

The Pioneer's Paradox

Local Governance in Khyber Pakhtunkhwa









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Local Governance Profile – Khyber Pakhtunkhwa

This chapter analyzes the state of local governance in Khyber Pakhtunkhwa (KP), a province that presents a unique paradox. While historically at the forefront of local governance legislation, its progress has been consistently undermined by a political culture that subverts its own reforms through parallel structures and engineered instability. This analysis examines the "Pioneer's Paradox": how KP's progressive, formula-based systems are rendered ineffective by an entrenched political will to retain central control, leading to a system that is de jure (legally) active but de facto (in practice) paralyzed by the provincial executive.

1. Provincial Context and Political Landscape

Khyber Pakhtunkhwa (KP) has historically been at the forefront of local governance reforms, particularly after the 18th Constitutional Amendment, which mandated devolution through Article 140-A [1]. Despite this legislative commitment, the actual implementation of devolved governance has remained partial and vulnerable to political and bureaucratic reversals [3, 5]. The Pakistan Tehreek-e-Insaf (PTI), which has governed the province for an extended period, has championed these reforms in principle, yet its actions have often contradicted this stated commitment.. This contradiction is not a mere paradox but reflects a deeper, systemic conflict over the control of political power and resources at the grassroots level, a conflict that was sharply escalated by the results of the 2021-22 local government elections. The local elections, held in two phases, proved to be a pivotal turning point. They transformed the local government system from a theoretical instrument of governance into a genuine arena for political competition. The results delivered a significant shock to the ruling PTI provincial government. In the first phase, the opposition Jamiat Ulema-e-Islam (Fazal) (JUI-F) outperformed the PTI, winning 23 tehsil chairman seats to PTI's 16. This trend continued in key urban centers, with the JUI-F winning the coveted mayorship of the provincial capital, Peshawar, and the Awami National Party (ANP) securing the mayorship of Mardan. The emergence of empowered opposition figures in major cities and across numerous tehsils created new, independent centers of political power that were outside the direct control of the provincial executive. This new political reality appears to have triggered a strategic backlash aimed at neutralizing these nascent threats to centralized authority.

[6, 11].

This political context is crucial to understanding the subsequent events. A critical event shaping the current landscape was suspension of local bodies. On February 3, 2023, the Election Commission of Pakistan (ECP) suspended all local councils, citing the need to prevent their influence on upcoming provincial assembly elections. However, this move was swiftly challenged and overturned. On March 9, 2023, the Peshawar High Court (PHC) declared the ECP's notification unconstitutional and reinstated the councils, affirming their status as a protected third tier of government. While the judiciary protected the

legal *existence* of the councils, it could not compel the provincial government to empower them. Following the reinstatement, the provincial government pivoted to a strategy of inducing *functional paralysis:* maintaining a legally constituted but operationally inert third tier of government, thereby ensuring that the new opposition-led councils could not consolidate their power or deliver services to their constituents, effectively nullifying their electoral victories.

1.1 Timeline of LG Systems and Elections

2024

KP's local governance journey has been marked by frequent disruptions, creating a pattern of institutional instability that has hindered the maturation of a robust third tier of government.

2001:	The Local Government Ordinance was promulgated under General Musharraf's devolution plan.		
2005:	The first LG elections were held under the 2001 ordinance.		
2010:	The fourth and fifth PFC awards were issued, covering 2005-2011.		
2013:	Enacted a comprehensive KP Local Government Act providing for three- tier LG system [1].		
2015	Elected councils formed at district, tehsil, and village/neighbourhood levels. 2017-2021: Regular PFC awards were issued, with the most recent being for the fiscal year 2020-21.		
2019:	The KP LG Act was amended, controversially abolishing the district tier, leaving only tehsil and village/neighborhood councils [1].		
2021-2022:	Elections were held in two phases for the remaining tehsil and village councils.		
2023 (Feb)	The Election Commission of Pakistan suspended all local councils ahead of provincial assembly polls.		
2023 (Mar)	The Peshawar High Court declared the ECP's suspension notification illegal and restored the local councils.		

approve and prioritize local development schemes.

DDAC (Amendment) Act legally empowered legislator-led committees (DDACs) to

2. LG Law and Institutional Structure

2.1 Legislative Reforms and Political Mandate

The Khyber Pakhtunkhwa Local Government Act, 2013 (as amended in 2019) remains the primary legal framework for local governance [1]. Initially considered a progressive law aligned with Article 140-A, the 2013 Act introduced a three-tier system with devolved planning and fiscal roles. However, the 2019 amendment marked a significant reversal by abolishing the district tier, a move that was justified as a measure to improve efficiency but was criticized by civil society for reducing citizen representation and centralizing power. This move was a critical step in re-centralizing power; by eliminating the district government, which served as a powerful, consolidated political entity, the provincial government fragmented local power into smaller, weaker tehsil and city councils that were more susceptible to provincial control. [3, 5]

The political mandate established by the 2021-22 elections has been systematically undermined since the councils took office. A key legislative manoeuvre to achieve this was the KP Local Government (Amendment) Act, 2022. This amendment removed the explicitly defined powers and functions of mayors and chairmen from the main body of the law, replacing them with a clause stating their authority would be "as may be prescribed by rules". This was a clear attempt to make the authority of elected leaders contingent on the discretion of the provincial executive. However, in a landmark judgment on May 23, 2025, the Peshawar High Court (PHC) declared these amendments unconstitutional, ruling that devolving authority is a constitutional mandate under Article 140-A that cannot be subverted by shifting power definitions to subordinate legislation.

The councils elected in 2021-22 remain legally in place, serving a mandated four-year term that is set to expire in mid-2026. The core issue, however, is that their democratic mandate has been rendered hollow. The functional paralysis has been so complete that in April 2025, a group of 29 mayors and chairmen petitioned the Peshawar High Court for a three-year extension to their tenure, arguing they had been deprived of all financial and administrative authority since their election, making it impossible to serve their constituents.

2.2 Administrative and Fiscal Constraints

KP's local governments operate within a highly constrained administrative environment, designed to ensure their dependency on the provincial government. [9] The absence of a dedicated local government service cadre and the persistent failure to notify and implement comprehensive Rules of Business create a state of engineered ambiguity, forcing local councils to rely on the provincial bureaucracy for direction on routine matters. This administrative dependency ensures that loyalty and accountability flow upwards to the province, not outwards to the public. [2, 7].

While administrative hurdles are significant, the most crippling constraint is the systemic withholding of funds. Since their election, local councils have been systematically deprived of development funds, a situation that has paralyzed the entire system and brought council business to a complete standstill. Provincial departments, particularly the Planning & Development Department (P&DD), and the offices of the Deputy Commissioners retain firm control over the planning and execution of development schemes, even those nominally under the District ADP. This financial strangulation is the primary tool used to

enforce the functional paralysis of the elected third tier, rendering their legal and political mandate meaningless.

2.3 Evolution of Local Government Laws in Khyber Pakhtunkhwa

The evolution of LG laws in KP reflects a recurring tension between the constitutional requirement for devolution and the political imperative of centralization, with legislative reforms often designed to create a facade of autonomy while retaining control. [3].

Law/Amendment	Key Features	Gaps and Criticisms
LGO 2001	Introduced a three-tier system with significant administrative and fiscal powers at the district level.	Bypassed provincial authority and lacked political ownership, leading to its eventual dissolution.
KP LG Act 2013 (PTI Govt)	Established a comprehensive three-tier structure (district, tehsil, and village/neighbourhood councils) with 23 devolved departments, aligned with Article 140-A [1].	Suffered from weak enforcement, significant delays in framing of Rules of Business, and inadequate fiscal transfer mechanisms, which hindered full operationalization. [2, 3].
2019 Amendments to KP LG Act	Abolished the district tier with the stated aim of improving efficiency, retaining only tehsil and village councils. Mandated direct, party-based elections for Tehsil Chairmen/Mayors. [1].	Was widely criticized for reducing citizen representation, weakening oversight, and re-centralizing power [5].
Post-2022 Operational Gaps	Legally active councils with a four-year mandate until mid-2026 are in place. A 2022 amendment attempting to curtail their powers was struck down by the PHC in May 2025, legally restoring their authority as defined in the primary law.	The system is operationally paralyzed. The provincial government has systematically withheld development funds since the elections, rendering the councils non-functional and unable to deliver services.[5].

3. Fiscal Transfers and Development Allocations

The legal and political disempowerment of local governments in Khyber Pakhtunkhwa is operationalized through a sophisticated architecture of fiscal capture. While the province maintains the formal institutions of fiscal decentralization, these have been systematically hollowed out to ensure that real control over financial resources remains firmly in the hands of provincial legislators and bureaucrats. This is achieved

through a three-pronged strategy: rendering the Provincial Finance Commission's mandate illusory, institutionalizing legislator control over development spending, and systemically underfunding local development while allowing a culture of financial impunity to flourish.

3.1 Annual Development Programme (ADP) Allocations

KP's fiscal devolution has remained partial and inconsistent, a fact starkly illustrated by the provincial development budget. In FY 2024–25, the total ADP stood at Rs. 416 billion, with Rs. 30 billion (7.2%) earmarked for District ADP schemes [8]. In FY 2025–26, while the total ADP grew to Rs. 547 billion, the District ADP allocation rose to only Rs. 39 billion, its share remaining virtually stagnant at 7.1% [4]. This static proportion, despite a significant increase in the overall provincial development budget, highlights a persistent lack of political will to pursue genuine fiscal decentralization.

More critically, even this small allocation does not translate into fiscal autonomy for local councils. Planning and execution remain highly centralized, with district-level projects largely proposed by MPAs and approved by the provincial Planning & Development Department (P&DD), with negligible involvement from elected tehsil councils [6]. ADP guidelines for both fiscal years mandate routing these schemes through District Development Advisory Committees (DDACs), which are chaired by legislators and have no formal representation from LGs [9, 10].

3.2 Provincial Finance Commission (PFC) Awards

On the surface, Khyber Pakhtunkhwa appears to have a model system for fiscal transfers. Unlike in other provinces where the PFC is dormant, Khyber Pakhtunkhwa has a regular and functional Provincial Finance Commission that has issued multiple awards, with the most recent being for the fiscal year 2020-21. The PFC uses a transparent, multi-indicator formula for horizontal distribution of funds, primarily based on population (60%), poverty (20%), and infrastructure lag (20%) [1].

However, this progressive system is systematically subverted in practice. While the PFC determines the *amount* of funds transferred to the district level, the actual control over the *allocation and approval* of these funds is hijacked by parallel political structures, the legislator-led District Development Advisory Committees (DDACs). [6]

The funds do not go into a discretionary pool for elected local councils to plan and execute schemes based on local needs. Instead, the spending of these PFC-determined funds is dictated by the DDACs. [10, 11] This renders the PFC award a procedural formality that fulfils a legal requirement on paper but fails to deliver genuine financial autonomy to the grassroots level. The problem in KP is not the absence of a fiscal transfer system, but the political capture, which is compounded by the provincial government's failure to release even these controlled funds to the councils since their election in 2022.

3.3 Own-Source Revenues

Local governments in KP possess limited fiscal autonomy. While the law empowers tehsil and village councils to impose certain taxes and fees, their authority is constrained by weak enforcement mechanisms and the absence of digital tax collection systems [1, 7]. Major local revenue sources, such as property and

motor vehicle taxes, remain under the jurisdiction of provincial departments. As a result, most LGs lack sustainable revenue streams and are heavily dependent on provincial grants.

3.4 Indirect Execution Channels

A defining feature of KP's development architecture is the dominance of indirect execution routes that marginalize LGs. An analysis of the FY 2024–25 and FY 2025–26 ADPs reveals that the vast majority of development funds are executed outside the formal LG system[8][9]. In FY 2025–26, only Rs. 39 billion (7.1%) of the Rs. 547 billion ADP was earmarked for schemes implemented via local governments. The remaining 92.9% is managed by provincial departments or routed through vertical programs that operate with little to no local oversight, a clear deviation from the constitutional vision of devolution under Article 140-A[5].

4. Institutional and Political Realities

The functional paralysis of local governments in Khyber Pakhtunkhwa is sustained by a deeply entrenched institutional and political reality that ensures power remains centralized. This is achieved through a dual strategy: maintaining bureaucratic dominance over local administration and, more importantly, creating legally empowered parallel political channels that usurp the core functions of the elected councils.

4.1 Bureaucratic Oversight and Administrative Control

Local governments in KP operate under the shadow of entrenched bureaucratic control. Despite the constitutional framework for devolution, key administrative and financial decisions remain centralized within the provincial bureaucracy, particularly the Local Government and Rural Development Department (LGRDD) and the offices of the Commissioner and Deputy Commissioner [2, 7]. This bureaucratic control is institutionalized through two key mechanisms[3]:

- Absence of a Dedicated Cadre: The lack of an independent and professional local government service cadre means that key administrative and technical positions are filled by officials on deputation from provincial services. The career paths and loyalties of these bureaucrats lie with their parent provincial departments, not the local councils they are meant to serve. This ensures the administrative machinery at the local level remains beholden to the provincial center.
- 2. Engineered Ambiguity: The provincial government has consistently failed to frame and notify a complete set of Rules of Business for the local councils. This is not a simple bureaucratic delay but a strategic omission that creates a fog of operational ambiguity, forcing local councils to seek direction from the LGRDD for even routine matters and preventing them from acting with administrative confidence or autonomy.

4.2 Political Influence and Dual Governance Channels

The most defining challenge for KP's LG system is the duality of governance channels. On one side are the elected LGs with their constitutionally mandated responsibilities. On the other are MPAs and provincial bureaucrats who, in practice, dominate development planning and resource allocation [6]. The primary instrument for this is the District Development Advisory Committee (DDAC). These committees, chaired by legislators, serve as powerful parallel platforms that influence scheme identification and prioritization,

effectively marginalizing elected LG representatives from the planning process [10, 13]. This system serves			
short-term political interests but prevents the long-term institutional development of LGs.			

CASE STUDY: THE DDAC AS AN INSTRUMENT OF CAPTURE

The District Development Advisory Committee (DDAC) is the primary institutional mechanism through which the provincial government has legally codified a parallel governance structure, effectively usurping the core functions of elected local governments. Originally established under a 1989 Act as consultative platforms, the DDACs have been systematically transformed into the de facto authority for all local development planning and fund allocation, representing the most significant and formalized tool in the architecture of political and fiscal capture in Khyber Pakhtunkhwa.

The legal landscape changed fundamentally with the passage of the Khyber Pakhtunkhwa Establishment of District Development Advisory Committee (Amendment) Act, 2024. Passed by the provincial assembly on October 29, 2024, this law did not merely reaffirm the DDACs' legal standing; it formally expanded their power to "approve, prioritize, and monitor" all development schemes funded under the Annual Development Programme (ADP). This legislative act institutionalized the marginalization of elected local councils, turning them into bystanders in the development process of their own jurisdictions.

The composition of the DDACs is the key to their function as an instrument of capture. They are chaired by and composed of legislators—primarily Members of Provincial Assembly (MPAs) from the ruling party. The 2024 amendment controversially expanded their membership to also include Members of the National Assembly (MNAs). Elected local government representatives, such as mayors and tehsil chairmen, have no formal, empowered role in the decision-making processes of these committees. This structure ensures that control over local development patronage remains firmly in the hands of provincial and federal legislators, completely bypassing the elected third tier of government.

This expansion of power has sparked significant legal and constitutional debate. The DDAC (Amendment) Act, 2024, is currently under challenge in the Peshawar High Court. Civil society organizations and opposition lawmakers argue that the law is a direct violation of the spirit and letter of Article 140-A of the Constitution. The core of their argument is that a provincial law cannot create a parallel body led by legislators to perform the functions that the constitution explicitly devolves to elected local governments. The inclusion of MNAs in a provincially constituted committee has been further challenged as an act of legislative overreach by the provincial assembly. While proponents argue that DDACs ensure localized input from legislators, critics assert that they are a tool to legally centralize planning authority, dilute the mandate of elected local governments, and reinforce an elite-driven, patronage-based model of development.

5. Provincial Scorecard

The following scorecard reflects the "Pioneer's Paradox" in KP. While the province scores higher on the formal existence of a PFC, the overall system is undermined by the subversion of its intent through parallel political structures, leading to a state of functional paralysis..

Dimension	Indicator	Status/Rating*	Remarks
Legal Framework	Status of LG Law (2013, as amended)	Medium	The law exists and a key negative amendment was struck down by the PHC in May 2025. However, the entire framework is subverted by the parallel DDAC Act.
	Electoral Stability & Continuity	Low	The system's stability is low due to an unconstitutional suspension in 2023 and its subsequent operational paralysis caused by the provincial government withholding funds and powers, not dissolution.
	Implementation of Legal Framework	Low	Key provisions for financial and administrative autonomy are not being implemented by the provincial executive, leading to complete functional paralysis.
Fiscal Autonomy	Operational PFC	Medium	The PFC is functional and issues regular awards, but its fiscal transfers are captured by legislator-led DDACs and are not controlled by or released to local governments.
	Share of ADP Allocated to LGs	Low	Only ~7% of the provincial ADP is earmarked for districts, and even this minuscule share has been systematically withheld from the councils.
	Local Tax Authority	Low	LGs lack significant taxation powers; most major revenue instruments are retained by the province, ensuring dependency on grants.
Administrative Control	Planning and Oversight	Low	Dominated by legislator-led DDACs and the provincial bureaucracy, which legally bypasses the elected councils in all development planning.

	Scheme Execution Autonomy	Low	Execution of local schemes is managed by Deputy Commissioners and provincial line departments, not by the elected local governments.
	Staffing Autonomy (LG Cadre)	Low	No independent local government service cadre exists; reliance on deputed provincial staff ensures bureaucratic loyalty remains with the province.
Political Will	Manifesto Implementation	Low	Stated commitments to empower local governments are directly contradicted by the <i>de facto</i> paralysis of the entire system.
	Discretionary Funds & Parallel Programs	High	DDACs are legally empowered as the primary channel for local development, representing a fully institutionalized parallel program that subverts the LG system.

Legend: High = enabling/good practice; Medium = mixed or transitional; Low = constrained/deficient

6. Recommendations

To resolve the "Pioneer's Paradox" and align Khyber Pakhtunkhwa's practices with its constitutional obligations under Article 140-A, a series of bold and strategic reforms are essential. These recommendations are not minor adjustments but a fundamental re-engineering of the system aimed at dismantling the architecture of capture and building a resilient, autonomous, and accountable local government framework:

1. Empower the Existing Democratic Mandate and Uphold Judicial Rulings

The immediate priority is the functional empowerment of the existing, legally-elected LGs whose four-year term ends in mid-2026.

- Implement Court Orders: The provincial government must immediately and fully comply with the
 Peshawar High Court's landmark judgment of May 23, 2025, which declared the 2022
 amendments unconstitutional. This requires the full transfer of all administrative powers and
 functions to mayors and chairmen as they are defined in the primary Local Government Act, not
 as dictated by discretionary rules.
- End Administrative Ambiguity: The KP Local Government Act must be fully operationalized through the immediate framing and notification of all pending Rules of Business. This will provide the essential legal and administrative clarity on roles and responsibilities that has been deliberately withheld to maintain bureaucratic control and dependency.

2. Ensure Genuine Fiscal Autonomy by Dismantling Parallel Controls

Genuine devolution is impossible without financial autonomy. The current system of *fiscal capture* must be completely dismantled to empower LGs.

- Repeal the DDAC (Amendment) Act, 2024: This is the single most critical reform. The Act that
 legally empowers legislator-led DDACs to control development funds is the lynchpin of the parallel
 governance structure and must be repealed. The role of DDACs must be reverted to purely
 advisory and consultative bodies, stripped of all statutory authority over fund approval and
 project prioritization.
- Release All Withheld Funds: The provincial government must immediately release all withheld development funds for local governments from FY 2021-22 to the present to end the system's functional paralysis and allow councils to deliver services to their constituents.
- **Grant Full Budgetary Control to LGs:** The KPLGA and provincial financial rules must be amended to ensure that all funds allocated for districts—both from the District ADP and the PFC award—are transferred directly to a discretionary, non-lapsable fund under the exclusive control of the elected Tehsil or City Council.

3. Strengthen Administrative and Institutional Capacity and Oversight

To ensure that a restored system is sustainable, its institutional foundations must be strengthened to resist future attempts at capture of local autonomy.

- Establish a Professional Local Government Service: An independent, professional local government cadre must be created, with its own recruitment, training, and career progression structure separate from the provincial civil service. This will build institutional memory, develop specialized capacity, and foster a bureaucracy whose primary loyalty is to the local tier of government.
- Operationalize Mandated Oversight Bodies: The provincial government must immediately
 establish and empower the Tehsil Accounts Committees that were mandated in the 2019 LG Act
 but never formed. Operationalizing these committees is essential for scrutinizing local
 expenditures and holding the executive to account, particularly in light of the recent audit report
 revealing over Rs 354 billion in financial irregularities.

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Annex C.1: District-Wise ADP Allocations - FY 2024-25 & 2025-26

Division	Allocation FY 2024–25	Allocation FY 2025–26	Executing Authority
Peshawar	~Rs 3.0 billion	Rs 3.2 billion	DC Office / Line Departments
Swat	~Rs 2.3 billion	Rs 2.45 billion	Line Departments / DCs
Abbottabad	~Rs 1.9 billion	Rs 1.98 billion	Line Departments / DCs
D.I. Khan	~Rs 1.6 billion	Rs 1.75 billion	Line Departments / DCs
Mardan	~Rs 2.1 billion	Rs 2.2 billion	Line Departments / DCs
Mansehra	~Rs 1.5 billion	Rs 1.54 billion	Line Departments / DCs
Kohat	~Rs 1.0 billion	Rs 1.1 billion	Line Departments / DCs
Bajaur	~Rs 1.25 billion	Rs 1.3 billion	DC Office / AIP Blended
North Waziristan	~Rs 1.0 billion	Rs 1.05 billion	DC Office
Other Districts (25+)	Remaining share from Rs 30 bn	Remaining share from Rs 39 bn	Mostly Line Departments / DCs

Note: The figures provided are estimates based on available ADP documents. A consolidated, official district-wise breakdown is not published by the provincial government, and figures are subject to change based on final expenditure reports.