

ABSTRACT

In present era the modern trend in the field of governance is towards decentralized structure of the governance around the world. Many developing nations along with developed nations have successfully implemented the system of Local Government. Pakistan also implemented its system of Local Government on 14th August 2001. One common thread runs through the diverse recent experience of decentralization in all the countries i.e., the importance of local finance and the problem confronting the local governments in generating the desired amount of funds and their disbursement. In order to produce desirable effects on the local area and community a local government must have a sound financial base without which the purpose of local governance cannot be served. In Pakistan the local governments are also facing certain problems in this regard and their dependency ratio is relatively high as compared to other countries of region. This study of local government finance has tried to point out various problems regarding revenue generation by local governments and disbursement of funds by them. A brief overview of local government finance in neighbouring countries and their comparison with Pakistan's local system of finance is presented. For this purpose analysis of revenue generating capacity and expenditure of Lahore City District Government is presented as a case study.