

**Case No. 93/5/87 - Development Institute at
Village/Mohallah level, dated March 10, 1987**

DECISION

The Cabinet took note of the position explained in the summary dated October 5, 1986, submitted by the Ministry of Local Government and Rural Development and approved the proposal made under para 12 thereof. It also directed that the system of Local Bodies should be further decentralised to village and mohallah level.

SECRET

GOVERNMENT OF PAKISTAN

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

SUMMARY FOR THE CABINET

Subject: DEVELOPMENT INSTITUTIONS AT VILLAGE/MOHALLAH LEVEL

Presently, all planning and development activity at the local and district level is being conducted mainly through the government departments and the local councils. While their respective functioning in this regard, cannot and should not, be exclusive of each other, the present government is continuously seeking a more positive and dominant role for the people's representatives in the overall development process. The underlying principle of this policy is to encourage and promote participation of the target population with their development effort directly at the grassroots level.

2. A massive developmental effort has been launched in the country in the wake of Prime Minister's 5-point Programme of Rural Development. However, to ensure that fruits of this ambitious undertaking reach the man in the village, necessary changes and modifications in the local government institutional framework and practices will have to be affected through a truly innovative and dynamic policy move.
3. Active collaboration of the people at the grassroots level with the development process, planning, decision-making and control over implementation is the key to the success of the bold initiative taken by the government to better the lot of rural poor. Planning and development imposed through bureaucratic channels is not only expensive but also devoid of the understanding of the felt needs of the target population. It undermines the local initiative and the spirit of self-help which are essential elements of growth in a democratic set up.
4. Despite a vast network of elected local councils, the inadequacy of the system to deliver goods at the grassroots level is very obvious. Unfortunately, the existing single constituency system of elections at the local level has only aggravated the problem of the lack of unity and harmony at the village level and is, indeed an irritant to concerted action for collective development. Absence of a mechanism at the village level to facilitate the emergence of a popular forum for articulation of local problems, identification of local needs, resolution of local disputes and mobilisation of joint efforts for the overall development of the area is the root cause of rural backwardness.

5. This analysis clearly highlights the urgent need for further decentralizing the system of local bodies from the union to the village and mohallah by creating a Village Development Council (VDC) in every village of a population of 500 or more and a Mohallah Development Council (MDC) in every mohallah or katchi abadi. The proposal is briefly outlined in the following paragraphs. The description refers to village development councils but can be applied with suitable modifications, to a MDC.
6. The proposed council will consist of the entire adult population of the village or mohallah. it will be responsible for planning and implementing development programmes at the village and mohallah level as well as for dealing with the economic and social problems of the population.
7. The functions and responsibilities of the VDC will be open-ended in nature but initially they would be expected to concentrate on the following activities:
 - (i) To promote local economic activity which would leave to higher incomes. The council may prepare annual or periodical agricultural plans for the village.
 - (ii) To promote farm services, marketing or consumer cooperatives.
 - (iii) To undertake projects which may lead to improvement in the quality of life and living conditions generally.
 - (iv) To take up social projects in order to create harmony and mutual understanding among the people.
8. Every village council will be expected to open and operate a consolidated Village Development Fund, at the nearest bank branch. The VDCs will derive their financial resources from the following different sources:
 - (i) Any seed money made available by government.
 - (ii) By raising their own funds through fixed or voluntary contributions. All councils will be encouraged to initiate their own saving schemes.
 - (iii) Any revenues realised from sale of community assets and from services.
 - (iv) All Ushr and Zakat collected in the area covered by each council, can be entrusted to the VDC, which may constitute its own Zakat Committees to supervise the disbursement of these funds.
 - (v) By utilizing interest free or other loans available to cooperative organisations for specific purposes.
 - (vi) Matching grants that may be provided by UC or DCs for specific projects under terms and conditions to be laid down for such grants.
9. The Village/Mohallah Development Council will constitute an additional and regular tier in the existing hierarchy of local government. However, unlike the union or district councils, it will be an assembly of the entire adult male and female population. It will meet once a month and take all necessary decisions concerning various economic and social projects and various civic amenities to be created. For implementing its decisions the council will appoint by consensus a village committee of 10 to 20 members (depending on the population). The tenure of the Village Committee (VC) will be two years. In small villages there will be no paid staff at the village level. However, some educated and skilled persons can be given special responsibilities on behalf of the village council.

10. The existing lowest tier of local government i.e. union council will not be affected in any way by the creation of the new tier of the VDC. The latter will take care of local development only.
11. Necessary administrative and technical support will be provided to VDC in accordance with the procedure to be evolved in consultation with the provincial governments.
12. To sum up, the Cabinet is requested to approve in principle the following proposals:
 - (a) The system of local bodies should be further decentralised to village and mohallah level.
 - (b) The creation of Development Council in all villages of over 500 and in Mohallahs and Katchi Abadies.
 - (c) To authorise the Ministry of LG & RD to work out in consultation with the Provincial Governments and the Ministries concerned the legal, administrative and financial implications of these proposals.
13. The Minister of LG & RD has approved the submission of this summary.

Islamabad, the 9th October 1986

SAFDAR HUSSAIN KAZMI
Secretary.

<u>Section</u>	<u>Clause/ Sub-Clause</u>	<u>Proposed amendments/additions to Local Government Ordinance 1987</u>
6	(a)	a village development council for each village as a mass coalition of all those residents of a village whose common economic and social interests are best served by organizing as a council;
12	(3)	for every village development council there shall be a chairman and a manager who shall be elected by consensus in an open session by the members of the VDC;
21	(e)	should not be applicable to a candidate or members of a VDC;
25	(1)	not clear. The VDC should have no term and its office bearers should be changeable any time subject to the consensus of the council members;
	add (5)	the first meeting of a VDC shall be held within 30 days of its constitution and it shall continue to meet at least once a month thereafter on a regular basis;
26, 26A-(1), (2)		should not be made applicable to a VDC;
38	(a)	a specimen of the VDC bye-laws is attached.

CHAPTER VII

Functions of Rural Local Councils

49. Functions and responsibilities of the VDC:

A VDC may, and if so directed by government, shall undertake all or any of the following functions:

- (i) promote local economic activity which would lead to higher incomes;
- (ii) take up social projects in order to create harmony and mutual understanding among the people;
- (iii) inculcate thrift and mobilise savings to provide credit to members;
- (iv) arrange reclamation and development of land and irrigation facilities and other productive physical infrastructures and their regular maintenance;
- (v) identify productive projects and establish priorities among them;
- (vi) supply agricultural inputs and other requisites to the community;
- (vii) arrange the marketing of agricultural produce and handicraft products;
- (viii) arrange veterinary and plant protection services and facilities in the village;
- (ix) arrange and participate in upgrading of human skills training programmes;
- (x) participate in management of local affairs settlement of disputes and petty affairs in the village;
- (xi) establish projects like poultry, livestock, dairy, agro-processing industries etc., and encourage similar projects among members;
- (xii) sponsor and supervise schemes of primary health with special emphasis on sanitation, conservancy, cleanliness of environment and portable drinking water;
- (xiii) encourage primary education and adult literacy;
- (xiv) help in assessment, collection, regulation and administration of Federal/Provincial grants, Zakat, Ushr in association with local religious leaders;
- (xv) fix credit limit for members in accordance with equity and social justice;
- (xvi) examine the accounts, sanction loans to members, supervise their end-use and effect recoveries;
- (xvii) sanction contingent expenditure;
- (xviii) decide the terms and conditions on which deposits are to be received and arrange for the payment or return of deposits;
- (xix) acquire and construct buildings or carry out works necessary or conducive to the proper functioning of the council;

- (xx) register births and deaths and maintain vital statistics; and
- (xxi) any other function likely to promote the welfare and economic betterment of the village community.

BYE-LAWS OF THE VILLAGE DEVELOPMENT COUNCIL

NAME:

1. This council shall be called the Village Development Council (VDC). Its registered address shall be post office tehsil district
2. The area of operation of the council shall be village Tehsil District

OBJECTS:

3. The objects of the council are to promote the economic and social interests of its members and more part particularly to:
 - (i) promote local economic activity which would lead to higher incomes;
 - (ii) take up social projects in order to create harmony and mutual understanding among the people;
 - (iii) supply agricultural inputs and other requisites to the community; inculcate thrift and mobilities savings to provide credit to members;
 - (iv) sell or hire out agricultural machinery and implements and arrange for their repair and maintenance;
 - (v) supply diesel oil, lubricants, spare parts and equipments;
 - (vi) establish projects like poultry, livestock, dairy, agro-processing industries etc., and encourage similar projects among members;
 - (vii) arrange the marketing of agricultural produce and handicraft products;
 - (viii) arrange reclamation and development of land and irrigation facilities and other productive physical infrastructures and their regular maintenance;
 - (ix) acquire and construct buildings or carry out works necessary or conducive to the proper functioning of the council;
 - (x) upgrade human skills, know-how etc., in the village and
 - (xi) do all other things as are conducive to the attainment of above objects.

MEMBERSHIP

4. The members shall consist of:
 - (i) Persons who join the application for registration.
 - (ii) Persons admitted in accordance with these bye-laws.
5. All adult persons shall be eligible for membership who are:

- (i) Ordinarily residing or carrying on business within the area of operation of the council.
 - (ii) Of Good character.
 - (iii) Of not less than 21 years of age except in the case of a minor heir of a deceased member, and or conviction of moral turpitude resulting in imprisonment for a period of three months or more.
6. Members shall be admitted after selection/approval by the general body, once the initial membership is finalised.
7. Every member on admission shall sign his name or make his thumb mark in the register of members and pay an admission fee of Rs. 25.00 and value of at least one full share, payable in instalments.
8. Membership shall be terminated on:
- (i) Death.
 - (ii) Ceasing to hold one full share.
 - (iii) Withdrawal after one month' notice to the Secretary/Manager provided that the member withdrawing is not in debt to the council and is not a surety for unpaid debt.
 - (iv) Permanent insanity, and
 - (v) Expulsion by a two third majority of a general meeting in which not less than half the members are present and vote.
9. Every member shall nominate a person or persons to whom on his death, his shares shall be transferred and shall attest the nomination by making his signatures or thumb-mark in the register of members. Provided that where more than one person/s are nominated, the member at the time of nomination, shall specify the proportions of the amount (available for transfer) to be paid to the various nominees. If the nominee or nominees is or are not admitted to membership, his or their shares shall be sold to other member/s or to qualified application/s for membership approved by the committee or shall be sold to the share transfer fund. The nominee or nominees shall then be paid the value of the shares less any sum due from the deceased member to the council.
10. A member shall not transfer his share except with the previous permission of the implementation committee.
11. A person whose membership is terminated under bye-laws, 8(ii), (iii) or (v) shall be entitled to transfer his shares to other member/s or to qualified applicant/s approved by the general body or to surrender them against payment to the share transfer fund.
12. The value of the share shall, in no case, be more than the sum received by the council in payment thereof.
13. A member may be expelled for:
- (i) Ceasing permanently to reside or carrying on business in the council's area of operation;
 - (ii) (a) failure to pay the share money or debts due from him to the council;

... (b) failure to conduct business with the council for two years.

- (iii) Conviction in a criminal offence involving dishonesty or moral turpitude or resulting in his imprisonment for three months or more;
- (iv) Bankruptcy or on applying for bankruptcy; and
- (v) Any act which may be held by the general body to be dishonest or contrary to the stated objects of the council or to the interest of village.

14. Any money due to any account from the council to a member or past member or person claiming through him may be set off in payment of any sum which he owes or for which he stands surety.

LIABILITY:

15. Members shall be jointly and severally liable for all debts incurred and all loans and deposits taken by the council in pursuance of its stated objects to the extent of five times the value of their paid up shares.

CAPITAL:

16. The capital shall be composed of:

- (i) Admission fee.
- (ii) An undetermined number of shares of the value of Re. 100.00 each.
- (iii) Deposits from members and prospective members.
- (iv) Loans or grants from government, banks or other sources.
- (v) Profit and reserve funds, and
- (vi) Securities obtained from customers and employees.

SHARES:

17. Every member on admission shall purchase at least one full share and pay its value. No member shall hold more than one fifth of the share capital of the council. In case the shares of the member exceed, through transfer under the bye-laws, the prescribed limit, the implementation committee shall be authorised to dispose off such portion of the shares, in the manner admissible under the bye-laws.

GENERAL MEETING:

18. The supreme authority of the council shall vest in the general meeting which may be held weekly/fortnightly/monthly and at the time of annual audit or as soon thereafter as may be found practicable; and shall be held within a period of 3 months after the date fixed for making up the accounts of the council for the year under the rules for the time being in force; and within one month when summoned by the competent authorities or requisitioned in writing by one-fifth of the members of the society.

19. The Chairman and in his absence any member elected for the purpose by the majority of the

members present shall preside over the general meeting. Presence of the at least one third members shall be necessary for the disposal of any business at such meetings provided that when total number of members exceeds ninety, thirty members shall suffice.

20. If in case of an ordinary general meeting, quorum is not forthcoming, the Chairman shall postpone the meeting to a date not less than 7 days and more than a fortnight later, and the business transacted at the postponed meeting shall be the same and no other than proposed for the original date of the meeting. If quorum is not still forthcoming, resolution may be carried out by a majority of three fourth of the members present.
21. Amendment of the bye-laws shall be carried out by a majority of a meeting in which $\frac{2}{3}$ of the members are present except in the case of model bye-laws or amendments previously approved by the competent authority, which may be adopted by a simple majority at a general meeting in which due notice of intention to discuss such byelaws or amendments has been given. All other questions before the general meeting shall be decided by a simple majority of members. When the votes are equal, the Chairman shall have a casting vote. Each member shall have one vote only. No proxies shall be allowed.
22. No member/s shall be allowed to vote in a general meeting who is in arrears of his share instalment or defaulter of a loan or an instalment of a loan of the council.
23. All business discussed or decided at a general meeting shall be recorded in a proceedings book which shall be signed by all the members present. The following business shall be transacted in a general meeting.
 - (i) identification of productive projects/problems and establish priorities among them;
 - (ii) development, protection and improvement of land but without compromising individual ownership or in groups;
 - (iii) implementation and maintenance of productive physical infrastructure works;
 - (iv) raising of equity capital savings;
 - (vi) management for supplies of agricultural inputs like fertilizer, insecticides/pesticides, veterinary medicines etc.;
 - (vii) management for sale of agricultural inputs thereby minimising expenses and maximizing profits;
 - (viii) upgrading of skills, know-how etc., in the village;
 - (ix) management of local affair, settlement of disputes and petty affairs in the village;
 - (x) creation and maintenance of social services in the village;
 - (xi) consideration of the annual statements of accounts and balance sheet and of the auditors report;
 - (xii) selection/admission and expulsion of members, and approval of the transfer of shares;
 - (xiii) fixing for the council the maximum liability to be incurred during the following year in loans or in deposits;

- (xiv) fixing of maximum credit limits for members, in accordance with the procedure given by the lending institution;
- (xv) election, suspension and removal of office-bearers;
- (xvi) amendment of the bye-laws;
- (xvii) election of representatives to the credit institution of which the council is a member;
- (xviii) approve disposal of profit according to the bye-laws of the council;
- (xix) frame rules and regulations to ensure the achievements of stated projects of the council and its efficient working;
- (xx) examine the accounts, sanction loans to members, supervise their end-use and effect recoveries;
- (xxi) sanction contingent expenditure;
- (xxii) decide the terms and conditions on which deposits are to be received and to arrange for the payment or return of deposits; and
- (xxiii) acquire on behalf of the council shares.

IMPLEMENTATION COMMITTEE

The Implementation Committee of the council shall consist of the 6 members above the age of 21 years, elected in a general meeting as under:

- (1) President of the Village Council;
- (2) Manager of the Village Council;
- (3) Plant Protection and Production Specialist;
- (4) Livestock Specialist;
- (5) Marketing Specialist; and
- (6) Nominee of the credit institution:

The specialists shall be the permanent members of the council while President, Manager and nominee of the credit institution could be changed by the general body whenever it is necessary.

24. A member of the Implementation Committee shall cease to hold office if:
- (i) he resigns from the council or from the Implementation Committee and his resignation is accepted;
 - (ii) declared of unsound mind;
 - (iii) declared insolvent or applies for the same;

- (iv) fails to attend three consecutive meetings of the Committee or to perform his duty as assigned by the council; and
 - (v) convicted of a criminal offence involving dishonesty or moral turpitude resulting in imprisonment for three months or more.
25. Meetings of the Implementation Committee may be held at any time. The attendance of at least one third members shall be necessary for disposal of any business. The President or in his absence one of the other members elected by a majority of members present shall preside. Each member shall have one vote and in case of equality of votes, the Chairman shall have a casting vote.
26. The Implementation Committee shall be responsible for the following duties assigned by the general body:
- (i) observe in all their transactions, provisions rules framed under the bye-laws of the council;
 - (ii) keep a true and accurate account of all the assets and liabilities of the council including amounts received and spent;
 - (iii) keep all the books and records of the council correct and up to date;
 - (iv) prepare and lay in the general meeting, the profit and loss account, audited balance sheet, budget etc.;
 - (v) consider the audit and inspection reports of the officers/persons authorised in this behalf;
 - (vi) enter into agreements or contracts for furtherance of the projects of the council;
 - (vii) through any member or office bearer or employee of the council or any other person specially authorised, institute, conduct, defend, compromise, refer to arbitration or abandon legal proceedings by or against the council concerning to the affairs of the council;
 - (viii) summon special meeting whenever required; and
 - (ix) the Implementation Committee shall be accountable to the general body.
27. In the conduct of the operations of the council, the Implementation Committee shall exercise the prudence and diligence of ordinary men of business and shall be personally responsible for any loss sustained through their gross negligence or through breach of any bye-law.
28. The proceedings of the Implementation Committee shall be recorded in the minute book of the council and shall be signed by all the members present.

SECRETARY/MANAGER

29. The Council shall elect by unanimous vote a Secretary/Manager who shall take hold and keep in safe custody and up to date all the registers and papers in use of the council and produce the same before the persons authorised to inspect/audit the council.
30. The powers and duties of the Secretary/Manager shall be as follows:

- (i) execute the decisions of the General Body and the Implementation Committee;
- (ii) prepare all receipts, vouchers and documents required under the notified rules or the bye-laws or called for by the General Body;
- (iii) summon and attend General Meetings and Committee meetings and record their proceedings;
- (iv) prepare annual statements;
- (v) correspond on behalf of the council; and
- (vi) certify the copies of entries in the council's books under relevant laws.

REGISTERS:

31. The following registers and papers shall be maintained:

- (i) A register of members, showing the name and address of every member, the number of shares held by him, the date of his admission to membership and the date of termination of membership;
- (ii) A cashbook showing the receipts, expenditure and balance on each day on which business is done;
- (iii) A ledger account for each member, depositor and creditor and for miscellaneous and contingent income and expenditure;
- (iv) A register for purchase and sale of agricultural implements, produce and stock;
- (v) A minute book showing the proceedings of General Meetings and Committee Meetings and the notes of inspecting officers;
- (vi) A pass book for each depositor;
- (vii) A register showing credit limits of members;
- (viii) Such other books as may be required for recording business transactions and other activities of the council; and
- (ix) A register by each specialist for recording his activities.

32. The register and papers of the council shall be opened to inspection of any one interested in the funds, except that no one shall be allowed to see the deposit account of any person without that person's consent in writing.

33. Copies of the bye-laws and the balance sheet shall be supplied free on demand to any member.

TREASURER:

34. The Treasurer/Manager/Secretary or the person appointed by the council under bye-laws, shall take charge of all money received by the council from the bank, from members and from other and shall make disbursements in accordance with the directions of the council. He shall sign the cash book in token of its correctness and produce the cash balance whenever called upon to do so by the council

or auditor or any other authorised officer.

EMPLOYMENT OF FUNDS:

35. The funds of the council may be devoted to the promotion of the stated objects of the council and to the purposes set forth in bye-laws 32, 33 and 34.