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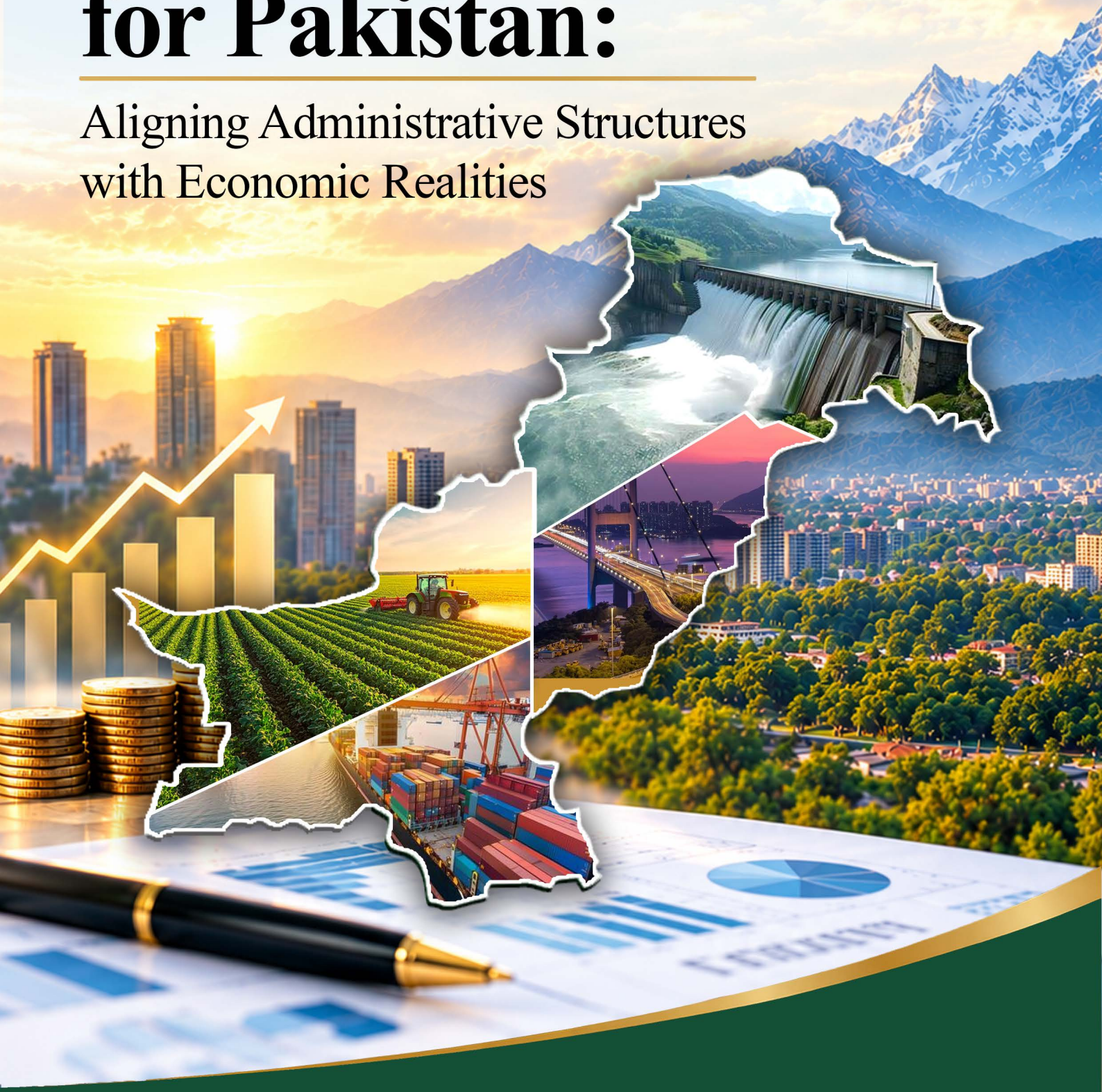
ICMA's Fiscal Vision for Pakistan:

Aligning Administrative Structures with Economic Realities



ICMA Research and Publications Department

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MESSAGE FROM THE PRESIDENT ICMA AND CHAIRMAN RESEARCH & PUBLICATIONS COMMITTEE



Pakistan's administrative structure is central to how public resources are allocated, institutions function and essential services reach citizens. As the country faces growing demographic pressures, fiscal constraints and rising expectations for effective governance, the question of administrative restructuring deserves careful evidence-based consideration.

The debate, however, should extend beyond the number of provinces, divisions or districts. The fundamental question is whether our administrative arrangements are equipped to respond to citizens' needs, support economic activity, facilitate investment and deliver public services efficiently. Any restructuring initiative must therefore be evaluated in terms of its economic and financial implications, institutional capacity and long-term sustainability.

This report, "**ICMA's Fiscal Vision for Pakistan: Aligning Administrative Structures with Economic Realities"**, examines the issue through multiple dimensions, including public-sector employment, ease of doing business, inflationary pressures, public-private partnerships, fiscal capacity and international experience. It seeks to contribute to a more informed understanding of the potential benefits, costs and trade-offs associated with different administrative arrangements.

A central consideration is that administrative expansion does not automatically translate into better governance or stronger economic outcomes. Additional units may improve accessibility and bring institutions closer to underserved populations, but they may also increase recurrent expenditure and coordination requirements. Similarly, strengthening existing administrative structures will deliver meaningful results only when accompanied by adequate resources, clear responsibilities, institutional accountability and effective implementation.

The way forward lies in aligning administrative structures with population needs, geographical realities and economic priorities. Greater fiscal and administrative empowerment of local governments, improved coordination across tiers of government, streamlined business regulations and stronger institutional capacity can help ensure that public resources generate measurable value. Any proposed restructuring should be supported by transparent fiscal assessments, credible evidence and clearly defined performance indicators.

I hope this report will contribute constructively to the national policy dialogue by encouraging a shift from debating administrative boundaries alone to examining the outcomes that governance arrangements are expected to achieve. Ultimately, the success of any reform should be measured by its ability to improve public service delivery, strengthen economic opportunity and use public resources responsibly.

The Research & Publications Committee remains committed to promoting informed debate and producing research that supports sound economic policy, institutional improvement and sustainable national development.

Muhammad Yasin, FCMA

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PREAMBLE

Pakistan's administrative structure plays an important role in the management of public resources, governance, economic activity and delivery of essential services. However, Pakistan's administrative geography has evolved considerably since independence, alongside changes in population, governance requirements, political circumstances and the evolving demands in its public resource allocation and administration. The link between population, administration and planning is also reflected in the evolution of Pakistan's census institutions.

Following the 1972 Census, the Census Organization was placed on a permanent footing as an attached department of the Ministry of Interior. In 1978, the Population Census Organization was transferred to the Statistics Division, which at the time operated under the Ministry of Finance, Planning and Provincial Coordination. This institutional evolution highlights the importance of population data in shaping administrative planning and the allocation of public resources.

The question of administrative restructuring has now returned to national policy dialogue. In July 2026, Interior Minister Mohsin Naqvi called for additional administrative units, while Planning Minister Prof. Ahsan Iqbal subsequently discussed two alternatives: 12 to 15 provinces or approximately 160 empowered district governments, with greater access to resources through Provincial Finance Commissions.

The proposals come amid continued population growth, with Pakistan's population estimated to be approaching 260 million and projected to reach 372 to 390 million by 2050 if current demographic trends persist. The Parliament's October 2026 sessions provided an opportunity to raise the broader question of administrative restructuring. However, no formal approval or legislative decision on restructuring has emerged from the available parliamentary proceedings.

The renewed debate makes this economic assessment particularly relevant. The issue extends beyond the question of creating more or fewer administrative units to whether existing arrangements remain aligned with population, geography, economic activity, fiscal capacity and public-service requirements. This report therefore examines the historical and current structure of administrative units and assesses their implications for public-sector employment, ease of doing business, inflation, public-private partnerships, fiscal capacity, administrative accessibility and resource allocation, while drawing on international comparative evidence to identify relevant governance practices.

Disclaimer: *The report uses "Administrative Units" as an umbrella term covering several hierarchical levels: Provinces/administrative areas → Divisions → Districts → Tehsils/Talukas → lower units such as union councils and villages.*

CHAPTER #1:

HISTORICAL AND INSTITUTIONAL EVOLUTION OF ADMINISTRATIVE UNITS IN PAKISTAN

Pakistan's administrative structure has evolved alongside major shifts in population, urbanisation, economic geography and the distribution of public responsibilities. The implications of administrative restructuring extend beyond the number or territorial size of units towards how institutional boundaries shape fiscal capacity, public expenditure, infrastructure provision, investment, market access, employment and service delivery. The central issue is how alternative administrative configurations affect the efficiency and accessibility of public resource allocation while maintaining appropriate economies of scale. Thus, providing the basis for examining the historical evolution of Pakistan's administrative and census institutions:

EVOLUTION OF THE CENSUS ORGANISATION

1950

The Census Organization was established under the Census Act, 1949, as part of the Ministry of Home Affairs (Interior), providing an institutional basis for systematic population enumeration.

1972

Following the 1972 Census, the Census Organization was placed on a permanent footing as an attached department of the Ministry of Interior. This marked a shift from census administration as an episodic exercise towards a more permanent institutional function.

1976

The Department of Registration and Census Organization were merged to form the Census & Registration Organization, bringing population registration and census functions within a consolidated institutional structure.

1978

The organisation was renamed the Population Census Organization (PCO) and transferred to the Statistics Division, which at the time operated under the Ministry of Finance, Planning and Provincial Coordination.

2011

Under the Statistics Re-organization Act, 2011, the Federal Bureau of Statistics, Population Census Organization and Agriculture Census Organization were merged to establish the Pakistan Bureau of Statistics (PBS).

2023

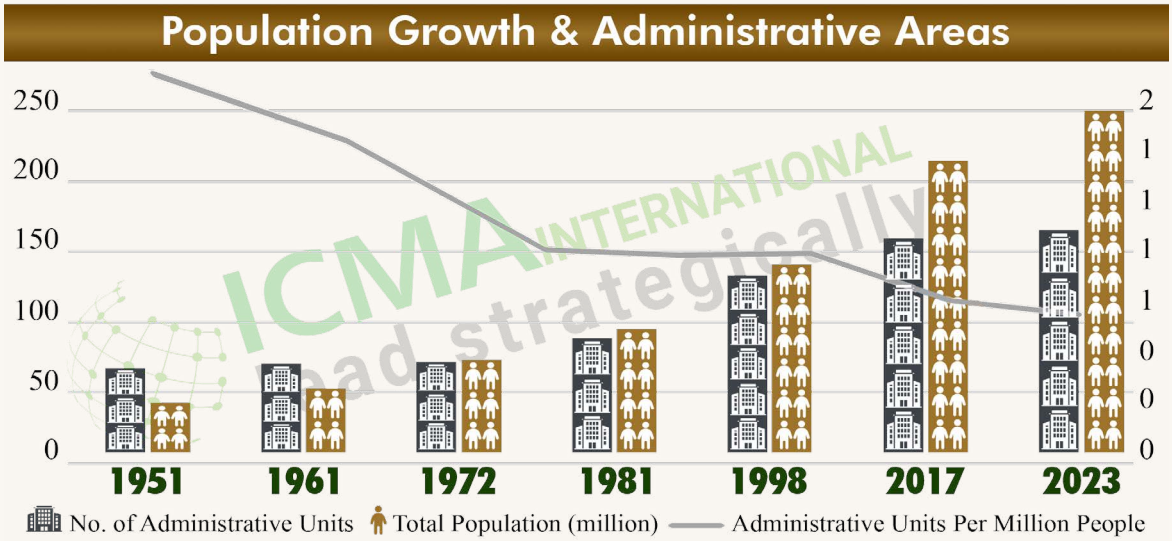
The 7th Population and Housing Census was conducted digitally, provided updated demographic and geographic information for planning and administration. The census recorded Pakistan's population at approximately 241.5 million, highlighting the substantial demographic expansion that has occurred since independence.

Source: *Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC)*

Population Growth and the Need for Administrative Proximity

According to PBS, Pakistan's population increased from 33.74 million in 1951 to 241.50 million in 2023, representing a 616% cumulative increase, while the number of administrative units increased from only 56 to 156 over the same period. Consequently, the number of administrative units per million people declined from 2 in 1951 to just 1 in 2023, while the average population served by each administrative unit increased from approximately 0.6 million to 1.55 million people. This divergence between demographic expansion and territorial-administrative reorganization provides an important context for examining the accessibility and effectiveness of public administration.

Greater proximity may reduce coordination and service-delivery costs, but smaller units may also face limited economies of scale and fiscal capacity. This is particularly relevant as provincial revenues averaged 6.5% of GDP during 2010-2024, while over 80% of provincial expenditure in FY2023 was recurrent and local governments' share of total government expenditure fell from around 10% in 2005 to below 5% in 2024. Thus, the economic implications of administrative restructuring depend on the balance between proximity, population and geographic scale, fiscal capacity, institutional costs, infrastructure and service delivery rather than on the number of units alone.



Year of Census	No. of Administrative Units	Total Population (million)	Administrative Units Per Million People
1951	56	33.7	2
1961	61	42.9	1
1972	63	65.3	1
1981	79	84.3	1
1998	125	132.4	1
2017	149	207.7	1
2023	156	241.49	1

Source: *PBS and ICMA's own estimation*

Devolution, Fiscal Federalism and Local Economic Governance

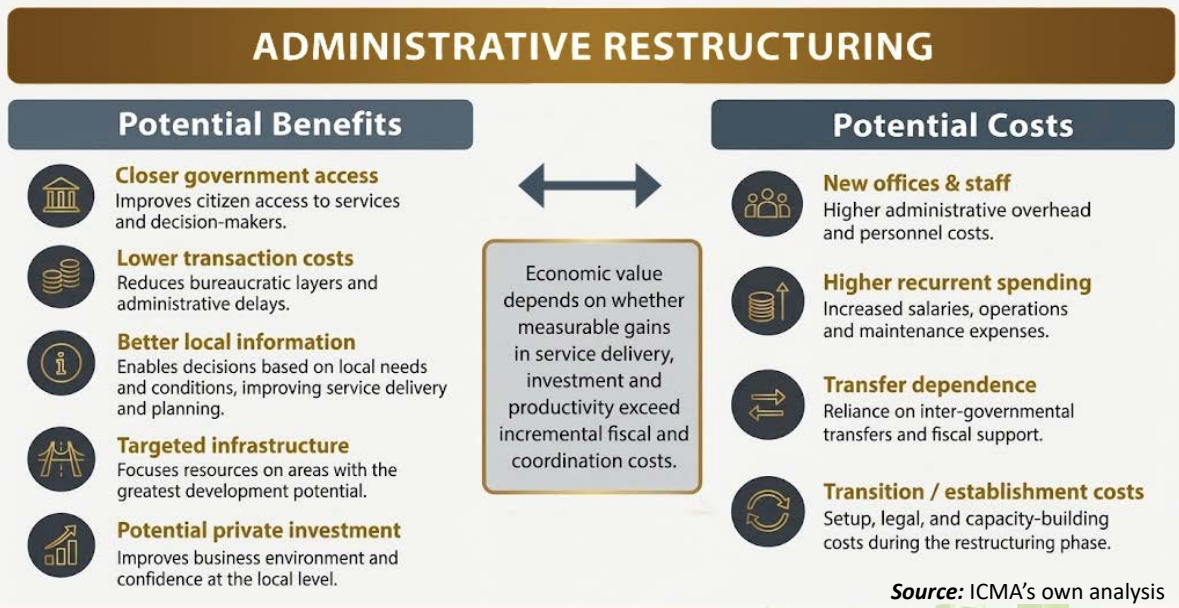
The 18th Constitutional Amendment (2010) and the 7th National Finance Commission Award marked a significant shift in Pakistan's intergovernmental fiscal and administrative framework. The 18th Amendment expanded provincial responsibilities, while Article 140-A emphasized for the devolution of political, administrative and financial authority to local governments. The NFC Award reshaped the distribution of federally collected revenues between the federal and provincial levels. These changes lead to a fundamental economic principle that territorial decentralisation is effective only when institutional responsibilities, fiscal resources and decision-making authority are aligned. However, administrative proximity may reduce access costs, but without adequate revenue capacity, staffing, authority and accountability, smaller administrative units may not necessarily generate corresponding improvements in public services, infrastructure or local economic activity.

Administrative Proximity and Economic Activity

For sustainable economic growth, greater administrative accessibility can reduce the distance between citizens, businesses and public institutions, potentially improving coordination in areas such as infrastructure provision, licensing, public services and local economic development.

For business sector, the accessibility and predictability of government institutions can influence the time and transaction costs associated with regulatory and administrative processes. However, administrative sub-division can also generate additional costs. Establishing new administrative headquarters and institutions may require expenditure on buildings, staffing, transport, information systems and other public infrastructure.

If new units do not possess sufficient fiscal capacity, educated workforce, economic activity or institutional resources then those additional administrative layers may increase expenditure without generating proportionate improvements in productivity or service delivery. Consequently, administrative proximity should not be treated as an economic benefit in isolation. Its potential economic value depends on the relationship between geographic accessibility, institutional capacity, fiscal resources, available workforce, economic activity and service-delivery responsibilities.



Source: ICMA's own analysis

CHAPTER #2:

EDUCATED UNEMPLOYMENT, PUBLIC-SECTOR ABSORPTION AND ADMINISTRATIVE RESTRUCTURING

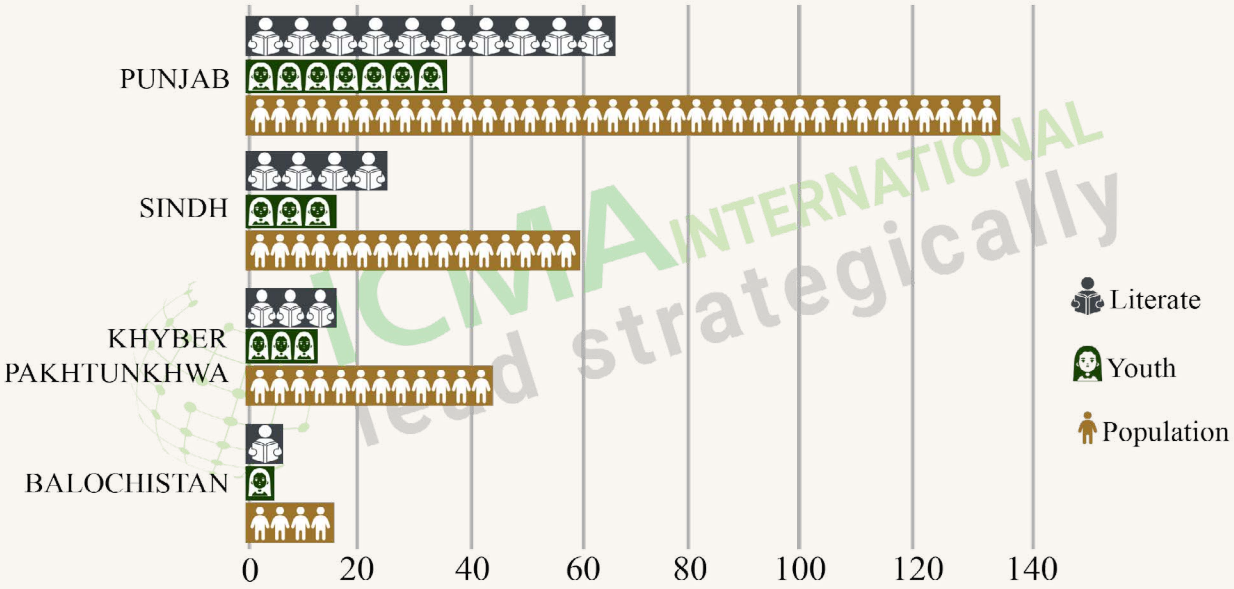
Does administrative reorganisation provide a viable mechanism for improving employment absorption and local economic capacity, or are these objectives better addressed through reforms within the existing administrative framework and broader labour-market measures?

Growing Educated Labour Force and Unemployment

Pakistan's expanding educated workforce faces significant difficulties in transitioning into employment. Analysis of the Pakistan Labour Force Survey 2024–25 by Gallup Pakistan Digital Analytics states that graduate unemployment is at 18.3%, compared with 14.7% nationally. The challenge is particularly pronounced among young graduates, with unemployment at 32.8% among those aged 20–24, declining to 24.8% at 25–29, 15.3% at 30–34 and 5.3% at 40–44. Gender differences are also substantial.

Among graduates aged 20–24, unemployment stood at 42.3% for females compared with 26.1% for males, while among those aged 25–29 it was 45.2% and 14.9%, respectively. The educational dimension is also significant.

Comparative Analysis of Population, Youth and Literacy



Figures In Million

Province	Population	Youth	Literate
Punjab	127.69	33.23	61.88
Sindh	55.7	14.28	22.43
KPK	40.86	10.67	14.42
Balochistan	14.89	3.79	3.9

Source: *Pakistan Labour Force Survey and ICMA's own estimation*

Approximately 7.8 million people with a degree or higher qualification were in the labour force, including 6.9 million employed and 0.9 million unemployed. Degree holders therefore accounted for 14.8% of total unemployment. These figures indicate that the challenge extends beyond expanding educational attainment to creating sufficient opportunities for educated workers to enter productive employment. With approximately 3.5 million people entering Pakistan's labour force each year, the employment challenge is continuous rather than limited to periodic recruitment cycles.

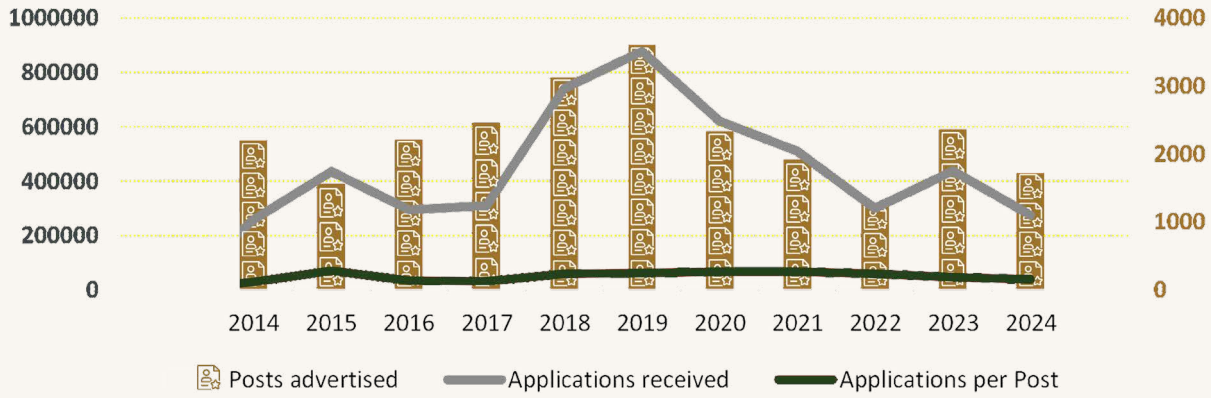
Sub-National Distribution of the Educated and Youth Population

The concentration of literate and young populations across administrative units is relevant to the discussion of administrative proximity and employment absorption. Available population data indicates that substantial differences in the scale of these populations across Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan. Punjab has the largest absolute population and literate population, while the other administrative units also contain sizeable youth cohorts requiring access to higher education, employment and public services. This geographic distribution raises an important question for administrative restructuring that whether employment and institutional opportunities are sufficiently distributed across population centres or they remain concentrated in a limited number of metropolitan and administrative hubs of Pakistan.

Public-Sector Employment as a Limited Absorption Channel

The recruitment series shows that demand for public-sector employment has consistently exceeded available positions. Federal applications increased from 256,513 in 2014 to 877,302 in 2019, while advertised posts remained comparatively limited, producing particularly high competition in several years. Although applications subsequently declined to 274,566 in 2024, they still represented substantial demand relative to 1,722 advertised positions.

Trends In Applications Per Advertised Post (2014–2024)



METRIC / YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Posts advertised	2,205	1,559	2,207	2,465	3,127	3,603	2,327	1,921	1,275	2,359	1,722
Applications received	256,513	436,170	295,523	309,990	741,058	877,302	621,157	509,955	298,980	436,217	274,566
Applications per post	116	280	134	126	237	243	267	265	234	185	159

Source: *FPSC Annual Reports (2010-2024)*

Provincial Public-Sector Employment Strong Demand and Limited Capacity

At the Provincial Level, the 2024 figures similarly indicate strong competition, with PPSC recording 59.6 applications per position and KPPSC 23.2, while the available SPSC recruitment-period data indicate 80.5 candidates per post. The long-term pattern therefore suggests that public-sector employment is an important but limited absorption channel for Pakistan's expanding educated workforce. High application volumes demonstrate strong demand for formal government employment, but the relatively small number of positions means that public recruitment alone cannot absorb the growing young and educated labour force.

PUBLIC SERVICE COMMISSION	2024 ADVERTISED / EXAMINED POSTS / VACANCIES	2024 APPLICATIONS / CANDIDATES
PPSC	12,800	762,392
SPSC	4743	381,960
KPPSC	1,691	39,225

Source: PPSC, SPSC, KPPSC

Note: The BPSC recruitment portal records 119,679 registered candidates, 48 advertisements and 223,411 online applications. However, these figures represent cumulative records rather than data specifically disaggregated for 2024. Therefore, BPSC figures could not be included in the above table, which presents annual data for the respective year.

Administrative Units and Local Employment Creation

In this context, additional administrative units could create some direct employment and stimulate associated local economic activity, particularly in underserved areas. However, their employment contribution would depend on whether new structures can create genuine service-delivery capacity and additional productive workforce capability, rather than duplicating existing institutions and increasing recurrent expenditure. Thus, administrative expansion may contribute to employment absorption, but broader private-sector and local economic development remain necessary to accommodate the scale of Pakistan's emerging workforce.

CHAPTER #3:

ADMINISTRATIVE UNITS AND EASE OF DOING BUSINESS

Does greater administrative proximity reduce the cost and time of doing business, or can administrative fragmentation create additional regulatory costs?

Regulatory Complexity and the Cost of Business Compliance

The business environment in Pakistan is shaped by regulations administered across three-tiers i.e. Federal, Provincial and Local Government. Businesses may therefore interact with multiple government departments for Registrations, Licences, Certificates and Other permits (RLCOs) during establishment and operation. The Board of Investment (BOI), through the Pakistan Regulatory Modernization Initiative (PRMI), has identified this multi-layered regulatory environment as a source of compliance costs, particularly where procedures remain manual or involve overlapping requirements. The PRMI framework includes mapping existing RLCOs, identifying unnecessary or cumbersome requirements, eliminating non-essential approvals, simplifying essential procedures and automating them through digital platforms. The relevance of this issue to administrative restructuring is that the number of administrative units does not by itself determine the cost of interacting with government. The more important variables are where regulatory authority is located, how responsibilities are allocated, how many institutional interfaces businesses must navigate, and whether procedures are integrated across jurisdictions. Administrative proximity can reduce transaction costs when businesses can access decision-making authorities, obtain approvals and resolve administrative matters without extensive travel or repeated interactions with multiple offices. However, decentralisation can produce the opposite outcome when each additional jurisdiction introduces separate procedures, documentation requirements, fees, inspections or approval chains. The economic effect therefore depends on the institutional design accompanying administrative reorganisation.

ADMINISTRATIVE ARRANGEMENT	POTENTIAL EFFECT ON BUSINESSES
Authority delegated closer to businesses + integrated procedures	Lower travel and transaction costs
Local authority + clear division of responsibilities	Greater administrative accessibility
Additional administrative units + duplicated departments	Higher institutional and compliance costs
Multiple jurisdictions + different procedures	Higher costs for multi-location firms
Decentralisation + digital one-window systems	Potentially lower geographical and administrative costs
Centralised authority + efficient digital systems	Physical proximity becomes less important

Source: ICMA's own analysis

Administrative Proximity versus Regulatory Fragmentation

Administrative proximity can generate economic benefits when authority is delegated to institutions that are sufficiently close to the businesses and economic activities they regulate. Local authorities may have better information about land use, infrastructure requirements and local economic conditions, potentially allowing decisions to be made more quickly. However, proximity has an economic value only when it is accompanied by effective delegation and institutional capacity. Creating additional administrative units without simplifying procedures may increase the number of government offices that businesses have to deal with. For example, a firm operating across several administrative jurisdictions may have to deal separately with local authorities concerning land use, construction, environmental approvals, inspections, utilities and local permits. If each jurisdiction applies separate documentation, timelines and approval mechanisms, administrative subdivision can increase compliance costs even where government offices are geographically closer.

Sub-National Variation in Pakistan's Business Environment

Pakistan's provincial experience shows that ease of doing business depends not only on administrative proximity but also on institutional integration, digital access and regulatory capacity. Punjab uses Business Facilitation Centres and eBiz Punjab for integrated licensing and approvals, while Sindh's S-BOSS is digitizing more than 140 regulatory services. Khyber Pakhtunkhwa combines regulatory simplification with digital permits, tax services and dispute resolution. Balochistan focuses on investment facilitation and specialised mining regulation. Gilgit-Baltistan is also moving towards streamlined regulation, with the Assembly expected to take up the Asaan Karobar Act to facilitate businesses and improve the investment environment, alongside digital licensing and payment services.

Current Ease of Doing Business Reform Architecture in Provinces

UNIT	LEAD / COORDINATING INSTITUTIONS	OTHER RELEVANT INSTITUTIONS	MAIN EODB FUNCTIONS
Federal	Board of Investment (BOI)	Securities and Exchange Commission of Pakistan (SECP), Federal Board of Revenue (FBR), State Bank of Pakistan (SBP), relevant federal ministries/ regulators	PRMI, regulatory mapping, elimination/ simplification of RLCOs, digitalisation and Pakistan Business Portal
Punjab	Industries, Commerce, Investment & Skills Development Department (ICI&SDD)	Punjab Information Technology Board (PITB), Business Facilitation Centres, SECP, LESCO, SNGPL and other participating agencies	Business registration, NOCs, licences, permits, interdepartmental process mapping and automation

Sindh	Investment Department, Government of Sindh	Sindh Board of Investment, Sindh Business One Stop Shop (S-BOSS), Board of Revenue Sindh, Sindh Building Control Authority (SBCA), Labour Department, Sindh Environmental Protection Agency, provincial judiciary and other regulatory agencies	Consolidation and digitisation of RLCOs, business registration, construction, property, environmental and labour-related approvals
KPK	Khyber Pakhtunkhwa Board of Investment & Trade (KP-BOIT)	Industries Department, KP Revenue Authority (KPRA), Khyber Pakhtunkhwa Economic Zones Development & Management Company (KPEZDMC), KP Information Technology Board, PESCO, SNGPL, local authorities and commercial courts	Investor facilitation, regulatory reform, business start-up, utilities, contracts, digital services and investment facilitation
Balochistan	Balochistan Board of Investment & Trade (BBoIT) / Industries & Commerce Department	Mines & Minerals Department, Balochistan Revenue Authority, Balochistan Food Authority, Environmental Protection Agency and other sector regulators	Investment facilitation, licensing, regulatory simplification and sector-specific facilitation
Gilgit-Baltistan	Government of Gilgit-Baltistan / Assembly	Industries & Commerce, Mines & Minerals, Tourism, Planning & Development, local government and other sector regulators	Investment facilitation, digital government services, sector-specific licensing, tourism and mining-related approvals

Source: *BOI, BBoIT, ICI&SDD, SBoI, KP-BOIT, PITB.*

CHAPTER #4:

ADMINISTRATIVE UNITS AND INFLATION

Through which fiscal, infrastructure and supply-side channels might change in administrative structure influence inflationary pressures in Pakistan?

Pakistan's existing expenditure structure makes the fiscal implications of administrative restructuring particularly relevant. The World Bank reports that more than 80% of provincial expenditure in FY2023 was recurrent, while a substantial share of the increase in provincial expenditure following fiscal devolution was absorbed by administrative spending rather than corresponding improvements in service outcomes. This does not establish a direct causal link between administrative structures and inflation, but it highlights the opportunity cost of recurrent expenditure and the importance of examining how additional administrative spending is financed.

The relationship between administrative structure and inflation is nevertheless indirect. Milton Friedman's proposition that *"inflation is always and everywhere a monetary phenomenon"* highlights the importance of monetary conditions in determining sustained price pressures. Higher interest rates under a tight monetary stance are therefore not inherently inflationary, as their effects depend on the wider macroeconomic environment and transmission mechanisms. Administrative restructuring does not directly determine inflation rather, its potential effects may operate through fiscal balances, public expenditure, borrowing requirements, aggregate demand, infrastructure development, production costs and the availability of goods and services. These channels interact with monetary policy, exchange rates, energy and food prices, supply-side shocks and inflation expectations in shaping overall price developments.

CHANNEL	POSSIBLE UPWARD PRESSURE	POSSIBLE EFFICIENCY EFFECT	INDICATOR
Recurrent Administration	Higher payroll, offices and operating costs	Better access to services	Recurrent spending per capita
Financing	Borrowing to establish/ operate units may add fiscal pressure	Efficient financing can limit pressure	Deficit / financing requirement
Transport & Logistics	Fragmented coordination may raise costs	Better local infrastructure can lower costs	Transport cost / delivery time
Markets & Food Supply	Weak market administration can worsen disruptions	Better monitoring/storage can ease local bottlenecks	Regional price dispersion

Source: *OECD (2026); World Bank (2026, 2024); IMF (2022, 2025)*

Financing and Fiscal Transmission

The macroeconomic effect of administrative restructuring would depend primarily on how additional expenditure is financed. If expansion is funded through additional revenue without widening the fiscal deficit, its inflationary implications may be limited. Borrowing or persistent fiscal imbalances could create stronger demand and financing pressures. The relevant variable is therefore the source and composition of financing, rather than simply the number of administrative units.

Infrastructure and Supply-Chain Effects

A second channel operates through infrastructure and supply chains. Effective local administration can support roads, municipal services, markets and storage facilities, reducing the cost and time involved in moving goods. Conversely, weak transport networks, inadequate storage and inefficient market administration can raise supply-side costs, particularly for food and agricultural products.

Market Monitoring and Price Management

Provincial and local institutions also contribute to monitoring essential commodities, enforcing market regulations, coordinating distribution and responding to local supply disruptions. Greater administrative accessibility may therefore improve the speed and coverage of market monitoring and potentially moderate short-term price pressures.

Administrative Expenditure versus Productive Spending

The economic effect depends on the composition of public expenditure. Spending on additional administrative establishments has a different economic effect from expenditure on transport infrastructure, storage, agricultural markets or municipal services. The analysis should therefore distinguish between administrative consumption and productive public expenditure. Relevant indicators include administrative expenditure per capita, recurrent and development expenditure, own-source revenue, transfers, infrastructure spending, transport costs and regional price movements.

Lean Administrative Alternative

A lean restructuring model, in which existing divisional hubs are reorganised into smaller administrative units without duplicating bureaucratic layers, could limit additional recurrent expenditure. Existing offices, personnel, infrastructure and institutional arrangements could potentially be reorganised rather than replicated. The fiscal outcome would therefore depend on the extent of new expenditure and the capacity to utilize existing resources.

Administrative Structure and Inflation

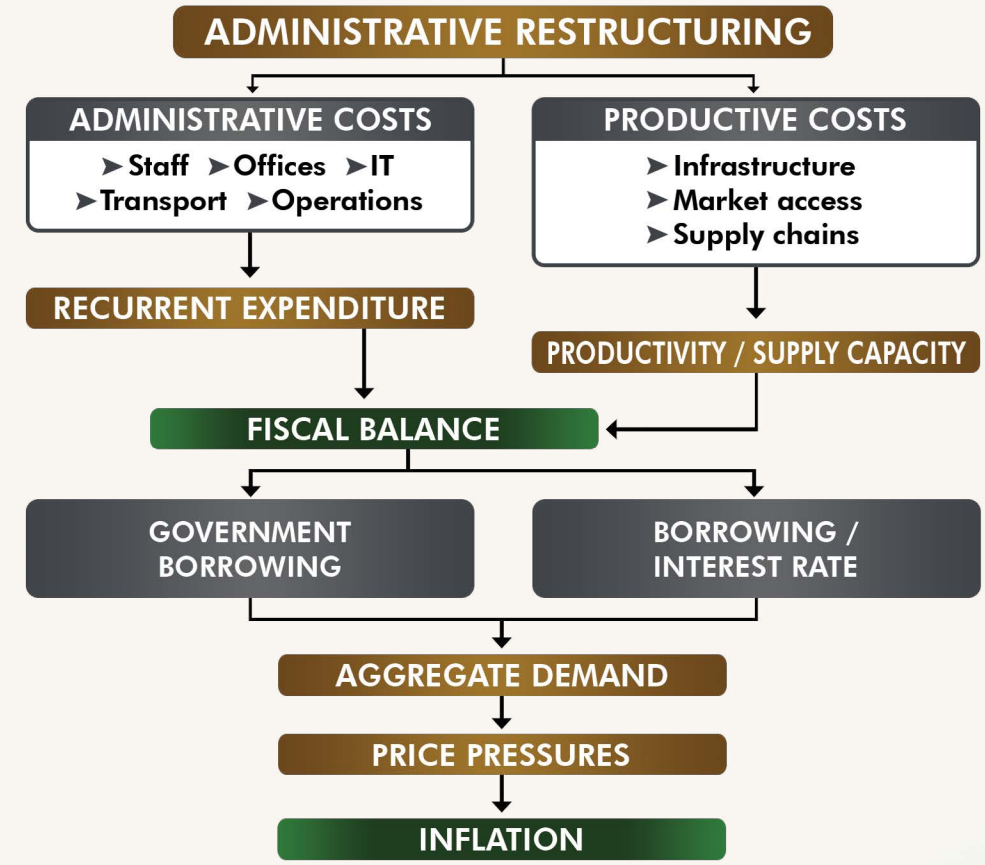
The relationship between administrative units and inflation operates through several interconnected channels, including fiscal management, supply-chain coordination, market monitoring and administrative accessibility. Administrative boundaries can influence the movement of essential

commodities, the distribution of public expenditure, the availability of price information and the capacity of authorities to monitor local markets like District Administrations, Price Magistrates, Price-Control Committees and Market Committees in monitoring prices and addressing hoarding and profiteering can help reduce market distortions, improve commodity availability and strengthen the transmission of price-control measures to consumers.

MSG2 Multi-Country Model

Using the MSG2 Multi-Country Model, ICMA examines the macroeconomic effects of proposed reductions in fiscal deficits in the USA and Europe under the Maastricht Treaty. It founds that while fiscal consolidation could initially have adverse effects on economic growth in low and middle-income countries, these effects could be offset over the medium term through lower interest rates and stronger capital flows to these economies. The first channel is administrative expenditure. Establishing a new administrative structure can require additional government offices, personnel, accommodation, transport, information systems and operating expenditure. These requirements may increase recurrent expenditure. Where such expenditure is not accompanied by additional revenue or offsetting efficiency gains, it can contribute to fiscal pressures adversely.

Moreover, where district-level data are available, these indicators can be compared before and after significant administrative changes to examine whether restructuring is associated with changes in fiscal expenditure, infrastructure provision, supply conditions and regional prices. This approach avoids assuming that an increase in administrative units necessarily produces higher inflation.



Source: ICMA own analysis using MSG2 Multi-Country Model

Supply-Chain and Domestic Trade Channel

Administrative boundaries can also affect the movement and distribution of commodities. Restrictions, delays at check posts, differences in regulatory procedures and transportation costs may interrupt the movement of essential goods between markets. Such disruptions can reduce effective supply and increase wholesale and retail prices, creating cost-push pressures. The recent Economic Survey identifies supply disruptions, transportation costs and market-related factors among other factors associated with inflation in Pakistan.

Market Monitoring and Price Regulation

Administrative units are also important for local price monitoring and enforcement. Provincial and district authorities monitor markets, inspect retailers and wholesalers, investigate violations and take action against hoarding and profiteering. The Decision Support System for Inflation (DSSI) further provides geographically disaggregated information on wholesale and retail prices to support provincial governments, district administrations and price committees. This suggests that the effectiveness of inflation management partly depends on the administrative capacity to collect timely information and respond to abnormal price movements.

Administrative Accessibility and Local Price Differences

The geographical size and internal administrative structure of a unit may affect the accessibility of markets and the frequency of physical monitoring. Remote markets may face greater transportation and monitoring challenges, potentially contributing to wider wholesale-retail price differences. Accordingly, the relationship between administrative units and inflation can be investigated through measurable indicators such as wholesale-retail price spreads, local price dispersion, inspection intensity, distance from administrative centres, market connectivity and administrative expenditure.

Fiscal Channel

Administrative restructuring may influence inflation through its effect on government expenditure and fiscal balances. Where new administrative structures require substantial duplication of departments, offices and institutions, recurrent expenditure may increase. If such expenditure contributes to higher fiscal deficits and is financed through inflationary sources, it could add to aggregate demand pressures. Conversely, a lean restructuring model that primarily reorganizes existing administrative infrastructure may have a different fiscal effect. The relevant issue is, therefore the net fiscal impact of restructuring, rather than the number of administrative units itself.

CHAPTER #5:

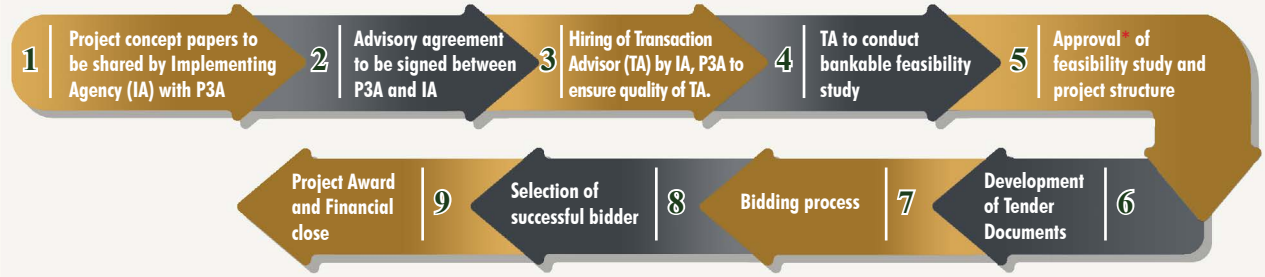
ADMINISTRATIVE UNITS AND PUBLIC-PRIVATE PARTNERSHIPS

Does the scale and structure of administrative units enhance the capacity to prepare, finance, procure and manage PPP projects, or does fiscal and institutional constraints limit these benefits?

Pakistan's PPP Institutional Framework

Pakistan's PPP framework operates across federal and provincial institutions. The Public-Private Partnership Authority (P3A) currently lists 47 projects in its portfolio, comprising 22 qualified and 25 non-qualified projects, while the wider PSDP+ portfolio contains more than 160 projects, including 50 provincial-subject projects and 105 federal projects. This distribution demonstrates that PPP development involves multiple levels of government and reinforces the importance of clearly defined institutional responsibilities. The legal and procurement framework is similarly distributed. Federal procurement is governed by the Public Procurement Regulatory Authority (PPRA) framework, while provinces maintain their own procurement authorities and rules. Punjab operates under the Punjab Procurement Regulatory Authority Act and related rules, while Sindh has its own procurement legislation and a separate PPP Act and institutional framework. The existence of separate frameworks makes inter-governmental coordination and regulatory consistency relevant to PPP development, particularly for projects extending across administrative boundaries.

Public-Private Partnership Life Cycle and Processes in Pakistan



*Project Development Process for Qualified Projects will also involve approvals from P3A Board, CDWP/ECNEC

SOURCE: *Public–Private Partnership Monitor Pakistan 2025 – Asian Development Bank (ADB)*

PPP as an Administrative Capacity Channel

Public-Private Partnerships (PPPs) provide an important channel through which administrative structure can influence infrastructure investment and service delivery. Pakistan recorded 119 infrastructure projects reaching financial closure between 1990 and 2024, representing US$33.325 billion in investment, with electricity accounting for the largest investment share and greenfield projects representing the largest project-type share. The scale of PPP activity makes institutional capacity particularly relevant because successful PPPs require more than private financing. Public authorities must identify projects, conduct feasibility study and demand assessments, structure transactions, manage procurement, allocate risks and monitor long-term contracts.

Differences in Federal and Provincial Public-Private Partnerships in Pakistan

ASPECT	FEDERAL PPPs	PROVINCIAL PPPs
Scope	National, cross-provincial, international	Localized, region-specific
Legal Framework	Governed by PPP Authority Act 2017	Governed by Provincial PPP laws
Project Complexity	Large, multi-provincial, international stakeholders	Localized, regional focus, limited focus, limited interest from international stakeholders
Funding	National and international sources	Regional, provincial and some federal funding
Risk	Spread across federal government and partners	More localized risk management
Accountability	High national scrutiny	Varies generally more regional

Source: *Public–Private Partnership Monitor Pakistan 2025 – Asian Development Bank (ADB)*

Administrative Proximity versus Economies of Scale

Administrative proximity can improve PPP development by providing authorities with better information about local demand for transport, healthcare, water, sanitation, waste management and other infrastructure. However, local knowledge does not substitute for specialised financial, legal, technical and procurement expertise. Smaller administrative units may therefore face capacity constraints, while larger institutions may achieve economies of scale in project preparation and contract management. This creates a central trade-off between proximity and institutional scale. A functional PPP system may consequently require coordination across administrative levels rather than assigning complete responsibility to the smallest jurisdiction.

Fiscal Capacity and Public Support

PPP arrangements also create continuing fiscal responsibilities for government. Depending on the contractual structure, public authorities may provide viability-gap funding, availability payments, guarantees, land, subsidies or other forms of support. Administrative units with limited own-source revenue and high dependence on transfers may therefore have less capacity to undertake long-term PPP commitments. The assessment of administrative restructuring should consequently consider revenue capacity, predictable transfers, development expenditure and the ability to meet contingent and contractual liabilities rather than focusing only on geographical proximity.

Coordination Costs and Regulatory Fragmentation

Large infrastructure projects commonly involve planning agencies, land authorities, municipal institutions, utilities, environmental regulators and finance departments. Where responsibilities are

divided among multiple institutions without effective coordination, project preparation can become slower and more costly. Administrative fragmentation may therefore increase transaction costs even where individual institutions have adequate technical capacity. Conversely, decentralized project-development functions may reduce information and coordination gaps between infrastructure providers and local economic centres appropriately.

Evidence from Major PPP Projects

Current projects illustrate the scale and geographical reach of PPP infrastructure. The Sialkot-Kharian Motorway in Punjab has an estimated cost of approximately Rs. 27 billion (estimated in 2021) , with the government supporting financial viability through capital and operational viability-gap funding. The Sukkur-Hyderabad Motorway in Sindh has an estimated project cost of Rs. 307 billion, and its concession agreement has been signed. These projects demonstrate the scale of PPP mobilization but should not be interpreted as province-wide investment totals because project pipelines and costs do not constitute a consolidated measure of PPP investment by province.

Project pipelines and development stages can nevertheless serve as useful indicators of infrastructure mobilization and institutional capacity. Differences between administrative areas can be examined alongside project size, fiscal support, traffic demand, economic activity, sectoral priorities and project-preparation capacity. This avoids attributing differences in PPP activity to administrative boundaries alone.

Project Preparation and Institutional Efficiency

The quality and speed of project preparation can materially affect PPP outcomes. Feasibility assessment, economic appraisal, financial modelling, procurement review, risk allocation and stakeholder consultation are necessary before projects reach financial close. International project-review systems demonstrate the value of structured and time-bound appraisal. Chile's National Investment System, for example, integrates project appraisal through an online system, while the UK's Gateway Review Process subjects' major projects to structured reviews at critical stages. These examples indicate that standardised appraisal and clear decision points can reduce procedural uncertainty without eliminating rigorous assessment.

PPP Activity and Economic Nodes

PPP activity is also likely to reflect the concentration of economic activity rather than administrative boundaries alone. Major cities, industrial centres and transport corridors can generate stronger demand for commercially viable infrastructure, while projects in areas such as Thar, Jamshoro, Sukkur, Chaman, Turbat, Kalat, Kohlu, Loralai, Zhob and Awaran demonstrate that PPP-related infrastructure requirements extend beyond provincial capitals. This suggests that the relevant question is not simply whether an area constitutes a separate administrative unit, but whether project identification and preparation capacity is sufficiently close to emerging economic centres.

PPP Regulation and Institutional Coordination

Pakistan's PPP framework operates through federal and provincial procurement and PPP institutions. Provincial Procurement Regulatory Authority (PPRA) laws and rules, together with dedicated PPP legislation in provinces such as Sindh and Punjab, establish procedures for project procurement and implementation. Differences between federal and provincial frameworks in definitions, procedures and risk-allocation principles can, however, increase regulatory complexity for projects involving multiple jurisdictions. The absence of a dedicated PPP framework within the federal Public Procurement Regulatory Authority Rules further highlights the importance of greater consistency in procurement procedures, risk allocation and project-development standards to facilitate private-sector participation across administrative boundaries. Sindh provides an example of a dedicated provincial institutional arrangement. The province enacted its PPP legislation in 2010 and established a PPP Unit within the Finance Department to support the PPP Policy Board, assist government agencies with project development and coordinate consultants and procurement processes. Such institutional arrangements indicate that PPP performance depends not only on the legal framework but also on the existence of specialised capacity for project preparation, transaction management and implementation.

Current PPP Pipeline

The federal Public-Private Partnership Authority (P3A) currently lists 47 projects, comprising 22 qualified and 25 non-qualified projects. Of these, 21 are at the concept stage, 8 involve transaction-adviser hiring, 9 are undergoing feasibility studies, 8 are at the market-sounding or bidding-document stage, and 1 has reached concession-agreement signature. The wider PSDP+ portfolio contains more than 160 projects, including 50 projects relating to provincial subjects and 105 federal projects. The distribution across project-development stages is significant because a PPP pipeline does not represent completed investment. Projects at the concept, feasibility or transaction-adviser stages still require financial, technical, legal and procurement assessment before reaching financial close. Consequently, pipeline maturity and institutional capacity are important indicators alongside the headline number of projects.

Geographic Variation in PPP Development

Project-level evidence also illustrates differences in the scale of PPP infrastructure across administrative areas. The Sialkot-Kharian Motorway in Punjab has an estimated cost of approximately Rs. 27 billion, while the Sukkur-Hyderabad Motorway in Sindh has an estimated cost of approximately Rs. 307 billion and has reached concession-agreement stage. These figures demonstrate the scale of individual projects but should not be treated as province-wise PPP investment totals because a consolidated 2026 provincial investment series is not available. Project costs, development stages and public support requirements can nevertheless provide useful indicators for comparing PPP mobilization. The Sialkot-Kharian project involves approximately Rs. 4 billion in capital Viability Gap Funding (VGF) and Rs. 868 million in operational VGF per annum for first eight operational years totaling Rs. 6.94 billion, while the Sukkur-Hyderabad project involves approximately Rs. 9.5 billion in capital VGF. Such differences can be examined alongside traffic demand, economic activity, infrastructure requirements, fiscal support and institutional capacity. They cannot, however, establish that administrative boundaries themselves caused differences in PPP investment.

Project Appraisal and Administrative Efficiency

PPP development also depends on the efficiency of project appraisal. Infrastructure projects typically pass through multiple stages involving feasibility analysis, economic and financial assessment, environmental review, procurement, risk allocation and stakeholder consultation. While these controls improve project quality and accountability, poorly coordinated or open-ended procedures can increase preparation time and transaction costs. Clearly defined workflows, time-bound approvals, process audits and digital tracking can help reconcile rigorous appraisal with administrative efficiency. International experience provides relevant institutional examples. Chile's National Investment System uses an integrated project platform and structured appraisal to assess projects before budget allocation, while the UK's Gateway Review Process applies formal reviews at critical stages of major projects. Korea's PIMAC and the Netherlands' MIRT framework provide additional examples of structured project appraisal and multi-stakeholder coordination. These models demonstrate that effective project governance depends on standardised procedures, defined decision points and coordination among technical, financial and regulatory institutions, rather than administrative size alone.

PPP Activity and Economic Centres

The geographic distribution of PPP activity also suggests that private investment responds strongly to market size, infrastructure demand, economic concentration and project viability. Karachi, Lahore, Quetta and major transport and industrial corridors attract substantial infrastructure projects, while projects in Thar, Jamshoro, Matiari, Sukkur, Chaman, Turbat, Kalat, Kohlu, Loralai, Zhob and Awaran demonstrate that economically relevant infrastructure requirements extend beyond provincial capitals. This distribution is relevant to administrative restructuring because it raises a more specific question that, whether project-identification and preparation capacity is sufficiently close to emerging economic centres. Administrative proximity may improve identification of local infrastructure requirements, but private investment will still depend on demand, financial viability, fiscal support, technical feasibility and broader economic conditions.

Implications for Administrative Restructuring

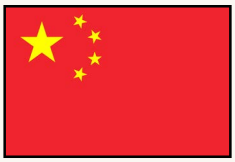
The PPP evidence does not, by itself, establish a relationship between the number of administrative units and the volume of private investment. Creating smaller jurisdictions without corresponding technical, financial and procurement capacity could duplicate institutions and increase coordination costs. Conversely, geographically extensive jurisdictions may face information and accessibility constraints when identifying and monitoring infrastructure requirements in distant economic centres. The evidence therefore points towards functional decentralisation rather than territorial expansion as the immediate analytical question. Divisional or district-level institutions could potentially be given greater capacity for identifying infrastructure needs, preparing project concepts and monitoring implementation, while specialised financial modelling, legal structuring, risk assessment and large-scale procurement remain consolidated at provincial or federal level. Such an arrangement could combine local information and administrative proximity with economies of scale in specialised PPP functions, providing a more testable basis for assessing the economic implications of administrative restructuring.

CHAPTER #6:

INTERNATIONAL COMPARATIVE EVIDENCE OF RESTRUCTURING ADMINISTRATIVE UNITS

International experience indicates that the number of administrative units alone does not determine governance or economic outcomes. A larger number of units may bring government institutions closer to populations and facilitate more geographically targeted administration, but it can also increase coordination requirements and recurrent administrative costs. Conversely, fewer and larger units may provide greater economies of scale and simpler institutional coordination, although they may involve greater geographic or population distances between citizens and administrative centres. The comparative cases of China, India, Indonesia, Nigeria, South Africa, Türkiye and Japan illustrate different approaches to territorial organisation. Türkiye has 81 provinces, while Japan has 47 prefectures, Indonesia 38 provinces, Nigeria 36 states plus the Federal Capital Territory, India 36 states and Union Territories, China 34 provincial-level units, and South Africa 9 provinces. These differences reflect distinct population distributions, geographic conditions, institutional arrangements and historical developments rather than a common administrative model.

The economic implications therefore depend on factors beyond the number of administrative units, including population served by each unit, geographic coverage, revenue capacity, expenditure responsibilities, infrastructure and institutional capacity. For example, population per first-level unit varies considerably across the selected countries, demonstrating that an identical number of administrative units can represent very different administrative scales. International comparison is consequently more useful when administrative structure is examined alongside fiscal capacity, service delivery, investment, business activity and regional economic outcomes. For Pakistan, this evidence suggests that any assessment of administrative restructuring may benefit from considering population size, geographic accessibility, administrative capacity, revenue-generating potential, public-service responsibilities and measurable economic outcomes together. The objective of comparative analysis is therefore not to establish that more or fewer administrative units are inherently preferable, but to identify the institutional and economic conditions under which different territorial arrangements have been associated with particular outcomes.



CHINA is a unitary state with 34 provincial-level administrative divisions, comprising 23 provinces, five autonomous regions, four municipalities directly under the Central Government and two Special Administrative Regions. Despite its unitary constitutional structure, substantial public expenditure is administered at the local level. In 2024, local general public-budget expenditure amounted to RMB 24.39 trillion, representing 85.7% of national general public-budget expenditure. Local governments also recorded RMB 11.93 trillion in own-source general-



Source: *World Atlas*

budget revenue, while receiving RMB 10.03 trillion in transfers from the central government. These figures indicate substantial sub-national responsibility for public expenditure and service delivery, alongside significant central fiscal coordination.



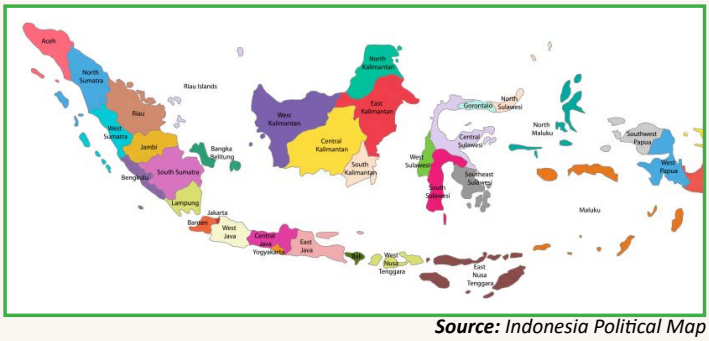
INDIA provides a relevant comparative case for Pakistan because territorial reorganisation has been an extended feature of its administrative development. The States Reorganisation Act, 1956 marked a major restructuring of India's territorial administration, followed by the creation or reorganisation of several states, including Gujarat and Maharashtra in 1960, Haryana in 1966, Chhattisgarh, Jharkhand and Uttarakhand in 2000, and Telangana in 2014. India currently comprises 28 states and 8 Union Territories, giving it 36 first-level administrative units. The economic role of states is also significant. In 2024–25, consolidated state and Union Territory fiscal deficits were budgeted at 3.1% of GDP, while capital expenditure was projected to increase by 21.0%. Tax revenue assigned to States and Union Territories was budgeted at ₹12.47 trillion. These figures illustrate the substantial fiscal and investment responsibilities exercised at the sub-national level. However, differences in economic performance across Indian states cannot be attributed to territorial boundaries alone. Industrial structure, human capital, infrastructure, urbanisation, fiscal capacity and institutional conditions also influence state-level economic outcomes.



Source: *Administrative Map of India*

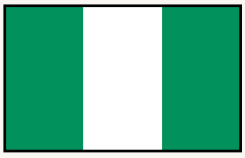


INDONESIA provides a relevant case of decentralisation and territorial restructuring. The number of provinces increased from 8 at independence in 1945 to 33 by 2004, following successive territorial reorganisations associated with regional autonomy, and has since reached 38 provinces. Indonesia also has an extensive second level of administration comprising regencies and cities, with the country's 2024 fiscal database covering 546 local governments. The expansion of administrative units has occurred alongside substantial fiscal decentralisation, but local revenue-generating capacity remains uneven. In 2024, the 546 local governments recorded budgeted regional revenue of approximately Rp1,364.5 trillion, of which Rp394.9 trillion, or about 28.9%, came from own-source revenue, while Rp882.2 trillion, or about 64.6%, came from transfers from the central government. These figures indicate that decentralisation has transferred significant administrative and fiscal responsibilities to sub-national governments while leaving many jurisdictions reliant on intergovernmental transfers. The Indonesian experience therefore illustrates the importance of examining whether additional administrative units generate sufficient improvements in economic activity, public-service delivery and local revenue mobilization to compensate for the

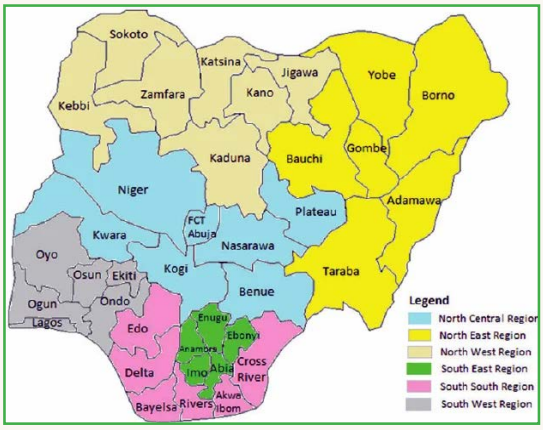


Source: *Indonesia Political Map*

associated administrative expenditure. Territorial expansion may increase local representation and administrative proximity, but its fiscal sustainability depends partly on the revenue-generating capacity and economic base of the jurisdictions created.



NIGERIA provides a relevant example of the continuing debate over administrative restructuring. The country currently has 36 states, the Federal Capital Territory and 774 local government areas, while its ongoing constitutional review has received proposals for 55 additional states and 278 new local government areas. The debate extends beyond territorial boundaries to include revenue sharing, local government autonomy and the distribution of administrative powers. Nigeria's experience indicates that creating additional jurisdictions can improve representation and access to government, but may also increase reliance on intergovernmental transfers if new units lack sufficient own-source revenue and administrative capacity. For Pakistan, the key lesson is that any expansion of administrative units may need to be assessed alongside their fiscal sustainability, service-delivery capacity and revenue-generating potential.



Source: *Map of Nigeria*



SOUTH AFRICA presents a different model of territorial restructuring. Following the end of apartheid, the country was reorganised into 9 provinces under the 1996 Constitution, alongside national and local spheres of government. The reform was accompanied by a formal system of intergovernmental fiscal relations, with provinces receiving an equitable share of nationally raised revenue based on population, service needs, poverty and economic activity. In 2026-27, the provincial equitable share was recorded at R670.3 billion, illustrating the continuing importance of fiscal transfers in supporting devolved responsibilities.



Source: *Provinces of South Africa*

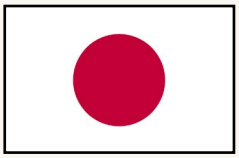


TÜRKIYE provides an example of gradual territorial expansion, with the number of provinces increasing from 67 to 81 over several decades. According to the Ministry of Interior, the number rose particularly during 1989–1996, reaching 81 provinces with 922 districts.



Source: *Turkey Administrative Map*

The expansion was accompanied by changes in administrative boundaries and efforts to improve administrative accessibility and regional service provision. Türkiye also uses 12 NUTS-1 regions and 26 NUTS-2 sub-regions for regional planning and statistical analysis.



JAPAN provides an important counter-example to territorial subdivision, as its reforms have included substantial municipal consolidation. During the Heisei period, the government encouraged municipal mergers through financial incentives, partly in response to fiscal pressures, demographic change and the need to strengthen local administrative capacity. The number of municipalities fell from 3,229 in FY1999 to about 1,822 by FY2006, substantially reducing the number of local government entities. More broadly, the World Bank identifies municipal merger and coordination as mechanisms that can improve local efficiency by internalizing service spillovers and generating economies of scale.



Source: *Administrative Map of Japan*



Source: *World Map with Flags*

CHAPTER #7:

THE WAY FORWARD – ICMA'S POLICY RECOMMENDATIONS

Pakistan's administrative restructuring debate should move beyond the question of how many administrative units the country requires and focus instead on how effectively government delivers public services, facilitates economic activity and allocates public resources. With a growing population, expanding urban centres and increasing demand for infrastructure and employment, reform is necessary. However, territorial expansion without corresponding fiscal resources, institutional capacity and clearly defined responsibilities risks increasing administrative expenditure without generating proportionate economic benefits.

The following policy measures are recommended to ensure that administrative restructuring strengthens governance, promotes economic efficiency and remains fiscally sustainable.

1 Adopt a Function-First Approach to Administrative Restructuring

Administrative restructuring should be guided by measurable governance and economic needs rather than the number or size of administrative units alone. The federal and provincial governments should assess existing arrangements against population density, geographical accessibility, economic activity, service-delivery gaps, infrastructure requirements and administrative costs before deciding whether new units are necessary.

The immediate priority should be to strengthen existing divisional, district and tehsil-level institutions through greater functional authority and improved institutional capacity. Where territorial reorganisation is considered necessary, it should be supported by evidence demonstrating that expected improvements in public services, accessibility and economic activity outweigh the additional fiscal and administrative costs.

2 Strengthen Local Governments Through Meaningful Fiscal Devolution

The effectiveness of decentralisation depends on the alignment of administrative responsibilities, decision-making authority and financial resources. Provincial governments should strengthen local governments in line with Article 140-A of the Constitution by providing clearly defined functions, predictable financial transfers and greater capacity to plan and deliver local services.

Provincial Finance Commissions should be made more effective through transparent, rules-based and predictable resource-allocation mechanisms. Fiscal transfers should consider population, poverty, geographical disadvantage, infrastructure deficits, service-delivery requirements and local

revenue-generating capacity. Local governments should also be encouraged to improve own-source revenue mobilisation within their legally assigned powers.

This approach would strengthen grassroots governance and administrative accessibility without making the creation of new provinces or administrative establishments the principal route to decentralisation.

3 Prioritise Administrative Efficiency Over Bureaucratic Expansion

Administrative reform should initially focus on improving the productivity of existing institutions rather than automatically creating new departments and posts. Where additional administrative capacity is required, governments should consider redeploying existing personnel, sharing support services, consolidating back-office functions and using digital systems before establishing new offices.

New administrative establishments should be designed around essential functions and clearly defined service-delivery responsibilities. Overlapping mandates should be eliminated, and staffing requirements should be determined by workload, population served and service standards.

Public-sector recruitment may provide employment opportunities, but administrative expansion cannot serve as a substitute for broader job creation. Given the scale of Pakistan's educated labour force, employment policy must also promote private investment, entrepreneurship, skills development and productive activity in regional economic centres.

4 Reduce Business Compliance Costs Through Integrated Digital Governance

Improving the ease of doing business should be a central objective of administrative reform. Additional administrative units will not necessarily reduce business costs if firms must navigate separate approval procedures, documentation requirements and regulatory authorities across jurisdictions.

The federal and provincial governments should accelerate regulatory simplification through the Pakistan Regulatory Modernization Initiative and existing provincial business-facilitation platforms. Priority measures should include:

- Establishing integrated one-window systems for registrations, licences, certificates and other regulatory approvals.
- Harmonising documentation requirements and service standards across relevant jurisdictions.
- Introducing time-bound approval procedures, digital application tracking and transparent escalation mechanisms.
- Eliminating redundant approvals, unnecessary inspections and overlapping regulatory mandates.
- Improving interoperability among federal, provincial and local government systems.

These reforms would reduce transaction costs and improve regulatory predictability while allowing businesses to access government services without requiring a separate administrative headquarters in every locality.

5 Strengthen Fiscal Discipline and Protect Productive Public Expenditure

Administrative restructuring should not divert scarce public resources from infrastructure, education, healthcare, municipal services and other development priorities. Given the report's finding that more than 80% of provincial expenditure in FY2023 was recurrent, controlling the growth of administrative overheads should be a central consideration in any restructuring proposal.

Governments should establish expenditure baselines and monitor administrative spending per capita, payroll growth, development expenditure and the cost of delivering individual public services. Any new administrative arrangements should identify sustainable financing sources and demonstrate how recurrent costs will be accommodated within medium-term fiscal plans.

Where feasible, a lean restructuring model should reorganise existing offices and personnel, use shared facilities and avoid unnecessary duplication of departments. The objective should be to improve the effectiveness of public expenditure rather than simply expand the administrative footprint.

6 Build Local Capacity for Infrastructure Development and Public-Private Partnerships

Administrative proximity can improve the identification of local infrastructure needs, but successful public-private partnerships require specialised financial, legal, technical and procurement expertise. Smaller administrative units may not individually possess the capacity to prepare bankable projects, evaluate risks or manage complex contracts.

Pakistan should therefore adopt a multi-tier PPP development model. District and divisional institutions should be strengthened to identify infrastructure priorities, prepare initial project concepts, collect local demand information and monitor implementation. Provincial and federal PPP institutions should provide shared technical expertise for feasibility studies, financial modelling, procurement, contract structuring and risk assessment.

Standardised project appraisal procedures, time-bound approvals, digital project tracking and transparent monitoring should be introduced across relevant institutions. This would combine local knowledge with economies of scale, improving the quality of project preparation and the potential to mobilise private investment.

7 Improve Local Market Management and Supply-Chain Coordination

Administrative restructuring should strengthen the ability of local institutions to address supply disruptions, improve market connectivity and monitor essential commodity prices. However, additional administrative units should not be assumed to reduce inflation directly, which is influenced by monetary conditions, fiscal policy, exchange rates, energy costs and supply-side factors.

Provincial and district administrations should improve coordination among market committees, price-control authorities, transport agencies and relevant departments. The use of geographically disaggregated price data, including the Decision Support System for Inflation, should be strengthened to identify unusual regional price differences and supply bottlenecks.

Priority should be given to reducing unnecessary transport delays, improving market infrastructure and storage facilities, and ensuring consistent enforcement of market regulations. These measures would address identifiable supply-side constraints without attributing national price stability to administrative boundaries alone.

8 Adopt a Phased, Evidence-Based Implementation Strategy

Rather than undertaking large-scale territorial restructuring immediately, governments should test alternative administrative arrangements through phased implementation in selected districts or regions with different population densities, geographical conditions and economic profiles.

Pilot initiatives could test greater delegation of authority, strengthened district-level institutions, shared technical services and integrated digital administration. Baseline data should be collected before implementation, followed by periodic assessments of service-delivery performance, administrative costs and economic outcomes.

The assessment framework should include:

- Average time and cost required to obtain government approvals.
- Travel time and accessibility of public services.
- Administrative expenditure per capita and the share of recurrent spending.
- Local revenue mobilisation and dependence on intergovernmental transfers.
- Infrastructure delivery, project-preparation timelines and PPP project progression.
- Regional price dispersion and relevant market-access indicators.
- Citizen satisfaction, service quality and grievance-resolution time.

The results should determine whether an arrangement is expanded, modified or discontinued. This would reduce the risk of committing public resources to structural changes whose benefits have not been demonstrated.

9 Establish Clear Accountability and Intergovernmental Coordination

Administrative decentralisation should be accompanied by clear divisions of responsibility among federal, provincial, divisional, district and local institutions. Overlapping mandates and fragmented approval processes can increase costs, delay investment and weaken accountability even when individual institutions have adequate resources.

Governments should establish clear responsibility matrices, performance agreements and reporting requirements for devolved functions. Financial allocations and transfers should be transparent, while procurement, expenditure and service-delivery outcomes should remain subject to appropriate audit and public scrutiny.

Intergovernmental coordination mechanisms should also support projects and services that cross administrative boundaries, particularly transport networks, water management, supply chains and regional infrastructure. The objective should be to ensure that decentralised decision-making improves responsiveness without weakening coordination or accountability.

CONCLUSION

The economic implications of administrative restructuring in Pakistan are best understood through the broader concept of decentralisation. The OECD defines decentralisation as the transfer of powers, responsibilities and resources from central to subnational governments, accompanied by decision-making autonomy, administrative capacity and fiscal resources. It therefore involves more than creating territorial units. Effective decentralisation also requires coordination between levels of government, clear functional responsibilities, accountable institutions and sufficient resources to perform devolved functions.

Pakistan's demographic trajectory makes this institutional question increasingly important. With the population approaching 260 million and projected to reach approximately 372–390 million by 2050, demand for infrastructure, employment, public services and regulatory access is likely to increase. Pakistan currently has 36 divisions, 156 districts and 655 tehsils or talukas, but the economic value of this administrative structure cannot be assessed through the number of units alone. The relevant question is whether their scale and institutional capacity allow public resources to be allocated efficiently and services to be delivered at reasonable cost.

The analysis indicates that administrative proximity can reduce geographical and transaction costs, improve access to government and support local identification of infrastructure and service needs. However, additional units may also increase recurrent expenditure, staffing requirements and coordination costs. This is particularly relevant where more than 80% of provincial expenditure is recurrent and local governments account for less than 5% of total government expenditure, as per the statistics of 2024.

Similarly, ease of doing business depends less on territorial subdivision than on regulatory integration, digitalisation and predictable procedures. Fragmentation without procedural harmonization may increase compliance costs.

Administrative restructuring also has indirect implications for inflation through fiscal expenditure, infrastructure and supply chains, but does not independently determine price stability. For PPPs, local proximity can improve project identification and monitoring, while specialised financial, technical, legal and procurement capacity may require consolidation or shared expertise. International experience, from India and Indonesia to Nigeria, South Africa, Türkiye and Japan, further demonstrates that neither territorial expansion nor consolidation produces uniform economic outcomes.

Accordingly, Pakistan's policy focus may shift from determining an ideal number of administrative units towards assessing whether each configuration generates measurable improvements in service delivery, business facilitation, infrastructure, employment absorption and PPP capacity relative to its fiscal and administrative costs. A lean model combining greater local functional authority with shared specialised capacity may offer a basis for achieving proximity without unnecessary institutional duplication

Pakistan's administrative restructuring should be treated as an instrument of economic and governance reform, not an end in itself. The immediate policy priority is to strengthen local institutions, align responsibilities with financial resources, simplify business regulation, improve infrastructure planning and control the recurrent costs of government.

The preferred approach is a lean, functionally decentralised and fiscally accountable administrative model that brings decisions closer to citizens while retaining specialised technical capacity and coordination at provincial and federal levels. Territorial expansion should be considered where evidence demonstrates a clear net benefit, rather than assumed to be inherently desirable.

Ultimately, the success of administrative reform should be measured by whether it improves service delivery, reduces the cost of doing business, supports productive investment, strengthens local fiscal capacity and uses public resources more efficiently not by the number of administrative units created.

"A holistic evaluation of public administration dynamics, synthesizing historical trends, economic indicators, regulatory frameworks, and global practices to analyze how institutional design influences long-term development outcomes.

Spanning across sub-national labor absorption, business compliance costs, supply-chain dynamics, and public-private partnership mechanisms, the report underscores the importance of data-driven resource allocation, institutional capacity, and operational efficiency in shaping sustainable economic growth."

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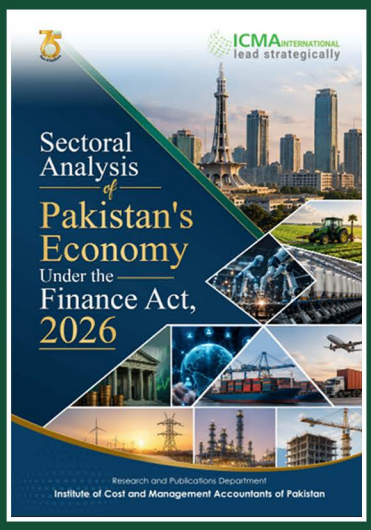



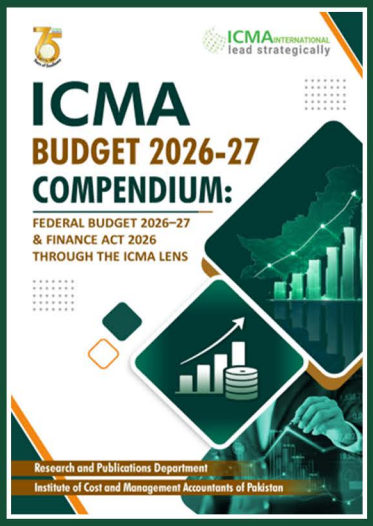

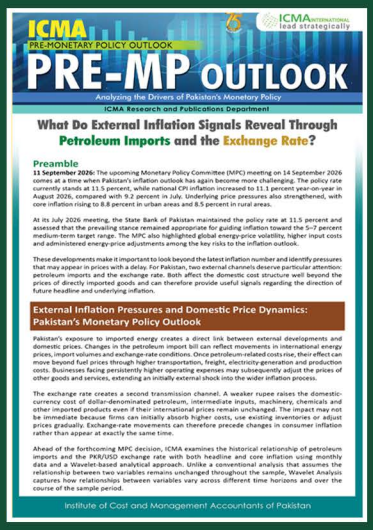





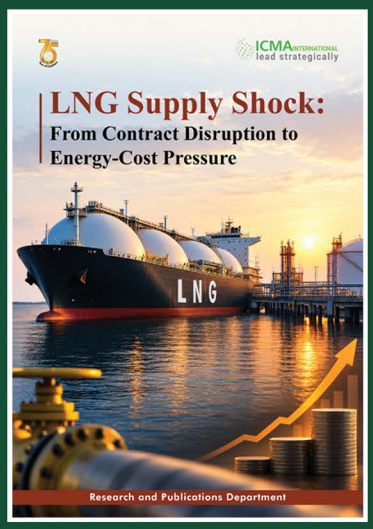

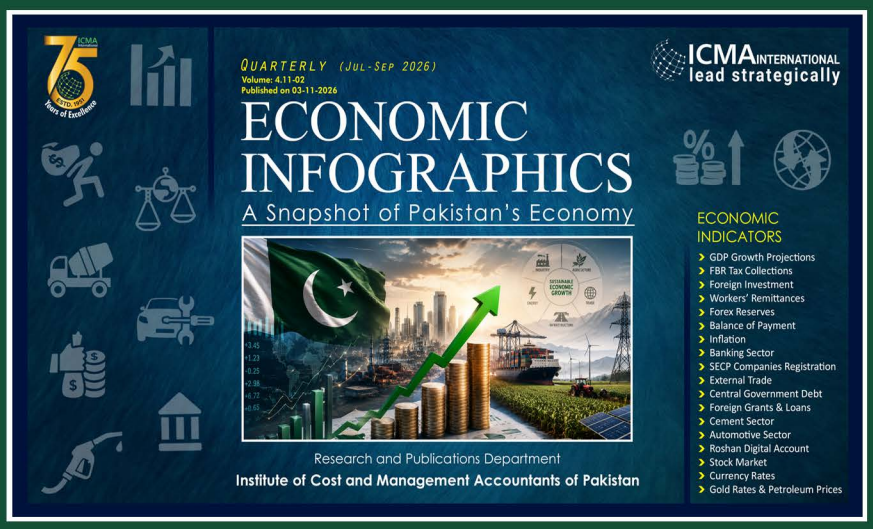

Research & Publications Directorate

Contact: +92 21 99243900; Ext: 107/ 117/ 220; Email: rp@icmap.com.pk

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