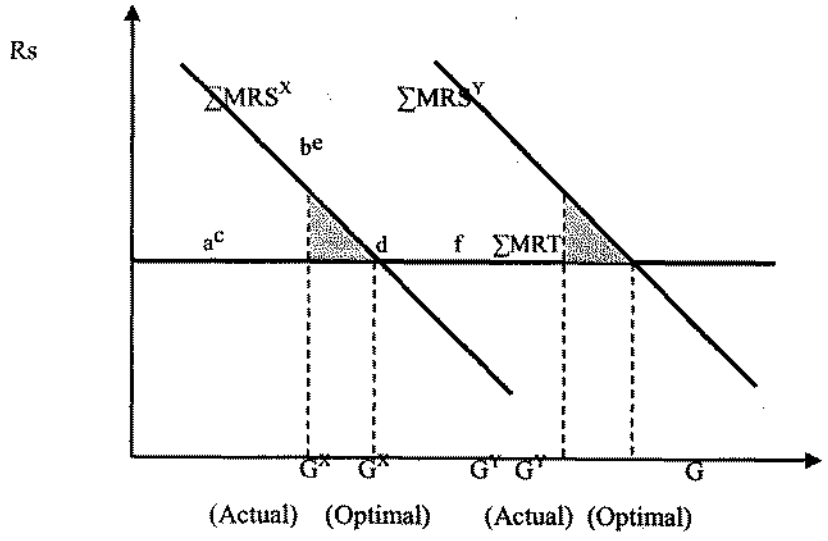
Under decentralization, each region has authority to determine the optimum level of

each public service provision where the sum of marginal benefits of the individuals equals the marginal cost. In other words, public service provision in both regions would be consistent with the optimality condition. But Go > GX which means over provision to X and Go < GY which means under provision to locality Y. So the loss to one locality is covered by the gain to other locality.

It can be concluded that decentralized public service provision is superior to centralized provision on efficiency grounds. Here, we assume that there are no externalities among regions and that the central government is not able to diversify its provision to match each region's preferences.

Figure 4.2 illustrates local public good provision in the presence of externalities. Here, the sum of marginal benefits in each region is now inclusive of externalities. If each region ignores these externalities (pursues self-interest), each will under-provide local public goods. At these levels, local public good provision creates an additional social cost illustrated by the deadweight loss abc for region X, and the dead weight loss def for region Y.

Figure: 4.2



The problem of inter-jurisdictional externalities becomes a central issue confronting decentralized public service provision. The presence of externalities in different regions, if ignored, can undermine efficiency. For example, emission from factories in region X contributes to acid pollution in region Y, or public expenditures on education in region X can benefit employers in region Y.

The transfer of funds from higher levels of governments to lower levels of governments can eliminate inefficiency arising from inter-jurisdictional externalities. This kind of transfer is often called a matching grant. The rationale of such transfers is different from transfers aiming to correct a fiscal gap.

The decentralization model is further extended by Besley and Coate (2003). Our empirical analysis is based on a simple analytical framework using ideas of these authors as also, Faguet (2004) and Ahmad and Brosio (2005). However, our model differs significantly from these studies.12

Let's assume that a country is made up of "*K*" decentralized districts, k = 1, 2, 3 .....*n*, each with a population size of *Nk*, with the following characteristics;

(a) All districts have heterogeneous features.

(b) The districts provide certain local public services to their citizens.

(c) Preferences of all individuals have the same linear form,

$$U_i = x_i + u_i\, b(g_k) \qquad (1)$$

Where x_i is a private good consumed by an individual, g_k is a local public good available in the district k to all including the *ith* individual. The preference for the *ith* individual is denoted by u_i

12 This theoretical model is based on the academic insight provided by Stieglitz (2003) in his book titled Economics of public sector third edition.

Mostly the economies depend upon both local and national tax but for the sake of simplicity, we assume that the districts depend only on a local tax, t_k to finance local public services. Therefore, the utility of the *ith* individual in the *kth* district can be written as;

$$U_{ik} = y_{ik}(1 - t_k) + u_{ik}\, b(g_k) \quad (2)$$

Where $u_{ik} = y_{ik}(1 - t_k)$ and y_{ik} indicates the after tax income of *ith* individual. We can define the local welfare and median utility,

$$u_{mk} = y_{mk}(1 - t_k) + u_{mk} b(g_k) \quad (3)$$

Where y_{mk} and u_{mk} are the income and preferences for local public service of the median individual in district *k*, respectively. The budget constraint for the District k can be defined as

$$t_k N_k = g_k \quad (4)$$

$$t_k N_k = g_k \cdot \gamma_k \quad (5)$$

Where γ_k indicates the potential disability cost of a given district k. If γ_k is >1, then district k is a relatively high-cost provider of the local public service (has a cost disability), and if γ_k< 1, it is a relatively low-cost provider.

This factor should not be confused with economies of scale, i.e. cost advantage due to its size, which is represented by the population of the district (N_k). This cost disability factor captures differences in the cost of providing local services across districts from the average of all districts.

Solving (5), the required tax rate is obtained to provide the level of local public service g_k in district k is given by;

$$t_k = \frac{\gamma_k g_k}{N_k} \quad (6)$$

Substituting for tax rate from (6) into (3), we can rewrite the utility of the average individual in the district of k as

$$u_{mk} = y_{mk}\left(1 - \frac{\gamma_k g_k}{N_k}\right) + u_{mk} b\,(g_k) \qquad (7)$$

For simplicity, we may drop all subscripts m and examine the problem of welfare maximization of local government in the district *k*

$$\max g_k \left[y_k - \frac{y_k \gamma_k g_k}{N_k} + u_k b\,(g_k)\right] \qquad (8)$$

Taking the first order conditions and reorganization, we have the optimal choice of local public service

$$\acute{b}(g_k) = \frac{y_k \gamma_k}{u_k N_k} \qquad (9)$$

It means that the level of local public service provided by a district k is an implicit function of the

(i) Income (y_k) of individuals

(ii) The cost disability factor (γ_k),

(iii) Median individual preferences (u_k) for the local public good

(iv) The size (N_k) of the district.

From equation (9), we can also conclude that other conditions remain the same the provision of local public goods is higher in districts with better cost efficiency and homogeneous preferences". It further implies that local governments are more likely to provide different levels of public services to their citizens as these factors are likely to vary from districts to districts.

The model tries to cover all possible sources of disparities among districts in relation to the provision of local public services. Fallow and Brosio Ahmad (2005) further

expanded the individual-level analysis above. They argued that one can determine the consumer surplus for a given individual of a given district as follows:

$$CS_i(g_k) = u_{ik}b(g_k) - \frac{\gamma_k g_k}{N_k} \quad (10)$$

This Equation (10) can be explained as, "ceteris paribus, the welfare of individuals will be higher in districts where the local government can determine the preferences for local public goods more precisely, the cost-efficiency of the district government relationship and the size of the district".

4.2 Empirical methodology and variable description

Keeping in view the above discussion, the welfare of the individuals will be higher in those districts where their preferences are matched more precisely. We propose the following set up for empirical investigation in which citizen satisfaction can be assessed across the districts and then the determinants of their satisfaction are estimated through an ordered logistic regression.

4.2.1 Multinomial-ordered logistic regression

Multinomial logistic regressions are used to estimate the relationships between a dependant categorical response variable and a set of explanatory variables. The categorical response variables can be classified into two different types, depending on whether the response variable has an ordered or disordered structure.

In an ordered model, the response (S) of a single unit is limited to one of the ordered values. For example, the citizen satisfaction from public service can be: none, low, high and very high. The cumulative logistic model assumes that the ordinal nature of the response observed is due to methodological limitations in the data collection. (McKelvey and Zavoina 1975).

Suppose S takes values, $s_1, s_2, \ldots s_m$ on some scale, where $s_1 < s_2 \ldots < s_m$. It is assumed that the observable variable is a categorized version of a continuous latent variable U such that

$$S = s_i <=> \alpha_{i-1} < U \leq \alpha_i, i = 1, \ldots, m \quad (11)$$

Where $-\infty = \alpha_0 < \alpha_1 < \ldots < \alpha_m = \infty$. It is further assumed that the latent variable U is determined by explanatory variable vector X in the linear form , $U = -\beta x + e$ where β is a vector of regression coefficients and e is a random variable with a distribution function F such that

$$Pr\{S \leq y_i/x\} = F(\alpha_i + \acute{\beta}x) \quad (12)$$

If F is the logistic distribution function, the cumulative model is also known as the proportional odds model. Although, the cumulative specification is the most commonly used model for ordinal response data (Agresti 1990). To estimate multinomial logistic regression model empirically, we specify the following model.

$$S = \alpha + \beta X + U \quad (13)$$

Where S is satisfaction of citizen (in ordered categories) and X is matrix of independent variables (i.e. DPI, R/U, PC, Gender, Age, Education, Profession, living standard and expenditure per Person)

Chapter 5

Measurement of Citizen Satisfaction and Living Standard; The Construction of Variables

5.1 Measurement of citizen satisfaction

Econometric analysis has been applied extensively to measure citizen's satisfaction related to many public / private service deliveries (Chu-Weininger and Balkrishnan, 2006; Margolis, et al. 2003; Bara et al. 2002; Derose, 2001; Hoerger et al. 2001; Fredrik, 2000; Qatari and Haran, 1999). As the dependant variable of the model is of an ordinal nature, therefore the most appropriate model would be the ordered Logit regression (Bara et al. 2002; Derose, 2001; Fredrik, 2000). The Logit model is preferred mostly over probit model because of its computational advantages (Van Beek, 1997). The model takes into consideration the ordinal nature of the satisfaction variable and therefore it estimates the probability that a consumer will choose each satisfaction rating based on personal and providers characteristics (which in our model are a series of dichotomous variables).

5.1.1 Exploratory factor analysis

Factor analysis was developed by Karl Pearson and Charles Spearman in the early 20th century. Their intention was to gain insights into psychometric analysis, in particular, the variable intelligence that is not directly observable (Johnson and Wichern, 1992). Factor analysis is used to reduce the large number of qualitative attributes to a smaller number of factors for modeling purposes. For exploratory factor analysis, the variables can be ranked on interval or quasi – interval scale (Likert, 1932). Next step is to look at the correlation between variables. Various techniques

are used to check data quality, the strength of the relationship among variables and the adequacy of each variable used for the specific purpose. A rotation process is applied and a factor score coefficient matrix is generated at the final stage of factor analysis.

5.1.2 **Construction of satisfaction index**

The dependant variable is citizen satisfaction index which we want to construct through exploratory factor analysis. We need construction of this index to be uses as dependant variable in our ordered logistic regression model, because survey provides many factors of citizen's satisfaction. Therefore we compute a single satisfaction index through exploratory factor analysis which assigns proper weights to the relevant factors and generates a single continuous index. This may be called satisfaction index. Later on we transformed this index into an ordered category variable because our original information regarding citizen satisfaction provided in the data is in ordinal ranking. Secondly, the satisfaction is proxy for utility, which is normally taken as discrete variable. Therefore we apply percentile distribution, and divide it into four equal parts (25% each).

Table: 5.1 Factor analysis Rotated Component Matrix, a (Survey 2009-2010)

Questions	Factors load values													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
satisfaction LG (road facilities)	0.483													
satisfaction LG (sanitation facilities)	0.693													
satisfaction LG (drinking water)	0.591													
satisfaction LG (cleaning facilities)	0.757													
satisfaction LG (gas facilities)	0.755													
Satisfaction from UC employees		0.414												
Take part in LG elections		0.645												
Satisfaction from UC employees		0.819												
Satisfaction from UC employees		0.758												
Satisfaction from UC progress			0.855											
Want to back elected LG			0.844											
are you satisfy immunization system				0.423										
are you satisfy immunization system				0.847										
are you satisfy immunization system				0.816										
doctor avaible there					0.823									
satisfaction from treatment					0.814									
medicine available in medical center					0.358									
satisfaction LG (energy facilities)						0.323								
satisfaction LG (medical facilities)						0.690								
satisfaction LG (education facilities)						0.812								
Satisfaction from Masalihatianjuman							0.820							
Know district safety commission							0.827							
are you confident on courts								0.719						
FIR was held								0.430						
Satisfaction from action of court								0.695						
Satisfaction from boys education									0.795					
Satisfaction from girls education									0.824					
Satisfaction from girls education										0.804				
Satisfaction from girls education										0.813				
satisfaction LG (transport facilities)											0.734			
satisfaction LG (agriculture facilities)											0.811			
Satisfaction from boys education												0.779		
Satisfaction from boys education												0.793		
Police doing right job													0.809	
Contact to Masalihatianjuman													0.543	
Satisfaction from action of Police														0.799

Figure: 5.1Factor loads/ weights in percentage through normalization process

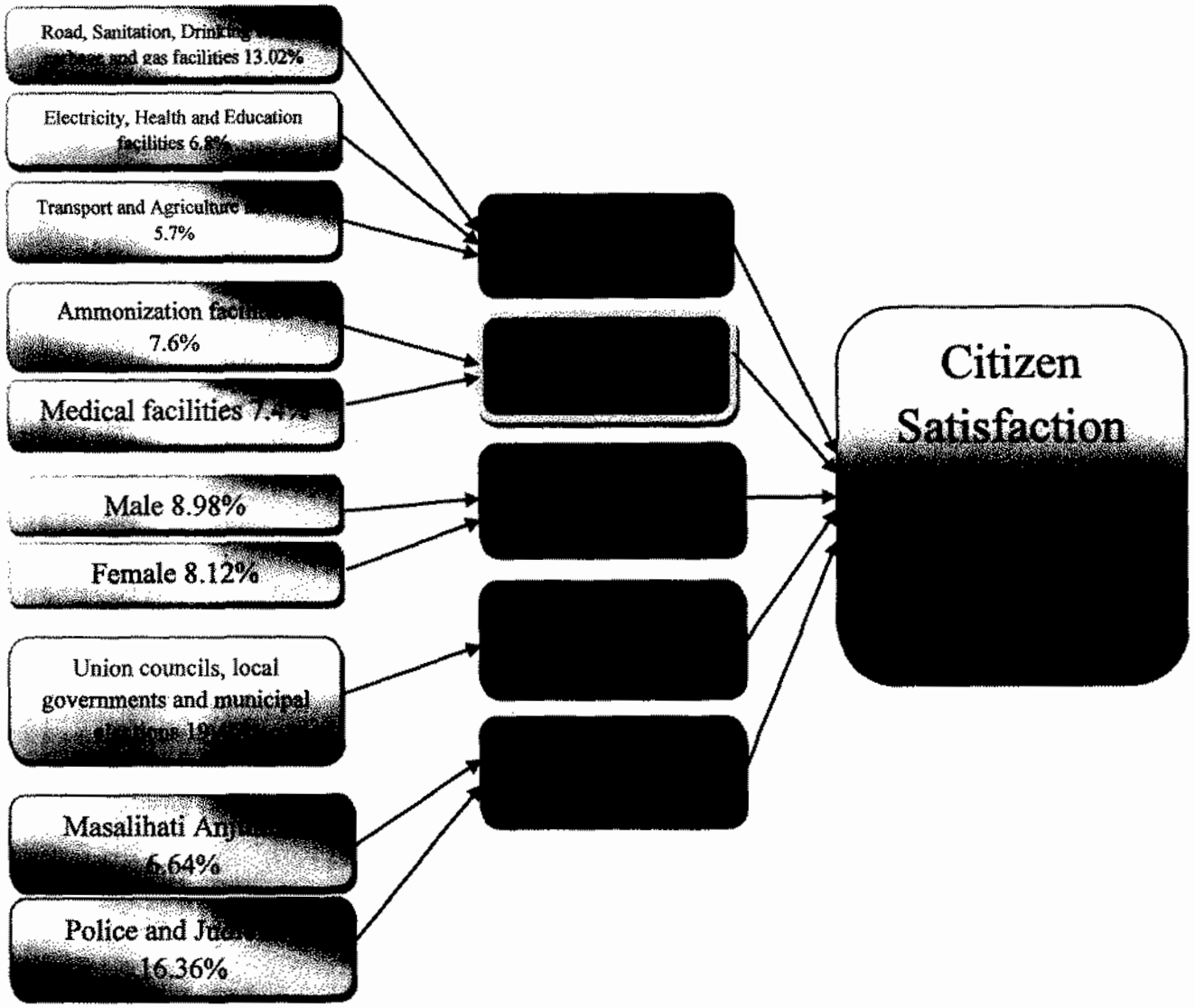
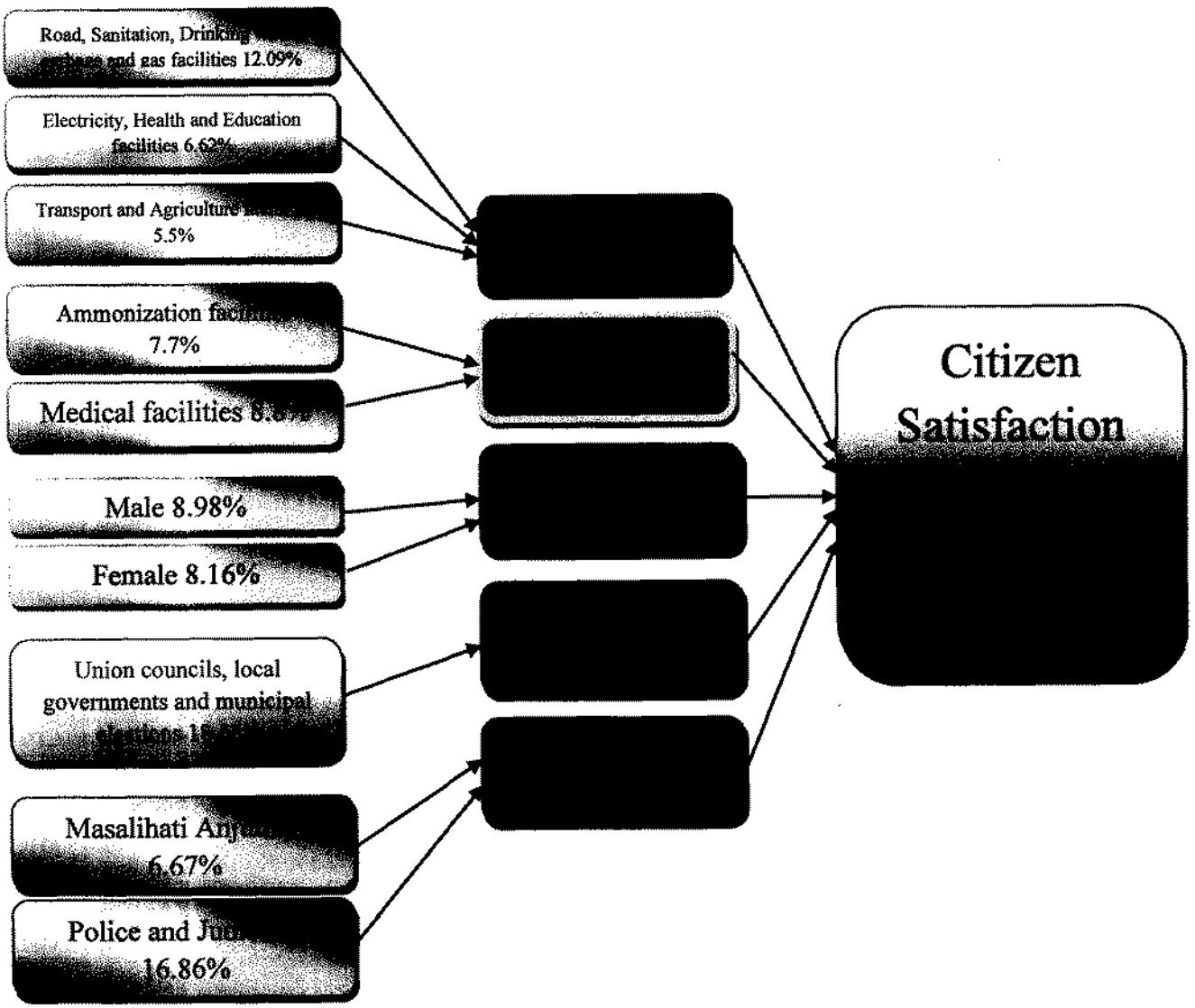


Table: 5.2 Factor analysis Rotated Component Matrix, a (Survey 2011-2012)

	Factors load values												
Questions	1	2	3	4	5	6	7	8	9	10	11	12	13
Satisfaction LG (road facilities)	0.457												
Satisfaction LG (sanitation facilities)	0.646												
Satisfaction LG (drinking water facilities)	0.542												
Satisfaction LG (cleaning facilities)	0.748												
Satisfaction LG (gas facilities)	0.711												
Satisfaction from UC employees		0.422											
Satisfaction from UC progress		0.631											
Want to back elected LG		0.811											
Take part in LG elections		0.762											
Satisfaction from girls education			0.637										
Satisfaction from girls education			0.742										
Satisfaction from boys education			0.597										
Satisfaction from boys education			0.694										
are you satisfy immunization system				0.396									
are you satisfy immunization system				0.881									
are you satisfy immunization system				0.864									
Satisfaction from UC services					0.843								
Satisfaction from UC services					0.828								
Satisfaction LG (energy facilities)						0.339							
Satisfaction LG (medical facilities)						0.686							
Satisfaction LG (education facilities)						0.802							
doctor available there							0.830						
Satisfaction from treatment							0.824						
medicine available in medical center							0.250						
Contact to Masalihati Anjuman								0.836					
Satisfaction from Masalihati Anjuman								0.837					
Satisfaction from girls education									0.815				
Satisfaction from boys education									0.810				
are you confident on courts										0.682			
Police doing right job										0.723			
FIR was held											0.722		
Satisfaction from action of Police											0.505		
Satisfaction from action of court											0.604		
Satisfaction LG (transportation facilities)												0.648	
Satisfaction LG (agriculture facilities)												0.753	
Knowledge about district safety commission													0.883

Figure: 5.2Factor loads/ weights in percentage through normalization process



5.1.3 Major Components/ Contributors of Satisfaction

Exploratory factor analysis serves two purposes in this study simultaneously. First, it creates satisfaction index and secondly it identifies the major factors/ contributors of satisfaction through factor loading process. Local services, health education, local governance and community services are major components of the citizen satisfaction. One of the objectives of this research is to find out the factors of citizen's satisfaction and their relative composition and importance in overall satisfaction. Fortunately, the factors remained common in both periods i.e. during presence and absence of the devolution program. However, there was a minor but a significant change in the composition of the factors. The respondents showed more interest in the local government services and governance related questions in both surveys (about 42-45%). However the composition changed in the second survey conducted during the absence of the local government in such a way that the share of factors related to local government/ services dropped from 45% to 42% and share of factors related to health, education, police services improved. It is an indication of the dualistic nature of decentralization model of Pakistan. Health, education and police controlled by local governments when the devolution policy was in operation. Therefore, the performance of these institutions was more consistent during the period of absence of the policy. The performance of institutions is more consistent when they are accountable to one specific administrative unit since the service provider concerned fully and accountable.

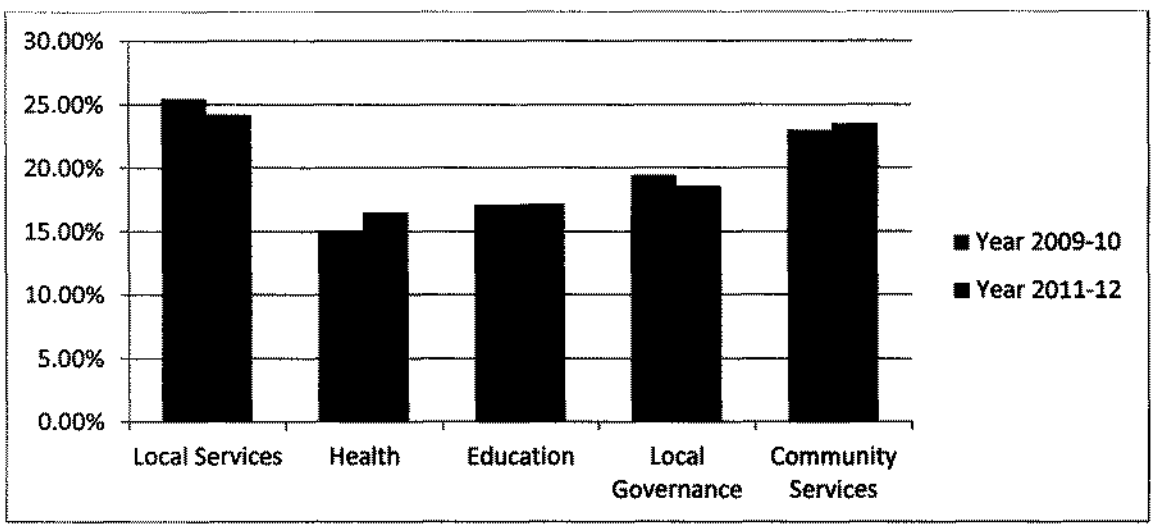
Their comparison and weight-age during both periods is given below in table 5.3 (figure 5.3)

Comparison of Satisfaction Factors from Local Government performance during 2009-10 and 2011-12

Table: 5.3 percentages of major satisfaction components

Survey 2009-10			Survey 2011-12	
S No	Components	Satisfaction	Components	Satisfaction
1	Local Services	25.50%	Local Services	24.21%
2	Health	15%	Health	16.50%
3	Education	17.10%	Education	17.14%
4	Local Governance	19.40%	Local Governance	18.55%
5	Community Services	23%	Community Services	23.5%

Figure: 5.3percentage of major satisfaction components



5.1.4 Construction and Description of Satisfaction Index (S)

The satisfaction index created through this process is a continuous variable. Literature on measurement of satisfaction takes it a proxy of utility where as utility itself is taken mostly as discrete variable. The base data of our satisfaction index is also on Likert scale which has discrete categories like satisfied, neither satisfied nor dissatisfied and not satisfied.

The assumption of the ordered Logit model is that there is a continuous latent variable 'Satisfaction' or 'Utility'. The variable Y is an ordinal version of U (satisfaction) which has threshold points.

When dependant variable is non metric (discrete), the logistic regression model is most appropriate for such analysis. As our categories are also in ascending order, we have also chosen a multinomial ordered regression. This condition is being satisfied in our model. We created "d" a non-metric variable with four categories in ascending order i.e. d =1if S $\leq$ 2.946 (less satisfied), d = 2 if S $\leq$ 3.1457 (satisfied), d = 3 if S $\leq$ 3.3659(very satisfied) and d = 4 of S> 3.3659 (very much satisfied).

Through the factor loading and normalization process, we also found the shares of different factors in our satisfaction index, which provided satisfaction during presence and absence of devolution policy.

Table: 5.4 Group statistics of satisfaction index

Satisfaction	Survey Year	N	Min	Max	Mean	Std. Deviation	Std. Error Mean
	2011-12	4206	1.51477	2.9055	3.0364	.25428	.00392
	2009-10	10225	2.16231	4.6064	3.2152	.30156	.00298

5.2 Construction of Living Standard Index

In our logistic regression analysis, the citizen satisfaction depends upon many variables, which have been computed and constructed from the given survey data. Living standard index is one of the most important independent variable of the model. Many researchers including Chaudhuri, et al (2002), Datt & Hoogeveen, 2003;

Christianensen and Boisvert (2000), Basu and Nolen (2005) used this type of indices as proxy variable to assess the poverty and living standard of the households.

We created the living standard index through principal component analysis as Filmer and Pritchett (2001) used the same method in similar cases. The LSI has four dimensions; (i) room occupation (ii) unemployment (iii) house structure/ roof of house and (iv) latrine condition/ availability.

The Living Standard Index is;

$$LSIi = a_o RA + a_1 UE + a_2 HS + a_3 LT$$

Where,

a_o, a_1, a_2, a_3 = weights of dimensions

LSIi = Living Standard index of *ith* individual

RA = Room availability

UE = Unemployment

HS = House structure/ Roof of house

LT = Latrine availability/ condition

The RA is a categorical variable with values 0 and 1, which is constructed by dividing number of room in house by the family members, the value 0 stands for non poor family if four or less than four persons are living in one room, and the value 1 for poor family if more than four persons are living in one room.[13] UE (unemployment) is categorical variable having value 1 and 0, while 0 stands for employed household head and 1 for unemployed household head. HS (roof of house) is categorical variable

13 Montgomery et al (2000), measuring living standard with proxy variables, demography, 37 (2); 155-74.

having value of 0 and 1, the value 0 standing for the case if the roof of house is made of concrete, T-iron and iron sheet, and 1 for the situation if the roof of house is made up of material like wood, mud, other than these three. LT (latrine) is categorical variable having values 0 and 1; 0 it is of latrine system is available and 1 for poor families having no proper latrine system in their houses.

Table: 5.6Frequency distribution of Living Standard Index

Categories		Frequency	Percent	Valid Percent	Cumulative Percent
Non Poor	0	4049	28.1	28.1	28.1
Vulnerable	1	1008	7.0	7.0	35.1
Low living standard	2	4860	33.8	33.8	68.9
Very Low living standard	3	3232	22.4	22.4	91.3
Extremely Low living standard	4	1251	8.7	8.7	100.0
	Total	14400	100.0	100.0	

5.3 Description of other Independent Variables of the Model

The devolution policy impact (DPI) is another very important independent variable of the model discussed below.

Devolution Policy Impact

This is a binary variable constructed for the survey year through which the whole data set is divided into two parts. The variable is constructed for assessment of the devolution policy impact. Year 2009-10 is assigned value 1 which shows presence of

devolution policy and the year 2011-12 is assigned value 0 which shows absence of devolution policy.

In addition to the above mentioned variables, we have some other regressors like socio demographic and geographic characteristics of the individuals i.e. age, gender, level of education, profession, rural/ urban locality, provinces and public expenditures per person. The description of these variables is as under;

Table: 5.7Descriptive statistics of some continuous independent variables

Variables	Survey	Minimum	Maximum	Mean	Std. Deviation
Age	2011-12	18	97	37	13.26950
	2009-10	18	97	37.5	14.24674
X pp	2011-12	1220.60	2133.96	1724.58	255.53
	2009-10	1623.88	3825.88	3098.14	734.46

Table: 5.8PercentageDistribution of some categorical independent variables

Variables	Survey year	Categories	Percentage (%)
Gender	2011-12	Male	63.2
		Female	36.8
	2009-10	Male	57.1
		Female	42.9
Education	2011-12	Uneducated	35.9
		Primary pass	14
		Above primary	50.1
	2009-10	Uneducated	41.7
		Primary pass	10.6
		Above primary	47.7
Profession	2011-12	Unemployed	5.4
		Labor	33.5

		Services	18.2
		Self employed	19.4
		Agriculture	10.8
		Working abroad	2.9
		Rtd/Std/Others	9.7
	2009-10	Unemployed	3.9
		Labor	27.2
		Services	19.3
		Self employed	19.5
		Agriculture	15.7
		Working abroad	2.0
		Rtd/Std/Others	12.4
Area category	2011-12	Rural districts	53.6
		Urban districts	8.3
		Urban/City districts	38.1
	2009-10	Rural districts	36.1
		Urban districts	32.0
		Urban/City districts	31.9
Provinces	2011-12	Baluchistan	9.2
		Sind	31.3
		Punjab	41.3
		Kpk	18.1
	2009-10	Baluchistan	10.1
		Sind	26.9
		Punjab	47.0
		KPK	16.0

5.4 Conclusion

Theoretical model is constructed following the formulation of prominent public sector economists, starting from Samuelsson's model (1954) and ending on Outs model (1972) of efficient provision of local public goods. The empirical model is also having the same foundations. Ordered logistic model is used for the regression analysis to find the determinants of citizen's satisfaction, which is the dependant variable chosen to assess the efficiency of the local governments across the decentralized arrangements (districts). Factor analysis is used to construct the citizen's satisfaction index. Various demographic socio-economic characteristics are extracted/ constructed to be used as independent variables of the model. The regression results/ findings are discussed in the next chapter.

Chapter 6

Analysis and Results

6.1 Ordered logistic regression analysis

Logistic regression requires that the minimum ratio of valid cases to independent variables be at least 10 to 1. The ratio of valid cases (14431) to the number of independent variables (9) is 1603.44 to 1, which is much larger than the minimum ratio. This requirement of a minimum ratio of cases to independent variables is well satisfied.

6. 1. 1 Model fitting information

A) Overall relationship between dependant and independent variables

The presence of a relationship between the dependent variable and combination of independent variables is based on the statistical significance of chi-square in the final model. Through likelihood ratio test we found that the probability of the model chi-square (1127.618) is 0.000 which is well below the required level of significance of 0.05. Thus, the existence of a relationship between dependent and the independent variables is supported.

B) Relationship of individual independent variables to dependent variable

The statistical significance of the relationship between confidence in individual independent variables like age, gender and education etc and the dependant variable (satisfaction from local government) is based on the statistical significance of the chi-square statistics. This is shown in Table 6.1

Table: 6.1Likelihood Ratio Test: Dependent variable satisfaction index

Variables (Independent)	-2 Log likelihood	Chi-Square
Intercept	38471.394	116.230*
Living Standard Index	38420.097	64.933*
Expenditure per person	38361.728	6.564**
Profession	38355.583	0.419
Education	38362.403	7.239*
Age	38357.824	2.660
Gender	38356.249	1.085
Provinces	38360.258	5.094
Rural/ Urban	38362.689	7.525*
Devolution Policy Impact	38598.278	243.114*

Note: (*) for level of significance at 5% and (**) for level of significance at 10%

6.1.2 Parameter estimates and odd ratios; analysis and interpretation

Through parameter estimate, a comparison is made for groups defined by the dependent variable using either the value codes or the value label. The reference category is identified in each group.

In this analysis, three comparisons are made. The three categories of dependent variables are compared with the last (fourth) category which is being used as reference.

The reference category plays the same role in multinomial logistic regression as that played in the dummy-coding of a nominal variable: it is the category that would be coded with zeros for all of the dummy-coded variables and remaining categories are interpreted against the reference category. The results are reported in Table 6.2;

6.1.3 Analysis and interpretation of results

If the proportionate change in odds is greater than unity, then as the explanatory variable increases, the odds of the outcome increase (i.e. in the case of a variable

that has a positive effect on the dependent variable) and vice versa. The larger the value, the more sensitive the predicted probability is to unit changes in the variable.

Table: 6.2 Logistic model results of overall variables

	Model 1		Model 2		Model 3		Model 4	
Variables	coefficients	Odd ratio	Coefficients	Odd ratio	coefficients	Odd ratio	Coefficients	Odd ratio
Sry 0 = absence of Devolution policy	-.898* (.075)	0.4073	-.905* (.075)	0.4045	-.906* (.074)	0.4041	-.909* (.074)	0.4029
Sry 1 = presence of Devolution policy	Ref. cat	1	-	-	-	-	-	-
LSI 0 = Non poor	-.099 (.065)	0.9057	-.067 (.059)	0.9351	-.073 (.058)	0.9296	-.075 (.058)	0.9277
LSI 1 = vulnerable	-.083 (.084)	0.9203	-.042 (.077)	0.9588	-.049 (.076)	0.9521	-.051 (.076)	0.9502
LSI 2 = poor	-.121** (.059)	0.8860	-.105*** (.057)	0.9003	-.109*** (.057)	0.8967	-.110** (.057)	0.8958
LSI 3 = Very poor	-.121 ** (.062)	0.8860	-.103*** (.060)	0.9021	-.106*** (.060)	0.8994	-.108*** (.060)	0.8976
LSI 4 = extremely poor	Ref. cat	1	-	-	-	-	-	-
RU 1 = Rural districts	-.083** (.083)	0.9203	-.102* (.037)	0.9030	-.100* (.036)	0.9048	-.102* (.036)	0.9030
RU 2 = Urban districts	-.067 (.043)	0.9351	-.078*** (.043)	0.9249	-.077*** (.043)	0.9258	-.080*** (.043)	0.9231
RU 3 = City districts	Ref. cat	1	-	-	-	-	-	-
PC 1 = Baluchistan	.172*** (.167)	1.1876	.166*** (.093)	1.1805	.166*** (.093)	1.1805	.166*** (.093)	1.1805
PC 2 = Sind	.140** (.065)	1.1502	.134** (.064)	1.1433	.136** (.064)	1.1456	.142** (.064)	1.1525
PC 3 = Punjab	.049 (.045)	1.0502	.046 (.044)	1.0470	.046 (.044)	1.0470	.051 (.044)	1.0523
PC 4 = KPK	Ref. cat	1	-	-	-	-	-	-
Gender 1 = male	-.029 (.032)	0.9714	-.029 (.031)	0.9714	-.028 (.031)	0.9723		
Gender 2 = female	Ref. cat	1	-	-	-	-	-	-
Edu 1 = Uneducated	.039 (.035)	1.0397	.026 (.033)	1.0263				
Edu 2 = Primary level	.029 (.051)	1.0294	.040 (.049)	1.0408				
Edu 3 = above primary	Ref. cat	1	-	-	-	-	-	-
Q 2 = Age	.001 (.001)	1.0010	.001 (.001)	1.0010				
Profession 1	-.021 (.086)	0.9792						
Profession 2	-.026 (.056)	0.9743						
Profession 3	.065 (.061)	1.0671						
Profession 4	.023 (.059)	1.0232						
Profession 5	-.025 (.063)	0.9753						
Profession 6	.082 (.112)	1.0854						
Profession 7	Ref. cat	1	-	-	-	-	-	-
D1	-1.160* (.189)	0.3134	-1.180* (.185)	0.3072	-1.247* (.179	0.2873	-1.232* (.179)	0.2917
D2	-.006 (.189)	0.9940	-.026 (.185)	0.9743	-.093 (.179)	0.9111	-.078 (.178)	0.9249
D3	1.146* (.189)	3.1455	1.126* (.185)	3.0832	1.058* (.179)	2.8806	1.073* (.178)	2.9241

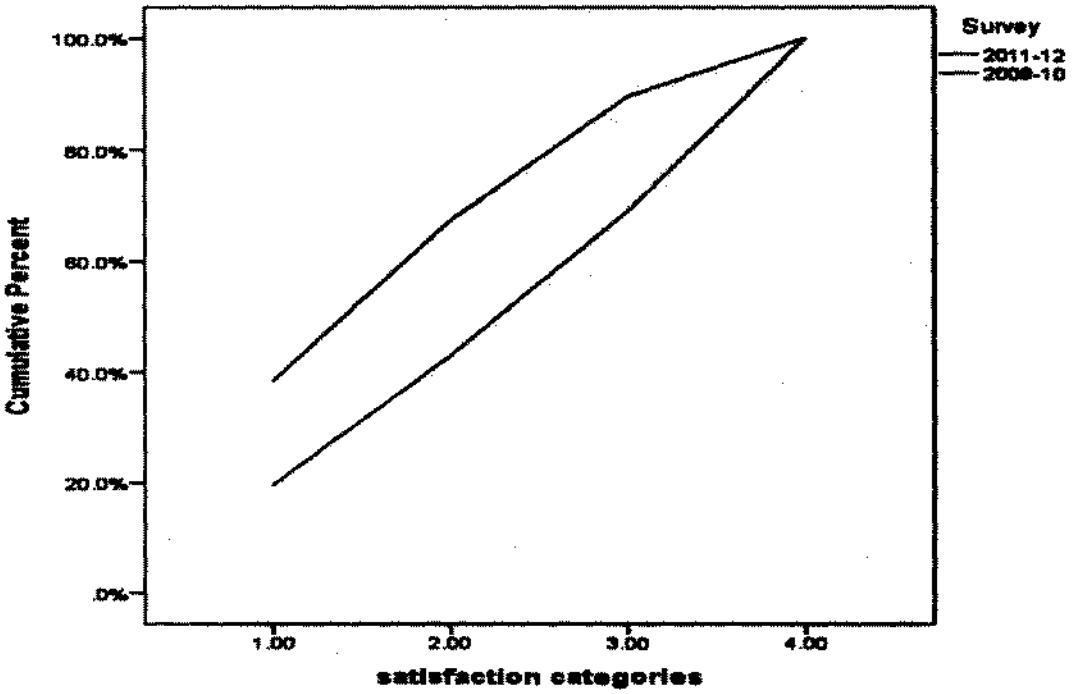
i) (*), (**) and (***) are indicating level of significance at 1%, 5% and 10% respectively.
ii) Standard deviations are given in parenthesis.
iii) We dropped one by one insignificant explanatory variable in model 2, 3 and four.
iv) The model 4 contains all significant explanatory variables.

Devolution policy impact

The Odds ratio during the absence of devolution policy is 0.4073 (model 1)which indicates that higher satisfaction is less likely in this situation. Citizens in general are more satisfied in the presence of devolution policy. The result is clearly supportive to the main hypothesis of this study that local governments improve the citizen's satisfaction. The result is also supportive to our theoretical frame work, which implies that the empirical research is in line with the Tiebout hypothesis.

Besides theoretical support to our hypothesis, we also find some strong empirical evidences on before-after comparison of devolution policy from the literature. There were two very successful cases of decentralization in Latin America. In Brazil during 1989 and 1996, the access to basic sanitation and enrollment in schools nearly doubled (see Santos, 1998) and secondly in Bolivia (1994) when there was a massive shift of the public resources to the smaller and poorer municipalities, the outcomes in education, water and sanitation enhanced significantly (see Faguet 2001).In our case of before-after comparison, the satisfaction level of citizens has significantly improved, which is a clear indication that decentralized framework is comparatively efficient. However the forth coming results may suggests some benefits, limitations and weaknesses of devolution process in Pakistan.

Figure: 6.1 Cumulative percentages of satisfaction categories across devolution policy impact (Survey years)



This cumulative percentage graph also supports the Logit results, showing that there is significantly high satisfaction in year (2009-10) i.e. during the presence of the devolution policy.

(a) Rural, urban and urban city districts (Geographical Location)

We have divided the whole geographical distribution into three categories namely; rural, urban and urban city districts. The odd ratio of the rural area is 0.9203 (model 1) which indicates that the satisfaction level is likely to decrease by this ratio, when we take urban city districts as a reference category. The situation remains almost same in the other three models. The odd ratio of the urban area is 0.931 (model 1). The results are suggesting that as we are moving toward urban and urban city districts, the level of satisfaction is likely to rise. The geographical division based on residential area of the population provides us very important and significant results regarding implications of the devolution policy. These results indicate that the level of satisfaction of the people is improving while moving from rural to urban and ultimately towards urban city districts. It suggests that the rural and urban areas (other than city districts) need more attention of the policy makers in designing their scheme of devolution. The results also confirm our second hypothesis that people are generally more satisfied in urban city districts (provincial capitals) from devolution policy of 2001. This is also supportive to the theoretical work in the field of public sector economics and development economics. The advocates of decentralization in public sector economics have pointed out that the pro centralization policies in decentralization process can neglect the rural/ farer areas. In development economics we also have some theoretical literature on center-periphery development process and rural urban migration models, which indicates that the areas closer to the center are more developed and secondly people may migrate from rural to urban areas due to wage/ consumption differential to hunt higher satisfaction/ utility.

Comparatively more satisfaction in urban city districts is indicating some limitations of the decentralization framework of Pakistan like many other developing and transition economies. Prud'homme (1995) also pointed out similar drawbacks of decentralization as he argued "a corollary to this thesis is that, all else being equal, the decentralization of taxes and expenditures works against the decentralization of activities and is likely to lead to a concentration of growth in a few urban locations". Collins C. and Green A. (1994) criticize the tendency for decentralization to be associated with state limitations, and discuss the dilemma of relating decentralization. It can also be concluded that the people closer to the centers (decision making bodies) are comparatively more satisfied.

Figure: 6.2 Cumulative percentages of satisfaction categories across rural/ urban districts

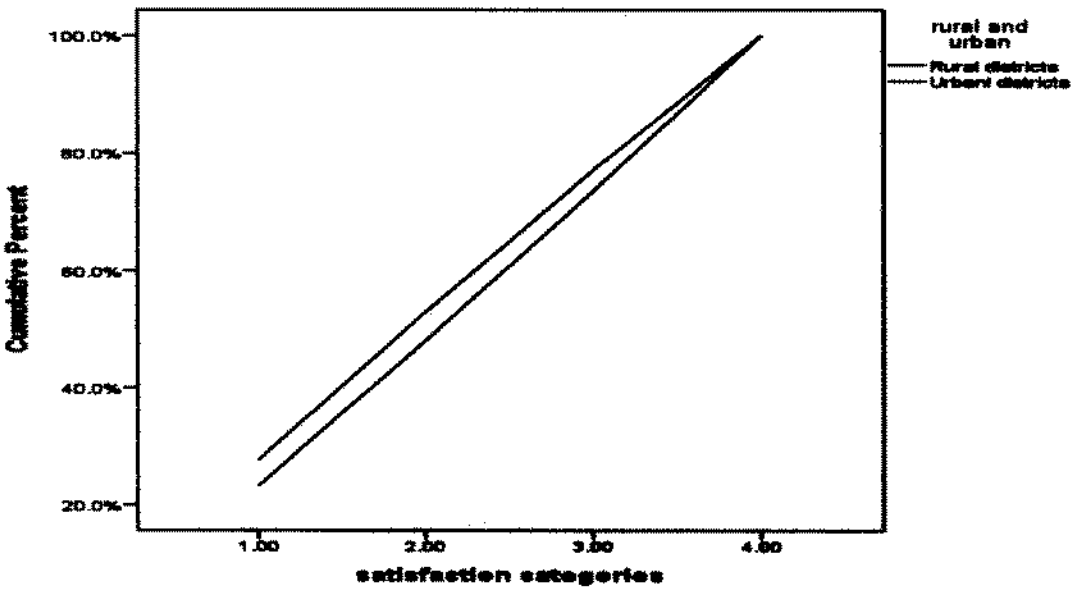


Table: 6.3.Ordered Logit regression models for rural/ urban districts

Variables	Model 5 All variables				Model 6 selected variables			
	Rural districts		Urban districts		Rural districts		Urban districts	
	Coefficients	Odd ratio	Coefficients	Odd ratio	Coefficients	Odd ratio	Coefficients	Odd ratio
Sry 0 = absence of devolution policy	-1.067* (.137)	0.3440	-.845* (.092)	0.4295	-1.085* (.135)	0.3379	-.868* (.091)	0.4197
Sry 1 = presence of devolution policy	Ref. category	-	-	-	-	-	-	-
LSI 0 = Non poor	-.069 (.069)	0.9333	-.112 (.088)	0.8940	-.098 (.088)	0.9066	-.041 (.079)	0.9598
LSI 1 = vulnerable	-.254*** (.133)	0.7756	.014 (.110)	1.0140	-.289** (.121)	0.7490	.100 (.100)	1.1051
LSI 2 = poor	-.149*** (.087)	0.8615	-.099 (.081)	0.9057	-.167** (.085)	0.8461	-.059 (.078)	0.9427
LSI 3 = Very poor	-.134 (.092)	0.8745	-.112 (.085)	0.8940	-.150*** (.089)	0.8607	-.069 (.081)	0.9333
LSI 4 = extremely poor	Ref. category	1	-	-	-	-	-	-
PC 1 = Baluchistan	.122 (.151)	1.1297	.147 (.122)	1.1583	.127 (.150)	1.1354	.127 (.121)	1.1354
PC 2 = Sind	.085 (.097)	1.0887	.141 (.089)	1.1514	.091 (.095)	1.0952 6901	.132 (.088)	1.1411
PC 3 = Punjab	.066 (.070)	1.0682	.040 (.060)	1.0408	.065 (.067)	1.0671	.043 (.059)	1.0439
PC 4 = KPK	Ref. category	1	-	-	-	-	-	-
Gender 1 = Male	-.033 (.050)	0.9675	-.027 (.041)	0.9733				
Gender 2 = Female	Ref. category	1	-	-	-	-	-	-
Edu 1 = Uneducated	.080 (.059)	1.0832	.007 (.045)	1.0070				
Edu 2 = Primary level	.088 (.084)	1.0919	-.017 (.064)	0.9831				
Edu 3 = above primary	1	-	-	-	-	-	-	-
Q 2 = Age	.002 (.002)	1.0020	.001 (.001)	1.0010				
Profession 1	-.140 (.124)	0.8693	.073 (.120)	1.0757				
Profession 2	-.105 (.089)	0.9003	.016 (.073)	1.0161				
Profession 3	-.028 (.105)	0.9723	.135*** (.075)	1.1445				
Profession 4	-.159 (.103)	0.8529	.112 (.073)	1.1185				
Profession 5	-.099 (.091)	0.9057	.003 (.091)	1.0030				
Profession 6	-.044 (.163)	0.9569	.200 (.155)	1.2214				
Profession 7	Ref. category	1	-	-	-	-	-	-
D1	-1.460* (.320)	0.2322	-1.083* (.250)	0.3385	-1.499* (.308)	0.2233	-1.191* (.234)	0.3039
D2	-.309 (.320)	0.7341	.075 (.250)	1.0778	-.349 (.308)	0.7053	-.034 (.234)	0.9665
D3	.855* (.320)	2.3513	1.221* (.250)	3.3905	.814* (.308)	2.2569	1.111* (.234)	3.0373

i) (*), (**) and (***) are indicating level of significance at 1%, 5% and 10% respectively.
ii) Standard deviations are given in parenthesis.
iii) Model 5 for the all independent variable in rural/ urban districts
iv) Model 6 for selected independent variable in rural/ urban districts.

Running of ordered Logit regression in rural and urban areas separately (model 5 and 6) further clarifies and illuminates the picture of citizen's satisfaction in different geographical regions of Pakistan. The variable of devolution policy impact (DPI) which gives us a satisfaction comparison during and after the policy intervention clearly indicates that the satisfaction level falls in the absence of the devolution policy. The satisfaction level is likely to decrease by 0.344 times in the rural areas and by 0.429 times in the urban areas in this situation when devolution policy is no more in action. The result is very important in the context of new devolution reforms. People are generally more satisfied from the devolution policy and not pleased with rolling it back. However, as compared the urban inhabitants, the dissatisfaction feelings are stronger in rural areas during the period when the policy is rolled back. It suggests that the continuation of the devolution process is beneficial for the society of Pakistan in general and particularly for the people of the rural area. Fig 6.2 shows the comparative position clearly.

McKinnon (1995) and Qian and Weingast (1997) observed that "the incentive effects of decentralization on sub national governments suggest that regional disparities may be related to the efficiency of public services. Fiscal federalism and redistribution of resources from the central government to poor districts can soften their budget constraints and reduce poverty". In this sense, decentralization can be helpful in reducing regional disparities.

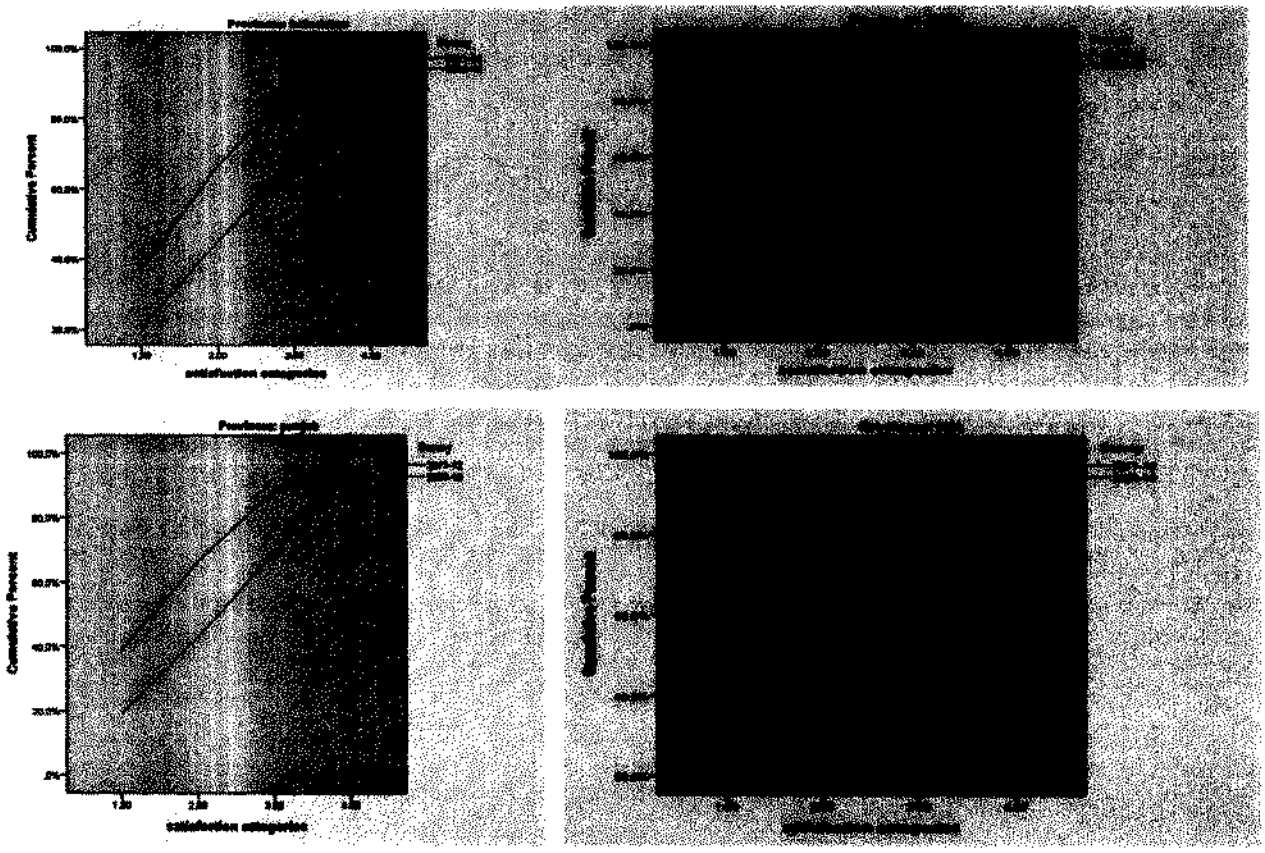
(b) Provinces (a second tier of fiscal administration)

Pakistan has four provinces which are also working as second tier in the fiscal administration of the economy. The odd ratio of Baluchistan province is 1.187

(model 1), indicating that the level of satisfaction is more likely to increase by 1.187 times in Baluchistan in the presence of devolution plan while taking KPK as reference category. Similarly, the odd ratio of Sind province is 1.150 (model 1), and that of Punjab is 1.050.The results remained more or less stable in the remaining three models. Further, the results of this categorical variable enable us to arrange the level of satisfaction in the provinces. The likelihood of the highest satisfaction status for Baluchistan narrows down through Sind, Punjab and KPK. This result is very alarming and indicates a partial failure in devolution framework introduced in the country. The concerned literature on decentralization reflects this type of drawback in devolution models of developing economies with powerful governments at the center (Anwar Shah 2012). In Pakistan, the central government remained semi-democratic during 2000-2007, led by a powerful president and Army Chief who had a very strong hold on federal, provincial and local governments. A partial decentralization policy (only expenditure decentralization) was introduced in which the funds were transferred from center to province and then to local governments. The governments in these two provinces (Sind and Punjab) were comparatively more friendly to the centre. They were receiving some additional development grants through easier process as compared to the others. In Baluchistan and Sind, most of the Nazims of the local governments belonged to the ruling party (PML-Q). However in Punjab, the ruling party belonged to the center but some of the district Nazims were from the opposition. The provincial government in KPK comprised the opposition parties of (MMA) and therefore the funds transfer was comparatively weak and complicated. As a result the citizen's level of satisfaction from local governments was low. Anwar

Shah (2012) pointed out the same danger of decentralization in developing countries that supported his idea of dual federalism. We can suggest that decentralization and transparency in funds transfer are as important as service delivery for the success of the devolution process. Next we discuss the results obtained from ordered logistic regression for provinces. Figure 6.3 shows the position graphically;

Figure: 6.3 Province wise graphical presentation of devolution policy impact



Rolling back of the devolution policy declined the satisfaction of the citizens significantly in all four provinces of the country.

Table: 6.4Ordered Logit regression models for Provinces

Variables	Model 7 Baluchistan		Model 8 Sind		Model 9 Punjab		Model 10 Kpk	
	Coefficients	Odd ratio	Coefficients	Odd ratio	Coefficients	Odd ratio	Coefficients	Odd ratio
Sry 0 = absence of devolution policy	-.899* (.187)	0.4069	-.828* (.132)	0.4369	-.820* (.225)	0.4404	-.517 (.520)	0.5963
Sry 1 = presence of devolution policy	Ref. category	1	-	-	-	-	-	-
Xpp = Expenditure per person	.000 (.001)	1	-	-	-	-	.001*** (.000)	1.001
LSI 0 = Non poor	-.624* (.218)	0.5357	-.070 (.118)	0.9323	-.025 (.098)	0.9753	-.027 (.157)	0.9733
LSI 1 = vulnerable	-.537** (.272)	0.5844	-.001 (.163)	0.9990	-.019 (.124)	0.9811	-.040 (.205)	0.9607
LSI 2 = poor	-.557* (.201)	0.5729	-.141 (.107)	0.8684	-.021 (.090)	0.9792	-.140 (.144)	0.8693
LSI 3 = Very poor	-.418** (.208)	0.6583	-.205*** (.112)	0.8146	-.013 (.096)	0.9870	-.117 (.151)	0.8895
LSI 4 = extremely poor	Ref. category	1	-	-	-	-	-	-
RUp 1= Rural districts	-.026 (.124)	0.9743	-.095 (.068)	0.9093	-.072 (.049)	0.9305	-.115 (.080)	0.8913
RUp 2= Urban districts	Ref. category	1	-	-	-	-	-	-
Gender 1= male	-.222** (.105)	0.8009	-.059 (.059)	0.9427	.004 (.046)	1.0040	-.005 (.090)	0.9950
Gender 2= female	Ref. category	1	-	-	-	-	-	-
Edu 1 = Uneducated	.249** (.115)	1.2827	.004 (.069)	1.0040	.037 (.052)	1.0376	-.009 (.087)	0.9910
Edu 2 = Primary level	.308*** (.165)	1.3607	-.043 (.097)	0.9579	.011 (.075)	1.0110	.062 (.122)	1.0639
Edu 3 = above primary	Ref. category	1	-	-	-	-	-	-
Q 2 = Age	-.001 (.003)	0.9990	.002 (.002)	1.0020	.002 (.002)	1.0020	-.001 (.003)	0.999
Profession 1	.072 (.251)	1.0746	-.141 (.161)	0.8684	.221 (.147)	1.24732	-.319*** (.171)	0.7268
Profession 2	-.056 (.195)	0.9455	-.123 (.111)	0.8842	.035 (.088)	1.0356	-.009 (.123)	0.9910
Profession 3	.490* (.179)	1.6323	-.094 (.119)	0.9102	.126 (.098)	1.1342	-.052 (.132)	0.9493
Profession 4	.192 (.169)	1.2116	.077 (.124)	1.0800	.052 (.094)	1.0533	-.160 (.124)	0.8521
Profession 5	.394** (.188)	1.4829	-.042 (.132)	0.9588	-.122 (.096)	0.8851	.120 (.157)	1.1274
Profession 6	.484 (.345)	1.6225	.469 (.370)	1.5983	-.020 (.150)	0.9801	.141 (.249)	1.1514
Profession 7	Ref. category	1	-	-	-	-	-	-
D1	-1.988 (1.294)	0.1369	-1.030* (.340)	0.3570	-.972** (.493)	0.3783	-.578 (.954)	0.5610
D2	-.784 (1.294)	0.4565	.121 (.340)	1.1286	.179 (.493)	1.1960	.584 (.954)	1.7931
D3	.257 (1.293)	1.2930	1.296* (.340)	3.6546	1.321* (.493)	3.7471	1.819*** (.954)	6.1656

i) (*), (**) and (***) are indicating level of significance at 1%, 5% and 10% respectively.

ii) Standard deviations are given in parenthesis.

The results of province based decomposed regression models are further supporting our analysis of devolution policy. The satisfaction level significantly falls during the period when devolution policy is no more working. Order is the as mentioned above i.e. with the rolling back of the policy, the people of Baluchistan and Sind are more dissatisfied as compared to the other two provinces. As the people of Baluchistan and interior Sind are relatively more deprived than the other two provinces, therefore they are unhappy with the rolling back of the policy. This behavior is also in line with the utility axiom which states that something is better than nothing. The policy makers can get direction from this behavior of the people and more attention may be given to the deprived areas in the forth coming devolution reforms.

(c) Living standard index (LSI)

This variable has a significant importance in our model because the prime objective of devolution policy/ local governance is to mobilize and empower the neglected and vulnerable segments of the society. The odd ratios of category 2 (poor) and category 3 (very poor) are 0.886 (model 1). The ratios indicate that their satisfaction is likely to decrease by 0.886 times when compared to the reference category 4 (extremely poor). It clearly indicates that moving from poor to extremely poor, the satisfaction level improves. It can be stated that the devolution policy provides satisfaction to the poorer segments of the society more than proportionately.

The regression models (5, 6) based on rural/ urban bifurcation are predicting the same pattern. The satisfaction level of the poorer group is likely to improve in the rural areas, however no significant impact of devolution could be found on satisfaction level of people in urban areas. Further analysis shows that very poor group is

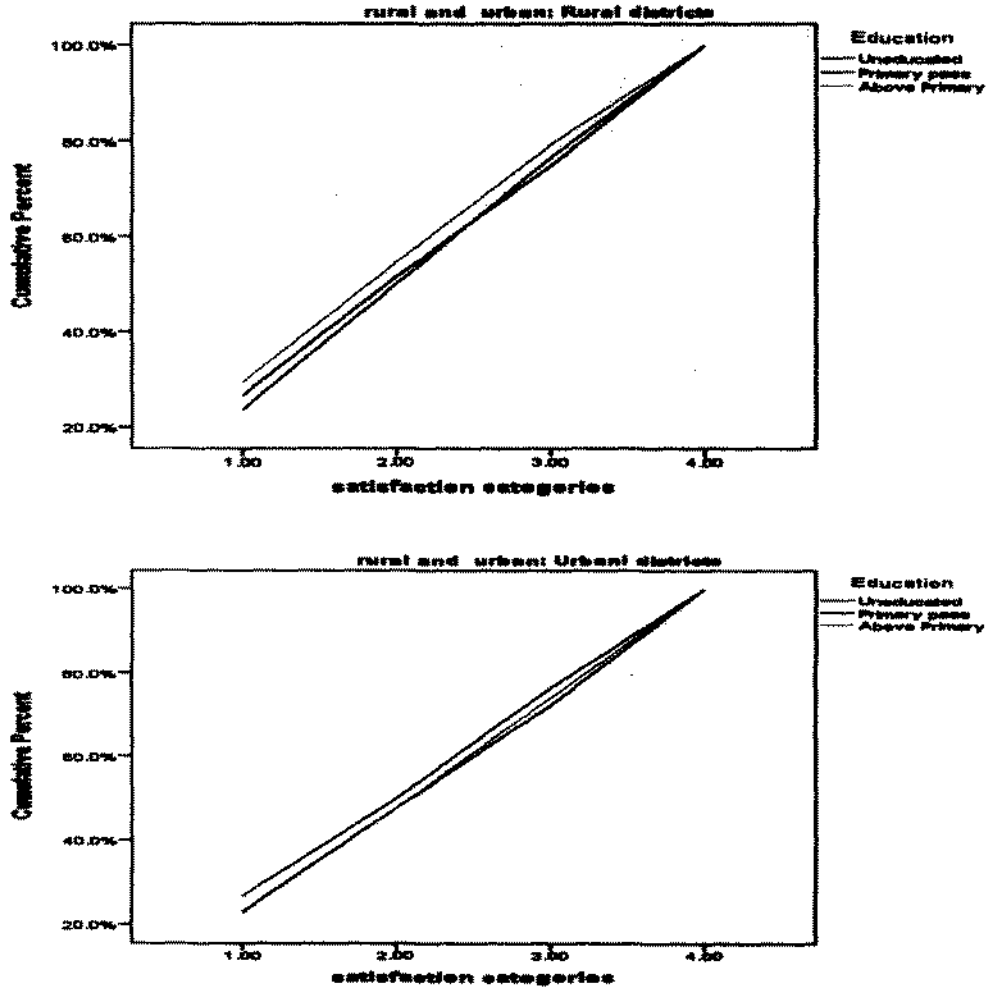
comparatively more satisfied from devolution as compared to the poor group and well- to-do.

Province-wise regression models (7, 8, 9, and 10) are bringing more clarity regarding implications of devolution policy. In Baluchistan province, the variable of living standard index is significant and the satisfaction level is likely to decrease for the non poor group of the society. As the poverty level in the society rises, the dissatisfaction level from devolution slightly falls. In Sind province, the result for very poor segments of the society is significant and it is likely to decrease by 0.814 times. In the province of Punjab and KPK we could not find any significant impact of this variable. It is clearly indicating that local governments are less beneficial for poor and lower middle class of the society. Our third hypothesis stated that the devolution plan 2001 empowers the lower segments of the society. The results of the study support our hypothesis and also conform to other empirical findings in favor of decentralization. However, the findings reject the thesis of Prud'homme (1995) regarding the dangers of decentralization policies in developing countries, state that "decentralization can increase disparity because decentralization measures can adversely affect the distribution of equity". Our results are in line with Alderman (1998) who found no evidence of conservancies that caused the benefits of decentralization initiative program to be captured by the well-off members of the community.

(d) Level of education (Q3)

This variable could not show a significant result in our basic as well as rural/ urban models except in the provincial models, where the variable is significant in Baluchistan. The odds ratios of category 1 (uneducated) and category 2 (primary level) are found to be 1.282 and 1.360 respectively (model 1). It indicates that the odds of outcomes are likely to increase with given probabilities. We can conclude that as the level of education rises, the level of satisfaction is likely to rise significantly. This result is supportive to the idea that awareness about democracy voice, participation in decision making process helps people to record their perceptions and reveal their performances for local government and devolutionary process. It is supportive to the finding of empirical studies that improvement in literacy can help people judge their level of well being and satisfaction. We could not find strong evidence in favor of our fourth hypothesis (The level of people satisfaction from the local government is positively linked with level of education i.e. more aware people are more satisfied from the decentralized governments.) however results from Baluchistan province do support it.

Figure: 6.4 Graphical analysis of education across rural / urban categories



(e) Gender

The categorical variable "gender" could not establish its significance for citizen's satisfaction from devolution process in our basic model. However, we find a significant role of this variable in Baluchistan province. The odd ratio of gender (male) is 0.800 (model 7), which indicates that the satisfaction level is likely to decrease by 0.800 time as we move towards reference category (female). It means the females are comparatively less satisfied.

Figure 6.5 Province wise graphical analyses for gender

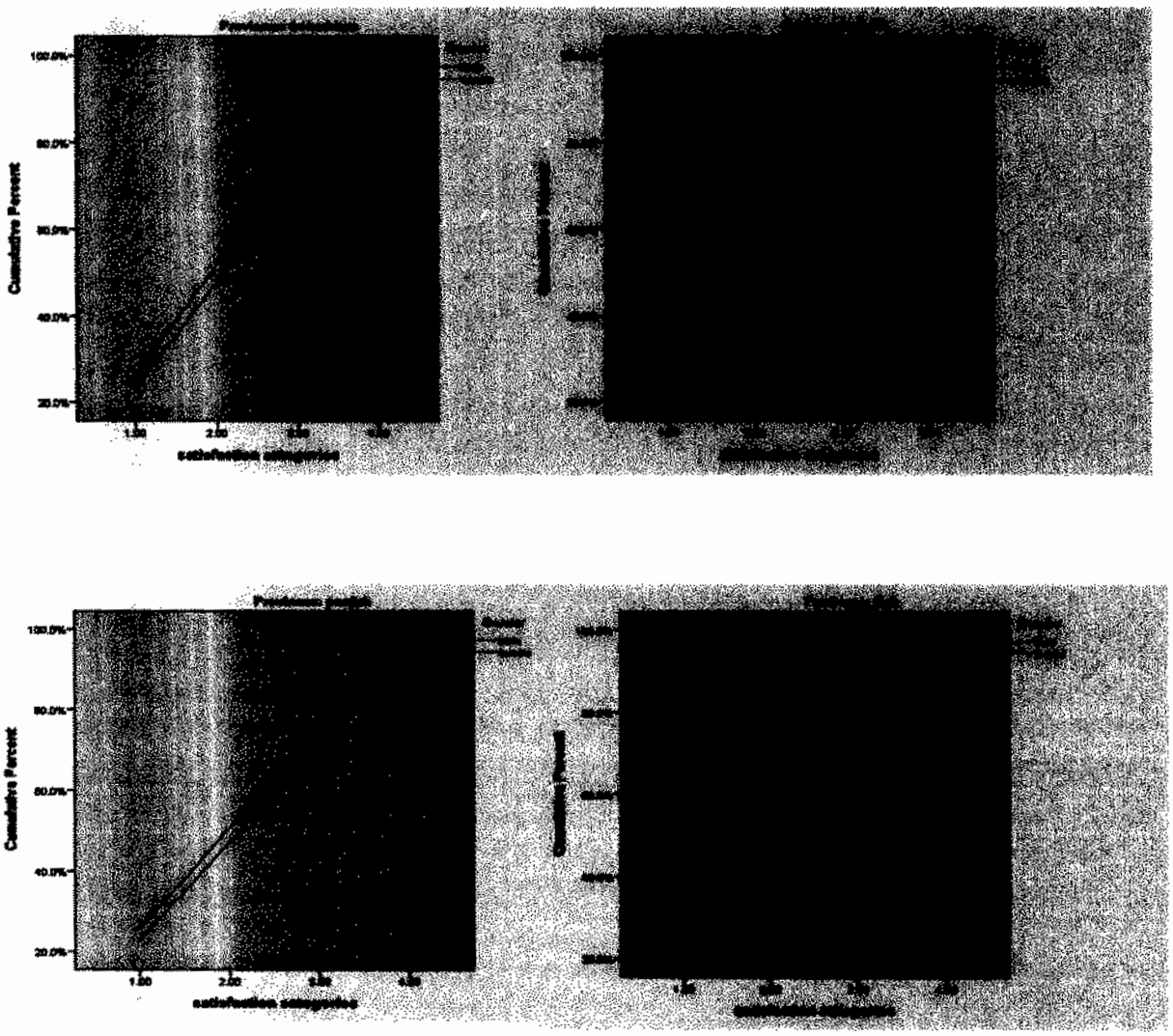
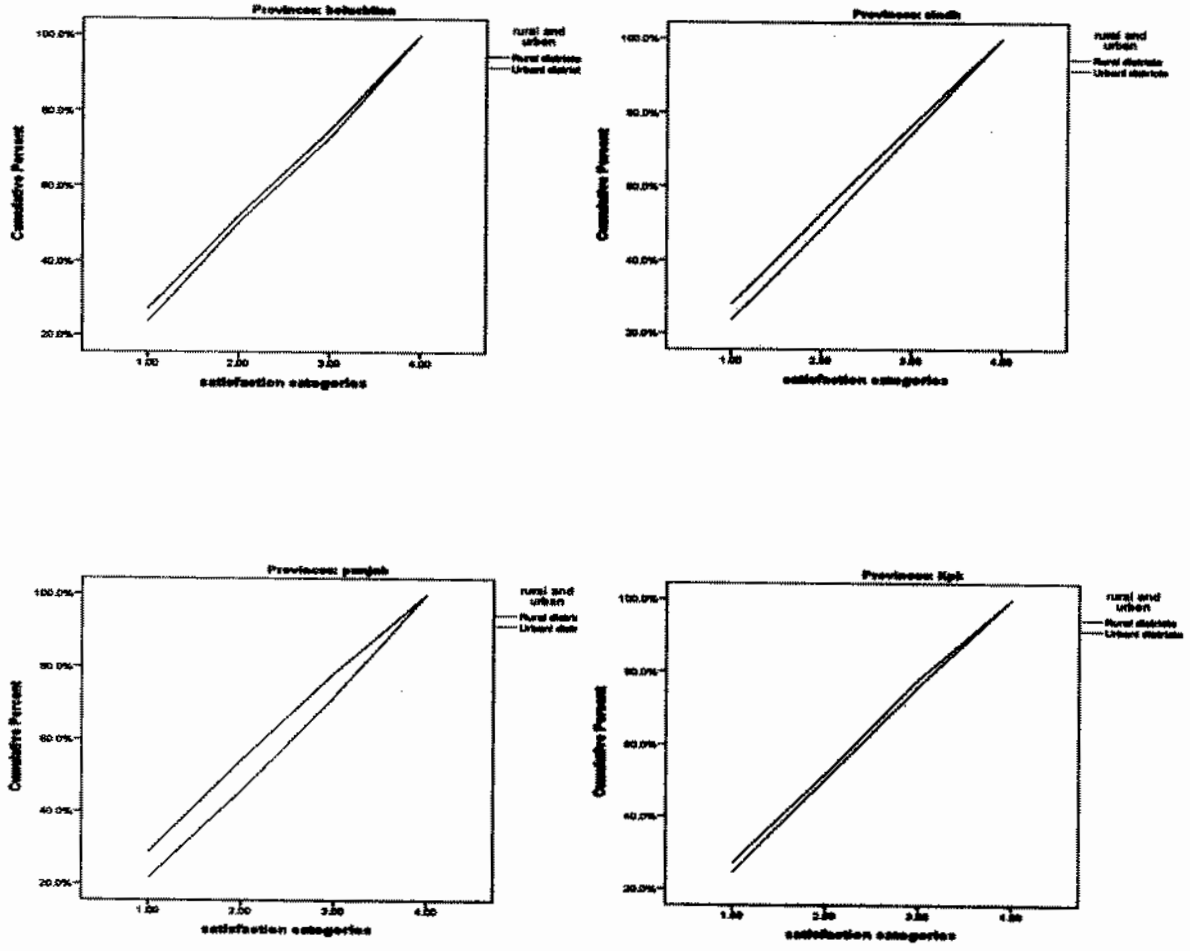


Figure: 6.6 Province wise graphical analyses for rural/ urban categories



(f) Public expenditure per person (Xpp)

We faced data limitation problem in the construction of this variable. We could not find the district level data for the province of Punjab and Sind for the year 2009-10 and 2011-12. We could only find the data for the entire province in the case of Baluchistan and KPK and we obtain significant results for the province of KPK only. The odd ratio of the variable is 1.001 (model 10) which indicates that the odd of outcome is likely to increase with increase in public expenditures per person even if slight.

6.2 Some descriptive analysis of citizens satisfaction over the entire period of devolution program

Citizen's satisfaction is our key indicator of analysis which we are using to assess the performance of local government over the devolution plan. It would be more appropriate if we analyze it in a comparative framework from the base line to the rolling back of the policy. In this section, a descriptive analysis of some factors of satisfaction linked with baseline in given and some previous studies are discussed below[14].

6.2.1 Education and Health

Table: 6.5 Satisfaction/ dissatisfaction from health and education services

Years	Percent citizens satisfied		Percent citizens not satisfied	
	Education	**Health**	**Education**	**Health**
2001-02	**55(%)**	**23(%)**	**38(%)**	**45(%)**
2004-05	**53(%)**	**27(%)**	**36(%)**	**37(%)**
2009-10	**58(%)**	**33(%)**	**26(%)**	**29(%)**
2011-12	**55(%)**	**29(%)**	**31(%)**	**38(%)**

14 Social audit of governance and delivery of public services, 2002, 2005, 2009 and 2012 by CIDA, NRB, CITE, DTCE and UNDP Pakistan.

Figure: 6.7 Satisfaction from health and education

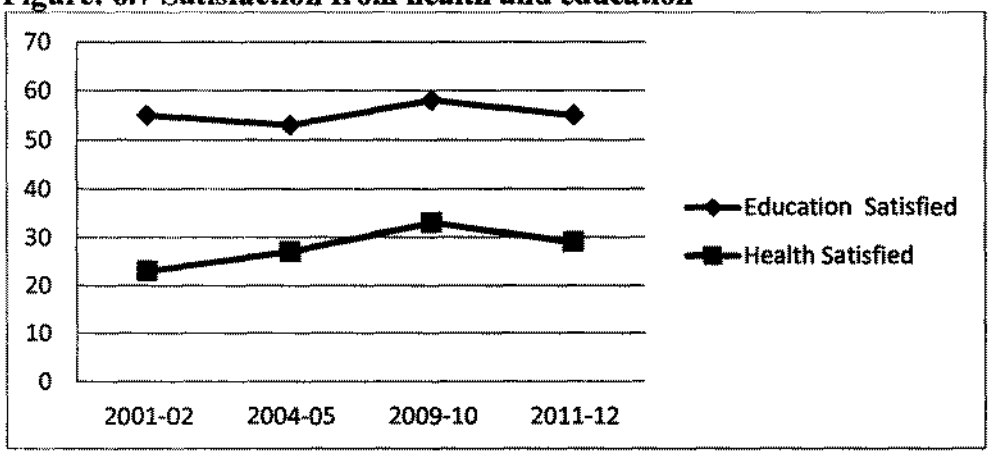
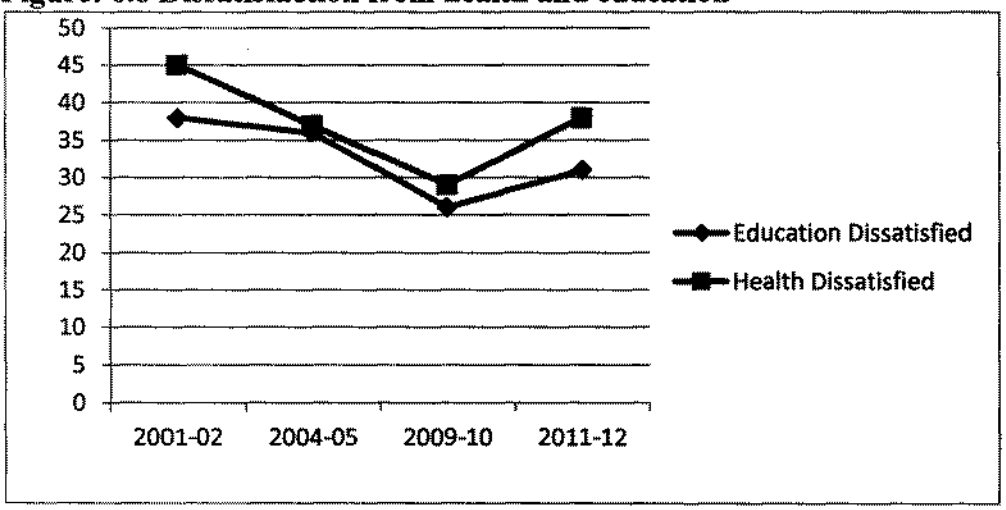


Figure: 6.8 Dissatisfaction from health and education



(i) Education

The graphical illustration and associated table demonstrate that the satisfaction level of the people from educational services is marginally increasing during the entire period of devolution i.e. between 2001-02 and 2009-10. However, a sudden decline can be noticed in satisfaction with the desolation of the local governments in 2011-12.

Nevertheless, the satisfaction trend in education over past decade has been around 55 to 58 percent, showing little improvement in this essential public service since 2001.

(ii) Health

Likewise the comparison of government provision for health care between 2001 and 2012 allows the reader a snapshot of the satisfaction trend prevalent over the past decade.

The satisfaction level improved from 23% to 33% during the devolution plan period 2001-10; however, again a marginal decline of 4% is noticed with the breakdown of the plane in 2011-12. The dissatisfaction level fell distinctly during the devolution and started rising again in the absence of policy. Majority of the people were either not having any access to the service or they were neither satisfied nor dissatisfied with the service whatever provided. Data indicates (i) government health care is available to three-fourths of the population, and (ii) for those to whom health care facilities available, only two-fifths are satisfied.

6.2.2 Municipal services

Table: 6.6 Satisfaction and dissatisfaction from municipal services

	Satisfaction (%)				Dissatisfaction (%)			
Years	**Road**	**Drinking Water**	**Sewrg & Sanitation**	**Garbage Disposal**	**Road**	**Drinking Water**	**Sewrg& Sanitation**	**Garbage Disposal**
2001-02	**31**	**18**	**12**	**6**	**51**	**20**	**37**	**22**
2004-05	**38**	**19**	**20**	**8**	**49**	**23**	**44**	**27**
2009-10	**40**	**39**	**25**	**12**	**44**	**23**	**43**	**16**
2011-12	**36**	**37**	**23**	**12**	**55**	**26**	**51**	**19**

Figure: 6.9 Satisfaction for municipal services

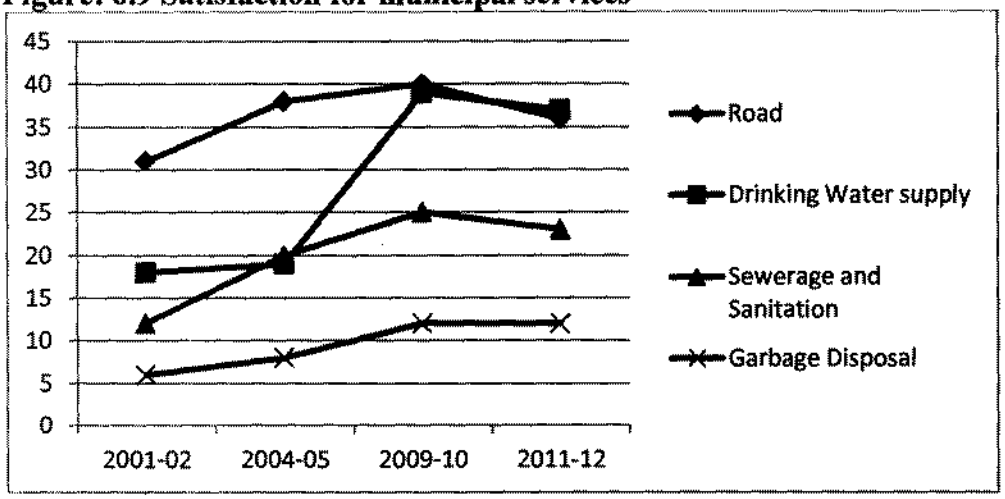
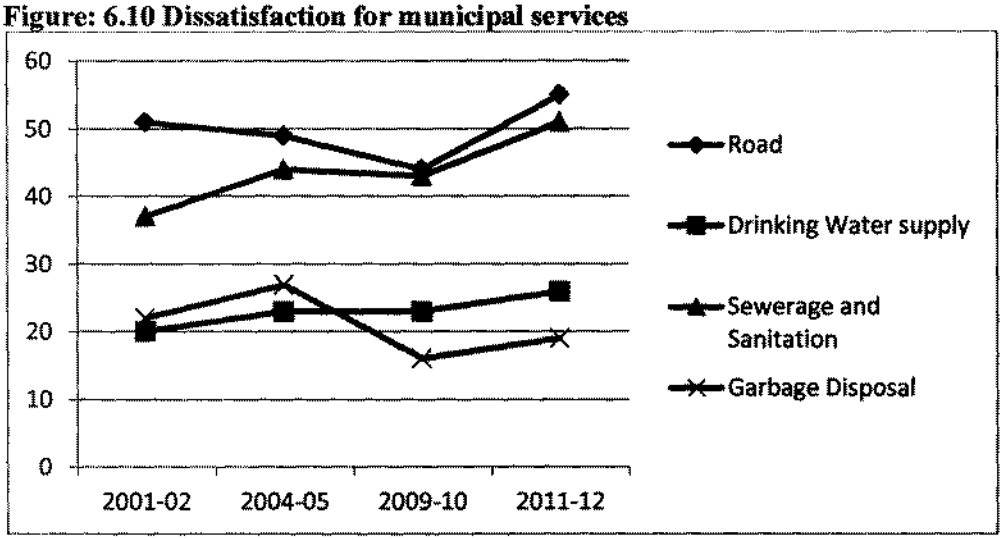


Figure: 6.10 Dissatisfaction for municipal services



(i) Roads

This section compares the satisfaction from road service reported by households across Pakistan, between 2001-2002 and 2011-2012. However, 2011-2012 recorded a turnabout in the trend towards satisfaction of citizens from the road network in the country. Indeed, from 2001 onwards, with heavy investments in roads, satisfaction of general public was increasing steadily from 31 percent in 2001-2002 to 40 percent in 2009-2010, nevertheless satisfaction of households then decreased in 2011-2012 to 36 percent.

(ii) Drinking water

The above table and graphic comparison shows that in 2009-2010 recorded a dramatic rise in satisfaction from drinking water supply scheme of the government across Pakistan 39 percent households reported to be satisfied from the service in 2009-10 as compared to only 18 percent households in 2001-02. However, no major improvement or deterioration in satisfaction for this service has been witnessed since then (37 percent households reported satisfaction in 2011-2012).

(iii) Sewerage and sanitation

The above table provides a comparative statement of government provisioning of sewerage and sanitation services over the past decade. Satisfaction trend saw an increase in the percentage of households from 12% to 25% between 2001-02 and 2009-10 during the presence of local governments besides a slight decline of 2% after removal of local government system in 2011-12.

(iv) Garbage disposable

According to survey data the garbage disposal service provided by the government has been negligible over the past decade. While the percentage of households reporting satisfaction from this service improved slightly from 6% in 2001-2002 to 12%in 2009-2010, there is no decreasing trend in satisfaction even when the vast majority of households did not have access to this service.

It is worth noting that the citizen's satisfaction from different local government services was slightly rising during the entire devolution period. In contrast, it sharply declined with rollback of the policy. The descriptive analysis is very much supportive

to the result of regression analysis and it is also in conformity with our first main hypothesis.

Chapter 7

Conclusion Policy Implications and Recommendations

7.1 Conclusions

In Pakistan, local governments are important because local governments are more appropriate in providing quality public services at the grass root level. This research study has raised some significant questions which need to be addressed seriously and placed in devolution policy reform agenda.

Using exploratory factor analysis approach, the study explains the vital components/ factors of citizen satisfaction. Essential services of the local government include education, health, local governance and community services. The municipal services (roads, sanitations, cleaning and drinking water etc) and local governance are the major contributors to people satisfaction. Accordingly study indicates that local governance model is more successful when the issues are resolved at grass root level and least involvement of bureaucracy. As health and education services are being provided at both provincial and local government level, the citizen's satisfaction has declined.

The citizen's satisfaction from local government performance evaluated through ordered logistic regression has generated a few important results with worthwhile policy implication. We hypothesized that with the rolling back of the devolution policy, people satisfaction level will decline significantly. The results are supporting and devolution policy variable is found significant not only in the basic/primary model but also in other secondary models. These results are verified from descriptive statistical analysis based on the trends of satisfaction starting from the baseline

survey. The statistical analysis show a positive trend in satisfaction from many services of the local governments throughout the devolution period which significantly dropped when the devolution policy rolled back.

The impact of socio-economic and demographic variables on citizen satisfaction with local government is also found statistically significant in majority of the cases. People living in the urban city districts are comparatively more satisfied with local government performance than the inhabitants of rural areas. The decision makers are more concerned with the urban city districts and so the rural areas remain deprived from government attention and people have to pay the costs of these disparities. Individuals living in rural areas are less satisfied with local government performance. The interpretation of this finding is two-fold. First, it suggests that decentralization program may be made appropriate for rural population such that to improve its capacity to recognize, interpret and satisfy citizens' needs and demands. Second, local governments may not be fulfilling citizen expectations, and thus need for a thorough review of their activities to improve performance and delivery. Finally, keeping in view the fact that poverty is more acute in rural areas, relative deprivation of people from private goods may also be a reason for their dissatisfaction with local government performance. The regression results also indicate that people with lower living standard are more satisfied in general. The findings indicate that the devolution process is in the right direction as far as reduction of income disparities is concerned. The results conform to our third hypothesis that the devolution plan (2001) empowers the lower segment of the society. The poorer/ vulnerable people are generally more

satisfied from the devolution/ decentralization policy compared to better off section of society.

We have found different level of satisfaction in case the four provinces of Pakistan. This situation is very alarming and suggests a need for some institutional and political reforms. The above analysis leave open the questions of how political power is to be distributed in a local government, what ought to be the institutional mechanism by which governments recognize local demand for public services and take action accordingly.

Despite the fact that local governments are democratically weak in the province of Baluchistan but still this province has shown the highest level of satisfaction. It indicates very strong concern for the devolution model of Pakistan and a detailed review of the policy in near future.

Individuals with more than primary education are found to be more satisfied with local government performance. It implies a positive relationship between awareness and democracy and this concern is growing in the country.

7.2 Policy implications and recommendations

Having gone through literature while conducting the study on decentralization and local government various questions/issues have raised in requiring comments as under.

7.2.1 The role and responsibilities of various tiers of governments

The future of local governments in Pakistan is still uncertain; this is due to a lack of constitutional support and a direct conflict with the provincial governments. However,

shows that if local governments continue to operate, it will have positive impact on the delivery of public services.

7.2.2 Partial Vs complete decentralization

Given the increased citizen satisfaction associated with the system of local government, it is recommended that in order to get full benefit of local governments system may be given more powers, made more accountable, transparent and responsible.

7.2.3 Financial autonomy and discretionary power coupled with accountability and transparency

There should be more provincial autonomy and national cohesion that would result in better understanding of the needs of federating units keeping the regional affiliation aside. Financial autonomy will generate more resources, develop more confidence and make the federating units more accountable. A decentralized set up will reduce the dependence of provinces on the center and will enable the center to concentrate fully on the national issues. The center will engage in the collection of those revenues only which could be cost efficient and economical.

In light of the above discussion, following recommendations can be offered which would enhance the performance of the federation and result in higher economic growth:

1. Administrative decentralization should accompany adequate fiscal decentralization and delegation of appropriate taxation powers to provinces and local governments.
2. Specialized and independent institutions should be developed to ensure smooth and judicious resource distribution among the governments at different levels.

The rationale behind the above recommendations is very clear. Decentralization is more likely to be effective when a local government can raise a relatively large share of its revenues locally. If the transfer of responsibilities from the central government is not matched with the ability to finance the responsibilities to be carried out by local government, the story of decentralization will be just a fiction and not a reality.

Local governments should be enabled to raise revenue from the beneficiaries to finance the costs of local services. The connection between beneficiaries and tax-payment is evident from the basic theory of public finance; public services should be decided by the beneficiary group who should also pay for their costs. That is, the ideal tax pattern is based on 'benefit taxation' as far as the allocation function is concerned. Locally raised revenues that are spent for the benefit of local tax-payers illustrate the direct link of tax to the benefits received by the community as a whole. This gives the right incentives for the local citizens at election time if the previous local government was inefficient.

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Appendices

Appendix 1

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[d = 1.00]	-1.160	.189	37.467	1	.000
	[d = 2.00]	-.006	.189	.001	1	.975
	[d = 3.00]	1.146	.189	36.631	1	.000
Location	xpp	.000	4.988E-005	4.095	1	.043
	Q2	.001	.001	1.759	1	.185
	[RU=1.00]	-.083	.038	4.697	1	.030
	[RU=2.00]	-.067	.043	2.354	1	.125
	[RU=3.00]	0[a]	.	.	0	.
	[Q1=1.00]	-.029	.032	.831	1	.362
	[Q1=2.00]	0[a]	.	.	0	.
	[PC=1.00]	.172	.093	3.414	1	.065
	[PC=2.00]	.140	.065	4.692	1	.030
	[PC=3.00]	.049	.045	1.190	1	.275
	[PC=4.00]	0[a]	.	.	0	.
	[Q10=1.00]	-.021	.086	.060	1	.806
	[Q10=2.00]	-.026	.056	.221	1	.638
	[Q10=3.00]	.065	.061	1.153	1	.283
	[Q10=4.00]	.023	.059	.149	1	.699
	[Q10=5.00]	-.025	.063	.157	1	.691
	[Q10=6.00]	.082	.112	.540	1	.462
	[Q10=7.00]	0[a]	.	.	0	.
	[Q3=1.00]	.039	.035	1.211	1	.271
	[Q3=2.00]	.029	.051	.333	1	.564
	[Q3=3.00]	0[a]	.	.	0	.
	[Sry=.00]	-.898	.075	144.033	1	.000
	[Sry=1.00]	0[a]	.	.	0	.
	[LSId=0]	-.099	.065	2.355	1	.125
	[LSId=1]	-.083	.084	.972	1	.324
	[LSId=2]	-.121	.059	4.201	1	.040
	[LSId=3]	-.121	.062	3.744	1	.053
	[LSId=4]	0[a]	.	.	0	.

Appendix 2

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[d = 1.00]	-1.180	.185	40.536	1	.000
	[d = 2.00]	-.026	.185	.020	1	.888
	[d = 3.00]	1.126	.185	36.959	1	.000
Location	xpp	9.675E-005	4.975E-005	3.781	1	.052
	Q2	.001	.001	1.547	1	.214
	[RU=1.00]	-.102	.037	7.746	1	.005
	[RU=2.00]	-.078	.043	3.338	1	.068
	[RU=3.00]	0[a]	.	.	0	.
	[Q1=1.00]	-.029	.031	.855	1	.355
	[Q1=2.00]	0[a]	.	.	0	.
	[PC=1.00]	.166	.093	3.192	1	.074
	[PC=2.00]	.134	.064	4.339	1	.037
	[PC=3.00]	.046	.044	1.069	1	.301
	[PC=4.00]	0[a]	.	.	0	.
	[Q3=1.00]	.026	.033	.614	1	.433
	[Q3=2.00]	.040	.049	.660	1	.417
	[Q3=3.00]	0[a]	.	.	0	.
	[Sry=.00]	-.905	.075	147.624	1	.000
	[Sry=1.00]	0[a]	.	.	0	.
	[LSId=0]	-.067	.059	1.292	1	.256
	[LSI d=1]	-.042	.077	.292	1	.589
	[LSI d=2]	-.105	.057	3.329	1	.068
	[LSI d=3]	-.103	.060	2.911	1	.088
	[LSI d=4]	0[a]	.	.	0	.

Appendix 3

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[d = 1.00]	-1.233	.180	46.908	1	.000
	[d = 2.00]	-.080	.180	.197	1	.657
	[d = 3.00]	1.072	.180	35.469	1	.000
Location	Xpp	9.526E-005	4.974E-005	3.668	1	.055
	[RU=1.00]	-.101	.037	7.586	1	.006
	[RU=2.00]	-.077	.043	3.240	1	.072
	[RU=3.00]	0[a]	.	.	0	.
	[Q1=1.00]	-.026	.031	.676	1	.411
	[Q1=2.00]	0[a]	.	.	0	.
	[PC=1.00]	.164	.093	3.128	1	.077
	[PC=2.00]	.133	.064	4.269	1	.039
	[PC=3.00]	.046	.044	1.071	1	.301
	[PC=4.00]	0[a]	.	.	0	.
	[Q3=1.00]	.027	.033	.709	1	.400
	[Q3=2.00]	.040	.049	.670	1	.413
	[Q3=3.00]	0[a]	.	.	0	.
	[Sry=.00]	-.908	.074	148.650	1	.000
	[Sry=1.00]	0[a]	.	.	0	.
	[LSId=0]	-.070	.059	1.402	1	.236
	[LSI d=1]	-.044	.077	.333	1	.564
	[LSI d=2]	-.107	.057	3.475	1	.062
	[LSI d=3]	-.104	.060	2.977	1	.084
	[LSI d=4]	0[a]	.	.	0	.

Appendix 4

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[d = 1.00]	-1.247	.179	48.302	1	.000
	[d = 2.00]	-.093	.179	.271	1	.603
	[d = 3.00]	1.058	.179	34.864	1	.000
Location	xpp	9.677E-005	4.972E-005	3.788	1	.052
	[RU=1.00]	-.100	.036	7.482	1	.006
	[RU=2.00]	-.077	.043	3.260	1	.071
	[RU=3.00]	0[a]	.	.	0	.
	[Q1=1.00]	-.028	.031	.794	1	.373
	[Q1=2.00]	0[a]	.	.	0	.
	[PC=1.00]	.166	.093	3.185	1	.074
	[PC=2.00]	.136	.064	4.473	1	.034
	[PC=3.00]	.046	.044	1.096	1	.295
	[PC=4.00]	0[a]	.	.	0	.
	[Sry=.00]	-.906	.074	148.288	1	.000
	[Sry=1.00]	0[a]	.	.	0	.
	[LSId=0]	-.073	.058	1.576	1	.209
	[LSI d=1]	-.049	.076	.415	1	.519
	[LSI d=2]	-.109	.057	3.644	1	.056
	[LSI d=3]	-.106	.060	3.132	1	.077
	[LSI d=4]	0[a]	.	.	0	.

Appendix 5

		Estimate	Std. Error	Wald	df	Sig.
Threshold	[d = 1.00]	-1.232	.179	47.589	1	.000
	[d = 2.00]	-.078	.178	.193	1	.660
	[d = 3.00]	1.073	.178	36.175	1	.000
Location	Xpp	9.611E-005	4.972E-005	3.737	1	.053
	[RU=1.00]	-.102	.036	7.827	1	.005
	[RU=2.00]	-.080	.043	3.483	1	.062
	[RU=3.00]	0[a]	.	.	0	.
	[PC=1.00]	.166	.093	3.207	1	.073
	[PC=2.00]	.142	.064	4.889	1	.027
	[PC=3.00]	.051	.044	1.381	1	.240
	[PC=4.00]	0[a]	.	.	0	.
	[Sry=.00]	-.909	.074	149.355	1	.000
	[Sry=1.00]	0[a]	.	.	0	.
	[LSId=0]	-.075	.058	1.641	1	.200
	[LSI d=1]	-.051	.076	.443	1	.506
	[LSI d=2]	-.110	.057	3.723	1	.054
	[LSI d=3]	-.108	.060	3.263	1	.071
	[LSI d=4]	0[a]	.	.	0	.

Appendix 6

rural and urban			Estimate	Std. Error	Wald	df	Sig.
Rural districts	Threshold	[d = 1.00]	-1.460	.320	20.767	1	.000
		[d = 2.00]	-.309	.320	.936	1	.333
		[d = 3.00]	.855	.320	7.140	1	.008
	Location	Xpp	6.608E-006	8.408E-005	.006	1	.937
		Q2	.002	.002	1.504	1	.220
		[PC=1.00]	.122	.151	.653	1	.419
		[PC=2.00]	.085	.097	.780	1	.377
		[PC=3.00]	.066	.070	.897	1	.344
		[PC=4.00]	0[a]	.	.	0	.
		[Sry=.00]	-1.067	.137	61.012	1	.000
		[Sry=1.00]	0[a]	.	.	0	.
		[LSId=0]	-.069	.096	.513	1	.474
		[LSI d=1]	-.254	.133	3.661	1	.056
		[LSI d=2]	-.149	.087	2.930	1	.087
		[LSI d=3]	-.134	.092	2.132	1	.144
		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	-.033	.050	.424	1	.515
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	.080	.059	1.832	1	.176
		[Q3=2.00]	.088	.084	1.083	1	.298
		[Q3=3.00]	0[a]	.	.	0	.
		[Q10=1.00]	-.140	.124	1.274	1	.259
		[Q10=2.00]	-.105	.089	1.412	1	.235
		[Q10=3.00]	-.028	.105	.070	1	.792
		[Q10=4.00]	-.159	.103	2.387	1	.122
		[Q10=5.00]	-.099	.091	1.179	1	.278
		[Q10=6.00]	-.044	.163	.073	1	.786
		[Q10=7.00]	0[a]	.	.	0	.
Urban districts	Threshold	[d = 1.00]	-1.083	.250	18.717	1	.000
		[d = 2.00]	.075	.250	.090	1	.765
		[d = 3.00]	1.221	.250	23.764	1	.000
	Location	Xpp	.000	6.523E-005	2.471	1	.116
		Q2	.001	.001	.524	1	.469

		[PC=1.00]	.147	.122	1.458	1	.227
		[PC=2.00]	.141	.089	2.532	1	.112
		[PC=3.00]	.040	.060	.443	1	.506
		[PC=4.00]	0[a]	.	.	0	.
		[Sry=.00]	-.845	.092	84.662	1	.000
		[Sry=1.00]	0[a]	.	.	0	.
		[LSId=0]	-.112	.088	1.623	1	.203
		[LSI d=1]	.014	.110	.015	1	.902
		[LSI d=2]	-.099	.081	1.484	1	.223
		[LSI d=3]	-.112	.085	1.742	1	.187
		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	-.027	.041	.439	1	.508
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	.007	.045	.022	1	.882
		[Q3=2.00]	-.017	.064	.068	1	.794
		[Q3=3.00]	0[a]	.	.	0	.
		[Q10=1.00]	.073	.120	.371	1	.542
		[Q10=2.00]	.016	.073	.046	1	.830
		[Q10=3.00]	.135	.075	3.196	1	.074
		[Q10=4.00]	.112	.073	2.340	1	.126
		[Q10=5.00]	.003	.091	.001	1	.978
		[Q10=6.00]	.200	.155	1.665	1	.197
		[Q10=7.00]	0[a]	.	.	0	.

Appendix 7

rural and urban			Estimate	Std. Error	Wald	df	Sig.
Rural districts	Threshold	[d = 1.00]	-1.499	.308	23.635	1	.000
		[d = 2.00]	-.349	.308	1.288	1	.256
		[d = 3.00]	.814	.308	6.985	1	.008
	Location	Xpp	5.522E-006	8.352E-005	.004	1	.947
		[PC=1.00]	.127	.150	.720	1	.396
		[PC=2.00]	.091	.095	.921	1	.337
		[PC=3.00]	.065	.067	.914	1	.339
		[PC=4.00]	0[a]	.	.	0	.
		[Sry=.00]	-1.085	.135	64.787	1	.000
		[Sry=1.00]	0[a]	.	.	0	.
		[LSId=0]	-.098	.088	1.242	1	.265
		[LSI d=1]	-.289	.121	5.722	1	.017
		[LSI d=2]	-.167	.085	3.896	1	.048
		[LSI d=3]	-.150	.089	2.837	1	.092
		[LSI d=4]	0[a]	.	.	0	.
Urbanl districts	Threshold	[d = 1.00]	-1.191	.234	25.849	1	.000
		[d = 2.00]	-.034	.234	.021	1	.884
		[d = 3.00]	1.111	.234	22.492	1	.000
	Location	Xpp	8.188E-005	6.459E-005	1.607	1	.205
		[PC=1.00]	.127	.121	1.098	1	.295
		[PC=2.00]	.132	.088	2.238	1	.135
		[PC=3.00]	.043	.059	.531	1	.466
		[PC=4.00]	0[a]	.	.	0	.
		[Sry=.00]	-.868	.091	90.812	1	.000
		[Sry=1.00]	0[a]	.	.	0	.
		[LSId=0]	-.041	.079	.269	1	.604
		[LSI d=1]	.100	.100	1.009	1	.315
		[LSI d=2]	-.059	.078	.576	1	.448
		[LSI d=3]	-.069	.081	.729	1	.393
		[LSI d=4]	0[a]	.	.	0	.

Appendix 8

Provinces			Estimate	Std. Error	Wald	df	Sig.
Boluchitan	Threshold	[d = 1.00]	-1.988	1.294	2.360	1	.125
		[d = 2.00]	-.784	1.294	.368	1	.544
		[d = 3.00]	.257	1.293	.039	1	.843
	Location	xpp	.000	.001	.028	1	.868
		Q2	-.001	.003	.155	1	.693
		[Sry=.00]	-.899	.187	23.188	1	.000
		[Sry=1.00]	0[a]	.	.	0	.
		[LSId=0]	-.624	.218	8.205	1	.004
		[LSI d=1]	-.537	.272	3.912	1	.048
		[LSI d=2]	-.557	.201	7.669	1	.006
		[LSI d=3]	-.418	.208	4.033	1	.045
		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	-.222	.105	4.499	1	.034
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	.249	.115	4.676	1	.031
		[Q3=2.00]	.308	.165	3.489	1	.062
		[Q3=3.00]	0[a]	.	.	0	.
		[Q10=1.00]	.072	.251	.082	1	.774
		[Q10=2.00]	-.056	.195	.084	1	.772
		[Q10=3.00]	.490	.179	7.532	1	.006
		[Q10=4.00]	.192	.169	1.278	1	.258
		[Q10=5.00]	.394	.188	4.373	1	.037
		[Q10=6.00]	.484	.345	1.971	1	.160
		[Q10=7.00]	0[a]	.	.	0	.
		[RUp=1.00]	-.026	.124	.045	1	.831
		[RUp=2.00]	0[a]	.	.	0	.
Sindh	Threshold	[d = 1.00]	-1.030	.340	9.161	1	.002
		[d = 2.00]	.121	.340	.127	1	.722
		[d = 3.00]	1.296	.340	14.507	1	.000
	Location	xpp	.000	.000	4.146	1	.042
		Q2	.002	.002	1.085	1	.298
		[Sry=.00]	-.828	.132	39.158	1	.000
		[Sry=1.00]	0[a]	.	.	0	.

		[LSId=0]	-.070	.118	.347	1	.556
		[LSI d=1]	-.001	.163	.000	1	.995
		[LSI d=2]	-.141	.107	1.740	1	.187
		[LSI d=3]	-.205	.112	3.366	1	.067
		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	-.059	.059	1.034	1	.309
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	.004	.069	.003	1	.957
		[Q3=2.00]	-.043	.097	.191	1	.662
		[Q3=3.00]	0[a]	.	.	0	.
		[Q10=1.00]	-.141	.161	.764	1	.382
		[Q10=2.00]	-.123	.111	1.215	1	.270
		[Q10=3.00]	-.094	.119	.635	1	.425
		[Q10=4.00]	.077	.124	.380	1	.538
		[Q10=5.00]	-.042	.132	.101	1	.751
		[Q10=6.00]	.469	.370	1.608	1	.205
		[Q10=7.00]	0[a]	.	.	0	.
		[RUp=1.00]	-.095	.068	1.932	1	.165
		[RUp=2.00]	0[a]	.	.	0	.
Punjab	Threshold	[d = 1.00]	-.972	.493	3.879	1	.049
		[d = 2.00]	.179	.493	.131	1	.717
		[d = 3.00]	1.321	.493	7.171	1	.007
	Location	xpp	.000	.000	.736	1	.391
		Q2	.002	.002	1.754	1	.185
		[Sry=.00]	-.820	.225	13.271	1	.000
		[Sry=1.00]	0[a]	.	.	0	.
		[LSId=0]	-.025	.098	.064	1	.800
		[LSI d=1]	-.019	.124	.023	1	.879
		[LSI d=2]	-.021	.090	.055	1	.814
		[LSI d=3]	-.013	.096	.020	1	.889
		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	.004	.046	.008	1	.930
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	.037	.052	.508	1	.476
		[Q3=2.00]	.011	.075	.020	1	.887
		[Q3=3.00]	0[a]	.	.	0	.

		[Q10=1.00]	.221	.147	2.261	1	.133
		[Q10=2.00]	.035	.088	.155	1	.694
		[Q10=3.00]	.126	.098	1.641	1	.200
		[Q10=4.00]	.052	.094	.304	1	.581
		[Q10=5.00]	-.122	.096	1.613	1	.204
		[Q10=6.00]	-.020	.150	.018	1	.895
		[Q10=7.00]	0[a]	.	.	0	.
		[RUp=1.00]	-.072	.049	2.165	1	.141
		[RUp=2.00]	0[a]	.	.	0	.
Kpk	Threshold	[d = 1.00]	-.578	.954	.367	1	.544
		[d = 2.00]	.584	.954	.375	1	.540
		[d = 3.00]	1.819	.954	3.634	1	.057
	Location	xpp	.000	.000	1.405	1	.236
		Q2	-.001	.003	.163	1	.687
		[Sry=.00]	-.517	.520	.986	1	.321
		[Sry=1.00]	0[a]	.	.	0	.
		[LSId=0]	-.027	.157	.029	1	.864
		[LSI d=1]	-.040	.205	.038	1	.845
		[LSI d=2]	-.140	.144	.945	1	.331
		[LSI d=3]	-.117	.151	.596	1	.440
		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	-.005	.090	.003	1	.954
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	-.009	.087	.011	1	.918
		[Q3=2.00]	.062	.122	.257	1	.612
		[Q3=3.00]	0[a]	.	.	0	.
		[Q10=1.00]	-.319	.171	3.466	1	.063
		[Q10=2.00]	-.009	.123	.005	1	.942
		[Q10=3.00]	-.052	.132	.153	1	.696
		[Q10=4.00]	-.160	.124	1.658	1	.198
		[Q10=5.00]	.120	.157	.583	1	.445
		[Q10=6.00]	.141	.249	.322	1	.571
		[Q10=7.00]	0[a]	.	.	0	.
		[RUp=1.00]	-.115	.080	2.072	1	.150
		[RUp=2.00]	0[a]	.	.	0	.

Appendix 9

Survey			Estimate	Std. Error	Wald	df	Sig.
2011-12	Threshold	[d = 1.00]	-.199	.247	.647	1	.421
		[d = 2.00]	1.004	.248	16.421	1	.000
		[d = 3.00]	2.438	.251	94.306	1	.000
	Location	xpp	.000	.000	3.436	1	.064
		Q2	.000	.002	.019	1	.889
		[LSId=0]	-.058	.120	.235	1	.628
		[LSI d=1]	-.139	.156	.792	1	.373
		[LSI d=2]	-.135	.111	1.501	1	.221
		[LSI d=3]	-.185	.119	2.408	1	.121
		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	.008	.060	.017	1	.895
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	-.089	.139	.412	1	.521
		[Q3=2.00]	.266	.147	3.272	1	.070
		[Q3=3.00]	0[a]	.	.	0	.
		[Q10=1.00]	.084	.166	.253	1	.615
		[Q10=2.00]	.198	.168	1.397	1	.237
		[Q10=3.00]	-.032	.162	.040	1	.842
		[Q10=4.00]	.131	.116	1.274	1	.259
		[Q10=5.00]	.013	.133	.009	1	.923
		[Q10=6.00]	.098	.193	.261	1	.609
		[Q10=7.00]	0[a]	.	.	0	.
		[RUp=1.00]	-.113	.061	3.466	1	.063
		[RUp=2.00]	0[a]	.	.	0	.
2009-10	Threshold	[d = 1.00]	-1.457	.122	142.475	1	.000
		[d = 2.00]	-.328	.121	7.337	1	.007
		[d = 3.00]	.760	.121	39.289	1	.000
	Location	xpp	3.958E-006	2.465E-005	.026	1	.872
		Q2	.002	.001	2.387	1	.122
		[LSId=0]	-.126	.077	2.686	1	.100
		[LSI d=1]	-.068	.100	.467	1	.494
		[LSI d=2]	-.123	.070	3.095	1	.079
		[LSI d=3]	-.106	.073	2.111	1	.146

		[LSI d=4]	0[a]	.	.	0	.
		[Q1=1.00]	-.050	.037	1.854	1	.173
		[Q1=2.00]	0[a]	.	.	0	.
		[Q3=1.00]	.042	.039	1.172	1	.279
		[Q3=2.00]	-.019	.061	.098	1	.754
		[Q3=3.00]	0[a]	.	.	0	.
		[Q10=1.00]	-.043	.104	.170	1	.680
		[Q10=2.00]	-.043	.063	.475	1	.491
		[Q10=3.00]	.066	.069	.902	1	.342
		[Q10=4.00]	-.002	.069	.001	1	.981
		[Q10=5.00]	-.020	.071	.077	1	.781
		[Q10=6.00]	.102	.139	.545	1	.461
		[Q10=7.00]	0[a]	.	.	0	.
		[RUp=1.00]	-.017	.039	.191	1	.662
		[RUp=2.00]	0[a]	.	.	0	.

Appendix 10

Provinces	rural and urban			Estimate	Std. Error	Wald	df	Sig.
Boluchitan	Rural districts	Threshold	[d = 1.00]	5.848	8.310	.495	1	.482
			[d = 2.00]	6.992	8.313	.707	1	.400
			[d = 3.00]	8.075	8.314	.943	1	.331
		Location	Q2	-.004	.006	.530	1	.467
			Xpp	.005	.005	.899	1	.343
			[Sry=.00]	.047	1.129	.002	1	.967
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	-.087	.181	.230	1	.631
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	.242	.188	1.655	1	.198
			[Q3=2.00]	.071	.314	.051	1	.822
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	-.345	.311	1.229	1	.268
			[LSI d=1]	-.743	.436	2.901	1	.089
			[LSI d=2]	-.648	.290	4.982	1	.026
			[LSI d=3]	-.465	.302	2.377	1	.123
			[LSI d=4]	0[a]	.	.	0	.
	Urbanl districts	Threshold	[d = 1.00]	-1.887	1.296	2.120	1	.145
			[d = 2.00]	-.660	1.295	.260	1	.610
			[d = 3.00]	.359	1.295	.077	1	.782
		Location	Q2	-.001	.004	.052	1	.819
			Xpp	.000	.001	.047	1	.829
			[Sry=.00]	-.947	.193	23.930	1	.000
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	-.230	.125	3.373	1	.066
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	.189	.129	2.144	1	.143
			[Q3=2.00]	.471	.190	6.175	1	.013
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	-.192	.257	.558	1	.455
			[LSI d=1]	.094	.311	.092	1	.762
			[LSI d=2]	-.148	.254	.338	1	.561
			[LSI d=3]	-.018	.262	.005	1	.944

			[LSI d=4]	0[a]	.	.	0	.
Sindh	Rural districts	Threshold	[d = 1.00]	-.921	.728	1.599	1	.206
			[d = 2.00]	.223	.728	.094	1	.759
			[d = 3.00]	1.398	.729	3.680	1	.055
		Location	Q2	.003	.003	1.152	1	.283
			Xpp	.000	.000	.643	1	.423
			[Sry=.00]	-.998	.322	9.584	1	.002
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	-.003	.088	.001	1	.973
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	.023	.093	.062	1	.804
			[Q3=2.00]	.052	.149	.123	1	.725
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	-.068	.162	.174	1	.676
			[LSI d=1]	-.119	.228	.272	1	.602
			[LSI d=2]	-.120	.154	.608	1	.435
			[LSI d=3]	-.165	.163	1.023	1	.312
			[LSI d=4]	0[a]	.	.	0	.
	Urbanl districts	Threshold	[d = 1.00]	-1.398	.432	10.472	1	.001
			[d = 2.00]	-.239	.431	.308	1	.579
			[d = 3.00]	.937	.431	4.715	1	.030
		Location	Q2	.002	.003	.546	1	.460
			Xpp	7.908E-005	.000	.208	1	.648
			[Sry=.00]	-.824	.145	32.223	1	.000
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	-.070	.077	.833	1	.361
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	-.123	.082	2.220	1	.136
			[Q3=2.00]	-.226	.124	3.356	1	.067
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	.001	.145	.000	1	.995
			[LSI d=1]	.187	.200	.881	1	.348
			[LSI d=2]	-.128	.141	.827	1	.363
			[LSI d=3]	-.193	.146	1.743	1	.187
			[LSI d=4]	0[a]	.	.	0	.
Punjab	Rural	Threshold	[d = 1.00]	-.361	.784	.212	1	.645

	districts		[d = 2.00]	.785	.784	1.002	1	.317
			[d = 3.00]	1.952	.785	6.184	1	.013
		Location	Q2	.003	.002	1.702	1	.192
			Xpp	.000	.000	1.627	1	.202
			[Sry=.00]	-.511	.381	1.804	1	.179
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	-.055	.075	.542	1	.462
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	.051	.077	.440	1	.507
			[Q3=2.00]	.152	.119	1.641	1	.200
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	-.022	.134	.026	1	.872
			[LSI d=1]	-.338	.187	3.260	1	.071
			[LSI d=2]	-.042	.129	.105	1	.746
			[LSI d=3]	-.083	.137	.368	1	.544
			[LSI d=4]	0[a]	.	.	0	.
	Urbanl districts	Threshold	[d = 1.00]	-1.691	.703	5.786	1	.016
			[d = 2.00]	-.539	.703	.588	1	.443
			[d = 3.00]	.589	.703	.702	1	.402
		Location	Q2	.001	.002	.302	1	.583
			Xpp	-7.437E-005	.000	.152	1	.697
			[Sry=.00]	-1.058	.300	12.465	1	.000
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	.006	.059	.011	1	.916
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	.037	.063	.352	1	.553
			[Q3=2.00]	-.024	.094	.065	1	.799
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	-.046	.119	.148	1	.700
			[LSI d=1]	.103	.146	.497	1	.481
			[LSI d=2]	-.024	.118	.041	1	.839
			[LSI d=3]	.015	.124	.014	1	.906
			[LSI d=4]	0[a]	.	.	0	.
Kpk	Rural districts	Threshold	[d = 1.00]	-.020	1.537	.000	1	.989
			[d = 2.00]	1.176	1.538	.585	1	.444
			[d = 3.00]	2.369	1.539	2.370	1	.124

		Location	Q2	.001	.004	.044	1	.833
			Xpp	.000	.000	1.049	1	.306
			[Sry=.00]	-.244	.867	.079	1	.779
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	-.131	.149	.780	1	.377
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	.097	.123	.616	1	.433
			[Q3=2.00]	.059	.192	.096	1	.757
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	-.094	.212	.197	1	.657
			[LSI d=1]	-.116	.281	.171	1	.679
			[LSI d=2]	-.303	.204	2.204	1	.138
			[LSI d=3]	-.089	.212	.178	1	.673
			[LSI d=4]	0[a]	.	.	0	.
	Urbanl districts	Threshold	[d = 1.00]	-.851	1.204	.500	1	.480
			[d = 2.00]	.286	1.204	.056	1	.812
			[d = 3.00]	1.550	1.204	1.658	1	.198
		Location	Q2	-.003	.004	.617	1	.432
			xpp	.000	.000	.408	1	.523
			[Sry=.00]	-.725	.649	1.249	1	.264
			[Sry=1.00]	0[a]	.	.	0	.
			[Q1=1.00]	.056	.112	.250	1	.617
			[Q1=2.00]	0[a]	.	.	0	.
			[Q3=1.00]	-.088	.109	.652	1	.420
			[Q3=2.00]	.043	.146	.087	1	.768
			[Q3=3.00]	0[a]	.	.	0	.
			[LSId=0]	.030	.197	.023	1	.878
			[LSI d=1]	-.016	.254	.004	1	.951
			[LSI d=2]	.006	.193	.001	1	.975
			[LSI d=3]	-.132	.205	.414	1	.520
			[LSI d=4]	0[a]	.	.	0	.

Appendix 11

Table of factor loading survey year 2011-2012										
	Initial Eigen values		Extraction Sums of Squared Loadings				Rotation Sums of Squared Loadings			
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	variance
1	2.52652	7.018111	7.018111	2.52652	7.018111	7.018111	2.321422	6.448394	6.448394	0.070181
2	2.35478	6.540177	13.55919	2.354788	6.541077	13.55919	1.856046	5.155684	11.60408	0.065411
3	1.914043	5.316786	18.87597	1.914043	5.316786	18.87597	1.833934	5.094262	16.69834	0.053168
4	1.702346	4.728739	23.60471	1.702346	4.728739	23.60471	1.699642	4.721228	21.41957	0.047287
5	1.528764	4.246565	27.85128	1.528764	4.246565	27.85128	1.640798	4.557771	25.97734	0.042466
6	1.475401	4.098337	31.94962	1.475401	4.098337	31.94962	1.530688	4.251912	30.22925	0.040983
7	1.419418	3.942829	35.89245	1.419418	3.942829	35.89245	1.449314	4.025872	34.25512	0.039428
8	1.353905	3.760846	39.65329	1.353905	3.760846	39.65329	1.441147	4.003185	38.25831	0.037608
9	1.306953	3.630426	43.28372	1.306953	3.630426	43.28372	1.391591	3.865532	42.12384	0.036304
10	1.243543	3.454285	46.738	1.243543	3.454285	46.738	1.362291	3.784141	45.90798	0.034543
11	1.17317	3.258805	49.99681	1.17317	3.258805	49.99681	1.27412	3.539223	49.4472	0.032588
12	1.072107	2.978075	52.97488	1.072107	2.978075	52.97488	1.227121	3.40867	52.85587	0.029781
13	1.052932	2.924811	55.89969	1.052932	2.924811	55.89969	1.095775	3.043821	55.89969	0.029248

Appendix 12

Table of factor loading survey year 2011-2012										
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings			
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	variance
1	2.72717	7.575472	7.575472	2.72717	7.575472	7.575472	2.409334	6.692594	6.692594	0.075755
2	2.379578	6.609938	14.18541	2.379578	6.609938	14.18541	1.911499	5.309721	12.00231	0.066099
3	1.68371	4.676974	18.86238	1.68371	4.676974	18.86238	1.600653	4.446259	16.44857	0.04677
4	1.590236	4.417322	23.27971	1.590236	4.417322	23.27971	1.577163	4.381009	20.82958	0.044173
5	1.540194	4.278317	27.55802	1.540194	4.278317	27.55802	1.503762	4.177116	25.0067	0.042783
6	1.420181	3.944946	31.50297	1.420181	3.944946	31.50297	1.503369	4.176024	29.18272	0.039449
7	1.397343	3.881509	35.38448	1.397343	3.881509	35.38448	1.401796	3.893879	33.0766	0.038815
8	1.333396	3.703877	39.08835	1.333396	3.703877	39.08835	1.389069	3.858525	36.93513	0.037039
9	1.281625	3.560068	42.64842	1.281625	3.560068	42.64842	1.386635	3.851764	40.78689	0.035601
10	1.198898	3.330273	45.9787	1.198898	3.330273	45.9787	1.375202	3.820006	44.6069	0.033303
11	1.192929	3.313692	49.29239	1.192929	3.313692	49.29239	1.337676	3.715768	48.32266	0.033137
12	1.111378	3.087161	52.37955	1.111378	3.087161	52.37955	1.307969	3.633248	51.95591	0.030872
13	1.069444	2.970679	55.35023	1.069444	2.970679	55.35023	1.146025	3.183404	55.13932	0.029707
14	1.022319	2.839774	58.19	1.022319	2.839774	58.19	1.098247	3.050686	58.19	0.028398