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# Examining the effectiveness of formal-informal sector engagement in municipal Pakistan political vs. institutional constraints

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**EXAMINING THE EFFECTIVENESS OF FORMAL-INFORMAL  
SECTOR ENGAGEMENT IN MUNICIPAL PAKISTAN  
POLITICAL VS. INSTITUTIONAL CONSTRAINTS**

by

**Faisal Haq Shaheen, B.Sc., MBA**

**A thesis**

**Presented to Ryerson University**

**In partial fulfillment of the**

**Requirements for the degree of**

**Master of Arts**

**In the Program of**

**Public Policy and Administration**

**Toronto, Ontario, Canada, 2009**

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# **Abstract**

**Faisal Shaheen**

**Examining the Effectiveness of Formal-Informal Sector Engagement in Municipal Pakistan  
Political vs. Institutional Constraints**

**M.A.**

**Public Policy and Administration, Ryerson University**

**Toronto, Ontario, 2009**

Pakistan's urban informal sector (IS) has been the subject of increased attention in recent years. In light of national policy failures and the rapid growth of the IS, this study asks whether there are differences in the political will and capacity in engaging the IS between upper and lower tiered state actors, and whether this engagement can be in a sustainable manner. The social contexts of housing, water and sanitation, transportation and labor conditions are examined in the cities of Lahore and Karachi to assess the experiences of the urban informal sector's engagement with the state. A survey of state and non-state actors is carried out in field interviews to obtain the perspectives of state policies towards the IS as well as to understand the processes, constraints and possible solutions to engaging the IS. Evidence from the study supports the hypothesis that lower tiers of the state are capable of engaging the IS, but due to constraints from upper levels, are unable to do so. The study's findings suggest that the combination of grassroots civil society efforts in mobilizing the urban IS alongside the provision of well resourced, accountable capacities of lower tiers of municipal government can generate low cost sustainable solutions to urban service delivery. Evidence also points to the benefits of civil society's engagement with lower tiers of government to ensure that upper-level bureaucrats are held accountable for ill-conceived policy and its failures. The research shows that before success in national and provincial policy reforms can be expected, emphasis of policy has to be on the recognition and development of interactions between the IS and lower tiers of the state.



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Faisal Haq Shaheen,

September, 2009

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# Introduction

Solutions to the challenges of urban poverty in developing countries are often tied to political reforms and foreign 'aid'. The ability of a municipality to engage the urban poor, hinges on the condition of institutional and policy linkages with provincial and federal agencies. If adequate resources and support (political or bureaucratic) are not forthcoming, service delivery machinery can be undermined by a range of economic, social and political forces. The resulting exclusion of the marginalized poor from urban services forces them to coalesce into a socio-economic and physical space known as the Informal Sector (IS). While this 'unobserved economy' is not recognized in financial indicators or economic statistics, the urban IS contributes<sup>1</sup> in many ways to the vitality of society. My previous research on sustainable development policies in Pakistan has uncovered linkages between the livelihoods of the IS and the impact of national and provincial policies on urban contexts. This study's research question is: How do policy roles, capacity and attitude of the upper and lower tiers of the state (political leadership and bureaucracy) differ in engaging Pakistan's urban IS? In a related stream, within the network of these actors, Where does the potential lie for sustainable solutions in terms of the recognition, rehabilitation and development of the IS? The novelty of the research is that it explores the grassroots experiences and interactions of IS and state actors through a public administration lens. More important, the research points to the role and attitude differential between different levels of state functionaries and their ability/commitment to empathize, understand and engage the IS. The research therefore has implications for policy design and institutional strengthening in effectively engaging the IS.

The challenges that face the urban IS have been the subject of increased research within the development studies literature. Socio economic assessments and surveys of the street realities of 'meta cities'<sup>2</sup> across Asia, Latin America and Africa; reveal a sharp contrast between national 'pro poor' market based policy designs and the outcomes that impact the urban poor (Laquian,

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<sup>1</sup> Interestingly, while political change has become routine in many developing countries, the IS continues to experience neglect, in spite of its growth and support of the formal economy.

<sup>2</sup> The 'Meta City' is defined as cities with a population of over 30 million inhabitants. Such cities are found largely in Latin America and Asia and are plagued with ad hoc development and limited service provision to inhabitants.

A., 2006). Both external (colonial legacy<sup>3</sup>, neo colonialism<sup>4</sup> and urban sprawl) and internal (administrative culture, policy, capacity and capability) factors constrain the equitable provision of basic services<sup>5</sup> by municipalities to all segments of urban society. Under the rubric of national 'aid and development programs', foreign interventionist states have overlooked the complexity, context and challenges faced by developing country municipalities<sup>6</sup>. Developing country governments have also neglected investing in the public sector and remain ill equipped to convert imported policy prescriptions into sustainable service delivery mechanisms (Batley R. and Larbi, D., 2006). As a result, the misalignment of the organizational culture and mindset of civil servants<sup>7</sup> has continued to alienate the bureaucracy from the public at large (Islam, N., 2004). This has resulted in an artificial and 'context-less' structure, splitting government-public interactions and limiting the engagement of the IS (Haque, M.S., 1996). Four broad challenges hinder the development of the relationship between the state and IS.

Firstly, at the market level, the unleashing of the neoliberal agenda (a combination of structural adjustment, aid dependency and free market ideology-based policy making) are gradually overwhelming municipal services and structures by polarizing the accessibility and needs of the wealthy and the impoverished (Brockhoff, M. and Brennan, E., 1998). While national economic policies of trade openness, tax cuts and free markets are creating a favourable urban context for capitalists within the formal economy; there is little in the way of domestic or municipal policy enforcement, to shield labour, middle and vulnerable low income groups (already excluded from

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<sup>3</sup> Colonialism in the context of developing country urban governance refers to the struggle of indigenous civil service staff to adapt and adjust their social and cultural sensibilities to utilizing an administrative structure imposed from the outside. In spite of the independence of many developing countries from colonialism, the legacies of these structures persist and result in alienation between the civil service and the populations they serve. The colonial mindset of top down, hierarchical and class oriented relations within the bureaucracy has also complicated relations within the civil service.

<sup>4</sup> Neo Colonialism, similarly, refers to the dominating influence of foreign governments and supranational bodies, such as the IMF, WB and WTO in shaping the policies of developing country governments, which inevitably influences urban regimes.

<sup>5</sup> In turn, these colonial structures have a bearing on the internal linkages that connect with neo colonial forces and pressures that also impact municipal structures.

<sup>6</sup> The interventionist state refers to donor countries that have increasingly placed the emphasis on market models and approaches to development and have ignored the administrative realities and contexts of the developing countries.

<sup>7</sup> Civil servants, having inherited the hierarchical organizational framework from their colonial predecessors, also share a similar elitist mindset which polarizes the senior levels of the bureaucracy from the lower levels.

economic benefits<sup>8</sup>) from the adverse effects of market centered growth and development (Babb, S., 2005). The result is social polarization and inequitable service delivery in employment (Rakodi, C., 2002), transportation, housing and health (Laquian, A., 2005); where the poor continue to experience persistently lower levels of services. Southern commentators have observed that the crisis of the administrative and policy development cultures has been driven in recent times by the attention paid by politicians and civil servants to wealth accumulation (Dwivedi, O., 1989). However, in spite (or possibly because) of state neglect, the IS has continued to grow unchecked and unabated.

Secondly, the rapid expansion of cities in developing countries has complicated socio economic relations with their rural peripheries. The expansion of 'meta cities' (Laquian, A., 2005) and 'greater urban regions' continues to erode the efficacy of the state in balancing urban/rural development and the needs of IS segments of the labour market<sup>9</sup>. State policies across many developing countries fail to equitably address the linkages between growing cities and the rural agricultural towns that support them. Polarization and disparities in socio economic development is prompting increased migration from rural heartlands to under serviced segments of the urban periphery (Bhagat, R., 2005). As a result, new IS settlements continue to flourish while existing settlements expand, further distanced from already overwhelmed municipal service capacities.

Thirdly, physical insecurity, as a result of environmental and economic deterioration, also continues to threaten communities of the marginalized, urban poor. Social dislocation, exacerbated by institutional failures (reduced services, lack of faith in the police, harassment, unaffordable utilities) and market volatility (increased prices of essentials, land speculation, market driven development) results in low income communities being evicted from their homes. The absence of relocation plans results in low income communities resettling illegally in other areas where after a period of time they are evicted again. The cycle is perpetuated by the government's active withdrawal from its responsibilities as the guarantor of equitable

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<sup>8</sup> When we refer to those outside of the business or formal economy – we do not assume a disconnection. In fact, there are many within the formal economy that arguably depends upon inputs from service providers, goods and services from the informal economy in order to operate (Davis, N., 2008).

<sup>9</sup> Urban cities in the developing world are often closely surrounded by an agro urban periphery that supplies raw materials for inputs as well as cheap wage labour.

development (Winton, A., 2004). Over burdened municipalities, become the sites of conflict over limited resources, rights and entitlements along ethnic, religious, class and geographic fault lines. Limited municipal staff are allocated reactively to maintaining law and order rather than proactively addressing the root causes of inequity, communal violence and instability; namely deficient basic services (Moser, C., 2006).

Fourthly, the political and administrative culture of municipal agencies is undergoing significant transformation and polarization. While developing country governments have historically prioritized the creation of employment through civic duty, structural adjustment and market primacy is exerting a downsizing pressure on public sector staff levels. Furthermore, the sheer volume of services that need to be delivered by a dense and complex network of bureaucratic process has resulted in the growth of patronage and corruption. Poorly developed programs and policies create the opportunity for bribery and malfeasance. There is then the disappointing inability of many governments to deliver consistent public services and minimize the persistence of corruption, poverty, and macroeconomic mismanagement (Tendler, J., 1997). While these criticisms are warranted, many of the drivers that create corrosive and corruption ridden environments are aggravated by a lack of funding, poor management, concentration of power by wealthier elites, favouritism and patronage<sup>10</sup>. The crisis of leadership is perpetuated, as Tendler outlines, by managers being hired and fired based on kinship and political loyalty rather than merit. The result of the increased centralization of power, far removed from the realities of service delivery, is that it paralyzes the potential capacity of the lower tiers of the bureaucracy. Socially capable civil servants within this lower tier (and arguably more representative members of society) are withheld from exercising and serving in their full administrative capacities. The potential capabilities of these public servants continue to be constrained within an elitist driven framework that focuses resources on sustaining market momentum, preserving structures of patronage and technology until the talented among the elite leave the public sector for better opportunities elsewhere. The result is the social polarization of government into a two class

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<sup>10</sup> More often than not – patronage and favouritism can be traced to social interactions within developing countries where the offering of gifts serves as a means of binding and maintaining relationships. While the escalation and frequent use of gift giving is not condoned – it is practiced. Furthermore, a distinction must be made between *reciprocation* among peons and clerical staff to simply process work – which does not hinder the system and *bribery* which allows certain parties favourable access to services (line jumping) above and beyond what is provided to the general public.

system of elite and common (low level) bureaucrat. A critical public administrative perspective suggests that while the upper tier is more disconnected from the needs of society, the lower tier is more exposed to the realities of the IS. However, as the lower tier is bound by senior management's lack of vision, they are disabled from delivering services within their capacity, articulating service delivery models<sup>11</sup> and engaging the IS.

Many studies address the four challenges with recommendations centered around private sector operation, political/institutional reforms and civil society offloading as part of service delivery improvement efforts (McCarney, P.L. & Stren, R., 2003; Laquian, A., 2005a; Devas, N., 2004). The equitable functioning of such recommendations is weakened as these prescriptions allow for the shifting of transparency, accountability and agenda control from the marginalized to the middle class and the elite (Cheema, A., Khwaja, A.I. and Qadir, A., 2005). Challenges facing the IS are left unresolved as programs and services are focussed on catering to higher income groups. Furthermore, their strategic frameworks and financial models are based on cost recovery rather than on equitable service provision.

Pakistan's engagement of the urban IS has been challenged by factors common to most developing country municipalities. The 'context less' state, plagued by a dependency on foreign 'aid' and influence, has ignored the reality that most of the benefits of pro-poor policies are captured by upper class stakeholders. Restructured, polarized, politicized and overwhelmed municipal bureaucracies continue to find their capacities unable to serve all segments of society. As a result, a vast number of marginalized citizens are excluded from urban development and service delivery machinery. On rare occasions where effective policies are implemented, they are foreign funded, one-off projects and are consistently less sustainable or substantial than indigenous support to marginalized segments of society. In light of these realities, there is an urgent need<sup>12</sup> to examine the context within which Pakistan's municipalities engage or neglect the IS and to uncover the constraints to more effective urban service delivery mechanisms.

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<sup>11</sup> This is not to say that lower level bureaucrats are removed from corrupt practises – rather in many cases their poor socio economic circumstances may stoke their desire for wealth and engaging in rent seeking behaviour to obtain it. This study is interested in the structures that perpetuate mal governance and constricts positive and engaging spaces of civil service within public sector departments and agencies – specifically along the front lines.

<sup>12</sup> In light of the overwhelming media attention that Pakistan is receiving as a 'vulnerable state', largely derived from national political and economic indicators, an examination of the issues facing urban areas presents a balanced perspective on the realities that face large segments of the disenfranchised.



Policy recommendations that stem from the experiences of effective engagement between the public sector and the IS will naturally emerge from the analysis. The next section provides the theoretical framework to undertake this exploration.

## **Theoretical Framework, Scope of Research and Literature Review**

A number of commentators have struggled with defining the IS. In a broad sense, the World Bank sees the existence of the informal sector or 'informality' as a reflection of mechanisms that exclude large segments of the citizenry from education, health care, and judiciary services; and from economic opportunities through a segmented labour market and imperfection in other factor markets. This exclusionary process is related to the extremely high and persistent levels of inequality, which are rooted in differences in power, voice, and influence; and are empirically highly correlated with informality (World Bank, 2007). Informality is also characterized by: low levels of participation in the social security system, low coverage of many social insurance schemes, especially among poor people, a large number of small firms (and larger ones) that partially or completely evade tax, labour, and business regulations, low-quality regulation that increases red tape, exclusion in the access to property rights, judiciary services, and other public services, low-quality public provision of many social services (such as health care or education), low levels of trust in the state and in the fairness of dominant arrangements, low and uneven enforcement with exceptions and low levels of tax collection.

In order to distinguish the informal sector from other unincorporated enterprises owned by households, the 15th International Conference for Labour Statisticians (ICLS) recommended the use of one or more of the following three criteria: (i) non registration of the enterprise; (ii) small size in terms of employment; and (iii) non-registration of the employees of the enterprise. In 2003, the ICLS also adopted statistical guidelines concerning this expanded concept of informal employment to complement the Resolution concerning statistics on the (ILO 1993). Informal employment now includes a) Employment in the informal sector (as defined in 1993 by the ICLS); and b) Informal employment outside the informal sector (ILO, 2002). Production based definitions state that the IS is an economic activity that is neither taxed nor monitored by a government; and is not included in the government's GNP calculations; as opposed to a formal

economy. Many of these definitions incorporate work and production as key components of the informal sector. Such definitions do not account for the engagement of the state as a regulator or provider of services to the IS.

Public administration literature on the engagement between municipal bureaucrats and constituents within the IS is limited. Furthermore, several variables constrain our ability to define the IS. Firstly, there is a limited amount of research (and in turn, definitions) regarding the interactions between the IS with political and bureaucratic elements of the state. Secondly, as fragmented state policies have not defined the IS, it is difficult for this study to assume a specific set of criteria that can encompass the intended targets of those policies. Thirdly, as mainstream definitions of the IS (World Bank, ICLS and ILO among others) adopt a work and production perspective, they are limited in researching engagement of the IS from a service delivery perspective.

As our study involves habitation and public services, a more public service delivery centered definition is required. This study therefore, relies on literature from the IS to anchor its theoretical framework. For this study's purpose, the IS can be defined as *that part of the society/economy that is not registered with authorities and de jura or de facto, is not subject to public regulation and does not benefit from public services or goods*<sup>13</sup>.

While public administration perspectives are largely absent from the IS literature, this definition is suitable as it incorporates components of the old and new views of the IS (Chen et al, 2004). In contrast to the historical work and production based definitions outlined above, more recent approaches explore self sustaining and self reliant views of the IS, in a way that examines the formal economy as dependant on the informal economy. This is particularly relevant, given that in developing countries, the IS can account for one to two thirds of total employment. Actors in the IS usually lack access to the full range of financial services and to financial services at reasonable prices<sup>14</sup>, which isolates them from formal processes. As such, the study is concerned with the state's efforts to engage the IS.

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<sup>13</sup> The origins of this reference are from the Indian charitable trust, MIA (Micro Insurance Academy), which provides healthcare insurance and welfare protection to poor communities.

<sup>14</sup> UNCDF, United Nations Capital Development Fund, <http://www.uncdf.org/english/index.php>

Northern approaches to the IS take a theoretical position that the policy void left by public sector agencies, disconnects between bureaucracy and citizens will inevitably be filled by non-state actors (Laquian, 2008; Devas, N., 2004; McCarney, P. & Stren, R. 2003). Thus, their policy research examines the impact that political reforms may have on increasing engagement between the political leadership and the public,<sup>15</sup> while ignoring the bureaucracy. This theoretical position, however, ignores the hierarchical structure and dynamics of Pakistan's state machinery, which bears a heavy imprint of the colonial state structure that was in the service of the British colonial occupation of India. This legacy meant that the colonial state's hierarchical structure, re-imposed in the post-colonial era, was effectively a re-creation of a class of higher level<sup>16</sup> bureaucrats (considered worthy of engaging the ruling class) who were educated and groomed to cater to elite interests through the creation of closed circuits of social and political engagements. Lower echelons<sup>17</sup> of the bureaucracy (more representative of society as a whole) were left with limited opportunities for education, development or decision-making power as compared to their superiors. Furthermore, while members of higher levels of the civil service are well respected and their positions at the federal and provincial levels considered prestigious, lower level posts within the provincial (specifically those that engage the IS) and municipal levels are often perceived as 'punishment positions' and remain under-equipped and less developed in their capacity for service delivery.

In contrast to the Northern positions on state engagement of the IS, this study's theoretical framework views the lower levels of the civic service as well as civil society not as an extension of upper tier state functions, but rather, as capable of exerting a degree of influence on senior state functionaries and ultimately, state policy. Thus, civil society stakeholders can engage municipal administrators in ways that can ensure basic levels of service delivery to broader and otherwise marginalized segments of society. This in turn can influence senior policy makers to develop and maintain the institutions of service delivery and development by making them more accessible to a broader segment of society. Hence, the scope of this research involves the

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<sup>15</sup> It should be mentioned that many of the solutions accept the reality of foreign involvement and the introduction of governance models that rely increasingly on the transfer of state responsibilities to the private sector.

<sup>16</sup> This upper tier of bureaucrats and politicians, are largely employed within the federal and provincial levels of government. These positions are largely prestigious and do not actively engage society or the IS.

<sup>17</sup> The lower tier of bureaucrats and politicians, are largely employed within the provincial and municipal levels of the government. These positions are occupied by more front line civil servants and are nested within IS communities.

examination of municipal capacities (this study's research is centered on the municipalities in Lahore and Karachi) in order to show to what extent civil society in Pakistan is able to press municipalities to implement successful policies and programs for the engagement of the IS.

The theoretical framework is informed by focussed, documented studies on Lahore (Ali, 2005) and Karachi (Hasan, 2006) which outline the local context and dynamics that impact the IS. These studies reveal that the IS does not exist independently and experiences a range of sophisticated interactions with stakeholders from across the formal sector. Evidence from Lahore and Karachi also indicates that stakeholders who benefit from the 'economic space' (inexpensive goods and services) generated by the IS also exploit the 'social space' (policy void inhabited by land grabbers, water mafia, transportation operators) unclaimed by the IS. While elements within the state are complacent in developing the 'policy space' in engaging the IS, commentators such as Ali and Hasan show that civil servants are key agents for the articulation of policies and ensuring that service delivery engages the IS. The research proceeds by obtaining a better understanding of the constraints to effective IS engagement. The study hypothesizes that policy failures, specifically government strategies to engage the urban IS, are the result of poor policy *formulation* rather than poor policy *implementation*. In following the research hypothesis, evidence from this study may support the following three outcomes for policy engagement:

The first outcome is that ineffective IS policies are the result of poor advocacy, agenda setting, design, development and legitimating of policies. Political constraints suggest that failures take place during the initial conception of policy formulation, which involves ineffective characterization of the problems, limited stakeholder involvement, favouritism, and exclusionary development. Essentially, this outcome suggests that policies fail before they are even implemented. This suggests that the problem is political and involves the detachment of upper tier functionaries and policy makers from ground realities, and is not the result of a lack of participation of civic or civil society.

The second outcome is that ineffective IS policies have more to do with poor implementation, evaluation and policy indeterminacy. Institutional constraints suggest that even if the political will for change exists, the lack of resources, defined processes, standardized operating procedures and the administrative capacity/capability of the bureaucracy results in the ineffective

articulation of well-intentioned and well-formulated policies. This suggests that the problem is institutional and involves the inability of lower tier functionaries and officers to implement policies and procedures that have been mandated from higher orders of the state.

A final outcome may be a mixed set of constraints, where ineffective IS policies are the result of poor formulation, agenda setting, development and legitimating as well as poor implementation and evaluation. In other words a combination of failures at the political level complicates failures at the institutional level which constricts the improvement of service delivery mechanisms for the IS. While the nuances of this outcome would raise issues beyond the scope of the hypothesis, it would confirm the need for increased examination of the contexts, inter agency dynamics and political-institutional processes that seek to engage the IS.

## ***Literature Review***

Evidence and commentary within the development studies literature is varied on the question of how to improve the effectiveness of local government engagement of the IS. While the literature discusses the issue from a north south perspective, there is also a political vs. institutional bias in approaches to solutions.

The most dominant and widely studied perspectives within the literature tend to dismiss state structures in developing countries as corrupt, incapable and disinterested in the IS. Any prospects for development, this group argues, hinges largely on the increased private sector and not-for-profit sector involvement. Many commentators argue that bureaucrats are disconnected from the poor (Davey, N., 2004; Batley and Larbi, 2004; Laquian et al., 2005) and are beyond capacity development or reform to any productive degree. Recommendations from this perspective suggest that alternatives are required for political reform (McCarney, P. & Stren, R., 2003) and the modernization of government is required to drive change and equitable distribution of resources, decision making and service delivery to the poor.

A global South perspective takes a more critical position on the structural roots of the crisis. Commentators within this group argue that until the colonial legacy in the administrative machinery, based in contextless structures with meaningless mandates, is reformed there is no point in trying to move a sovereign development agenda forward (Haque, 1996, Subramaniam,

1990). Some studies do examine the situation from a public administration perspective, but they treat bureaucracies as homogenous and also point to politically driven reform (vis a vis devolution) as the way forward (Khan, S.R.; Sadiq, F.S.; and Akhtar, A.S., 2007).

The alternative perspective contends that the control of urban dynamics is mainly as a consequence of elitist power structures and interests that have manipulated and exploited the socio economic playing field. Commentators (Davis, M., 2006) argue that the social context of the IS are the result of a class war initiated by capitalism on the IS. Others point to the role that civil society can play (in terms of relief and community support), in developing solutions to urban service issues in light of their proven on-the-ground record<sup>18</sup>. However, such a perspective tends to rely exclusively on the development of project-oriented service providers, many of whom depend on donor funds from abroad (Binswanger, H.P. & Nguyen, T-V., 2005). Even where such approaches establish self sufficiency on a small scale, they are incapable of providing the sufficient policy inertia required at the meso (provincial) level to institutionalize widespread change, without incurring significant resource expenditures. Social mobilization through mass movements is also complex and faces resistance from political leaders and elites with vested interests in maintaining the status quo.

Political leaders address IS concerns in election promises which sometimes results in the drafting of policies and legislation. However, there is little evidence of machinery indicative of ongoing policy enforcement, program monitoring and improvement. Furthermore, when those policies fail due to the instability of political regimes, there is little discussion regarding engaging the public administration machinery to improve the articulation of policies across bureaucratic and political contexts. Rather, policy failures are addressed through the centralization of power in political circles and approaches to exclude the bureaucracy from service delivery which merely politicizes state machinery. Studies confirm that such efforts, that ignore the bureaucracy, are neither effective nor sustainable (Baqir, F., 2009). Activists from the non-state sector (Hasan et al., 2005, Rahman, 2004, Siddiqui, 2003) indicate that engaging front-line bureaucrats is critical for IS support and service continuity. It is this interface at the micro level, that this study seeks to examine to obtain a better understanding of state-IS relationships. In order for this study to

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<sup>18</sup> The successes experienced by self help and welfare organizations on the ground demonstrate the effectiveness of philanthropy in the country in alleviating human suffering. However, as Baqir outlines, a distinction is required between such organizations and 'contractor NGOs' who are driven by market forces in supporting the IS.

assess the dynamics between municipalities and the IS, a number of approaches must be incorporated into the methodology.

## Methodology

This study employs a multi-pronged approach to assessing the policy development context and history of state interactions that constitute the IS experience in Karachi and Lahore. Given the enormity of Pakistan's IS<sup>19</sup>, the lack of empirical policy research and the complexity of its interactions with the formal sector, a range of information sources are included as part of the study's investigation. Analysis of the IS policy context and history consists of an examination of government, non government and community-based experiences and perspectives. Given the breadth of the IS, the study focuses on the housing (water/sanitation), transportation and labour contexts. The research methodology has three components.

First, the methodology includes a review of the existing literature on the urban IS and the state of municipal efforts to engage the IS. State efforts to engage the IS and outcomes will be incorporated into the literature review. The study's scope and research question is also outlined.

Second, a qualitative analysis of key actors who engage the IS across the housing (water/sanitation), transportation and labour contexts in Karachi, Lahore and urban Pakistan was conducted. This aspect is particularly valuable as it assembles insights and experiences from practitioners and activists who are familiar with the social contexts and realities of the IS. Research was based at the host organization, The Sustainable Development Policy Institute and contact with potential interview subjects was initiated through the Institute's contact database. Potential participants were limited to those individuals that had the capacity to actively engage the IS through advocacy, service delivery or policy/program engagement. Approximately two hundred individuals and offices were identified as 'urban IS subject experts' and potential participants. Requests for information interviews were sent to the two hundred stakeholders along with a background note on the study's objectives. Sixty positive responses were received

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<sup>19</sup> The IS contributes an estimated \$32 billion USD to the country's \$160 billion USD economy (Khan et al, 2005).

and interviews were set up in person and via telephone<sup>20</sup>. Of the respondents, eleven representatives were engaged in active provincial/municipal service, twenty individuals were actively employed by non government organizations and twenty nine persons were active within non government and community based organizations. Fifteen of the respondents are based in Lahore while twenty eight are based in Karachi. The remaining seventeen are from other urban areas. Interviews were conducted from November 2008 to January 2009 in Karachi, Lahore and Islamabad. A number of specific questions were posed to each of the interview subjects and the results transcribed on site and summarized in a table for analysis. Each interview took approximately 1 to 2 hours, depending upon the detail of interviewee responses. The semi-structured interviews explored the understanding of the IS, the constraints to equitable service delivery (institutional vs. political) and contrasted the experiences of top down and bottom up approaches to engaging the IS in urban areas. While the questions served as guides to engaging the participants, the objective was to record the experiences and perceptions of upper vs. lower tier (political vs. institutional) initiatives in engaging the IS across different social contexts.

In undertaking the interviews, it is important to realize that the interviewees can often provide information based on how they perceive the interviewer. That is, the former may not wish to be candid if it is at the risk of offending the interviewer. For example, if a non-Pakistani or member of an influential institution or aid agency were to conduct the interview, the responses that would have been obtained might include a bias that seeks to either appease or avoid offending the guest. As a researcher not affiliated with any organization in Pakistan, independent from any aid agency, and not a civil servant or activist, interviewees were candid and provided insight and information regarding the IS related policy experiences and challenges. As the research involved individuals, their responses to various questions IS engagement were coded and tabulated.

In order to obtain quality responses from interviewees, the majority of interviews took place on a face-to-face basis. Due to security concerns and the tight schedules of municipal employees, some of the interviews took place via telephone. Detailed notes were taken with all

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<sup>20</sup> A limited window of in-country research time, and because of the volatile security situation, dispersed offices, geographical location between Karachi and Lahore, spur of the moment opportunities for interviews required that some interviews be conducted over the telephone. The same format of questions were asked and participants were explained the approval received from the research ethics board.



interviewees. In order for targeted participants to agree to the interviews, feel comfortable in answering potentially controversial questions and protect them from possible repercussions, every attempt was made to eliminate identifying information in the coding of the subjects. However, most respondents insisted in having their responses and institutional information published in the study so as to draw attention to the need for state engagement of the IS.

Third, a review of IS specific case studies across the housing (water/sanitation), transportation and labour contexts was conducted to provide insight into the history of efforts to mobilize and engage the IS. This review is valuable as it compares the experiences of documented municipal-IS engagements across a range of contexts and perspectives. This component also draws upon the studies of an expert group of institutions that rank prominently in their activity, engagement, research and advocacy for the IS in urban Pakistan (See Appendix IV). The relevant reports, studies and publications of three types of institutions (Government, NGO and CBO) are based on primary research and surveys of urban Karachi and Lahore. A survey of GOP contacts provided some context of the state reality of urban service delivery challenges. Active NGOs and academic contacts provided more overarching perspectives on structural constraints and experiences in engaging the IS. The CBOs provided lessons learned on efforts to engage the IS and facilitate lobbying state service providers. Their analysis incorporates governance dimensions into the IS commentary, particularly in light of the implications related to the Local Governance Ordinance 2001. Recurring themes from all of the data sources were identified and compiled within the secondary research section and form the basis of analysis and discussion.

### ***Risks and Confidentiality Measures***

Given the goals of the research question and design, and as stated earlier, the risk of such an interview process is that interviewees may not provide candid and honest responses to questions due to power imbalances and structures that instil fear in people, and within organizations and communities. In other words, they may provide responses that are non-critical of existing structures and processes as it may require them to criticize their superiors and risk action from the latter. This risk would emerge in the relationships between communities and their leadership, civil society and their NGO managers/donors and the civil service and their bureaucratic and political leadership. In order to eliminate or at least minimize this and related risks, the interviewees were assured that all responses from participants will remain anonymous and group

trends will not be communicated to their superiors. Prior approval of the process of interviewing human subjects was obtained from Ryerson's Ethics Approval Board.

## **Research Question and the Social Context of Policy Failures of the Urban Informal Sector**

In order to assess the effectiveness and attitude of the different levels of government in Pakistan towards the urban IS this study focuses on the experiences of municipal levels of the state (Karachi's and Lahore's) and non-state actors<sup>21</sup>. An assessment of local and provincial government engagement within these two cities will reveal the impacts of poverty alleviation policies on the IS as well as generate insights on successes and failures of programs and their consequences. This study poses the following research question: How do policy roles, capacity and attitude of the upper and lower tiers of the state's federal and provincial bureaucracies differ in engaging Pakistan's urban IS? Furthermore, within the network of these actors, "Where does the potential lie for sustainable solutions in terms of the recognition, rehabilitation and development of the IS?" An analysis of the policy, program and 'street level' interfaces across the above mentioned contexts will test the following hypothesis:

Policy failures, specifically government strategies to engage the urban IS, are the result of poor policy *formulation* rather than poor policy *implementation*.

For the purposes of this study, poor policy formulation and implementation refer to the different stakeholders and stages of the policy cycle. Policy formulation refers to the political engagement and involvement in policy development: from the agenda setting stage to the drafting of policies and passing of legislation. Stakeholders at this upper tier of the state include politicians, political parties and senior levels of the bureaucracy. Political behaviours may include political interventions in existing policies and the political will in reforming and improving processes. Policy implementation refers to the actual service delivery, monitoring and feedback mechanisms that stem from the policies. Institutional behaviours are characterized by process flows and behaviours involving actual service delivery machinery and agents. Stakeholders at

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<sup>21</sup> While we will examine the interactions at the City District Government level, the provincial and federal interventions and their outcomes within urban society will also be examined.

this lower tier include front line service delivery agents, professionals and technocrats within the municipalities and communities that are served.

In terms of researching the policy failures, this study is concerned with assessing the role of the Government of Pakistan (GOP) or lack thereof in engaging the urban IS. As the research question and hypothesis is concerned with the processes, dynamics, behaviours, levels of service delivery and recognition of members of the IS, an examination of the social context (as opposed to a more economic sector based context) of the following areas of activity is conducted. In order to focus the analysis, the research will limit its examination to three specific social contexts. The Housing-Water/Sanitation context involves the state's provision and support of low income housing and the municipal water authority's provision of water/sanitation connections to the IS, namely the slum communities (katchi abadis) and low income housing developments<sup>22</sup>. The Labour Conditions context examines the IS' working conditions and efforts by the provincial and municipal authorities to address issues related to wage levels and the practice of retaining bonded and marginalized labourers. This context is important as the IS' most significant contribution to the formal economy is its provision of flexible, low wage labour. Finally, the Transportation context will be examined to assess the state's management of the infrastructure (roads and public transportation) required by the IS to travel to and from places of work. The social context of the findings is critical as they will elaborate on the equitable and effective engagement by the state in systems and infrastructure of most value to the IS. Potential solutions to ensuring service delivery, entitlements to property and recognition of rights are all context based and involve a series of processes carried out by specific stakeholders. An examination of those processes within each context will allow state functionaries to better understand and contribute to developing and maintaining sustainable solutions to the recognition and rehabilitation of the urban IS.

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<sup>22</sup> Housing and Water/Sanitation are linked as water/sanitation connections are linked to the household.

## **The Informal Sector in Pakistan**

This section provides the background and analysis of the IS broadly in Pakistan, and more specifically, in Karachi and Lahore. An assessment of current government structures provides a context from which to examine the state of existing public administrative and service delivery machinery.

### ***Pakistan's Urban Informal Sector***

Pakistan's urban IS has experienced persistent marginalization since the nation's creation in 1947 due to a range of political, economic and social factors (See Appendix I). While estimates of the IS are difficult to determine with accuracy, commentators and practitioners indicate that 35% of Pakistan's 160 million reside in slums (Siddiqui, T.S., 2009). Urban slums have been manipulated politically through 'votes for services'<sup>23</sup> during periods of democratic and military rule. Partial experiments with devolution have failed in part due to the lack of accompanying resources to fund and expand service delivery. Existing institutions have been marginalized by the political appointments of previous and subsequent rival administrations, leading to a disjointed policy and program environment of outreach to the IS. Economically, Pakistan's urban centers have not received sufficient funds or policy attention due to pressing national concerns (debt payments, military spending).

Simultaneously, the market orientation of a development-driven state has utilized value chains of the IS to serve as buffers for periods of economic hardship while maintaining the low wage competitive advantage to the economy. While state service machinery charged with engaging the IS are marginalized, market restructuring and economic shifts (rising food prices, inflation and reduced purchasing power) place a growing burden on an increasingly exposed IS (See Appendix II). Socially, urban areas have borne the brunt of insubstantial rural development policies by absorbing waves of migrant workers from neglected rural areas. This has resulted in a further marginalization of the IS as the demand for scarce physical space and resources increases. The situation is exacerbated by the gradual withdrawal of state capacity and support

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<sup>23</sup> Political and Military leaders would mobilize voters with the promise of providing them with services that they should already have been receiving under existing state machinery.

for Pakistan's overwhelmed urban centres. Accompanying this withdrawal is the move towards increasing privatization and allocating development resources to foreign interests, which has marginalized the equitable distribution of basic urban services. The outcome has been the continued concentration of urban wealth and direction of service delivery and support for a narrow band of interests.

The literature on urban regimes in Pakistan is concentrated largely on the experience of Karachi followed by the smaller city, Lahore. Three broad challenges are faced at the macro level by Pakistan's municipalities in providing improved governance frameworks and equitable levels of service delivery to members of the IS.

### **Structural Challenges to Servicing and Engaging the Informal Sector**

While there are a number of structural issues that reduce the ability of the state to meet the needs of the IS, three major ones are highlighted here. First, the highly centralized federal control of resources acts as a detriment to local level service delivery (Cheema, A. and Mohmand, S.K., 2003). As local level bodies are unable to recoup the costs of capital, operations and maintenance investments, they abdicate the role to the provincial government (Sayeed, A., 1996). In turn, the province's capital-intensive and often unsustainable project focus ignores operations and maintenance costs and ground realities within the large cities. This is exemplified by low income housing policies, where provincial standards for building codes place units beyond the affordability of low income groups. As such, provincial bodies that are supposed to be active in municipalities are often found to be disconnected from the realities faced by citizens (Alvi, I., 1997). Similarly, imported mega projects are not designed with the needs of the majority of urban citizens in mind (Hasan, A., 2006). Much of the formal economic structures that are in place for the public, fail to take into account the needs of the IS (Alvi, I., 1997). The donor influenced and facilitated project-based operation and functioning of the civil service from higher orders of government has contributed to the unsustainable functioning of municipal capabilities in providing basic services. (Siddiqui, T., 2005).

Second, variances in the collection of revenues have negative implications for financial self sufficiency. For instance, provinces exhibit different methods of revenue collection, linked

largely with commodity movements and resources. Federal negligence in harmonization between provinces has been remedied by the recent establishment of provincial finance commissions. However, gathering consensus between a diverse range of procedural practices and contexts continues to be difficult (Ahmad, N. and Wasti, S.A., 2002). As a result, there are several uncoordinated provincially controlled legacy<sup>24</sup> agencies which do not transfer adequate resources to appropriate municipal levels, and in turn, constrict the delivery of basic services (Hasan, A., 2006).

Finally, the legal and institutional context of municipal-provincial relations is misaligned. While legislative responsibility is assigned to entities for some services, the actual allocations of functions are assigned to others. For example, local governments are legislatively responsible for link roads, intra urban roads, street lighting, solid waste management, fire, parks and playgrounds. Actual allocations of functions are also made to local governments. Local governments are legislatively responsible for curative health, land development, primary education, preventative health, farm to market roads and water supply, drainage and sewage, but the actual allocations of functions are made to the province. The disconnection between the roles and responsibilities of various agencies has been problematic for local governance and improved service delivery efforts (Hanif, N., 1996). Similarly, the lack of fund transfer from the provinces to the local governments has left the latter to deal with deficits, a feature which is endemic to tax collection in Pakistan (AERC, 1990). While these structural issues constrain the ability of municipalities to provide basic services, a number of specific policy and context specific challenges also persist.

### ***Municipal Engagement of the Informal Sector***

State policies have experienced limited success in engaging the IS due to constraints in both planning (high level policy disconnect, a lack of familiarity with ground realities, rising levels of corruption and nepotism, donor agendas) and implementation (lack of operational department

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<sup>24</sup> Legacy agencies refer to those that were established by previous administrations only to be marginalized or politically manipulated by subsequent administrations, reducing the functionality. Such agencies and institutions would continue to staff personnel, but would not serve any purpose. Akhtar Hameed Khan (1996) laments this in his autobiography.

capacity, capability, elite capture<sup>25</sup>, market factors, etc.). Such internal factors have left existing municipal capacities ill-equipped to deal with swelling numbers of migrant residents. While critics have provided ample evidence on the limitations of federally developed poverty alleviation programs in Pakistan, scarce attention has been paid to the disabling factors that hinder the urban public sector engagement of the IS, and barriers to the delivery of basic services. Urban commentators point to an urgent need to understand the significance of urban development as a shared responsibility between various state actors and institutional structures. However, they fall short in terms of proposing an organizational strategy and/or practical steps to devolve power efficiently (Reza, A., 2003). Suggestions involve decentralization in a way that loosens the hold of the central government and increases autonomy for both the provincial and local levels of government while placing effective monitoring mechanisms in place. Increased interaction with citizens and civil society, they argue, will translate into more rapid responses to community needs and more relevant program design (Cornia, G., 1992). A failure to do so will result in the expansion of the existing policy void and the activity of rent-seeking non-state elements.

The constrictions to improving equitable municipal service delivery machinery can be attributed to a myriad of stakeholders with alternative interests and poverty alleviation remedies. Political stakeholders, exploiting the weaknesses of a fragmented system<sup>26</sup>, use project-based solutions to poverty alleviation in order to garner voter support (Hasnain, Z., 2008) (i.e.). Bureaucratic stakeholders and the civil service maintain the status quo, where minimal changes in direction are required. Market proponents celebrate the lifting of elements of the urban IS out of poverty through trade and market liberalization (i.e. EPZ's, industrial restructuring). In contrast, civil society advocates lobby for increased social rehabilitation, development and humanitarian relief sometimes facilitated by intensive funding from external sources (welfare and contract NGO models). An impermanent and often temperamental 'donor-driven development agenda' has further complicated the shape of public administrative capacity, to the detriment of service

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<sup>25</sup> Elite capture refers to policy outcomes where the benefits of subsidized programs such as utility stores or lower income housing, have been captured by income groups higher than the targeted group.

<sup>26</sup> For example, most recently the Benazir Income Support Program has been proposed to target the poorest of the poor. However, the program is to be managed by senate offices rather than existing machinery that already distributes funds to the marginalized and poor. This is an example of politicians marginalizing existing structures in favour of building their own political credentials or legacies.

delivery channels to peripheral segments that are being increasingly excluded from large donor (WB, ADB) funded projects. The result is a range of conflicting forces that divert funds away from sustainable public sector capacity building and addressing the challenges to ensuring basic services to all urban citizens.

Despite the overall ineffectiveness of service delivery and inefficiency of state stakeholders, the IS continues to flourish and evolve. Both capitalist driven trickle down economic growth models and the welfare state approach have proven to be unsustainable. Until and unless transparency, ownership and accountability are assigned from within – ultimately through the offices and agencies of the state, possibilities of service delivery improvement remain scarce. An assessment of the specific municipal capacities that service Pakistan's urban regimes has often been neglected by development studies' commentators as political solutions have drawn more attention. The ongoing conflict between political motivations and bureaucratic momentum has also convoluted the strategies and tactics with which to engage the IS in the municipal context. As the majority of our analysis focuses on service delivery within the urban regimes of Karachi and Lahore, it will be beneficial to provide a brief summary of the context of the two cities.

### **Karachi's Informal Sector**

Karachi ranks among one of the world's largest Meta cities and its IS is well studied by both Pakistani and foreign based urbanists. The Meta city has only Hyderabad (about 160 km away), as its immediate neighbour, to alleviate the pressure of urbanization. Karachi is ethnically diversified by entrenched migrant groups, which contributes to a polarized urban regime, often characterized by violent conflicts between different migrant groups.

A number of studies have been conducted on Karachi, outlining the disconnections between the provincial authorities, municipal agencies, political and social realities. Urbanists illustrate how socio economic realities and urban needs are outpacing the administrative capacities of the province and the municipality (Hasan, A., 1999). Historically, the lack of coordination between municipal and provincial entities in their accountability to higher orders of government has been blamed for the poor quality of service (Hasan, A., 1999). For example, fourteen government agencies and housing authorities in Karachi have control over land distribution (Hasan, A.,



1999). While executive municipal officers used to be elected, provincially-driven appointments are reducing accountability to citizens. Capital projects are managed by the province and operations and maintenance responsibilities are managed by the City District Government. While some programs are ineffective, others have served as model cases for service delivery. However, under the burden of urbanization the city has become unmanageable, compelling the provinces and federal governments to intervene by way of providing service delivery on a project-by-project basis (Hasan, A., 2006). Planning however, continues to be disconnected from day to day operations.

The diverse range of often conflicting interests within Sindh contributes to the fragmented nature and ineffectiveness of Karachi focussed policy. The single Meta city of Karachi, far from Hyderabad, is forced to absorb a continuous surge of migrants through urbanization as no satellite towns serve as spill over sites of development. The growth in power of interest groups such as the Sindhi nationalists, the Muttahida Qaumi Movement (MQM, representing the North Indian migrants), politicians (representing the landlords of rural Sindh), Awami National Party (ANP, representing Pakhtun frontier migrants) and sectarian groups (Sunni/Shiite) all exacerbate urban stability (Siddiqui, T., 2005). Violence as a result of inter group conflict is all too common and has led to a paralyzed policy environment (Khan, N., 2007). As the city depends on large projects and direct funding from the federal government, its administrative structure remains vulnerable to political favouritism. The policy void of wealth distribution is exploited by mafia consortiums that illegally acquire and sell public land, water, and power resources.

The City District Government of Karachi (CDGK) is home to a number of similar but separate agencies that struggle with their responsibility for urban development. Plagued with a lack of communication and duplicated mandates, federal, provincial and city governments have invested heavily in Karachi's development, often supported by project linked loans from international financial institutions. The WB, ADB and JICA (water, sewage, traffic and transport and environment) have supplied loan packages in excess of US \$654 million for urban development (ADB, 2005). However, numerous studies have underlined their failure due to marginalization, and non sustainability (Gorson, F.S., Lawrence, S. and Gregory, R., 2003). Furthermore, the debt resulting from the loans, paralyzing conditionalities and the lack of coordination with City

master plans, has stymied development efforts across the municipality. The absence of services has led to a 'policy void' and proliferation of community based organizations striving to ensure a minimum level of basic services to the poor. The vast number of such organizations is testament to the limitations of the municipality's ability to address the needs of the poorest of the poor.

The provincial government of Sindh ([www.sindh.gov.pk](http://www.sindh.gov.pk)), home to a number of ministries and consolidated departments charged with largely rural-oriented responsibilities, also finds its IS efforts relying on civil society support. There is limited evidence of donor activity managed through provincial offices. Of the thirty one departments that are charged with urban development, the most relevant target the industrial relations sector (Labour Department and Directorate). Other city specific offices are reduced to low profile portfolios that are largely under funded, such as the Ministry of Local Government, Katchi Abadis and Special Development (MOLGKASD). There is evidence, however, of successful agency operation, in the Sindh Katchi Abadi Authority (SKAA), nested within the MOLGKASD (Ismail, A., 2004). A combination of visionary insights from senior management and staff initiated service devolution has led to significant improvements in the SKAA's service delivery capability (Zaidi, S.A., 2001). Furthermore, the development of effective CBOs based on the SKAA model in social housing (SAIBAAN) are now facilitating the organization and mobilization of the IS in engaging municipal stakeholders in the provision of services beyond social housing. Another NGO, the Urban Resource Centre, has also served as a forum for state and non-state actors to engage on a range of urban issues and has been replicated in Punjab and other Asian cities. The formation of informal networks between front line bureaucrats and community based organizations at such gatherings is testament to the success and persistence of Karachi's urban civil society, in the midst of political and bureaucratic neglect.

As a result of Sindh's urban-rural policy divide, Karachi's municipal agencies have remained vulnerable to political interference, civic and ethnic strife. Federal agencies own significant tracts of land in Karachi but work independently of local governments and focus their resources on development projects. This approach of bypassing provincial offices and capacities has led to friction between local and provincial governments (Hasan, A., 2008). For example, while the province introduces new development projects to cater to a specific segment of people (e.g. the

Lyari expressway), local government is left with little funds to maintain existing infrastructure to service the greater society (e.g. local bus routes, transit authorities and road management). Rather than mediate between the two levels of government and align their mandates, the federal government formulates economic policies proactively while mandating social policies reactively. Hence, the province with weak and poorly coordinated legacy agencies continue to be at odds with a City District Government whose autonomous agencies are still unsure of their jurisdictional boundaries. The politicization of diverse ethnic and clan interests combined with urban - rural disparities continues to push migrants to Karachi's slums. As the province refuses to acknowledge its responsibilities to the meta city, the autonomous district government of Karachi will likely continue to rely on targeted federal/donor project support for its survival. As much as CBOs are trying to bridge the gap between the IS and the state, it is at a pace that may be too slow for the marginalized city agencies to engage or be convinced of the CBO's merit.

## **Lahore's Informal Sector**

The highly populated province of Punjab has thirty five district governments whose municipal infrastructure is funded through provincial support. Projects such as the Faisalabad Area Upgrade Project (FAUP) have allowed medium sized municipalities across the agriculturally rich province to keep pace with population and economic growth<sup>27</sup>. This has reduced population pressure on the province's largest city, Lahore (Zaidi, A., 2008). Punjab's urban context is underpinned by a network of agricultural cities, diverse land holdings and the ethnic homogeneity of its citizens. Provincial institutions reflect these ideals in their emphasis on agro-based industrialization.

These ideas guide pro-poor municipal policy in Punjab, which are intertwined with the sense of balanced industrial development based on agriculture (food and textiles). A strong industrialist class has emerged from textiles and agricultural related investments and is proactive in supporting and maintaining a diverse rural base within the province. In turn, the ADB has matched Punjab's institutional goals by dedicating funds towards province's resource management and institutional development efforts (ADB, 2003). Similarly, the 2005 Punjab Financial Corporation (PFC) grant system empowers districts to apply for project funding as

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<sup>27</sup> Punjab P&D Urban Unit staff members have mentioned in interviews the advanced position of Faisalabad's institutions as a result of professional development and capacity building – leading to growth from within.

infrastructure needs emerge. Key projects include Katchi Abadis in Lahore, the Sialkot - Lahore Motorway and Lahore Mass Transit. However, audits of such efforts have led donors such as the World Bank to recommend enhanced provincial auditing, district budget reporting and increased performance management of the districts to enhance provincial support. Overall, the province has managed to reduce urban pressure by supporting agricultural and industrial development in rural areas and smaller cities.

The interests found within Punjab and to a greater extent Lahore, are ethnically homogenous and balanced between urban and rural areas. Despite a north/south and urban/rural divide in Punjab and the presence of Afghan migrants towards the west, familial ties and urban-rural clan relationships influence linkages within society that balance the overall policy framework. The development of medium sized cities has also alleviated the pressures of urbanization from Lahore. In a shift away from one time projects, donors are now focussing more on facilitating institutional reform and urban development. Over half of the ADB's support to the Punjab Resource Management Program (PRMP, housed within the Planning and Development Ministry), a total of \$500 million USD, from 1998 to 2003 is directed towards decentralization mechanisms, linking rural roads and urban development (ADB, 2003). The Punjab government has consistently transferred at least 85% of its Rs.150 billion development budgets (increasing annually by 10%) to district governments (Punjab Government, 2007). This is interesting as while Punjab government's allocation to urban development has increased by only 200% over the past year, it is still the lowest allocation within its infrastructure budget and exhibits the lowest amounts of percentage utilized.<sup>28</sup> Given the political will that is apparent from urban focussed budgets, donors appear to be interested in freeing up the bottlenecks to urban development through assistance in institutional reforms.

The government of Punjab and to a lesser extent the City District Government of Lahore (CDGL) embody a range of programs that support urban development programs and municipal agencies charged with service delivery. However, the stronghold of the province on urban development projects often diverts the operations and maintenance responsibilities and budget

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<sup>28</sup> Ineffective utilization could be an indicator of poor capacity in development and infrastructure upgrade, as many studies for urban renewal in Punjab have not been implemented as actual projects.

requirements of the city. This is an issue to which IS advocates within civil society are increasingly drawing attention.

The government of Punjab is home to a number of autonomous departments which support a range of municipal development interests. Nine autonomous, externally funded, special agencies address cross provincial development issues. The most inwardly focussed is the ADB funded Punjab Resource Management Program (PRMP), mandated to implement institutional reform, civil service training and professional development across the province (ADB, 2003). An additional twenty nine autonomous operating agencies exist throughout the province's municipalities and are responsible for areas such as water supply, solid waste management, education, economic research and transportation ([www.punjab.gov.pk](http://www.punjab.gov.pk)). There are forty-one operating departments that deliver services specifically to urban areas. While a number of provincial agencies exist to support social and welfare needs (Housing and Urban Development and Labour and Human Resources) they target wealthier homeowner services and support policy development (Local Government and Community Development) rather than front line operations. The most relevant provincial ministry is the Planning and Development Department ([www.pndpunjab.pk](http://www.pndpunjab.pk)) which coordinates the majority of large infrastructure, donor development projects within the province. The 'Urban Unit' of the Ministry of Planning and Development (P& D) engages municipal capacity building needs across all sectors. ([www.urbanunit.gov.pk](http://www.urbanunit.gov.pk)). Another P&D agency, the PRMP, engages in the development of cross cutting investment strategies linking urban with rural Punjab and setting out tangible targets (Government of Punjab, 2006) in line with federal goals and mandates. Hence, while the province is focussed on service provision for the wealthy, the capacities of municipal offices and agencies, at least in terms of policy, are incorporated into program delivery that may benefit the urban poor.

The urban regime in Lahore is composed of two levels of municipal government. The Lahore Development Authority (LDA) ([www.lda.gov.pk](http://www.lda.gov.pk)) is accountable to the province of Punjab and manages infrastructure projects of water/sanitation, transportation and urban development. The City District Government of Lahore (CDGL) ([www.pportal.punjab.gov.pk](http://www.pportal.punjab.gov.pk)) is also embedded within the province and manages day to day operations and maintenance as well as programs such as community development, funding applications and enforcement of road laws. While far

from autonomous, the CDGL seems to be increasingly held responsible for more of the outcomes of urbanization's growing pains. Furthermore, it relies heavily on the province for reserve funding and civil society for technical support.

Despite of the well funded provincial development efforts, civil society actors emphasize that a growing segment of the IS is beyond the reach of the government and the involvement of CBOs is required for community development. Lahore's CBOs confirm that the CDGL is not equipped to manage the needs of day to day operations or service delivery to the ISs. In a signal to facilitate communication between the public and NGOs/CBOs, the CDGL has listed all active NGOs/CBOs on its website. Furthermore, the 'self help' modelled CBOs originating in Sindh are increasingly taking root in Punjab. Organizations such as MUAWIN deal with sanitation, social housing (Khuda Ki Basti) and legal advocacy for the poor (Foundation for Law and Governance). The self-help organizations are emerging to draw municipal attention to the need to engage the IS.

Lahore is the recognized center of power in Punjab – and even though relatively balanced development takes place across the province's cities, deference appears to be given to Lahore by all levels of Punjab's policy makers. Furthermore, Punjab has more alignment politically between itself and the city and experiences limited pressures from rural-urban disparities. Donor support for programs aimed at institutional reform reflects the commitments of provincial stakeholders to allocate resources for urban development. However, Punjab's expansive urban portfolios (LDA) and its commitment to capital projects risks neglecting the operations and maintenance needs of the City District Government service delivery.<sup>29</sup> As both of these tiers of government vie for space, funding and legitimacy, those in need of outreach and support are unable to avail themselves of services and are, therefore, beyond the scope of CBO assistance (Alvi, I., 1997).

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<sup>29</sup> While the capital project oriented LDA is operated and maintained by the province of Punjab, the CDGL is the actual municipal government, which is responsible for operations and maintenance. The overlaps and disconnections between the two tiers of government within the same jurisdiction complicate efforts at maintaining city services and deteriorating infrastructure.

In both Karachi and Lahore, the context and structures that influence their urban regimes consist of varying levels of federal (Karachi) and provincial (Lahore) engagement as well as municipal capacity. The unpredictability of upper tier support and the politicization of development, impacts the IS and further marginalizes the poor. Given the politicization of citizens across ethnic lines and a rural-urban policy divide; one can appreciate how municipal performance and service delivery is undermined. It is understandable, from an administrative perspective, how service support from the lower tiers to the IS has diminished in light of the lack of coordination, alignment, planning and monitoring between municipal agencies and focussed support from higher levels of government. In spite of such constraints, the responsibility for engaging the IS on a day to day, ad hoc basis, falls to the municipalities and more specifically to the programs and actors that engage the IS on the front lines. In order to develop an understanding of municipal level engagement of the IS in the Pakistani context, attention in the next two sections turns to the presentation of primary and secondary research findings in the three contexts, housing/water and sanitation, transportation and labour conditions. An assessment of outcomes of state engagement of the IS, in light of the preceding state challenges to effective policies, will shed light on where the constraints and potential for improved engagement of the IS lies.

## Research Findings

Both primary and secondary research findings have generated a range of insights regarding the role of civil society – IS engagement and the responsibilities that stakeholders play.

A range of criticisms, perspectives and recommended courses of action in improving service delivery to the IS emerged from the interviews. The primary research findings (interview responses) can be summarized by the following points:

- There is a broad knowledge of the IS across a range of public and civil society stakeholders. All of our random interview respondents were aware of the IS and its social dislocations.
- Many stakeholders engage the IS in various ways through advocacy or policy related activities. Whether in government or non government organizations, all of our interview respondents engaged the IS in supporting or advocating for service delivery.
- Constraints to the engagement of the IS are seen to be linked with higher tiers of political leadership and bureaucratic functionaries, along with external variables that impact the provision of services to the IS.
- Solutions to ensuring engagement of the IS are seen to be linked with the provision of basic services (housing, water/sanitation, transportation) and ensuring basic standards of employment and rights (labour) for members of the IS. Their potential for effective implementation is believed to lie in the lower tiers of government where the administrative aspects of policies are implemented. For example, respect for rule of law, standardization of processes, and de politicisation of procedures and adopting of sustainable solutions that are low cost. These solutions need to be managed through more transparent, accountable and documented front line officer – civil society engagement.

Institution-generated research reports show that despite variances in service delivery machinery across various social contexts, community centered processes are experiencing the most success as civil society and civil service actors continue to engage and lobby for IS related concerns. Secondary research findings (reports and institutional evidence) indicate a number of points:



- Water/Sanitation – Success has been experienced through the ‘component sharing model’, where a community based organization (with the technical help of an NGO) takes ownership of the internal laneway water and sanitation connections while the municipality manages the external connection.
- Housing – Success of ‘incremental housing’, where a community based organization assumes management responsibility for publicly owned land to be allotted (through a public sector or not for profit agency) for the settlement and gradual construction of homes for the poor. While land speculators offer public land to the market, focussed social housing schemes ensure that homeless, migrants and their families by sheer presence, are able to occupy a small unit and gradually work to build its walls, roofs and utilities.
- Transportation – The continued failure of ad hoc private schemes has reiterated the need for shared responsibilities of infrastructure and system monitoring. There is an urgent need for a transportation system that is publicly run and managed. Limited success has been experienced with small pilot projects of publicly operated transit and community maintained infrastructure. The established need exists for better governance of a private system that is ad hoc and rife with corruption
- Labour Conditions – Challenges continue to be experienced in countering the powerful interests of industrialists who commit violations of labour rights across a range of export oriented industries. However, success has been seen in monitoring through the organization of citizen voluntary groups that report bonded labour and labour rights violations.

The following sections outline in detail the results generated by the primary and secondary research methodologies.

## **Primary Research Summary**

The interview participants represent a range of government, non government and community based actors providing service delivery, advocacy/training and leadership to the IS in Pakistan's major cities. The following subheadings represent the key questions that were posed to the interviewees (for a sample questionnaire, please refer to Appendix III). The text within each subheading is a summary of the main responses that were provided (for a list of detailed responses, please refer to Appendix IV). While the questionnaire was designed to draw responses addressing the research question, the study recognizes that perspectives on service delivery to the IS are not restricted to the survey. Interview participants were invited to build on their responses and add additional information where relevant.

### ***Awareness of the Informal Sector***

When asked if they were aware of the social dislocations of the IS, all sixty of the interviewees responded that they were aware of the existence of the IS and were familiar with the local social dislocations and challenges faced.

### ***Profile of Interviewee***

While the interviewees represent a range of occupations within the civil service and civil society, they could be divided into two main groups. One group was involved in service delivery (providing and involved in the delivery of services and support to the IS) while the other was more engaged in policy advocacy (researching, lobbying and representing the IS in policy development arrangements) related activities. Forty five interviewees responded that they were from the service delivery context while fifteen respondents responded that their engagement of the IS was from the policy advocacy area of activity. Interestingly, when asked which other institutions and/or individuals should be contacted regarding the study, many of the respondents referenced one another, even though they were not actively engaged in each others work. This trend points to the existence of a network of state and non-state actors who engage regularly in pushing for service delivery improvement to the IS.

## ***Awareness of other Programs Engaging the Informal Sector***

When asked whether or not they were aware of other programs and agencies interacting with the IS, twenty-two responded that they were aware of Government programs. Only ten answered that they were aware of IS oriented programs within the NGO sector. A slim majority of the respondents, twenty-eight in total, answered that they were aware of IS oriented programs from both the GOP and NGO sectors. This trend suggests that state agencies are more prominent in delivering support to the IS as opposed to those within the non government sphere of activity.

## ***Effectiveness of Government Programs***

When asked as to whether they felt GOP policies and programs are effective at engaging the IS, the majority of respondents indicated that GOP programs are ineffective in engaging the IS. Only twelve respondents indicated that mixed outcomes have resulted from government attempts to engage the IS. No respondents indicated conclusively that they found GOP programs effective at engaging the IS. The following subsections summarize the broad reasons why respondents felt that GOP policies and programs are ineffective at engaging the IS:

- Politicians and institutions lack leadership and commitment to public service delivery. This is linked with the politically motivated appointments of unfamiliar individuals with municipal agencies and provincial ministries.
- Politicization of processes and service delivery persistently takes implementation away from technocratic objectives towards political ones. For example, federal incumbents and/or provincial politicians will interfere in the operation of public machinery and duties by municipal bureaucrats as a means of acquiring political objectives.
- Solutions are over-designed with hidden operations and maintenance costs, which are embedded in imported solutions from abroad. This is exacerbated by donor/federal government pressure on provinces and municipalities to adopt larger projects.

While these key points summarize the respondents' perspectives on the limited effectiveness of GOP policies, specific insights on each of the social contexts are summarized in the following subsections (for a complete listing of interviewee responses, please refer to Appendix VI):

## **Housing, Water/Sanitation Infrastructure**

According to the interviewees, policies on housing and water/sanitation infrastructure have been ineffective as policies:

- Treat both rich and poor the same with limited appreciation of ground realities.
- Are vulnerable to market price volatility and land speculation by the investor class.
- Lack documentation, enforcement and monitoring, leaving them vulnerable to ‘land grabbers’ (collusion between corrupt political and institutional officials).
- Fail to engage current bureaucratic structures/organizational culture and offer little incentive for to engage the IS. Offices that engage the Katchi Abadis are considered low priority (‘punishment posts’<sup>30</sup>) and receive limited support from other agencies.
- Are vulnerable to political interference by local leaders. Favouritism and nepotism influences which communities receive water/sanitation infrastructure and tanker service.

## **Transportation**

According to the interviewees, policies on transportation have been ineffective due to the following factors:

- A lack of policy maker understanding of ground realities in favour of financially intensive capital projects imported from abroad. This feeds a financial dependency on imported studies and solutions rather than allocating policy space and resources to local solutions.
- Policy makers do not recognize the need to address structural constraints to management improvement within transportation.
- There is a lack of budgeting for staff/resources for operations and maintenance at the municipal level. While the province takes ownership for major capital projects, no funds are left for law, enforcement or traffic management as administered by municipal agencies.

## **Labour Conditions**

According to the interviewees, policies related to labour conditions of the IS have been ineffective due to the following factors:

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<sup>30</sup> Such positions are considered punishment posts as they do not lead to any higher promotions nor do they wield any degree of power or budgetary authority. This reflects state neglect in the treatment of the IS in katchi abadis.

- Policies do not budget funds for institutional capacity building or agency alignment at the local government levels to ensure effective implementation.
- The combination of low inspector pay and powerful industrial interests (often linked to political influence), leads to bribery and intimidation of inspectors who refrain from inspecting and reporting on facilities (brick kiln factories, bangle manufacturing facilities, textile mills, leather tanneries) where labour violations are common.
- Reliance on project based donor monitoring, which is limited to time bound studies (random surveys) rather than continuous institutional monitoring and lacks community engagement.

### ***Defining the Structural Constraints***

When asked what the structural constraints in engaging the IS were, fifty one respondents indicated the constraints were political in nature and had to do with the neglect of political leadership and self interest of senior bureaucracy. Only five respondents indicated that the constraints were institutional, and that the machinery of the bureaucracy and service delivery mechanisms was to blame for the lack of engagement with the IS. Four respondents indicated that the constraints included both political and institutional factors.

### **Housing, Water/Sanitation Infrastructure**

Interviewees responded that the structural constraints to engaging the IS in the housing and water/sanitation contexts were due to the:

- Lack of will by upper tiers of government to empower the IS. In the case of social housing, there is no incentive to amend policies so as to increase the ease of registration or strengthen the framework so to encourage stakeholders to follow the rules.
- Lack of understanding by higher levels of the government regarding the realities of the IS and the need to design policies and programs enable them to meet their challenges.
- Imported capital intensive solutions from abroad do not account for ground realities and IS sensibilities. Policy makers, engineers and planners are not concerned with the sustainability of IS resources and are keen on implementing plans from abroad.
- Lack of coordination by too many agencies with little collaboration or legislative cooperation. Stalled bureaucratic processes result in resource captured by criminal consortiums. Government appears to be unable to manage its programs.

- Financially intensive capital projects are not accompanied by operations and maintenance funding. This has led to the deteriorating of infrastructure in the medium to long term.
- Lower level political and bureaucratic offices are disempowered as decision making power is concentrated at higher levels of the province and municipality. Decisions by knowledgeable staff on the ground are bypassed by the dictates of higher level officials.

## **Transportation**

Interviewees responded that structural constraints to engaging the IS within the transportation context were due to:

- The development industry's pursuit of projects (NGOs and donors) rather than institutional accountability and strengthening.
- Lack of political vision as local sustainability is overlooked in favour of imported solutions.
- Short term economic gains for market players crowd in political and industry stakeholders, excluding the operational bureaucrats and agencies from acquiring government resources.
- A lack of capacity in staff training and relevant legislation is widespread. Municipal officers are overwhelmed by a complex set of stakeholder interests and behaviours which they are not trained or empowered to manage. At the planning levels, legislative compliance is weak.
- Limited autonomy or empowerment is given to agencies to perform their functions. Political interference leads to staff frustration, lack of training and limited citizen engagement.

## **Labour Conditions**

Interviewees responded that structural constraints to engaging the IS and improving the state of labour conditions were due to:

- The failure of state offices to admit to their failure to target the IS, as the policies are political constructs, not geared to address the needs of workers in precarious and bonded conditions.
- A disconnection between upper tier bureaucrats to consider implementation and monitoring realities and a focus on project planning and commissioning studies.
- Federal legislation is weak and without 'teeth', while lower levels are not empowered.
- Market conditions place the power of the industrialist class far above the pay and incentives of the inspector or bureaucrat, to follow procedures and legislative codes.

- Efforts to protect the IS are developed from a distance and the politicization restrains technocrats from engaging the IS and avoiding the addressing of poor IS labour conditions.

## ***Identifying Possible Solutions***

When interviewees were asked where feasible solutions lie and probable improvements needed to be made to better engage the IS, fifty respondents indicated that the solutions lay primarily with the institutions and improving their ability to deliver services to the IS. Only one respondent indicated that political steps and engagement was the solution to engaging the IS. Nine respondents indicated that both political and institutional steps needed to be taken to improve the state's engagement of the IS.

## **Housing, Water/Sanitation Infrastructure**

Interviewees responded that the following steps need to be taken to increase the state's effectiveness in engaging the housing and water/sanitation context of the IS:

- Develop policy frameworks in consultation with stakeholders who are part of the IS reality. Embed the models of component sharing and incremental housing in frameworks that empower lower level staff to deliver services while installing monitoring (district) protocols to ensure that variables of politicization/favouritism are removed from basic services.
- Involve the education of upper tier politicians, bureaucrats and donors regarding ground realities, specifically the operations and maintenance and sustainability aspects of programs.
- Ensure that programs designed to engage the IS are insulated from market imbalances and speculative price volatility.
- Increase accessibility of the IS through one window (Sindh Katchi Abadi Authority model of bringing service to the community) models of service delivery.
- The state must assume the role of manager and arbitrator of disputes, and in turn, reduce land grabbing through better social housing frameworks.
- Institutionalize the collection of documentation and communication of data through consistent processes on the physical reality of the IS. Create predictable, standardized operating procedures will compel upper tiers of government to engage communities and ensure transparency and accessibility to information regarding planning processes.

- Eliminate the practice of shuffling individuals between ministry areas through political appointments and promote from within.

## **Transportation**

Interviewees responded that the following steps need to be taken to increase the state's effectiveness in engaging the transportation context of the IS:

- Build capacity at lower levels both in solution generation with operations and maintenance sustainability in mind. Simple solutions are more effective, sustainable and will ensure outreach and accessibility. The approach of Bus Rapid Transit would resolve financial issues but would require political will to dedicate roads for bus and transit traffic, as opposed to Light Rail Transit which would cost significantly more and benefit the wealthy.
- Implement protocols ensuring the effective coordination and guidance of line agencies and monitoring of their separate/joint activities.
- State engagement of civil society and IS groups from across concerned districts impacted by transportation issues.
- Ensure that provincial government needs to coordinate, check and 'monitor' the lower levels of government without getting involved in 'doing'.
- Unbundle efficiencies between public and private sector stakeholders. On the operations and maintenance side, it may be beneficial to have NGOs assist in training bureaucrats in transportation as they have within the water/sanitation contexts as to ground realities, and facilitate engagement with the IS.

## **Labour Conditions**

Interviewees responded that the following steps need to be taken to increase the state's effectiveness in engaging and improving the labour conditions context of the IS:

- Encourage engagement on the ground with inspectors, citizen groups and police authorities to elevate the profile of efforts to reduce incidences of labour rights violations.
- Depoliticize training and engagement of municipal employees and ensure their free and secure access to work environments where labour conditions are deplorable.



- Increase pay of technocratic and more empowered lower level bureaucrats to avoid bribes.  
Where staff is paid more, there is less tendency to engage in rent seeking behaviour.  
Similarly, municipal offices should be autonomous, reduce over staffing.
- Ensure the recognition of unions, engagement and legitimization of their concerns.
- Advance donor reporting beyond projects to institutional monitoring and sustainability.

Overall, the interview results indicate that the majority of respondents feel that the ineffectiveness of government in engaging the IS are linked to the detachment of upper tier leaders, functionaries and policy makers (politicians and to a lesser degree bureaucrats) from ground realities. Respondents also indicate that the constraints to engaging the IS are a result of higher level decision makers and orders of government (as well as donor driven activities) actively disempowering (politically, economically and socially) municipal service delivery machinery, front line agencies and communities, from developing solutions to and providing services. This is complicated in turn by the complexity of each of the social contexts, where elitist interests (land prices, roadways and capital productions) are trumping those of the public, which the IS bears the brunt of (social dislocation, ineffective access to transportation facilities and adverse working conditions).

Respondents appear to agree that solutions to increasing the effective engagement of the IS lie in institutional strengthening, driven largely through the establishment of documentation, protocols for engagement and planning-oriented standard operating procedures. Furthermore, the removal of politicization of institutional machinery is a key theme that appears across all social contexts in the responses of the interviewees. There was little in the way of responses that indicated a prominent role for politicians and local councillor activism. Perhaps this suggests a degree of faith in the expertise of state actors on the front lines and merely the need to remove the constraints to their capabilities. The repetition of common procedural and processes as solutions to improving engagement with the IS across contexts supports the hypothesis that more attention should be paid to the administrative aspects of urban management.

## **Secondary Research Summary**

A review of documented and published cases studies provides insight into the positive and negative experiences of past engagements between the state and the IS. The following section outlines the main findings that emerge from this body of literature and summarizes key themes that appear in the three contexts. A complete description of the secondary research findings appears in Appendix VII.

### ***Housing, Water/Sanitation Infrastructure***

In the housing, water and sanitation context, thirty housing water/sanitation infrastructure case studies were examined. Evidence points to the limitations of top down project and program development (in terms of feasibility and sustainability) and the success of public-community based frameworks of engagement.

A prominent finding within the case study literature is that while a plethora of IS oriented legislation exists, the implementation, enforcement and monitoring of laws is non existent. Federal and provincial acts, ordinances and municipal plans regarding housing and water/sanitation for the IS suffer from a lack of coordination and institutional inertia, leaving infrastructure vulnerable to market capture. The result is the random bulldozing and razing of ‘registered’ informal housing units by authorities to make way for formal developments (Ismail, A., 2002). Where implementation outcomes from policy decisions exist, they are often expropriated by new policies that ensure service delivery investments (such as water and sanitation) cater to a narrow segment of society (Hasan, A., 2004). In sum, top down infrastructure policy development has been unable to effectively engage the IS. Field evidence demonstrates however that community based housing models that accept ground realities and foster gradual development are experiencing success (Hasan, A., 1999).

The ‘incremental housing’ approach to social housing that sees the gradual erection of small units by owners has proven to be far more effective than larger development projects which price housing units beyond the economic reach of the poor. The approach of slowly developing public land, documenting allocations and building single unit homes is more manageable for the state

and cost effective for the homeowner. Furthermore, where the process has been managed by a field oriented, self sufficient state (Sindh Katchi Abadi Authority) or not for profit agency (SAIBAAN, Khuda Ki Basti) with collaboration with all stakeholders, high occupancy targets have been achieved (Hasan, A., 2004). Public sector agencies which operate in the context of the IS through a one window process have increased IS accessibility to frontline staff and services (Ismail, A., 2002). This has been shown to reduce corruption, patronage and favouritism as non value adding upper tier bureaucrats ('land grabbers') are removed from the process of service delivery. It has also resulted in cost savings, increased contractor control and sustainability (Khaliq, A., 2000).

The 'component sharing' model has also demonstrated that community based self help models can streamline and enhance community engagement with municipal utilities to obtain water and sanitation services. The benefits of joint mapping, documentation and standardizing of procedures through community-staff (engineers, bureaucrats) collaboration has facilitated relationship building and advocacy between the IS and local utilities (Rehman, P., 2008). The Orangi Pilot Project pioneered NGO supplied technical expertise and information to anchor partnerships between communities and frontline staff of the Karachi Water and Sewage Board for service delivery to IS communities (WaterAid, 2006). The model has been adopted by IS communities across Pakistan to influence politicians and bureaucrats to adopt low cost sanitation models rather than capital intensive solutions from abroad (OPP, 2008). Direct contact between communities and lower tier bureaucrats (front line staff) has resulted in the segregation and reduction of government agency overlaps<sup>31</sup>, minimization of encroachment by other agencies, improving of utility operations (WB, 2006), consolidation of infrastructure information, addressing of the lack of accountability (OPP, 2000), project affordability, examining of cheaper alternatives, pressuring for attention to low cost solutions on storm water and drainage management and highlighting of weaknesses to current state machinery<sup>32</sup> (Pervaiz, A., Rehman, P. and Hasan, A., 2008). Commentators also argue that innovation is more likely to emerge from

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<sup>31</sup> In other words, government agencies at local and provincial levels should be assigned separate roles and responsibilities to ensure that there is no overlap of duties and inter agency tension, and enabling service providers such as the KWSB.

<sup>32</sup> There is a significant amount of commentary on the performance and threats to the KWSB vis a vis the misalignment within the KMC and now the CDGK. However, the point within our study is simply the advisory capacity that an expert NGO can provide not only to communities but also to the state in terms of institutional functioning.

such on the ground interactions, resulting in more effective, alternative service delivery arrangements which meet the needs of individual communities (Ahmed, N., 2008). Such efforts illustrate that IS engagement can be attained through increased public-community collaboration generating benefits for the state and society.

Specific cases also reveal that such efforts to engage the IS are effective when they are autonomous from interference and are staffed by personnel with a professional attitude, service commitment and understanding of the IS. The success of the Sindh Katchi Abadi Authority (SKAA), mandated with the regularization of slum communities, is attributed to the simplification of processes, decentralization of approvals, increased accessibility by IS homeowners and sustainable management of resources (Siddiqui, T.A., 1998). The results have led to the creation of other housing societies (Khuda Ki Basti) and NGO facilitated arrangements (SAIBAAN) that follow the same method of front line officer engagement to slowly acquire land and gradually develop housing for and by the poor. One critique that commentators offer is the need for the SKAA to increase the volume of leases granted to maintain the agencies financial self sufficiency (Ismail, A., 2004). Furthermore, effective staff management will be required to build capacity in on the ground outreach other NGOs and CBOS, to ensure the maintenance of relationships resulting efforts from political interference (Zaidi, S.A., 2001). In the case of the community self help model, community raised funds and agreements with the water utility result in manageable infrastructure costs. The use of local labour and materials removes the need for donor funding and the 'non value adding' involvement of upper tier bureaucrats and elements of the state machinery (OPP, 2008). While autonomy has increased the effectiveness of service delivery to the IS, pressure for accountability and efficiency has been applied by civil society.

Evidence from interactions illustrates that improved engagement between the IS and municipal officers resulted from civil society facilitated pressure on bureaucrats rather than politicians. The experience of IS efforts to engage government in the IS communities of Ghaziabad and Orangi were due to educated citizens understanding and engaging municipal agencies and processes (Hasan, A., 1998). In the cases of the slums of Nawalene, Lyari and Manzoor Colonies, CBO capacity building enable citizens within the IS to engage municipal services, monitor as well as improve services through regular engagement (Hasan, A., 1998). The experience of Welfare

Colony demonstrated how the sustained development of relations based on labour-union linkages, was able to generate service delivery improvements more than political engagement (Hasan, A., 1998). These cases demonstrate that the institutionalized decentralization of power and resources to accessible levels of government coupled with the persistent engagement by IS representatives generates returns on service delivery more so than political engagement. However, in order for such models to truly become community centric, models of monitoring and accountability must follow (Khan, S.R., Khan, F.S. and Akhtar, A.S., 2007) and sufficient staff capacity building must also be present.

The ability of the state to engage the IS has been shown through the capacity building and development of front line agencies, officers and staff. The case studies repeatedly conclude that improved service delivery is linked to improved documentation, information sharing and focussed engagement by the IS on constraints to state delivery of required services (Fernandes, K., 1997). Civil society capacity building on appropriate engineering, contractor management and performance standards can improve agency operation and make civil society engagement more productive through standardized partnerships. Furthermore, the sensitization of leadership (as well as donors) to ground realities can enable the valuation of partnerships with civil society. While government is still required to play the role of resource manager, there is an opportunity through increased engagement to reach out to even illegal land developers to distribute tracts for resale to the IS while retaining high end plots (Hasan, A., 2000). Similarly, utility operational issues can be resolved through increased civil society engagement that encourages graduated levels of tariffs and infrastructure repair and rehabilitation (Hasan, A., 1999). The most direct benefits to IS engagement lie in local agency strengthening.

Evidence from the housing and water/sanitation contexts illustrates proven returns and savings from increased municipal staff-community collaboration to address service delivery constraints to the IS. Similar themes also exist within the transportation context that support the case for sustainability through increased IS engagement of lower tier staff.

## ***Transportation***

Seven separate transportation studies were surveyed to examine state-IS dynamics within the transportation context. As an effective public transport system is essential for the IS to contribute to economic development in industrial areas within the city, the state's management of transportation frameworks is critical. The studies point to the role of state management in addressing current inequities and constraints to affordability, mobility and accessibility for the IS. Commentators push for increased collaboration between all road management authorities.

The transportation based case studies emphasize that the increasing complexity of challenges requires government to reassume its responsibilities in managing the sector for all citizens, through improved coordination by state agencies, independent of political derailment. Upper tier solutions to the mismanagement of urban transportation have been to create new agencies, thereby further contributing to the inefficient operation of the system. Donor solutions have involved capital intensive and largely unsustainable projects (such as elevated rail transit) that have distracted state planning resources (Imran, N. and Low, M., 2003). The ineffective operation of transport bodies, absence of governance plans, lack of enforcement and agency overlap has contributed to a hazardous commuting environments for all citizens, especially the IS (Ismail, A., 2002a). Furthermore the disregard for IS legislated protection by highway development projects has resulted in the continued eviction of IS communities from their settlements (Ismail, A., 2006). The resulting policy void has allowed for the unchecked growth of the transportation mafia which effectively operates the bus and minibus driven system (Hasan, A., 1999). The lack of consensus, failure of imported solutions and organization of various stakeholder groups demonstrates the need for the state to adopt a more inclusive approach to reform (JICA, 2006). Cost studies also conclude that the only solution suitable for Pakistani cities is one that has been locally designed and aims to solve the transport problems of the majority (Imran, N. and Low, M., 2003).

The potential of sustainable system improvements has been experienced from small pilot publicly operated 'metro bus' routes (Haider, M. and Badami, M., 2004), traffic management projects (Hasan, A., 1999) and the unionization of workers (Hisam, Z., 2006). Similarly, management learning from such projects supports the revitalization and rehabilitation of the

previously mismanaged, yet high potential urban rail system (Ismail, A., 2002a). Furthermore, the feasibility of self help community based efforts to maintain infrastructure and monitor a geographically dispersed system points to the need for state leadership in coordinating such efforts (Sohail, M., 2000). Finally, in contrast to elevated rail systems, Bus Rapid Transit has proven to be successful in several other Asian cities due to its affordability and accessibility in terms of establishment and maintenance. Such a system that uses existing resources and relies on transparent management and maintenance can also be unbundled to allow for community maintenance and involvement in the governance of the infrastructure (Penalosa, E., 2008).

The case studies from the transportation context emphasize the need for the government to assume responsibility for the operation, coordination and management of the system's infrastructure for the public and the IS as a whole. Failed attempts at reforming the system in isolation have demonstrated the need for the state to engage the IS and all stakeholders more holistically. The results of pluralistic efforts are more likely to transform the system to one that is sustainable, accessible and participatory for all segments of society. The potential of state-civil society collaboration is echoed in the labour rights context.

## ***Labour Conditions***

Eleven case studies were assessed in the examination of state-IS interactions within the context of welfare, labour rights and working conditions. While several state policies and programs are in place to support the needy, most social safety nets and general welfare programs have met with limited success due to agency overlaps, lack of coordination and poor management (PILER, 1999). Similarly, a plethora of overlapping and weakly enforced legislation exists on labour rights, but has failed to consistently improve working conditions across a range of sectors (Aslam, H., 2004). Efforts to monitor employers and enforce legislation are challenged by a complex political economy that favours industrialist interests, overlooks employee rights and undermines information gathering regarding violators (Ali, M.Z., 2005). The state's investment in high skilled sectors has also distracted funds from the maintenance of primary sectors where the IS are employed (Hasan, A., 2002). The cases also emphasize that the solution is to align existing policies and enforce existing legislation to protect IS labour and invest in backward linkages with sectors the employ members of the IS (GOP, 2008).

The under capacity of government machinery to monitor IS labour conditions suggests that community based organizations be involved to assist government in breaking political economies of oppression. Surveys of the IS have indicated that constraints to unionization and a lack of awareness of basic rights have left exploitation of the IS unchecked (Dharejo, S., 2005; Sayed, E. and Javed, S., 2007). IS workers have also been found lacking in the facilities or knowledge of the benefits to compel them to pursue organization at the community level (Khattak, S.G., 2001). This is especially true in minority as well as migrant communities who send money home during periods of crisis (Shah, Z., 2007; PILER, 2005). In order to make up for the lack of state and donor outreach, civil society involvement has been piloted and sought in monitoring and awareness generation, particularly of bonded workers in the urban periphery (PILER, 2004).

A two pronged approach to improving the state's engagement of the IS emerges from the case study review. Firstly, commentators suggest that the public sector pool and benefits definition be expanded to include members of the IS. Various state service entities have recommended the employment of IS labour to enhance service delivery (WASA, 2004) and assist in realizing cost savings that result from the avoidance of capital intensive processes (Hayami, Y., Dikshit, A.K. & Mishra, S.N., 2006). Furthermore, research indicates the potential of including IS workers in state worker rights discussions and health and safety awareness (Shah, Z., 2005; Khoso, A., 2005). Secondly, donors have recommended the institutionalising of civil society collaboration to monitor cases of labour rights violations (ILO, 2005). Mechanisms for the disbursement of soft loans to pay off exploitative debts, schooling, enforcement of precarious work legislation and monitoring industry violators are all part of recommendations to improve state led initiatives to improve the working conditions of the IS (PILER, 2007).

The case studies from the labour rights and working conditions context emphasize the need for the state to recognize the limitations of its capacity and respond to the needs of the IS by empowering lower level inspectors, collaborating with civil society in monitoring/outreach and expanding public service worker rights to include members of the IS. The failure of legislation and limited success of welfare machinery demonstrate the need for the state to engage a broader range of implementation linked stakeholders at lower tiers of the bureaucracy to engage the communities where IS labour is based and thrives.



## **Analysis**

Both primary and secondary research findings have generated significant insights into state-IS interactions across the three contexts of study. In order to analyze the dynamics, factors and variables that constitute municipal-IS engagement, the findings are assembled at the macro (national), meso (provincial) and micro (municipal/community) levels of policy development and implementation. The analysis reflects on the initial research hypothesis during the assessment of the states' institutional and political interactions with the IS.

### ***Macro Level Detachment***

The research findings at the macro level reveal that the higher policy making tiers of government are ineffective at engaging the IS. The evidence supports the widely held notion within civil society that policies developed at the national level have fallen short in addressing the needs of the poorer segments of society and the IS. Three recurrent themes appear within the three contexts. First, while subsequent federal policies and legislative items have been passed pertaining to all three sectors, their suitability, appropriateness, enforcement and understanding of IS realities at the municipal levels of government has not expanded and has left marginalized segments of the IS disengaged within urban regimes. Furthermore, there has been little in the way of federal initiatives to encourage the institutionalized provincial monitoring or reform of existing policy machinery.

Second, political change has only resulted in incoming party leaders adding to the plethora of policy documents and legislation. A scant number of initiatives have even attempted to address existing enforcement issues and seriously engage in institutional strengthening with the needs of the IS in mind. The tendency of political actors to ignore the need for deep policy reform and simply create new agencies reflects the disconnection and self serving reality that plagues the higher tiers of the state. Such behaviour however, is not surprising as politicians largely utilize the voting process as a means of obtaining votes in exchange for the provision of basic services. This is unfortunately accepted as normal by the IS, who have no recourse in light of their lack of representation. The oscillation between policy development and redevelopment is perpetuated by political instability with no net policy impact or outcome on the IS.

Third, the simultaneous complication is that higher levels of government focus on large projects, donor engagement and importing solutions from abroad. Most alarming is the trend of higher tiers of government to embrace and promote mega project solutions (treatment plants, LRT and infrastructure) which are beyond the affordability of society and threaten the already precarious physical space and dwellings of the IS (Ercelan, A., 2005). The preoccupation with foreign solutions is reflective of the detachment of upper tier state actors from ground realities in urban Pakistan. It also suggests that upper tier leaders are also economic beneficiaries of policy inaction and the adoption of large projects. Katchi Abadis of the IS for example, are a component sub set of the construction context. As economic and political conditions influence how much housing material is available, the demarcation lines of the low income housing segment become vague. Density levels in and around Katchi Abadis quickly impacts land market values, resulting in the eviction of slum communities to make way for formal development and even social housing projects. The failure of state housing initiatives is testament to the cities dependence on capitalist modes of production which maintain impoverishment where the gainers are capitalists within industry and government. The Katchi Abadi phenomenon cannot be removed from the economic conditions surrounding it and poverty must be addressed first (Alvi, I., 1997), which translates into a policy shift away from large development projects to more engagement oriented, sustainable and municipally driven ones.

While upper tiers of policy makers persistently demonstrate an inability to formulate effective policies, the evidence points to the potential for inter provincial learning and the effectiveness of community based learning. Vertical policy transfer across levels of government, albeit slow, has resulted in the drafting of some policies modelled after micro level models. The province of Sindh is now modelling its institutional reform programs on the success experienced by Punjab (with the assistance of the ADB). Lessons learned from community based models such as incremental housing and component sharing are also influencing provincial and national policies. However, recently formulated draft policies based on the micro experience (national shelter policy and national sanitation policy) will now need to be supported through translation by higher tiers to lower orders of government to achieve some dissemination across jurisdictions. This will also test the ability of national and provincial governments to assume a monitoring role, without interfering in municipal processes.

## ***Meso Level Disconnections***

While the research findings at the meso level reveal disconnections with ground realities, they reveal more importantly, a series of shortcomings and misalignments with implementation at the micro level. The provincial levels of engagement have performed the role of both monitor and implementer in the past, which has marginalized their purpose and duplicated agency efforts. At the local level, provincial bodies are misaligned with the management, support and coordination of municipal offices. Three re-emerging themes appear in this examination.

First, the failure of the Local Governance Ordinance (LGO 2001) to outline the provincial-municipal working relationship has led to mismanagement. There are disconnects in the lack of provincial support of municipal agencies in their efforts to equitably provide basic services and engage the IS. A lack of coordinated planning, service support and ground level engagement persists despite the presence of municipal offices in marginalized communities. The result is duplication, institutional overlap and inconsistent support from provincial levels that fails to support sustainable urban development. Furthermore, as in the case of transportation and water/sanitation infrastructure, provincial levels of government interfere in municipal operations by politicizing operations or failing to adequately provide resources. Robust provincial support (professional development) for municipal offices is required to expand the reach of basic urban services. At present, the support that is articulated is captured through patronage and favouritism by the elites, leaving the IS to fend for themselves.

Second, in terms of operations and maintenance, the absence of adequate and sustained support and standardization from provincial levels in terms of budget and resources, leaves municipal service providers under funded and inconsistent in routine practices and procedures. Donor studies have illustrated that devolution holds promise, as it can enable the effective management and improvement of service delivery on the ground (ADB, 2004a). However, these studies insist on cost recovery gains from revenue generation, derived from the political echelons and broad public engagement rather than through the technical assessment of productivity within service delivery units and interaction with community based organizations (ADB, 2004b). This is particularly alarming as consultants such as JICA push for increased private sector involvement, following their training and sensitization of risk so as not to burden the public sector. If this is

the case, then there is all the more reason to bring transportation services back into the public realm and merely build up the capacity of the public sector. The lack of provincial support restricts the municipalities' ability to effectively engage and service the public.

Finally, Positive examples of public engagement of the IS exist, such as KKB, WSBs, WASAs and SKAA, where autonomous, well managed provincial ministries (themselves in a state of crisis) and agencies show results in their support of the IS through collaboration and engagement with representative NGOs and CBOs. In these situations, the public sector demonstrates its ability to operate when competent well-resourced agencies perform specific interventions that are sustainable and are in close proximity to the IS. The key variable remains the empowerment as well as the monitoring of the local levels of government by provincial offices.

### ***Micro Level Compulsion***

Detachment from higher levels of government has created a policy-implementation void for the IS and an environment where city district governments (and aligned CBOs) have been pushed to engage the IS in an ad hoc manner. In the absence of a well-funded proactive approach, the CBO/NGO facilitated engagement of the IS demonstrates some awareness by municipal stakeholders as to the realities of the IS. This level of engagement is important as sustainable solutions to on the ground engagement reside here. Several trends emerge at this level.

First, analysis at this level demonstrates that IS program development has gathered momentum through the engagement of front line management. This is illustrated by the emergence of NGOs and CBOs as facilitators of component sharing and incremental housing models for development and municipal engagement. It is important to note that these models involve procedural reforms to existing interactions with the IS. The majority of survey and case studies did not emphasize a strong role for political leadership but rather persistent engagement with bureaucrats. It demonstrates that persistent CBO and NGO lobbying, yield success in obtaining service delivery improvements or at the least, pilot projects to recognize the problems that exist. On several occasions, NGOs and CBOs have shown that community developed solutions are far more cost effective, thereby gaining more faith from municipal agencies in the feasibility of low cost solutions (Pervaiz et al. 2008). Evidence from NGO and CBO reports indicate the increased

support beyond infrastructure (housing, water/sanitation) to other areas of engagement (employment, training, education, disaster relief) that is being demanded by communities following completion of initial housing/water/sanitation project work (OPP, 2008).

Second, with regard to other more complex contexts such as transportation, the state is de facto responsible for delivering key services. The failure of the transportation system following the state's withdrawal from the sector and the crowding in of private sector actors (largely criminal elements) has necessitated the return of the state as lead stakeholder. For example, the shutting down of Karachi's Circular Railway has been accompanied by increased fares in a dangerous and chaotic system of travel within and to and from Karachi. Violence in the city is accompanied by the burning of buses and road accidents in the chaotic system of commuting have become alarmingly common. There is a need in this situation for the restarting of core public transportation services in major arteries in both Lahore (Bus Rapid Transit) as well as Karachi (Karachi Circular Railway), with an empowered and monitored municipal agency as the lead public administrator of the service. The ability to perform this function is only within the capability of the state to ensure that all segments of society benefit from the system. Furthermore, it requires that standardized, transparent and accountable processes and procedures are followed to avoid the mismanagement of the systems historical experience.

Third, in light of the state's inability to effectively address incidences of child labour, there is an opportunity for state-IS (NGOs, CBOs) collaboration to monitor the status of labour rights violators. This is especially the case in the urban industrial fringe where bonded labour is most prevalent, and under resourced municipal/provincial inspectors are unable to cover large geographical areas. An opportunity exists to buttress state monitoring of through CBO, NGO citizen group engagement to monitor the labour conditions that are being beyond the reach of the formal. In pilot projects where state agencies have worked with Tehsil Volunteer Agencies (TVA), there has been success in reducing the activity of labour rights violators.

Fourth, an analysis of the key findings from the primary and secondary research supports the initial research hypothesis. Evidence from the primary research suggests a lack of faith in the potential of political solutions to the state of the IS in urban areas. Historical evidence from the

secondary research and case studies illustrates the success that citizen-state engagement (utilizing existing service delivery machinery) has experienced in developing and implementing service delivery machinery on the ground. Several studies reveal the persistence required, which extend far beyond short the windows of political engagement, to ensure service delivery improvement. Such efforts are likely to be more sustainable as focal points are now on the citizens, their social context and front line municipal staff, rather than on lobbying upper tiers of government far removed from ground realities.

The analysis of the macro and meso levels of state engagement with the IS demonstrate the ineffectiveness of upper tiers of government in developing and implementing policies to engage the IS. The survey of case studies at the micro level demonstrates the potential and success of pilot projects, community based efforts and municipal facilitated small scale-low budget efforts in providing services to the IS. In light of the processes, documentation and alignment that is required to deliver services, it is not surprising that the research reveals that the constraints to engaging the IS have been largely political in nature. The politicization, interference, deviation from previously planned approaches, exclusionary policies and primacy of elitist and market interests have constrained policies at the formulation stage, restricting them from realizing their implementation. Where policies experience limited implementation, they are vulnerable to scarce resources, limited ongoing support from higher levels of government and are overwhelmed by the sheer volume of service demand. The implications for the differential approaches and capacities between upper and lower tiers of government deserve further discussion.

## Discussion

In light of the study's initial research question, the findings and analysis supports the study's initial hypothesis. Namely, that the structures leading to policy failure in engaging the IS are the result of political constraints and interference at higher levels of government rather than solely institutional mismanagement at lower levels of government. As institutions and the bureaucracy as a whole have been compromised in recent years (Cheema, A. & Sayeed, A., 2006), evidence from this study suggests that the lack of institutional capacity is responsible for a lack of IS engagement, rather than solely corruption. Rather, it is the ongoing detachment of higher levels of government from ground realities and the promotion of donor-driven projects that have adversely impacted the IS. The analysis demonstrates that solutions to IS engagement are linked with local efforts and community-municipal engagement rather than higher level policy reformulation and weakly enforced legislation. Front line engagement, serving as conduits of bottom-up development, may expose the inefficiency of retaining power at higher tiers of the state and importing capital intensive solutions from abroad. Rather, the returns of aligning federal, provincial and municipal tiers of government to channel and empower the capacity and abilities of the lower tiers of the state to engage the IS, are worth policy consideration.

In the context of federal-municipal and provincial-municipal relations, state success in IS engagement hinges on community organization and engagement of the public sector. While community based organizations are the best positioned to express the needs of the IS, the public sector must take the lead in service delivery investment that extend to all members of society (Pasha, H.A. & Palanivel, T., 2003). The interview responses support this perception by citing that many constraints to engaging the IS are rooted within the politicization of processes and unnecessary interference in service delivery. Processes are not allowed to function freely and the lack of resources results in favouritism, nepotism and corruption to overcome the bureaucratic inertia. The solutions lie in freeing municipal agencies from politicization and interference, establishing robust monitoring mechanisms, strengthening institutions and ensuring capacity-building at the lower levels closest to the CBOs of the IS. In the same way that government cannot operate on the ground without effective community engagement, communities must engage the government and hold them to account in order to realize successful service delivery.

The lack of capacity at the institutional levels is complicated by the politicization of bureaucratic decision making, a lack of leadership which results in the freezing of any policy benefits to the poorer segments of society and the IS. Functional power is more concentrated in the hands of federal (Karachi) and provincial (Lahore) development authorities resulting in a lack of resource devolution down to the municipal levels. For example, the KDA in Karachi has been stripped of its portfolio, aside from the sale of dwindling amounts of land, while the LDA in Lahore has absorbed more responsibilities over the years to include infrastructure, water/sanitation, transportation and housing issues. The Province of Punjab has taken more measures to build the capacity of local government organizations, although much more has yet to be done (GOP, 2004). A stronger provincial presence in Lahore is in sharp contrast to an under-funded provincial office in Karachi that could not survive the conflict and lack of coordination with municipal corporations (Hasan, A., 2002). While the benefits to Punjab's urban development are self evident, the reality of managing rising operations and maintenance costs, will be experienced in Lahore. This confirms the lack of understanding of municipal sustainability by federal authorities. This is complicated by capital oriented donor funding, which places an increasingly large burden on municipal operations and maintenance costs, omitted from budgets.

The literature on economic development and finance also echoes the warnings arising from the evidence of weak institutional capacity. Undoubtedly, trickle down economic growth (either politically or economically facilitated) has not worked and there remains the need to harness the creativity of the poor (Wignaraja, P., 2005). This is especially urgent as there is a shared appreciation in the literature that the IS will continue to grow, particularly during periods of inequality (Chong, A., & Gradstein, S., 2006). Therefore, if institutions are weak and IS growth continues unchecked by state agencies, institutional strengthening becomes increasingly complicated and difficult. Commentators point out that in order to embrace the IS and bring them within the formal structures of the state, tax collection and incentives to engage the IS must be in line with their socio economic realities. Commentators have found that while the IS declines during steady state periods; it has also been found to decline as the economy transitions towards a steady state (Ihrig, J. & Moe, K.S., 2004). These shared realities support the need to develop municipal institutional engagement of the IS before examining political solutions, in order to build the economic capability of the IS.



While institutional challenges exist, the success of the SKAA, OPP, metro bus and WASAs points to the efficiency gains from autonomy and effective monitoring of service delivery to communities. At the provincial level, capacity building efforts underline the importance of urban development by provincial offices such as the PRMP and the Urban Unit, which have in turn reduced urban pressure on Lahore. Sindh's approach has been more concerned with rural rehabilitation and development, often resulting in the neglect of burgeoning urbanization. As a result, Karachi has been left to seek federal funding and endure 'unsustainable bouts' of industrialization without persistent institutional guidance or support. However, donor responses to institutional building have also been noticeable. Following years of injection in Punjab, there are signs of similar developments within Sindh, as the ADB has added to its historically agricultural oriented project portfolio by committing to the Sindh Basic Urban Services Project, valued at over \$300 million USD (ADB, 2009). However, sustained institutional improvement is still required from within and it is questionable whether it will emerge sustainably from donor facilitated projects, which will diminish in the medium to long term.

The status of autonomous institutions and its correlation with effective service delivery deserves increased examination. While provincial institutions enjoy more autonomy in Punjab, Sindh exhibits a greater number of autonomous service delivery units at the city district government level. Commentators and donors are now arguing for more in the way of provincially resourced institutional autonomy at the city level as a means of increasing service delivery effectiveness (Qasim, M., 2006) and ensuring that operations and maintenance budgets critical to service delivery remain well funded (World Bank, 2006). The risk of not funding operations and maintenance budgets is to continue the trend of privatization and offloading of various urban issues, such as transportation. As a result the IS risks receiving less engagement from the state (Yaw, D.A., 2007). The government of Ghana uses an innovative IS employment strategy (which recognizes the ability of the IS) to bridge the gap and provide flexible labour to the market through state capacities (Jonakin, J., 2006). While problems exist, the current Ghana analysis and understanding of the IS develops engagement, capacity, training and entrepreneurial efforts in ways to buttress the state. As the IS in Pakistan has shown it will continue to grow in periods of market led growth, there is an opportunity to address common pool services, such as transportation (Jonakin, J., 2006) as well as water/sanitation and labour rights within institutions.

While institutional strengthening at the municipal level is receiving increased attention, the success of component sharing, incremental housing and self-help models has resulted in the rapid diffusion of community-based models and organization (from Karachi outward and northward), through municipally facilitated policy transfer. In other words, as municipalities build their understanding of the IS, they are able to facilitate the transfer of policies to other urban contexts, elevating the importance of and role of CBOs in those communities. The growth of the IS and the recognition of its needs by municipal offices, has led to the proliferation of 'self help' modelled civil society organizations. The range of typologies regarding effective civil society-government collaborative frameworks can measure the degree to which IS segments are improving in their relations with the state (Coston, J.M., 1998). Complementarity, as experienced by the OPP, is the gradual advancement of relations where there is the most benefit to the goals of both sides. In turn, participatory engagement and resourced devolution can direct the focus of the bureaucracy away from catering to the elite classes towards addressing institutional issues. Streamlining processes from within could therefore support institutional machinery which is currently under funded, before it is dismissed as ineffective.

The trends illustrate the existence of horizontal policy transfer both at the provincial and municipal/community levels. At the provincial level, the success of Punjab's institutional strengthening at the program level is being mimicked by the Sindh Government. At the micro level, the transfer is in the opposite direction as CBOs forged in Karachi and Sindh are now replicating in other urban regimes within the country, raising and organizing the concerns of the IS. How these are recognized at the provincial level through the interpretation of national shelter and sanitation policies still remain to be seen. (Gibson, B., 2004)

A host of factors<sup>33</sup> that contribute to the provincial-municipal dynamic has not been factored into our study and are noteworthy as research continues. Firstly, our definition of the IS has limited the study to public administration dynamics rather than incorporating a range of economic and political variables that impact the growth and autonomy of the IS and its interaction with the shifting boundaries of the state (Tripp, A., 1997). The impact of the market and its interactions

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<sup>33</sup> The more prominent factors include structural adjustment, political instability, regional relations (Afghanistan/India) and foreign intervention (US domestic military and political interventions).

with civil society and the state are also underestimated in the ability of the state to engage the IS. Secondly, the uneven distribution of resources such as skewed provincial transfers (Punjab, Sindh over NWFP and Balochistan) are not factored in our analysis as their impact on the structural relations of provinces with municipalities is quantitative. Thirdly, a level of complexity also exists between upper and lower tiers of the state. The attitude differential between the upper and lower tiers of the bureaucracy vis-à-vis the IS implies that politics of the bureaucracy and the state's structure underlie certain constraints in terms of the policy towards IS. However, whereas these constraints originate at the upper tier of the bureaucracy and the political leadership and display a lack of concern by the upper level bureaucrats, the situation with the lower level bureaucracy is just the opposite. The lower level bureaucrat is more empathetic and understanding of the conditions of the informal sector, and is quite willing to work within the constraints to offer even a semblance of service to the IS. Evidence of the challenges faced by provincial and municipal agencies illustrates that a range of complex interactions also exists within and between levels of government. For example, some provincial agencies, such as the SKAA, are more engaging of the IS than some municipal agencies such as the municipal housing and building control boards. In turn, some municipal agencies are more engaging of the IS than others. While these variables have not been included in the scope of this study, they are valuable components of more detailed examination of the institutional landscape that experiences the engagement of the informal sector.

## Conclusions and Recommendations

Effective engagement of the IS, in light of the findings of this study, have been shown to be more dependent on the development of frontline solutions and community centered engagement. Evidence from the field reveals how indigenous housing, water/sanitation and transportation approaches are more sustainable than the implementation of upper tier policy solutions and donor funded mega projects. The articulation of effective grassroots solutions is critical to development efforts to counter the cynicism that emerges from the IS when considering the reality of elite-driven decisions. Arguably, governance from below can offset the adverse effects of upper tier power structures that oppress the IS, and create increased momentum for more active municipal involvement in the public sector.

The challenge, as Khan and Siddiqui have lamented, is how to amplify the potential of marginalized bureaucrats and the efforts of CBOs. Akhtar Hameed Khan's constant refrain was that he could only find a limited number of visionaries within the bureaucracy who understood active engagement of the IS as a way to sustainably improve the livelihoods and service support of vast members of society (Khan, A.H., 1996). Siddiqui also correctly states the constraints on colleagues to make changes in the face of overwhelming pressure from senior levels was unbearable for most to endure (Siddiqui, T., 2005). However, while policy reforms experience a slow pace, front line bureaucrats are less vulnerable to higher level political change and are capable of providing traction and facilitating policy shifts from within the establishment to affect ground realities (Hasan, A., 1997). While reform at the provincial levels is key for the transfer of municipal policies to the national level (national sanitation policy and national shelter policy), how and where upper level stakeholders engage community based self help models will remain to be seen. This is especially important, given the rapid unchecked polarization of wealth and expanding social space between elites and ordinary folks.

Similarly, where a balance is achieved between reforming institutional responsibility and downloading service delivery to community based efforts, remains to be seen. The policy behaviours and interest differential of the politicized upper tiers and the frontline operational tiers will likely influence the demarcation lines between state and community. While civil

servants may have once found danger in advocating for the interests of the people they serve (Siddiqui, T.S., 2005), recent developments show that they can be agents of policy transfer in collaboration with non-state actors. The self-reflection of the PRMP, the innovation of the Urban Unit, the activity of joint traffic management programs, the legislated effectiveness and vision of the civil servant managed Sindh Katchi Abadi Authority (Zaidi, S.A., 2001), and the outreach of the voluntary labour rights monitoring efforts are all testament to the ability of the public sector and civil society to collaborate if the right incentives, such as transparency and accountability to communities, are put into place. However, in order for policies to be effective, state and non state actors must engage the lower levels of the bureaucracy. If policies do not engage this level, policies will continue to fail. While the scope of this study has been to illustrate the differences in various levels of government to engaging the IS, some policy recommendations emerge from the discussion.

Firstly, the evidence shows that a degree of confidence exists in the abilities of lower level bureaucrats to engage the IS. Provincial policy makers need to empower these specific municipal agencies with the authority to download management systems and support machinery to levels that meaningfully engages the IS in their context. Such an approach has been attributed to the success of the SKAA and should be transferred across urban boundaries by the various provincial authorities.

Secondly, there is a general sense among the interview respondents, that the province would best serve urban issues by reducing its role of micro management of municipal bodies and engaging solely in regular monitoring and reporting. Unnecessary interference in municipal affairs may supplement weak local government capacities, but it also adds an unnecessary layer of processes and sign offs that restricts service delivery movement on the ground. Civil society institutions can be contracted by the province to serve as monitoring agencies for municipal service delivery and validating performance indicators and outreach.

Thirdly, the capacity building of talented management capacities on the ground level to coordinate the interactions between the state and the IS will be critical for success. Punjab has made institutional inroads in dedicating the professional capacity building of staff for urban

planning and development. While city development plans are in place through some donors, there is little to reveal any thorough examination of Sindh's municipal institutional capacities.

More research is needed on the pace of provincially-managed institutional reforms and their effectiveness in creating autonomy from higher or lateral agencies. Shifts in donor funding and province generated implementation vs. feasibility studies may serve as indicators for movement in this regard. If the vision of the SKAA and the innovation of the OPP are to be replicated effectively across and beyond municipal Pakistan, it will require several stages of reform. Most importantly, it will require the transparent, resourced and monitored devolution of responsibilities and service delivery to local levels of government. The success experienced by civil society – IS engagement in building linkages with lower tier bureaucrats and obtaining services is in part the result of empowering municipal and IS actors in the communities that they serve and reside within.

## Appendices

### Appendix I *Urban Growth Rates Across Pakistan*

Urban Population by Province

Year		Punjab	Sindh	NWFP	Balochistan	Pakistan
Urban Population (,000)	1972	9,260	5,726	1,209	399	16,594
	1981	13,256	8,243	1,665	677	23,841
	1998	23,548	14,840	3,079	1,569	43,036
	2005	29,834	18,905	3,966	2,218	54,923
% Population in Urban Areas	1972	24%	40%	11%	16%	25%
	1981	28%	43%	13%	16%	28%
	1998	32%	49%	15%	24%	33%
	2005	34%	53%	16%	29%	35%

Source: Pakistan Economic Survey 2004-05, & 2005 Estimated by JICA Study Team

### Appendix II *Profile of the Informal Sector in Pakistan*

Criteria	Percentage contribution of the IS
% of Non Agricultural Employment	66.5%
% of Total Employment	38.5%
Contribution to non agricultural GDP	28.7%
Contribution to total GDP	21.2%
Gender composition of informal as compared to formal	Same
Young and less educated	Over represented in the IS as compared to the formal sector
Large differences in working time, compensation and job turnover between the two sectors	
Higher wage differentials by sex in the IS.	

Source: Gennari, P. (2004). IS: Statistical Definition and Measurement Issues. Presented at the OECD/UNESCAP/ADB Workshop – Assessing and Improving Data Quality: Measuring the Non Observed Economy, May 11<sup>th</sup> to 14<sup>th</sup>, 2004, Bangkok, Thailand.

### **Appendix III      Sample Questionnaire**

1. What is your understanding of the Informal Sector (IS) – does it benefit the economy and society and how?
2. Are you aware of the social (housing, water and sanitation) and economic (livelihood insecurity) dislocations within the IS?
3. What is your organization's role in engaging the IS? Please explain.
4. Are you aware of any other related government/non government programs that are meant to assist the IS in terms of economic sustenance (labour laws, wage levels, health and safety)?
5. How effective are state policies and programs in reaching a significant segment of the IS? What evidence do you have to support this?
6. The programs and policies of the state are often seen as being ineffective in addressing the needs of the IS. In your view, what are the reasons for their ineffectiveness? What are the structural constraints to developing effective policies and programs to engage the IS?
7. What steps need to be taken to in terms of policies and programs to increase the state's effectiveness in effectively engaging the IS?



## **Appendix IV      Profiles of Institutions Engaged**

In Karachi, the following organizations were visited and interviewed:

- SAIBAAN – a not for profit social housing organization, whose goal is to manage the allocation of smaller units of public lands for Katchi Abadis (informal settlements).
  - Executive Director – Tasneem Siddiqui
- URC (Urban Resource Center) – a not for profit think tank that focuses on researching, communicating and drawing attention to urban issues in Karachi.
  - Executive Director – Arif Hassan
  - Senior Researcher – Zulfiqar Shah
- PILER (Pakistan Institute of Labour Education and Research) – a not for profit think tank that focuses on labour issues and advocacy across Pakistan.
  - Senior Researcher – Zulfiqar Ali Shah
- OPP (Orangi Pilot Project) – the pioneering NGO engaged in component sharing water and sanitation services
  - Senior Researcher – Perween Rehman
- CDN (Community Development Network) – the network of CBOs supported by OPP.
  - Senior Trainer – Anwar Rashid
- MOL (Ministry of Labour)
  - Minister of Labour – Sabur Ghuyar
- PILDAT (Parliamentary Institute of Legal Development and Transparency) – an NGO focussed on the support and sensitization of parliamentary officers
  - Senior Communications Officer – Aamir Hasan

In Lahore, the following organizations were visited and interviewed:

- MUAWIN – an OPP replicate NGO in Lahore
  - Senior Project Manager – Hafiz Rasheed
- PURC (Punjab Urban Resource Centre) – a not for profit centre in Karachi and researches and draw attention to urban issues
  - Senior Researcher – Aamir Hasan
- FLAG (Foundation for Law and Governance) – a law and advocacy practice in Lahore that focuses on the needs of the informal sectors and provides legal advice to OPP, PURC and other CBOs.
  - Senior Advocate – Usman Mohammed
- UU (Urban Unit) – a division of the Province of Punjab's Planning and Development Department, which is solely focussed on addressing urban issues.
  - Senior Project Officer – Abid Hussainy
- Punjab P&D, PRMP (Planning and Development Department – Resource Management Program)
  - Senior Program Officer – Mehmood Pracha

In Islamabad, the following organizations were visited and interviewed:

- SDPI (Sustainable Development Policy Institute) – a think tank in Islamabad that focuses on research and advocacy issues related to sustainable development in Pakistan
  - Senior Researcher – Ahmed Salim
- SUNGI – a rural development, field based NGO in Pakistan.
  - Senior Researcher – Riaz Shah

- MUHHDC (Mahbub ul Haque Human Development Centre) – a report oriented NGO that publishes the annual South Asian Human Development Report
  - Executive Director – Khadija Haq
- AHK Foundation (Akhtar Hameed Khan Foundation) – the foundation of Akhtar Hameed Khan, designed to encourage the proliferation of self help models in Pakistan.
  - Executive Director – Fayyaz Baqir
- LUMS (Lahore University of Management Science) – one of Pakistan’s leading university’s and centres of management research.
  - Professor – Dr. Ali Cheema
- PIDE (Pakistan Institute for Development Economics) – Pakistan’s leading civil service research centre for economists, political scientists and development studies experts.
  - Professor – G.M. Arif

## Appendix V      Primary Research Results

Criteria	Sub Criteria	Number	%	Karachi (28)	%	Lahore (15)	%
IS Aware	Aware of IS	60	100.0%	28	100.0%	15	100.0%
IS Aware	Aware of Social Dislocation	60	100.0%	28	100.0%	15	100.0%
Organization	Service Delivery Organizations	45	75.0%	21	75.0%	13	86.7%
Organization	Policy Advocacy Organizations	15	25.0%	7	25.0%	2	13.3%
Awareness of Programs	Awareness of IS Programs GO	22	36.7%	7	25.0%	10	66.7%
Awareness of Programs	Awareness of IS Programs NGO	10	16.7%	2	7.1%	3	20.0%
Awareness of Programs	Awareness of IS Programs Both	28	46.7%	19	67.9%	2	13.3%
Effectiveness of Programs	GO Programs Effective	0	0.0%	0	0.0%	0	0.0%
Effectiveness of Programs	GO Programs Mixed	12	20.0%	1	3.6%	10	66.7%
Effectiveness of Programs	GO Programs Ineffective	48	80.0%	27	96.4%	5	33.3%
Constraints	Political Constraints	51	85.0%	25	89.3%	13	86.7%
Constraints	Institutional Constraints	5	8.3%	1	3.6%	1	6.7%
Constraints	Political and Institutional Constraints	4	6.7%	2	7.1%	2	13.3%
Solutions	Political Steps	1	1.7%	0	0.0%	0	0.0%
Solutions	Institutional Steps	50	83.3%	25	89.3%	12	80.0%
Solutions	Political and Institutional Steps	9	15.0%	3	10.7%	3	20.0%

The interview participants represent a range of government, non government and community based actors providing service delivery, advocacy/training and leadership to the IS in Pakistan's major cities. The following subheadings represent the key questions that were posed to the interviewees which guided and framed their responses. While the questionnaire was designed to draw responses addressing the research question, the study recognizes that perspectives on service delivery to the IS are not restricted to the survey. Interview participants were invited to build on their responses and add additional information where possible. The additional insights have buttressed key themes that have emerged throughout the course of the survey responses. In total, sixty interviewees were engaged as part of the study.

### **Awareness of the IS**

When asked as to whether they were aware of the social dislocations of the IS, all sixty of the interviewees responded that they were aware of the existence of the IS and were familiar with the local social dislocations that the sector continues to experience. While this may suggest that the sample of respondents are biased, in that those who were willing to speak with us were obviously aware of the concerns of the IS, the result is still informative.

### **Profile of Interviewee**

The interviewee profiles represent a range of occupations within both the civil service and civil society. For the purposes of our analysis, they can be broadly categorized as service delivery (providing and involved in the delivery of services and support to the IS) or policy advocacy (researching, lobbying and representing the IS in policy development arrangements) related. Forty five interviewees responded that they were from the service delivery sector while fifteen respondents indicated that their engagement of the IS was from the policy advocacy area of activity. Interestingly, when asked which other institutions and/or individuals should be contacted regarding the study, many of the respondents answered with the references of one another, even though they were not actively engaged in each others work. This trend points to the existence of a network of state and non-state actors who engage regularly in pushing for service delivery improvement to the IS.

## **Awareness of other Programs Engaging the IS**

When asked whether they were aware of other programs and agencies interacting with the IS, twenty-two responded that they were aware of other Government programs. Only ten answered that they were aware of IS oriented programs within the NGO sector. A slim majority of the respondents, twenty-eight in total, answered that they were aware of IS oriented programs from both the GOP and NGO sectors. This trend suggests that state agencies are more prominent in delivering support to the IS as opposed to those outside of the government sphere of activity.

## **Effectiveness of GOP Programs**

When asked as to whether they felt GOP policies and programs are effective at engaging the IS, the majority of respondents indicated that GOP programs are ineffective in engaging the IS. Only twelve respondents indicated that mixed outcomes have resulted from government attempts to engage the IS. No respondents indicated conclusively that they found GOP programs effective at engaging the IS. The following subsections outline the broad responses, followed by the sector specific ones. The reasons why policies and programs are constrained is outlined in the following responses:

- Politicians and institutions lack leadership and commitment to public service delivery. Politically motivated appointments are a problem in municipal agencies and provincial ministries.
- Solutions are over designed with hidden operations and maintenance costs, which are embedded in imported solutions from abroad. This is particularly noticeable with donor/federal government pressure on provinces and municipalities to adopt larger projects.
- There is a politicization of processes and service delivery away from technocratic objectives towards political ones. For example, federal incumbents and/or provincial politicians will interfere in the operation of duties by municipal bureaucrats.

While these reasons summarize the general responses regarding the corporate levels of decision making, the explanations for the limited effectiveness of GOP policies by context are outlined below:

### ***Housing, Water/Sanitation Infrastructure***

- Policies on low income housing do not work as they treat both rich and poor the same
- Policies on infrastructure water/sanitation, social housing and transportation are ineffective as they are based on first world solutions with no understanding of local problems and ground realities in Pakistan's urban cities.

- Many Programs are vulnerable to market price volatility and land speculation vis a vis non resident investment interests, specifically with respect to low income housing.
- Low income policies are ineffective as they are dependent on loans from target communities which are largely unaffordable.
- Politicians and institutions are ineffective as they are unwilling to engage with CBOs in program development and wilfully neglect realities.
- Policies are not enforced or followed up on and the lack of monitoring opens up opportunities for collusion between corrupt political and institutional officials, resulting in land grabbing, which marginalizes low income housing projects.
- Policies for the rehabilitation of displaced peoples are plagued with poor planning as the real numbers of displaced people from politically driven development projects are much higher than what is planned for.
- Policies that do not experience monitoring or follow up would be more effective if they experienced persistent pressure from local CBOs to provide services. This is exemplified in the case of some district offices downloading service for Katchi Abadi monitoring to other NGOs and CBOs.
- Policies in water/sanitation infrastructure and social housing fail as the bureaucratic mindset is hard to break. Furthermore, offices that engage the Katchi Abadis are considered low priority ('punishment posts'<sup>34</sup>) and such corrosive structural dynamics within the bureaucracy results in little support and/or incentive for bureaucrats to engage CBOs.
- Policies on social housing are ineffective as they are supported by large investment, donor facilitated state approved programs which depend on market dynamics and become attractive to investors and in turn, land grabbers.
- Policies and programs are more effective where they emulate CBO policies such as the National shelter policy (NSF) and national low cost sanitation policy (NSF) which are cost effective, sustainable and managed by the CBO community. This has been the case with incremental housing and component sharing in water/sanitation infrastructure.
- There is a lack of consistent focus on basic services and support from federal policy makers and provincial institutions charged with development. Projects remain unfinished, experience cost overruns and contractors are not held to account.

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<sup>34</sup> Such positions are considered punishment posts as they do not lead to any higher promotions nor do they wield any degree of power or budgetary authority. This illustrates the neglect with which the state treats the IS in katchi abadis.

- Intentions behind policies are changed and skewed through the political meddling and interference in the work of technocrats by politicians. This is the case in water/sanitation infrastructure.

### ***Transportation***

- There is a lack of investment and resources at the municipal level. While the province takes ownership for major capital projects, little is left for law and enforcement as managed by the municipal agencies.
- Policy implantation is dependant on loans from abroad for studies, large capital investments and consultants, rather than consolidating locally developed solutions.
- There is a lack of monitoring and inter agency cooperation leaves them vulnerable to corruption and lack of will. Over time, the problems have become so complex that they are beyond the ability of any one agency to address the issues.
- There is no consistency or continuity in planning from the federal policy making level down to the provincial and municipal levels.
- Policy makers and agencies don't understand ground realities and only invest in large projects as promoted by consultants and donor agencies
- The public services machinery lacks capacity – where staff are developed and professionally trained – services are delivered. Where staff is under developed, there are problems and limited service delivery.

### ***Labour Conditions***

- Policy launches are not accompanied by institutional capacity building at the local government levels.
- The lack of pay, in light of market forces and powerful industrial interests, results in officials taking bribes or turning a blind eye, to avoid death threats. Inspectors for labour conditions in the brick kiln industry for example, are often at the mercy or are bribed by powerful industrial actors to ignore blatant labour violations.
- Top down office policy development is limited to donor behaviour and direction (time bound studies rather than continuous engagement) and lacks any consistent level of community engagement
- Policies don't develop the IS and merely feed dependency (labour relations)
- Policies do not challenge the political economy that places the interests of the elites and wealthy and industry above those of labour.

- Policy makers and programs are politicized structurally at the provincial level.
- There is no provincial program support for municipal realities. For example, simple measures of enforcement such as minimum wage, a provincial responsibility cannot be implemented by either the province or municipal agencies.
- There is too much competition exists between departments and politicians which marginalize existing structures in favour of new politically motivated ones. The policy outcome is zero.
- Officials are disinterested and there are no incentives to enforce or encourage better working conditions and as a result, little exists to push poorly paid lower level staff to engage the IS.

## **Defining the Constraints**

When asked what the constraints in engaging the IS were, fifty one respondents indicated that the constraints were political in nature – and had to do with the neglect of political leadership, the self interest of senior bureaucracy. Only five respondents indicated that the constraints were institutional, in that the machinery of the bureaucracy and service delivery mechanisms were to blame for the lack of engagement with the IS. Four respondents indicated that the constraints included both political and institutional factors. Responses included the following explanations regarding the constraints:

### ***Housing, Water/Sanitation Infrastructure***

- Policies are constrained as they are developed at the higher levels of government and are more constrictive of the IS space. In other words, they don't empower the poor. In the case of social housing for example, there is no incentive to register or follow the rules.
- Policies are constrained by the lack of government understanding of the realities of the poor and the need to design programs that meet the challenges of their realities (Social housing)
- Policies are constrained by decisions to import solutions from abroad and do not take into account ground realities and sensibilities. Policy makers, engineers and planners in the water/sanitation context – are not concerned with ground realities and are keen on implementing plans from abroad.
- Policies are constrained by government thinking in terms of big budgets – which complicates outcomes. What is required is sustainable, low budget thinking in the water and sanitation/sanitation context.
- Policies are constrained by the top down thinking rather than bottom up engagement and monitoring, particularly in water/sanitation infrastructure.
- Policies are constrained by the inertia of too many agencies with little collaboration or cooperation being introduced into the agenda setting process. Once processes grind to a halt, the policy void is



captured by illegal elements and consortiums. The net outcome is the image that government can't manage its programs, as has been the case in social housing.

- Policies are constrained by the policy makers and decision makers of the state being detached from realities of low income housing and water/sanitation infrastructure.
- Policies are constrained by a lack of will as politicians and councillors are not interested – and it is bureaucrats who are end up being diverted. Hence, changing bureaucratic mind set is difficult, specifically with regard to social housing and water/sanitation models.
- Policies are constrained in that high level capital projects are not accompanied by the funding of operations and maintenance costs in the long term. This has led to the deteriorating of water/sanitation infrastructure.
- There is a lack of dialogue as the formal and ISs do not understand one another and results in resentment. For example, bureaucrats need to be in people's lives and in the communities rather than in offices. This exacerbates the neglect of the IS with respect to social housing projects that end up getting derailed.
- Policies are constrained as the lower political and bureaucratic levels are disempowered with power concentrated at higher levels of province and municipality. Social housing and water/sanitation infrastructure projects experience this – where knowledgeable staff on the ground is bypassed by the dictates of higher level officials.
- Policies are constrained by a lack of institutional memory, in that lessons from the past are not heeded or incorporated into policy development frameworks. For example, higher level officials pad budgets with personal allowances, while lower level staff lacks capacity and resources to implement policies and administrative machinery. This is particularly the case in low income housing and water/sanitation infrastructure.
- Policies are constrained by a lack of outreach as citizens have a poor understanding of GOP services. Where there is an opportunity for communities to approach government, citizens are not aware of the process and require assistance to develop their ability to engage.
- Policies are constrained as their development does not factor in coordination with NGOs. State officials will go ahead with projects in housing and water/sanitation infrastructure, only to have them fail and then resort to CBO assistance to mitigate project shortcomings.
- Policies are constrained as legislative priorities have not been followed, such as LGO 2001 beyond their establishment on paper. Local governance empowerment that seeks to elevate the profile and

capacity of municipalities to take more control of their context, are being withheld. The result is continued inter agency conflict and overlap.

- Policies are constrained by a lack of legislative authority where inter agency cooperation leaves lack of responsibility for what is happening on the ground. To this end, there is a need to monitor home grown solutions with the IS in social housing and water/sanitation infrastructure.
- Policies are constrained by the attention drawn by large funded projects that naturally entice the embezzlement of funds. This is particularly the case of social housing projects.
- Policies are constrained by their vulnerability to market volatility – where land is purchased for investment rather than living.

### ***Transportation***

- Policies are constrained at the development stages as political vision is not geared to sustainability because of “solutions” from abroad.
- Policies are constrained by senior politicians and bureaucrats who take development opportunities leaving junior and front line agency officers with a lack of awareness and capacity.
- Policies are constrained by the advantages of short term gains that crowd in political actors rather than operational technocrats.
- Policies are constrained by a lack of capacity. For example, junior officers possess the technical ability to learn but are not trained or empowered. Furthermore, at the decision making and planning levels—preparation, legislative compliance is weak. Inter-government cooperation and jurisdictional agreements need to be respected in order for capacity potentials to be realized.
- Policies are constrained by a lack of empowerment at the agency level. In other words, there is a limited level of autonomy provided to current agencies to enable them to perform their jobs. Furthermore, there is limited interaction with customer interactions – as staff are under capacity developed
- Policies are constrained as well funded projects and donor interests drive policy rather than lower level capacities and infrastructure/system realities. This is exacerbated by corruption and rent seeking behaviour of senior level politicians and bureaucrats.
- Policies are constrained in the civil society spheres as NGOs and donors have grown to be more interested in projects rather than institutional building.

## ***Labour Conditions***

- Policies are constrained by an inability of GOP outreach, as they can't target the IS as the policies are political constructs and not geared for people.
- Policies are constrained as they do not factor in implementation or monitoring of what is happening on the ground and focus solely on project planning and commissioning studies.
- Policies are constrained as the federal legislation is not capable and lower levels not empowered.
- Policies are constrained as policy makers are disconnected from implementation of legislation and enforcing laws.
- Policies are constrained as they are too high level – and via implementation, there is not enough pay to justify the adverse environment and taking on the political economy of the industrial class.
- Policies are constrained as they are developed from a distance, politicization shackles technocrats and engagement within the IS – realities are avoided and democracy is oppressive.
- Policies are constrained by a lack of education and awareness by the local IS, many of whom are unskilled and can't engage politically, leave alone understand municipal services.

## **Identifying Possible Solutions**

Finally, when asked where feasible solutions and probable improvements needed to be made to better engage the IS, Fifty respondents indicated that the solutions lay primarily with the institutions and improving their ability to deliver services to the IS. Only one respondent indicated that political steps and engagement was the solution to engaging the IS. Nine respondents indicated that both political and institutional steps needed to be taken to improve the state's engagement of the IS.

## ***Housing, Water/Sanitation Infrastructure***

The responses on the types of workable policy solutions are premised if policies include the following criteria:

- Framed in consultation with stakeholders who are part of the IS reality. Models that incorporate the frameworks of component sharing and incremental housing need to be accompanied by the empowerment and monitoring of lower level staff to ensure that processes are followed and politicization/favouritism is removed from basic services and programs in social housing, water and sanitation.
- Involve the education of GOP and Donors regarding ground realities, specifically the operations and maintenance side of programs. Once they realize that people intensive rather than capital

intensive programs need to be pursued, and then lobby for the improvement of documentation and outreach to engage the poor. In order for this to happen, there is a need to educate professionals in engaging the realities of the poor.

- Focus on basic services and ensure that programs designed to engage the poor are insulated from market imbalances and speculative price volatility.
- Institutionalize component sharing, reduce political meddling and get bureaucrats to document all processes. For example, monitoring of WASA operations should take place at the district level.
- Operate within better accountability frameworks to engage the poor at piloted levels of social housing (housing)
- Decentralize to engage poor on the ground and increase their accessibility through one window (Sindh Katchi Abadi Authority model of bringing service to the community).
- Engages the IS, thereby eliminating the current policy void (which has led to the spread of the land and water mafia) and commits to more documentation of plans of what exists and is possible to maintain in terms of housing and water/sanitation infrastructure.
- State assumes the role of manager and arbitrator of disputes, and in turn, reduces land grabbing through better social housing frameworks.
- Improved frameworks to serve the IS. Policy makers need to survey social housing pilots of Khuda Ki Basti and SAIBAAN, for example to disseminate resources in engagement of the IS.
- Politicians must be sensitized to the realities of the poor.
- Empowering of the poor through the provision of basic services and avoid targeted policies from the top (Benazir Income Support Program) down which bypass current institutional frameworks.
- Empower lower level bureaucrats, through engagement with the NGOs and CBOs for better processes, better documentation and service delivery.
- Empower municipal government to take ownership of processes from inception to completion, and benefit from monitoring from higher orders of government.
- Empower lower levels of capacity building to generate more documentation through consistent processes. Predictable standard operating procedures will also compel politicians to engage communities and ensure that more transparency and access to information is made available internally for plans on social housing and water/sanitation infrastructure.
- Respect documented processes and rules, more enabling power of bureaucrats to set the standards and follow procedures without political interference. Ownership of projects and programs needs to be brought down to a level that is accessible by members of the IS and their CBOs/advocates.

Similarly, policy solutions in disaster management will work if capacity building is required at lower levels.

- Funding is sustainable in that the wealthy must inevitably subsidize the poor – a component sharing model that sees this is required.
- Emphasis on bureaucratic accountability and the promotion of competent staff from junior levels to higher levels within institutions rather than shuffling individuals who are part of networks of political appointment.
- Decentralization or devolution plans accompany local government ordinances. Need to have funds dependency on the external on the PFC. Need to ensure that hire and fire is brought down to municipality. Eradicate political appointments. Ensure that orders are predictable and respected, should not change in stride. Projects should not start and then stall due to political change. Internally, need more staff, reduced turnover, better agency coordination, better capacity and ensure motivation – address union concerns.
- Educate community through skill development and then build on it.
- Establishment of better frameworks and governance to serve the poor – show where government works – insulate from market shocks (social housing).

### ***Transportation***

- More downloading of decision making authority to lower level bureaucrats who can engage and be held accountable by the public.
- Provision of effective coordination and guidance of line agencies and effective monitoring of their activities – particularly their relationships with one another.
- State engages civil society groups from across concerned districts impacted by transportation issues and empower organizations.
- Increased provincial emphasis on inspection and monitoring and less on duplicating municipal agency mandates and functions.
- Unbundling of efficiencies between public and private sector stakeholders. On the operations and maintenance side, it may be beneficial to have NGOs assist in training bureaucrats in transportation as they have within the water/sanitation contexts as to ground realities, and facilitate engagement with the IS.
- Builds capacity at lower levels both in solution generation and in maintenance. Simple solutions are better, cheaper and create more outreach and accessibility. Specifically, the approach of Bus

Rapid Transit which would solve many management issues along roadways and dedicate roads for specific buses only, as opposed to Light Rail Transit which would cost significantly more and may not be recoverable as usage would be restricted to the wealthy.

- State reasserts itself as a regulator, particularly in the area of transportation where inter agency friction and jurisdictions are not resourced or coordinated.
- Ensure that provincial government needs to coordinate, check and ‘monitor’ the lower levels of government without getting involved in ‘doing’.
- Avoid one off projects and focus on basic services through institutional strengthening and monitoring.

### ***Labour Conditions***

- Decisions and plans are depoliticized and if training facilities for employment and municipal engagement are free and accessible to the IS.
- More recognition of unions, engagement and legitimization of their concerns.
- There is a need to advance donor reporting beyond projects to more institutionalization and ongoing sustainability.
- State recognizes the potential of the IS more than it has in the past – economically and socially, not just politically as vote pools.
- Increase pay of technocratic and more empowered lower level bureaucrats to avoid bribes. Where staff is paid more, there is less tendency to engage in rent seeking behaviour. Similarly, municipal offices should be autonomous, reduce over staffing.
- Proper checks and balances and sincerity in engagement between provinces and municipalities and community based organizations.
- Engagement of shadow government and politicians need to be in communities and not solely with industrial actors.
- Engagement on the ground with frontline bureaucrats and technocrats.

## Appendix VII

## Secondary Research Results

Actor	Importance in Engaging the IS	Cases/Commentators				Authors
		H	W/S	T	LC	
Politicians	Critical				3	Khattak, S.G. (2001), ILO, (2005), Shah, Z. (2007)
	Neutral	1	2			Rashid (1998), Hasan (1999)
	Hinders	10	4	2		Siddiqui and Khattri (1998), Hasan (1997, 2000, 2002, 2004, 1999), Ismail (2002, 2004), Siddiqui (1998), Khaliq and Siddiqui (2000), Alvi (1997), Pervaiz, A., Rahman, P. and Hasan, A., (1999), Khan, S. et al. (2007)
Institutions	Critical	12	10	7	12	Siddiqui and Khattri (1998), Rahman (1998), Aleemuddin (1998), Hasan (1997, 2004, 2000, 1999, 2002), Fernandes (1997), Siddiqui (1998), Khaliq and Siddiqui (2000), Ismail (2004, 2002, 2006), Zaidi (2001), World Bank, (2006), OPP, (2008), Rehman (2000), Ahmed, N., (2008), Aslam H., (2004), Shah, Z., (2005), Dharejo, S., (2005, 2009), Khoso, A., (2005), Ali, M.Z., (2005), PILER, (2005, 2007), Khattak, S.G. (2001), ILO, (2005), Shah, Z. (2007), Government of Pakistan (2007, 2008), Penalosa, E. (2008), Hisam, Z., (2006), Imran, M. and Low, N., (2003), Sohail, M., (2000)
	Neutral	1	1			Hasan (2004), Pervaiz, A., Rahman, P. and Hasan, A., (1999)
	Hinders	4				Ismail (2002), Alvi (1997), Hasan (1999), Hasan (2002)
Donors	Critical					None <sup>35</sup>
	Neutral	1	1			Hasan (1997)
	Hinders	1		1		Alvi, (1997), Imran, M. and Low, N., (2003)
NGO	Critical	8	7	3	4	Siddiqui and Khattri (1998), Aleemuddin (1998), Rashid (1998), Hasan (1997, 2000, 1999), Khaliq and Siddiqui (2000), Ismail (2002), Zaidi (2001), Pervaiz, A., Rahman, P. and Hasan, A., (1999), OPP, (2008), Khan, S., Khan, F.S., Akhtar, A.S., (2007), Aslam H., (2004), Dharejo, S., (2005), Khoso, A., (2005), ILO, (2005), Hisam, Z., (2006), Sohail, M., (2000)
	Neutral	1	1			Siddiqui and Khattri, (1998)
	Hinders					None <sup>36</sup>
CBO	Critical	13	9	6	12	Siddiqui and Khattri (1998), Rahman (1998), Rashid (1998), Hasan (1997, 2004, 2000, 2002), Fernandes (1997), Khaliq and Siddiqui (2000), Ismail (2002, 2006), Hasan (1999), Zaidi (2001), Pervaiz, A., Rahman, P. and Hasan, A., (1999), OPP, (2008), Khan, S., Khan, F.S., Akhtar, A.S., (2007), Aslam H., (2004), Dharejo, S., (2005), Khoso, A., (2005), Ali, M.Z., (2005), PILER, (2005, 2007), Khattak, S.G. (2001), ILO, (2005), Sayeed, Z. and Javed, S. (2001), Government of Pakistan (2007, 2008), Penalosa, E. (2008), Hisam, Z., (2006), Imran, M. and Low, N., (2003), Sohail, M., (2000)
	Neutral					None
	Hinders					None

<sup>35</sup> While there was no direct emphasis of donor involvement being critical to engaging the IS, a role for them has been mentioned in the literature that is more advisory and steers governments away from large projects

<sup>36</sup> While NGOs have not been stated as hindering engagement of the IS, some survey information does caution against the role of contract NGOs, that operate to supplement the goals of large donor and state projects

The third component of the research methodology examines documented case studies of state (provincial and/or municipal) engagement of the IS. Insights and lessons from past case studies may provide insight into the drivers of both positive and negative experiences in municipal – IS engagement. The following section outlines the experiences and summarizes some of the key themes that emerge from case studies from across the three contexts.

### **Housing, Water/Sanitation Infrastructure**

In the first context, twenty housing and nine infrastructure water/sanitation case studies were examined. Aside from illustrating that top down project development and implementation is neither sustainable nor feasible, a number of recurring themes across the case studies affirm the benefits of effective frameworks of public – community engagement that harness public and community sector strengths and capacities.

*The first finding within the literature was that while legislation is abundant on paper, it is ineffective at reaching the IS as monitoring, enforcement and implementation of such laws is non-existent. Furthermore, where policy outcomes from decisions do exist, it is often expropriated by new policies that serve a narrow segment of society. Top down policy development has not engaged the IS.*

A recurring theme within the studies is that despite a history of Katchi Abadi related legislation at the national level (National Constitution, Sindh Katchi Abadi Act, Martial Law Order No. 103, building Control Ordinance) and planning at the municipal level (Greater Karachi Resettlement Plan, Karachi Master Plan, Land Regularization); Katchi Abadis continue to be established, bulldozed and razed; leaving members of the IS displaced and vulnerable to illegal invasion or organized state funded invasion. As land prices rise in urban centers, speculators including senior bureaucrats, politicians and capitalists – have pushed for the demolition of Katchi Abadis. The hardest hit slums within the IS tend to be those without linkages with powerful political actors or deep community roots (migrants). While sufficient tracts of public land exist outside of



Karachi - a lack of political will at the senior levels constrains the mobilization of institutional machinery to designate the areas as solely housing for the poor (Ismail, A., 2002).

Interviews from the IS reveal a harsh criticism of the elite bias of development projects and their impact on the poor. For example, automobile centered transportation and development policies, such as the Lyari Expressway and Northern Bypass in Karachi, have not only displaced IS members but have also made their commutes to work longer and more expensive and their slums more isolated. Rather than invest in the management of more accessible public transit, which would be utilized by a significant proportion of the populace and resolve several other related issues, the government ceded to the development objectives of a small group of planners and pursued the capital intensive development of the two highway arteries. Development and construction took place in spite of repeated warnings and protests by professionals within civil society regarding the projects' impact on the IS. The impacts of related development displacement and the socio economic upheaval of the IS could have been remedied through the creation of public consultations between local government and community organizations. However, as with national policies such as The Katchi Abadi Act and National Resettlement Policy continuously, there continues to be gross violations due to the lack of capacity of local government to fend off provincial and elitist development projects (Hasan, A., 2004).

In light of the limitations of top down policy development constraints, the literature also demonstrates that community based development models that accept ground realities and facilitate gradual development are experiencing success. The 'incremental model' of social housing has been far more effective than larger development projects as it works with tenants and their context. The approach of slowly developing land and building homes is sustainable and less burdensome for the homeowner.

Katchi Abadis are at the lower end of Karachi's polarized housing sector and exposes the inefficiencies in land allocation and inequity in service provision to rich and poor. According to commentators, the existence of Katchi Abadis and their persistent under-servicing are due largely to greed at the highest levels of power and a lack of technical, regulatory and planning professional capacity in service administration. In spite of over 50% of Karachi being composed

of Katchi Abadis, federal and municipal housing policies have consistently failed at engaging the poor. In fact, state attempts at developing social housing have only resulted in increased land capture by middle class investors as access to a limited supply of land has been complicated by cumbersome procedures, credit shortfalls and officials/IS animosity. The IS have consistently been excluded from the benefits of such programs, due to their inability to comprehend and engage in the workings of an inefficient system. Pakistan's welfare state model (site construction of homes for poor/government employees), site and services model (land sold directly to the poor) and regularization model (KAIRP) all suffered from market valuation placing housing beyond the reach of a disengaged poor. Corrupt officials have taken advantage of the weak framework by forming consortiums with utility firms and real estate offices (collectively referred to as land grabbers) and developing the land as private entities, before selling parcels of land/homes off to the investors<sup>37</sup>. The OPP (low cost community based sanitation) as well as SAIBAAN (incremental housing approach) have shown relative promise. Evidence shows the success of self help models which persistently pursue public sector engagement (Hasan, A., 2004).

The **incremental housing** approach to engaging the IS (after which SAIBAAN is modelled to replicate across the country) has proven to be the best application within the public sector, following the model of Hyderabad's 'Khuda Ki Basti' (KKB), meaning God's Community. Ongoing involvement and gradual, phased, social development by technically staffed and locally based NGOs in community development to members of the IS has benefited the poor. Assistance with documentation and procedural engagement have enabled public sector officials to engage the IS better. Incremental (SAIBAAN, KKB) and component sharing (OPP) models have been proven to be successful and according to Urbanists, should be followed (Hasan, A., 1999). Self financing, transparent documentation and minimal intervention have also led to increased leasees, increased networking and employment within the social housing compounds. Transferable lessons have been shown to be more successful through technocratic engagement of the people, less political intervention (in policies and institutions) and the formalization of local

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<sup>37</sup> While land grabbers have developed many of these tracts of once public property as private development initiatives, they are sold off to investors and members of the IS at higher prices. Hence, while many of these informal subdivisions (i.e. Yakoobabad) are capable of meeting the needs of the IS, they are supported by corrupt officials. In order to afford the properties, members of the IS engage in precarious and sometimes bonded labour relationships to pay off the debt.

grassroots institutions. The experiences of incremental housing also show that the requisite context is one where the government role is limited, predictable, simple, transparent and widely publicized. The implementation stage is where petty politics, patronage, corruption, etc. happens resulting in exemptions. A simple 'one window' bureaucratically managed procedure is required with minimal staff managing a scheme and the external components of services. NGOs then act as catalysts for leadership development to ensure that self styled leaders stay away as no kickbacks are available to community leaders (Ismail, A., 2002).

Similarly the '**component sharing model**', demonstrated by the infrastructure water/sanitation sector, has shown the most potential in streamlining community engagement with municipalities to obtain an external connection for water and sewage services. With respect to infrastructure in water/sanitation, studies highlight the success of mapping and documentation, for effective relationship building and advocacy. Karachi's water and sewerage utility, has been long plagued with organizational deficiencies, a lack of aligned plans, robust procedures and documentation (Rehman, P., 2008). Documentation and mapping, which are at the heart of the Orangi Pilot Project's (OPP-RTI's) community based work, established the grounds on which relations with government could enable the building of drinking water and sanitation lines within the community. A combination of formal and informal processes, underscore how relationships and the component sharing model have been nurtured over time. The OPP's component sharing model includes issues identification, field experience, linkages/partnerships with government, research and extension, civil society partnership, ownership of process and media channelling for information rather than publicity (WaterAid, 2006). All of these processes require collaboration at the community level as well as persistence engagement with municipal officers. Side effects include segregating and reducing government agency overlaps<sup>38</sup>, minimizing encroachment by other agencies, consolidating infrastructure information, addressing the lack of accountability, commenting on project affordability, examining cheaper alternatives, pressuring for attention to

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<sup>38</sup> In other words, government agencies at local and provincial levels should be assigned separate roles and responsibilities to ensure that there is no overlap of duties and inter agency tension, and enabling service providers such as the KWSB.

low cost solutions on storm water and drainage management and highlighting the weaknesses current state machinery<sup>39</sup> (Pervaiz, A., Rehman, P. and Hasan, A., 2008).

The low cost component sharing model has been shown to work beyond Karachi in Lahore and other urban contexts. Lahore's MUAWIN has served as a training and support base for the model's replication in Punjab. In 1994, the SKAA adopted the component sharing model in its KA upgrade program in Karachi. In Nov 2002, The Punjab Katchi Abadi and Urban Improvement Directorate (PKAUI) adopted the policy and successfully advocated for its adoption in a government – ADB financed project for 21 towns (SPBUS). In November 2006 the National Sanitation Policy was approved by the GOP, and provincial policies are being finalized. The CDGK is increasingly supporting development of natural drainage canals as box trunks for storm water management. OPP-RTI's proposal for sewage disposal for other CDGK water utility plans is also being followed. OPP documentation is being regularly used by state agencies for their work and also by the media to highlight and resolve issues. At the request of engaged client communities, the OPP set up a Community Development Network (CDN) as a forum for the strengthening of mutual learning, support and policy advocacy between members of the IS and municipal agencies. Misereor and Water Aid continue with their focussed donor support of programs that also encourage the youth to train and encourage outreach across Sindh. The Citizens Water and Sanitation group based at the partner NGO Urban Resource Center (URC) provides a forum for discussions and promotion of peoples alternatives. Concerned by the Japanese International Cooperation Agency's (JICA) unrealistic proposal for water supply for Karachi, OPP-RTI, assisted by members, has come up with solutions for the water supply for the city, focusing on ensuring water for the poor. Partner PURC in Lahore is also undertaking research and organizing forums on the city's issues (OPP, 2008). The OPP component sharing model illustrates the benefits of engagement that result from a participatory model. Such efforts illustrate that the effectiveness of public sector organizations can be increased through people centered engagement and solution development.

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<sup>39</sup> There is a significant amount of commentary on the performance and threats to the KWSB vis a vis the misalignment within the KMC and now the CDGK. However, the point within our study is simply the advisory capacity that an expert NGO can provide not only to communities but also to the state in terms of institutional functioning.

Case studies also illustrate that public sector organizations, such as the SKAA, have worked well in the past where bureaucrats embody a professional attitude, service commitment and understanding of the IS. In the case of the water/sanitation context, similar benefits can be realized if municipal service utilities such as WASAs are sensitized through the assistance of technically competent NGOs.

The regularization of Katchi Abadis in Karachi – has been the responsibility of the Sindh Katchi Abadis Authority (SKAA), based within the Provincial Planning and Development Department. When the agency was highly dependent on provincial and federal funds, it was inefficient and under performing in terms of leases granted to IS homeowners. Once it assumed new leadership, it was made autonomous after which internally driven administrative reforms (reductions in red tape, acceptance of ground realities, visits to communities and citizen centered development) improved accessibility and engagement with the IS. The demonstration of the SKAA's effectiveness influenced the Hyderabad replication of Khuda Ki Basti (Siddiqui, T.A., 1998). Changes made by the SKAA show that administrative reform from within can lead to more efficient service delivery – if coupled with the decentralization of decision making (authority for granting leases), procedures (streaming the grant process), accessibility (mobile services through 'one window' leasing) and training in dealing with community. Indicators for agency improvement were measured in terms of leases granted to members of the IS, taken for granting of leases (1440 days to 144 days) and cost effectiveness (as compared to local councils). The only critique of the current administrative set up is that higher leasing rates will be required if the SKAA is to become fully self-sufficient (Ismail, A., 2004). This of course assumes the continued ineptitude of higher orders of government in refusing to monitor, recognize and support the achievements of the agency.

The performance of the SKAA is impressive in spite of threats to the public service agency from administrative misalignment and political interference. The ability of the agency to develop financial self-sufficiency, a vibrant organizational culture, decentralized services to the poor, standard operating procedures and documentation, partnerships with NGOs and CBOs, employee welfare - productivity linkages and communications/outreach programs; demonstrates the capability of state agencies to effectively engage the IS. Persistent problems with year end fund

recovery, head office – field coordination, rewarding persistent levels of OT by staff and succession planning requires management vision, guidance and support from within government. However, commentators maintain that opportunities to buttressing the SKAA position are in more NGO and CBO outreach as well as in marketing of leases to existing KA owners (Zaidi, S.A., 2001).

While the internal benefits to SKAA administrative reform are obvious, the external benefits are also noteworthy. The improved ability of the SKAA in project and lease management revealed the lack of control on contractors (scope, cost overruns) that was responsible for high costs in the past. SKAA reform involved work with OPP - RTI as monitors of contractors around more sustainably developed design solutions. A survey of 60 KA settlements revealed that SKAA - OPP RTI design and construction was a fraction of the cost of KMC developments. Public engagement, simpler designs, transparent bidding processes and in house plan processing all contributed to the retention of control on development processes that translated into cost controls and savings. In a survey of 48 development schemes, SKAA managed projects experienced a 30% savings in time and money and better quality workmanship (through GO – CBO collaboration) as compared to those managed by KMC (Khaliq, A., 2000). Other studies outline the current disconnects between the GOS, KWSB and KMC which burden public funds and undermine government efficiency (OPP, 2000). OPP practitioners argue that more improvements and connections between staff and citizens in terms of KWSBs operations are required to encourage the entities sustainability (OPP, 2000). The exploration of alternative service arrangements such as Awami tanks<sup>40</sup> has been proposed to improve distribution, employ the poor and increase effective institutional performance (Ahmed, N., 2008)

Public sector management challenges are also found within Water and Supply Agencies and echo the needs for increased community engagement. Recommendations for agency improvement include establishing customer service standards, business performance standards, cost recovery alignment plans, service provider staffing decisions, improving collection protocols with communities, graduate tariff increases, improved accountability mechanisms,

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<sup>40</sup> Community-managed public tanks (Awami tanks) have been used in Orangi, Karachi's largest informal settlement, to cope with water shortages. These tanks are an example of a water supply service developed as a cooperative arrangement between informally developed community organizations and public sector agencies.

utility autonomy, ministerial oversight and performance management standards – tied to funding. In order for these recommendations to be implemented effectively, more capacity building and autonomy is required for the operating agencies that provide services to the citizens. This ultimately would translate into power for utility strategy and management decisions to be shifted to lower tiers of government (WB, 2006).

*Case study experience also reveals that improved engagement between the IS and municipal officers resulted from IS facilitated pressure on bureaucrats rather than politicians.*

Several studies in Karachi reveal the gains of IS community based efforts in engaging government service delivery machinery, through educated community champions and activists. The experience of Ghaziabad and Orangi revealed that economic conditions have improved due in part to the level of education and skills of residents. In other words, the experience that prominent residents have in dealing with municipal agencies and understanding what they are capable of getting out of line departments, has enabled the rest of the community to benefit. Such educated and prominent citizens, it was found, are typically suspicious of and alienated from political groups and hence don't engage politicians. As many of the activists serve as state employees, there were effective in engaging other municipal agencies within their communities and inserting their neighbours into the decision making process (Hasan, A., 1998).

The case of Nawalene and Lyari revealed that CBOs within the IS need to pursue capacity building efforts to effectively engage municipal government for service delivery improvements. CBO capacity improved through their organization, participation in networks, retention of educated leaders, acquisition of technical support (through NGOs) and development of leaders to press state agencies for service delivery improvements. CBO development also revealed the limitations of government patronage and media support, which the residents had previously relied upon. What was more beneficial was the capacity building of their organizations to engage and monitor government services, thereby minimizing corruption and rent seeking behaviour through frequent follow up with KWSB and KMC officials on plans (Hasan, A., 1998).

The case of Manzoor Colony revealed that NGO support benefited CBO efforts to effectively lobby government. CBO leaders who were well networked with the government were able to engage state machinery and reduce the response time for under serviced neighbourhoods. The risk of this approach was that as community leaders became more politically engaged, their communities would be neglected as was the experience of IS residents in Manzoor Colony. In order to avoid politicization of leadership functions, CBO activists lobbied for the ending of dysfunctional government plans and parallel programs which did not benefit the service delivery machinery. In order to make communities and not their leaders, central to the service delivery process, CBOs also lobbied for clear jurisdictional authority to be given to appropriate powers and responsible agencies. The ability of CBOs to engage in the improvement of government capacity, particularly to monitor GOP's and push accountability and transparency, benefits from CBO capacity building (Hasan, A., 1998).

The case of Welfare Colony also revealed the success that organization through labour union linkages and leadership can have. The persistence of pursuing government through well networked union and CBO groups has led to positive linkages with improved perspectives on the nature of community – municipal relationships. The lesson from Welfare Colony is that improved relationships sustained over the long term can drive results, more than political engagement, policies and procedures (Hasan, A., 1998).

Experience in such communities' shows that devolution consists not only of elections, but the institutionalized decentralization of power and resources to lower and more accessible levels of government. Its effectiveness depends on the resourced institutional capacity and community accessibility of municipal service delivery machinery. Furthermore, models of monitoring and accountability must follow (Khan, S.R., Khan, F.S. and Akhtar, A.S., 2007). For CBOs within the IS, this means CBO capacity building to push for such decentralization and ensuring that IS interests are continuously impressed on state machinery.

Case study experiences also reveal the success of initiating service delivery to the poor by increasing state awareness of the context of the IS and then engaging the state in capacity improvement in parallel with CBO efforts.



The flourishing of the IS and the push for a new redistribution of wealth is required to mitigate the impacts of the unplanned revolution (Hasan, A., 2002). The failure of the formal housing market for example, has prompted the IS to take control of land. However, the government still has a role to play in the management of resources and state agencies need to be strengthened by sensitization with ground realities. The government is capable of working with CBOs within the IS and developing alternative models to service the IS. Similarly, there is an opportunity to even reach out to the illegal land developers to distribute some land and plots for sale to low income groups in exchange for retaining high end plots (Hasan, A., 2000).

In order for governments to offer services to the IS (specifically the Katchi Abadis), they must be sensitized to the context, needs and abilities of the IS. What is repeated across the case studies, is the need for documentation, information sharing and persistent focussed lobbying on an issue that can force specific government agencies to deliver on their required services (Fernandes, K., 1997). Government agencies are highly politicized, with officers being changed spuriously and their successors finding fault with their work - and incurring stoppages in work during transition periods. If communities engage government agencies, they can force government departments to perform through support from NGOs and technocrats. While government agencies can accept but not own the model (such as component sharing), they can be pushed to adopting standard operating procedures, chain of command, appropriate engineering, contractor management practices and predictable levels of performance. State agencies can function better if department leadership is aware of ground realities and engages CBOs and NGOs as resources as well as partners. Similarly, international agencies which are pulled in other directions vis a vis wrong assumptions can be effective if they are sensitized to the context of the IS. To this extent, CBOs representing the IS need to organize and push information sharing and capacity building with government agencies.

The state of water and sanitation infrastructure would also benefit from advancing the relationship between the state and advocates for the IS. The example of the OPP engaging the KWSB on internal – external component sharing has shown to work (Hasan, A., 1997). As the OPP has pointed out, numerous issues related to supply gaps, bulk water/leakage ratios, tanker

operations and hydrant usage; donkey carts supplying KMC piped water through bribery all require improved state management practices and addressing. On the revenue side, only 30% of consumers pay, while 70% of connections are illegal. 40% of sanitation is treated, with the rest discharged to storm water tributaries which make their way to the sea. Many of the IS connections are not factored into large official plans nor are there efforts to separate storm from sewage. The dynamics of infrastructure development consist of donor lobbying for large treatment plants (which are often operating at 30% capacity) and resistance by smaller CBOs and NGOs that insist on repairing and rehabilitating below ground piping infrastructures, which is harder to maintain (Hasan, A., 1999). Regardless of the outcome, the sustainability position that CBOs representing the IS advocate for, is a critical component in the push for more state accountability and ensures relationship building between the CBOs and the state for improved service delivery.

Evidence from the housing and water/sanitation contexts illustrates proven returns and savings from increased municipal – community collaboration to address service delivery constraints to the IS. Similar themes also exist within the transportation context that support the case for sustainability through increased IS engagement.

## **Transportation**

In the second context, seven separate studies examine various dynamics between the IS and the transportation context. Urban public transport is key for the IS to contribute to economic development in industrial areas within the city. The studies conclude that state management of the context is imperative to addressing current inequities and constraints to affordability, mobility and accessibility for the poor. Commentators push for increased collaboration between police, road construction and highway management authorities.

The case studies in transportation reveal that the complexity of the challenges require government to take back its responsibilities in managing the sector for the IS, through improved coordination by state agencies, independent of political derailment. Failure to do so will result in chaos.

Democratic and Military administrations have unsuccessfully reformed civic administrative structures, resulting in the proliferation of duplicate agencies and offices which further stall the efficient operation of the system. The effective operation of the Karachi Transport Corporation (KTC) service from 1978 to 1984 and the perseverance of the city through periods of management turmoil demonstrate the potential of the public sector to manage and operate a public transit system. However, the KTC shut down, due to losses combined with 70% of commuters using minibuses (which are the only service that the IS receives within the Katchi Abadis). The absence of a detailed transportation governance and ownership plans<sup>41</sup> for transportation has reduced livelihood opportunities, lowered the potential for economic development, polarized planning (rich 'automobile' policies, rather than poor 'bus' policies), increased injuries and accidents and has contributed to reduced service quality for users and citizens (Ismail, A., 2002a). The lack of enforcement (federal and provincial policies and acts) and coordination (local level agencies) has created a chaotic environment in urban transport. IS labour within the transportation context suffers from cutbacks as they are unprotected. The government has failed numerous times to address transportation issues through imported solutions (KCR, KRTC, KOS, SRTC, KTC) demonstrating that effective reforms require the inclusion of all stakeholders (Sohail, M. 2000). However, surveys of experts within the field indicate that a lack of management capability and space with respect to the KCR, minibuses (transporter - operator relations and fares/quality balance for the poor) and the various government agencies is all that undermines the current system, which is now plagued by the transportation mafia (Hasan, A., 1999). The solution then, would be to engage the IS and all stakeholders in developing sustainable solutions to systemic issues.

Numerous stakeholders have signalled a desire to collaborate to address system deficiencies, which necessitates a lead management role of the government. Transporters and users have organized and demonstrated a desire to move forward in solution development, if managed by the public sector. Operators have established a compensation fund for victims and have signalled a willingness to cooperate with administrators regarding systemic issues (permit management, eradication of extortion by police, traffic violations, encroachment) which

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<sup>41</sup> It is important to note here that the private sector has not been able to sustain transportation system plans that are affordable. Hence, the responsibility falls back to the public sector.

overwhelm the system. The Minibus drivers union (part of the Karachi Transport Ittehad) has lobbied for terminals, repair depots, a rationalization of routes and the creation of a Karachi Municipal Transport Authority (KMTA) to coordinate transportation management. These requests have been echoed for both social and economic development (JICA, 2006) as infrastructure management continues to be pushed back to the government. Self help at the community level (bus stop maintenance, vehicle interior standards and fare recovery) has been recommended as a means of maintaining and monitoring a geographically dispersed system. The coordination of improvements would then fall to municipal agencies and communications with the public (Sohail, M., 2000).

The success of CBO - NGO - state collaboration in the KPTS Metro bus shows that government can manage public transport systems (albeit at a higher fare). Unionization of IS workers in the transportation context has also resulted in the reduction of extortion and *bhatta* as paid to the police. This approach has started in Lahore and is spreading to Karachi (Hisam, Z., 2006). A set of senior bureaucrats have experienced success with the Traffic Management Project, showing that updated administrative and recognized governance functions can lead to improved efficacy of Karachi's transportation issues (Hasan, A., 1999). The Karachi Circular Railway, the celebrated, subsidized, urban railway loop for the city, was shut down due to a spate of management, subsidy and expansion problems. However, in light of the current traffic, roadway and congestion problems, there is a pressing need to bring back a publicly managed rail based transportation system. Furthermore, the limited potential of capital intensive solutions, and the proven capability of a well managed rail system, supports the need for a publicly owned system. (Ismail, A., 2002a).

Furthermore, the government needs to engage the IS more in its planning and design of transportation policies in order for them to realize mass acceptance and forecast usage.

Several solutions exist that require increased government management of the system, rather than importing capital intensive solutions from abroad. Interviews of IS reveal that the automobile policy of Lyari in combination with the Northern Bypass, has not only displaced IS members but has made their commutes longer, utilities expensive, lives more expensive and their slums more

isolated as markets are shut down. The double displacement and their socio economic upheaval could have been remedied through the creation of public consultations between local government and community organizations. National policies such as Katchi Abadi Act and National Resettlement Policy continuously are violated due to lack of capacity of local government to enforce (Ismail, A., 2006).

Urban transport and global trends also place an unsustainable influence and burden on urban planning. The Urban Transport Master Plan of Lahore prepared with the technical and financial assistance of Japan International Corporation Agency (JICA) pushes high technology Light Rail Transit (LRT) along with construction of new roads. However, high densities, intensely mixed land use patterns, short trip distances and a high share of walking and non-motorized transport makes such an option sub optimal. As such, large investments in high tech solutions cannot be expected to solve Lahore's transport problems. The Comprehensive Urban Transport Master Plan of Lahore must encourage non-motorized transport and provide the opportunity to fast growing private vehicle users to change their travel mode. Secondary research concludes that the only solution suitable for Pakistani cities is one that has been locally designed and aims to solve the transport problems of the majority (Imran, N. and Low, M., 2003).

Solutions will be largely management based rather than capital intensive. In contrast to Light Rail Transit, Bus Rapid Transit has proven to be successful in several other Asian cities, to be far less expensive, more accessible and more affordable to governments to establish and maintain. It is also, according to Diaz and Penalosa, more symbolic of equitable relations between people and individuals in society. Bus Rapid Transit and dedicated infrastructure to meet the realistic needs of the large majority is more effective than expensive LRT projects. BRT can be unbundled as well to allow for community maintenance and involvement in the governance of the infrastructure (Penalosa, E., 2008).

The case studies from the transportation context emphasize the need for the government to assume responsibility for the operation, coordination and management of the system's infrastructure for the public and the IS as a whole. However, failed attempts at reforming the system in isolation have demonstrated the need for the state to engage the IS and all stakeholders

to transform the system to one that is sustainable and accessible for all segments of society. The importance of state – CBO collaboration is echoed in the labour rights context.

## **Labour Conditions**

Eleven case studies on the state of IS labour and working conditions were examined in the analysis of the final context. The case studies point out the limitations of government in enforcing labour practices within the formal and informal marketplace, and the challenges in governing an increasingly complex political economy that favours large export oriented industrialists, who are often negligent of labour rights and the working conditions of the marginalized. Nevertheless, commentators emphasize that the solution is to align existing policies and enforce legislation that protects the rights of IS labour. In order to make up for the lack of state and donor outreach, CBOs and NGOs involvement are looked to for engagement in monitoring and awareness generation, particularly bonded and marginalized workers from the IS.

Limited success has been found in social safety nets developed at and managed by higher orders of government. As with the previous contexts, the ‘top down’ approach to program development is limited and requires ground level engagement and monitoring.

Formal social safety nets and labour specific programs have been in place for some time but have had questionable efficiencies in ‘real outreach’. The major programs include provincial and old age pensions which target government employees and a fraction of the population. General Welfare programs include disabled persons, women, national council of social welfare (self help), Bait ul Maal, Zakat - Ushr, Public Works and Khushali Bank (GOP, 2003). Informal Structures include individually funded and numerous welfare organizations and trusts. The current systems do not cover those in the IS (42% of the 1999/2000 estimated labour force) and are criticized as declining due to constraints with poor scope, poor coverage, ineffective implementation and poor management. New policies appear robust on paper, but are largely ineffective on the ground, as is the case of minimum wage policies and child labour (PILER, 1999). As with other government programs, it is the literate and linked who through patronage are engaged in obtaining benefit from payouts. The collection of Zakat through formal channels is also on the decline and is reflected by the less than 3% of GDP being spent by the government on social uplift programs. Fragmentation, overlaps, inefficient implementation and corruption

must be addressed according to commentators, through merging programs nationally, expanding pension and insurance schemes (to be self sufficient), expanding public works (to ensure wage minimums), developing food subsidy and reforming government agencies (Aslam, H., 2004). Current policies for engaging the IS are insufficient and more programs tied to their independence, growth and economic development are required (World Bank, 2009).

Over twelve laws are in place that addresses occupational health and safety legislation, but there is no one comprehensive and enforced piece that is positively impacting the working conditions of the IS. Across the mining and engineering sectors which utilize a significant proportion of IS labour, there is a lack of safety equipment and protective devices which leads to eye injuries. Many suffer from ocular trauma. The construction, garment and hosiery industries all utilize IS workers and lack regularity of daily wages and benefits. Some success in Lahore and Karachi has been experienced with Occupational Safety and Health Centers with trained staff. However, little awareness generation among workers is taking place and many are unaware of basic protective equipment that should be made available to them by their employers. There is a need for data and more registration of workers and facilities to expose injuries in the IS (Ali, M.Z., 2005) particularly those in hazardous work environments such as brick kilns found in the urban periphery (PILER, 2004).

In a related finding, the sheer under capacity of government machinery requires that community based organizations assist government in breaking political economies of oppression.

The IS (70% of labour force) is largely excluded from pay and pension rights. They are unable to form unions (4% do) and hence, lack collective rights with employers and as per the survey, cannot claim the legislated minimum wage levels of 2,500 Rs. per month. In a Karachi survey of textile/garment/tannery workers, analysts found that over 50% of the IS workers were unaware of their basic rights, receiving less than minimum wage and were working in precarious positions (Dharejo, S., 2005). Womens workers are also with less wage rates than men and are unaware of the benefits of organizing. However, funds are saved through committees, assistance is provided through intervention in mutual health issues and while a desire existed to organize they were not sure how to. Most respondents said that they needed a place to gather to organize before taking

action - this would likely be back within the katchi abadis, where their social status carries more weight and in the end, can facilitate relationship development (Khattak, S.G., 2001). Enforcing existing regulations in the precarious working conditions of the poorest of the poor is critical to social uplift and supports the case for public work programs (GOP, 2007). Furthermore, as migrant workers within the IS are active conduits for relief and financial support to their home communities during times of crisis, they must be engaged (PILER, 2005).

The marginalized segments of the IS feel the brunt of state neglect the most, as they are beyond both cultural acceptance and state outreach. For example, the condition of low caste Hindus in Karachi has multiple layers of oppression which is exacerbated by being deprived of state support and biased legislation. As a consequence, many low caste Hindus end up employed in bonded labour conditions. Their poor state is an indicator of the need for legislative reform from institutions across Pakistan.

Recommendations are needed to provide special concessions in the areas of land reform, education, employment opportunities in the public realm, etc. to encourage their targeted uplift in society (Shah, Z., 2007). This is particularly the case of poor women in Karachi's IS who have not been targeted effectively by state policies. As women workers contribute to less debt within the families, they are considered to be more productive components of household income levels (Sayed, E. and Javed, S., 2007). However, women workers in the IS experience lower wages whether they work at home or within the small factories of Karachi. The extension of state coverage and labour rights to women workers in the IS are required.

Another conclusion from the labour conditions studies is that in light of volatile conditions, more government collaboration with NGOs is required to engage the IS and insulate from market factors.

As it is difficult to predict the manner in which the IS will adjust under adverse economic conditions. In any situation, increased collaboration between state and CBOs will be required to mitigate their vulnerability to free market shocks. Market volatility has placed increased pressure (rupee devaluation and price increases) on the purchasing power of the poor. State



investment in skilled, formal industries such as telecommunications and ICT, diverts funds away from employment opportunities for the IS in historically prominent industries such as textiles and agricultural (Hasan, A., 2002). Nevertheless, there is a recognition by the state that the poor in urban areas are not being serviced and more public funds should be invested in backward linkages, empowering the entrepreneurial capacity of the IS in ways that are closer to the ground, effective and accountable (GOP, 2008). Within the scope of this study, evidence from WASA Lahore indicates a gap in labour to maintain sewage and drainage channels from continuous silting, a task that is easily filled by members of the IS (WASA, 2004). The public sector, in such situations, can actively provide employment opportunities in a predictable and coordinated manner, for the IS.

Labour conditions can also be addressed through the direct intervention of the state in their own employment practices and those of industry. Research indicates that potential returns exist should terms of reference for non-state workers be included in wage increase discussions for state workers (Shah, Z., 2005). Furthermore, the expansion of health and safety awareness to contract work and EOBI benefits to poor workers is beneficial in the face of rising medical and food bills (Khoso, A., 2005). Research also shows that multi-pronged strategies to eradicating bonded child labor have found success in Sindh - providing soft loans to pay off exploitative debts, access to schooling for child weavers and organizing communities. Relevant legislative measures and enforcement must also prevent employment of children in all precarious working conditions for different age groups (PILER, 2007). Monitoring through mystery clients, combined task forces and NGO - ILO - consultant partnerships, inter agency partnerships, ILO led consensus among NGO, unions and CBOs engagement will be required to effectively address violations by identified industry violators (ILO, 2005). Donors insist that cost effective innovative transformations geared toward capacity building of the District level labour departments, District Governments, Provincial Planning and Development Departments, and NGOs be institutionalized. The aim of the training should be to inculcate learning about a proactive work culture with a missionary zeal (ILO, 2005), thereby embedding the ingredients for cultural transformation of acceptable work practices within the public sector machinery.

Ultimately, as pointed out in the literature, (Agarwala, R., 2007) IS labour demands benefits from the actors of the state, not those of the employers. The result of neoliberal structures is that new pathways are opened for the IS to be considered as a class through organization. (Hayami, Y., Dikshit, A.K. & Mishra, S.N. 2006) For example, waste pickers in Delhi are making a valuable contribution to society beyond their income as they contribute to public savings in avoiding more costly means of disposal. Expenditures on such members of society need to be better understood to increase their appreciation as contributors to society.

The secondary sources of literature overwhelmingly build the case for IS engagement through increased collaboration and engagement with municipal actors (See Appendix V). The sources of information buttress the findings from the primary expert interviews and illustrate the recommendations for improved IS engagement across contexts.

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## Glossary

ADB	Asian Development Bank
AHK	Akhtar Hameed Khan Foundation
BRT	Bus Rapid Transit
CBO	Community Based Organization
CDGK	City District Government Karachi
CDGL	City District Government Lahore
CDN	Community Development Network
CLC	Commons Law Company
FLAG	Foundation for Law and Governance
GOP	Government of Pakistan
GOP <sub>u</sub>	Government of Punjab
GOS	Government of Sindh
ICLS	International Conference for Labour Statisticians
IMF	International Monetary Fund
ILO	International Labour Organization
IS	Informal Sector
JICA	Japanese International Cooperation Agency
KA	Katchi Abadi (slum dwelling or community)
KDA	Karachi Development Authority
KU	Karachi University
KKB	Khuda Ki Basti (God's House)
KMC	Karachi Municipal Corporation
KMHB	Karachi Municipal Housing Board
KWSB	Karachi Water and Sewerage Board
KMTA	Karachi Municipal Transportation Authority
KTC	Karachi Transportation Corporation
LDA	Lahore Development Authority
LRT	Light Rail Transit
LUMS	Lahore University of Management Sciences
MOL	Ministry of Labour
MUHHDC	Mahbub Ul Haque Human Development Centre
NGO	Non Government Organization
NWFP	North West Frontier Province
OPP RTI	Orangi Pilot Project – Research and Training Institute
OPP	Orangi Pilot Project
P&D	Planning and Development Department
PIDE	Pakistan Institute of Development Economics
PILDAT	Pakistan Institute of Legislative Development and Transparency
PILER	Pakistan Institute of Labour Education and Research
PKAA	Punjab Katchi Abadi Authority
PRMP	Punjab Resource Management Program
PURC	Punjab Urban Resource Center
SAARC	South Asian Association for Regional Cooperation

SAIBAAN  
SDPI  
SKAA  
TVA  
UN  
UNDP  
UNICEF  
URC  
UU  
WASA  
WB  
WSB  
WTO

Social Housing Organization  
Sustainable Development Policy Institute  
Sindh Katchi Abadi Authority  
Tehsil Volunteer Associations  
United Nations  
United Nations Development Program  
United Nations International Children's Emergency Fund  
Urban Resource Center  
Urban Unit  
Water and Sanitation Authority  
World Bank  
Water and Sewage Board  
World Trade Organization

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