

## **Institutional Design Variance in Local Governments across Pakistan: What has Social Capital got to do with it?**

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### **Abstract**

Institutional design is a fairly recent concept in the literature on social capital and local governance. In the governance literature on the less developed states, and particularly in Pakistan, it has not acquired sufficient scholarly attention. Against this backdrop, this paper argues that the weakness of local government systems in Pakistan results in the emergence of social capital that has significant implications for service delivery. For this purpose, institutional design is defined as a deliberate act of creation of institutions, and the role of informal institutions is cited as the consequence of weakness in the institutional design of local governments. In Pakistan, local governments have always been a top-down initiative of the central governments. However, the 18<sup>th</sup> Amendment to the Constitution in 2010, and the passage of local government acts in 2012-13 across the provinces have decentralized the local governments. This marks a significant shift in the local government system in Pakistan. It is hoped that this decentralization of designing local governments will allow a faultless incorporation of social capital into the institutional design of local governments. Contrary to the neoliberal perspective, it is argued that local governments cannot create social capital, but it is an unintended outcome of the formal institutional capacity. Thus governments can at least do certain things that are helpful, and avoid certain others that are detrimental for the role of social capital in the local governance. The key concerns of this paper are: What is the role of social capital in the context of weak formal institutions of local governance in Pakistan? And what is the role of the institutional design of local governments in highlighting its significance for local governance? To answer this question, this paper draws on a wide literature on institutional design, formal-informal institutional interaction, social capital and local governments in Pakistan. A brief analysis of provincial local government acts is also presented to explicate how provincialized local government systems offer a hope for a more contextual institutional design that is sensitive to the role of informal institutions. This study concludes that social capital plays a substantial role in local governance

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processes not because it is promoted by local governments; instead it is an expression of informal privatization that is largely the outcome of deficiencies in governing by government.

This research contributes to the literature on the local governments in Pakistan especially in the aftermath of the 18<sup>th</sup> Amendment and new developments related to local governments across the four provinces of Pakistan.

An extent literature exists on the historical analysis of local governments, their functions in specific regions and weakness of local governments. This research is the first attempt to look at the local governments through an institutional design perspective in the context of Pakistan.

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## Introduction

This paper analyses the weakness of institutional design of local governments in Pakistan as a factor in the role played by social capital in the context of that fragility. It is argued that social capital, as an informal institution, emerges not as a deliberate act of creation by the state, but as a consequence of the lack of capacity of the non-robust local government system in the country. More specifically, it seeks to explain how social capital, in particular, norms of cooperation emerge as an outcome of the lack of capacity of local government institutions in Pakistan?

This subject has a critical significance for the local governance of the developing states, and that of Pakistan, in particular, for several reasons. An extent literature exist on social capital and local governance in the European context,<sup>1</sup> but little attempts have been made to explain the role of social capital in the local governance of the developing states, employing institutional design as an explainant of its role. The literature on decentralization and social capital in Pakistan, to the best of my knowledge, is yet to enter this debate. Therefore, this paper is a significant first attempt in this direction. Finally, the new local government system in Pakistan is mainly the outcome of the 18<sup>th</sup>

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<sup>1</sup> Viven Lowndes and David Wilson, 'Social Capital and Local Governance: Exploring the Institutional Design Variable', *Political Studies*, 49:4 (2001), pp.629-47; William Maloney, Graham Smith, and Gerry Stoker, 'Social Capital and Urban Governance: Adding a more Contextualized 'Top-down' Perspective', *Political Studies*, 48:4 (2000), pp.802-20; Filipe Teles, 'Beyond Paternalism towards Social Capital: Local Governance Reform in Portugal', *International Journal of Public Administration*, 35:13 (2012), pp.864-72; Staffan Kumlin, and Bo Rothstein, 'Making and Breaking Social Capital: The Impact of Welfare-state Institutions', *Comparative Political Studies*, 38:4 (2005), pp.339-65.

Amendment to the Constitution. It has devolved legislation and implementation of local governments to the provinces. As a consequence of this shift in the local government system, variances in the design and implementation of local governments are likely to emerge across the provinces. It offers a critical opportunity to conceptualize the impact of institutional design on the role of social capital in local governments.

In relation to governance, the notion of institutional design is employed in a variegated pattern ranging from the deliberate act of creation of the state institutions<sup>2</sup> to wider socio-political processes.<sup>3</sup> For the purpose of this paper, it is employed in its conventional sense which refers to the formal governance structure, its planning and implementation.<sup>4</sup> The strength or weakness of the governance structure determines the role of the social capital in state-society relations. Some notable uses of the term institutional design include: the form of citizen's participation,<sup>5</sup> interactions of state institutions with citizens,<sup>6</sup> or more broadly, the political opportunity structure.<sup>7</sup> However, when it comes to local governments, informal governance institutions cannot be left out of the equation as an external factor to the institutional design.

The relevance of institutional design variances and its interaction with informal institutions are ubiquitous at different levels of policy, when it comes to governance, for instance, international,<sup>8</sup> national,<sup>9</sup> or

<sup>2</sup> Ernest R. Alexander, 'Institutional Design for Sustainable Development', *Town Planning Review*, 77:1 (2006), pp.1-27.

<sup>3</sup> John Kooiman, 'Governance and Governability: Using Complexity, Dynamics and Diversity,' In J. Kooiman (ed.), *Modern Governance, New Government—Society Interactions* (London: Sage Publications, 1993), pp.35-48.

<sup>4</sup> Ernest R. Alexander, 'Institutional Design for Sustainable Development', *op.cit.*, pp.11-12.

<sup>5</sup> Archon Fung, 'Survey Article: Recipes for Public Spheres: Eight Institutional Design Choices and their Consequences', *Journal of Political Philosophy*, 11:3 (2003), pp.338-67.

<sup>6</sup> S. Kumlin and B. Rothstein, 'Making and Breaking Social Capital', *op.cit.*, pp.339-40.

<sup>7</sup> W. Maloney, G. Smith, and G. Stoker, 'Social Capital and Urban Governance', *Political Studies*, 48:4 (2000), pp.802-3.

<sup>8</sup> Farhad Mukhtarov, *et.al.*, 'Interactive Institutional Design and Contextual Relevance: Water User Groups in Turkey, Azerbaijan and Uzbekistan', *Environmental Science & Policy*, 53 (2015), pp.206-14.

<sup>9</sup> Archon Fung and Erik Olin Wright, 'Deepening Democracy: Innovations in Empowered Participatory Governance', *Politics & Society*, 29:1 (2001), pp.5-41.

local.<sup>10</sup> We are specifically interested in local governments because (1) social capital is contextual in nature,<sup>11</sup> and even its different dimensions are contingent to the institutional environment. And (2) the decentralized local governments after the 18<sup>th</sup> Amendment necessitate such an approach to the impact of social capital on local governance. These informal institutions play a variety of roles, depending on the state system,<sup>12</sup> and the capacity of the state authorities at local level.<sup>13</sup> Hence, this paper argues that the effectiveness of government institutions or otherwise is a critical determinant of the role of informal institutions in the local governance in a specific context.

An extent literature exist on various aspects of the design and functions of local governments in Pakistan.<sup>14</sup> This literature captures not only the benefits of local governments in the context of Pakistan's governance,<sup>15</sup> but also its drawbacks mainly because of the motives behind its implementation over different periods.<sup>16</sup> Interestingly, the previous systems of local government (before 18<sup>th</sup> Amendment to the current constitution) were neither designed to empower people, nor to

<sup>10</sup> Lowndes and Wilson, *op.cit.*, p.833; Telles, *op.cit.*, p.865.

<sup>11</sup> Michael Woolcock, 'The Place of Social Capital in Understanding Social and Economic Outcomes', *Canadian Journal of Policy Research*, 2:1 (2001), pp.11-17.

<sup>12</sup> Michael Helmke and Steven Levitsky, 'Informal Institutions and Comparative Politics: A Research Agenda', *Perspectives on Politics*, 2:4 (2004), pp.725-40.

<sup>13</sup> Mahwish Shami and Mahwish Faguet, 'Decentralization as Political Problem Solving: Vicious and Virtuous Cycles of Reform in Pakistan and Bolivia (unpublished), London School of Economics, [www.lse.ac.uk](http://www.lse.ac.uk).

<sup>14</sup> Zulqarnain Hussain Anjum and Nuzhat Ahmad, 'New Local Government System: A Step towards Community Empowerment? [with Comments],' *The Pakistan Development Review*, 2001, pp.845-67. Munawwar Alam and Abuzar Ali Wajidi, 'Pakistan Devolution Plan 2001: A Brief Dawn for Local Democracy?', *Common Wealth Journal of Local Governments*, 12 (2013), pp.20-34. Muhammad Shakil Ahmad and Nurani B. Talib, 'Local Government System and Decentralization: Evidence from Pakistan Devolution Plan', *Contemporary Economics*, 7:1 (2013), pp.33-39.

<sup>15</sup> Rogers Myerson, 'Foundation for Strong Local Government in Pakistan', 2014. Available at: [www.uchicago.edu](http://www.uchicago.edu).

<sup>16</sup> Ali Cheema, Asim Ijaz Khwaja and Adnan Qadir, 'Local Government Reforms in Pakistan: Context, Content and Causes', in Pranab Bardan and Mookherjee (eds.), *Decentralization and Local Governance in Developing Countries: A Comparative Perspective* (London: Cambridge University Press, 2006), pp.257-84.

enhance citizen's participation in the local governance. Instead, they were aimed to strengthened the powers of the centre through a loyal cadre of local representatives.<sup>17</sup> The devolution of power plan (2001) which was supposed to be one of the most representative systems of local governments in Pakistan, was promoted through the rhetoric of improved service delivery. However, it could not actualize its underlying claims. Before the 18<sup>th</sup> Amendment to the Constitution of Pakistan, neither decentralization has been a success,<sup>18</sup> nor the civil society was powerful enough to keep the government responsive.<sup>19</sup> Several factors explain this failure. However, a top-down approach to the implementation of local governments and the lack of attention towards the potential role of informal institutions on the part of institutional designers has amplified the problems of local governance.

The existing local government system, which is mainly the product of 18<sup>th</sup> Amendment to the Constitution of Pakistan was installed after the passage of provincial local government acts passed by the respective provincial governments. The devolution of powers to the provinces to legislate on the local governments have highlighted some variations that exist across the provinces in Pakistan.<sup>20</sup> The key concern of this paper is what role do informal institutions, namely social capital play in the current institutional design of local governments as a consequence of ineffective service delivery?

In what follows, I set out the notions of institutional mix and explain how informal institutions are an integral part of the institutional design? In the second section, social capital is conceptualized as an informal institution in order to demonstrate its relevance for local

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<sup>17</sup> Ali Cheema, Adnan Qadir Khan and Roger Myerson, 'Breaking the Countercyclical Pattern of Local Democracy in Pakistan (Unpublished) (2010), p.2. Available from <http://home.uchicago.edu/rmyerson/research/pakdemoc.pdf>

<sup>18</sup> Murtaza Haider and Madhav G. Badami, 'Urbanization and Local Governance Challenges in Pakistan', *Environment and Urbanization ASIA*, 1:1 (2010), pp.81-96.

<sup>19</sup> S.K. Mohmand, 'Local Government Reforms in Pakistan: Strengthening Social Capital or Rolling Back the State?', in D. Gellner & K. Hachethu (eds.), *Local Democracy in South Asia: Microprocesses of Democratization in Nepal and Its Neighbours* (Dehli: Sage Publications, 2008), pp.380-415.

<sup>20</sup> Amna Ijaz Rafi, *Devolution of Power to Local Governments: Challenges and Reforms*, IPRI Conference Proceedings (2015) pp.2-3, Accessed on 11 May 2016. Available at: [www.ipripak.org/conference-devolution-of-power-to-local-governments-challenges-a...](http://www.ipripak.org/conference-devolution-of-power-to-local-governments-challenges-a...)

governments system and service delivery in Pakistan. The third section presents a brief overview of various local government systems in Pakistan to demonstrate the faulty incorporation of informal institutions in the institutional design across these systems. In the fourth section, differences in the local government systems across the four provinces are viewed as an opportunity for a more contextual approach to informal institutions by the institutional designers and academicians interested in the local government systems of Pakistan. The fifth section explains how non-robust local governments in Pakistan allow for a greater role of social capital in the service delivery at local level. Section six concludes with some recommendations for future research.

### **Institutional design of local governments: what informal institutions got to do with it?**

Institutional design is a deliberate act of creation of institutions, and specification of their powers and functions. However, these institutions do not work in vacuum, but interact with different social structures and processes. Capacity of local government institutions is one of the critical factors in explaining this interaction. There is a debate in the literature on formal-informal institutional interaction,<sup>21</sup> and particularly in the literature on social capital,<sup>22</sup> whether their role in the local governance is an input or an output of the institutional design.<sup>23</sup> I argue that the influence of informal institution, especially of social capital on local governance is largely determined by the strength or weakness of formal institutions.<sup>24</sup> For this reason, investigating the role of informal institutions in a particular institutional context requires some sort of institutional analysis.

The study of institutional design is rarely complete without some form of institutional analysis.<sup>25</sup> There are two dominant approaches to study institutional design: the positive and normative. The former relates to the efforts of designing institutions in the agent's own institutional environment, whereas the latter is the attempt to bring change in the

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<sup>21</sup> Helmke and Lavitski, 'Informal Institutions and Comparative Politics', *op.cit.*, pp.725-6.

<sup>22</sup> Lowndes and Wilson, 'Social Capital and Local Governance', *op.cit.*, pp.832-3.

<sup>23</sup> *Ibid.*

<sup>24</sup> Michael Woolcock and Deepa Narayan, 'Social Capital: Implications for Development Theory, Research, and Policy', *The World Bank Research Observer*, 15:2 (2000), pp.225-49, 234.

<sup>25</sup> Alexander, 'Institutional design...', *op.cit.*, p.212.

institutions that are external to the agent's institutional environment.<sup>26</sup> Both of these approaches are intimately linked in the sense that the institutional designers are the part of the broader socio-political and cultural environment of the state, while simultaneously belonging to formal institutions that have their own institutional context.

Hall and Tator<sup>27</sup> recognize three strands of institutional analysis: historical institutionalism, rational choice institutionalism, and sociological institutionalism. Historical institutionalism conceptualizes institutions as systems of formal and informal rules, 'norms and practices in politics and political economies'. As a traditional approach to institutions, historical institutionalism sees institutions associated with formal organisation. This approach, as Alexander<sup>28</sup> notes, is hardly compatible with normative approach to institutional design. On the other hand, rational choice institutionalism is grounded in the new institutional economics.<sup>29</sup> Agents are viewed as rational actors with fixed preferences and values. It is clearly compatible with normative approach to institutional analysis which rests on the logic of efficiency that results in an objective institutional design. Sociological institutionalism, in contrast to rational choice institutionalism, is based on the logic of 'appropriateness'. Instead of maximizing efficiency, institutional forms and practices are adopted for legitimacy.<sup>30</sup> Though historical institutionalism, as Alexander argues, is hardly compatible with normative aspect of institutional design, a path-dependent trajectory of local government institutions, and variations in the normative structures across time and space requires a blend of historical institutionalism and sociological institutionalism. Thereby, a blend of these two approaches is employed as a theoretical framework to explain the role of informal institutions in relation to formal institutions of local governance.

Institutional design is rather a vague notion in terms of broad theoretical frameworks. Therefore, as a first step, it is important to crystalize the subjects and objects of institutional design. Alexander calls institutions-agent's interactions the material of institutional design.<sup>31</sup>

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<sup>26</sup> *Ibid.*, p.210.

<sup>27</sup> Peter A. Hall and Rosemary Taylor, 'Political Science and the Three New Institutionalisms', *Political Studies*, 44:5 (1996), pp.936-57.

<sup>28</sup> Alexander, 'Institutional design ...', *op.cit.*, p.212.

<sup>29</sup> D.C. North, 'Transaction Costs, Institutions, and Economic History' (*Zeitschrift für die gesamte Staatswissenschaft*) *Journal of Institutional and Theoretical Economics* (H.1) (1984), pp.7-17.

<sup>30</sup> Alexander, 'Institutional design...', *op.cit.*, p.212.

<sup>31</sup> *Ibid.*

These interactions have two, but not always mutually exclusive roles. The first is as a subject or product of the institutional design which are its elements. The structural elements for instance can be the laws that effect behaviours through agency and social processes and organisations (structuring individual and collective interactions).<sup>32</sup> The second role of the institution-agent interaction is as the object of institutional design. These interactions are the objects that the institutional design is intended to affect, and through which the impacts of institutional design are experienced in the course of institutional change.<sup>33</sup> There are broadly two forms of objects of institutional design. One, that are subject to the direct manipulation and influence by the institutional design such as laws and structures of institutions or roles of agents. Whereas, the other forms of subjects are structural that include customs, norms and habits that are not subject to direct manipulation, but change over time as a consequence of adaptations to the institutional context.

Social capital is not subject to the direct manipulation by the state, instead it is an outcome of the different acts of the policy makers, and those who implement those policies. As Fukuyama<sup>34</sup> argues, ‘state can do some positive things to increase the stocks of social capital, and forebear from others that deplete a society’s stock’.<sup>35</sup> A growing body of institutional design literature has shown the influence of public institutions and public policy on the formation of social capital.<sup>36</sup> It is argued that social capital cannot be constructed through deliberate attempts of government. Instead it is an outcome of an institutional design and the efficiency or otherwise of formal institutions. State cannot make citizens virtuous, as Aristotle argued, this can only be achieved when citizens take appropriate decisions as a consequence of self-discipline. To quote Telles,<sup>37</sup>

This will need the appropriate governance arrangement: one of the important ways to influence the growth of social capital is through a suitable institutional design that allows

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<sup>32</sup> *Ibid.*, p.216.

<sup>33</sup> *Ibid.*, pp.216-18.

<sup>34</sup> *Ibid.*, p.218.

<sup>35</sup> Francis Fukuyama, ‘Social Capital, Civil Society and Development’, *Third World Quarterly*, 22:1 (2001), pp.7-20.

<sup>36</sup> Bo Rothstein and Daniel Eek, ‘Political Corruption and Social Trust: An Experimental Approach’, *Rationality and Society*, 21:1 (2009), pp.81-112, 82-84.

<sup>37</sup> Telles, ‘Beyond Paternalism towards Social Capital’, *op.cit.*, p.864.



public engagement and, mainly through institutional efficiency.

The emergence and legitimacy of informal arrangements is largely the outcome of the weakness of formal institutions.<sup>38</sup> Local government institutions often have limited capacity to deliver services because of limited devolution of powers, or limited financial capacity.<sup>39</sup> Kumlin<sup>40</sup> discusses the significance of individuals interactions with the state authorities. He argues, these interactions, especially with the implementation side of the governance institutions, have a positive influence on social trust, if perceived as impartial and fair.<sup>41</sup>

Informal institutions are either convergent or divergent with the formal institutions.<sup>42</sup> However, one of the significant determinants of their role which may either be convergent or divergent with formal institutions, is the capacity of the latter. Thus, the role of informal institutions, and that of the social capital in particular depends on the type of the 'institutional mix' that exist within a specific governance environment.

The literature on informal institutions in the context of formal institutional fragility suggests that informal institutions and organisations fill the vacuum created by inefficient government institutions.<sup>43</sup>

Thereby, it is argued that institutional design as a mix of formal and informal institutions, and the role of informal institutions in that design is determined by the capacity of formal institutions. Weak formal

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<sup>38</sup> Kate Meagher, 'The Strength of Weak States? Non-state Security Forces and Hybrid Governance in Africa', *Development and Change*, 43:5 (2012), pp.1073-1101, 1073.

<sup>39</sup> Charles Hankla and William Downs, 'Decentralisation, Governance and the Structure of Local Political Institutions: Lessons for Reform?', *Local Government Studies* 36:6 (2010), pp.759-83, 760.

<sup>40</sup> Cited in Teles, 'Beyond Paternalism towards Social Capital', *op.cit.*, p.866.  
<sup>41</sup> *Ibid.*, p.866.

<sup>42</sup> Helmke and Lavitski, 'Informal Institutions and Comparative Politics', *op.cit.*, p.825; Shandana Khan Mohmand, 'Informal Local Governance Institutions: What They Do and Why They Matter', *IDS Working Paper* 468 (Brighton: IDS, 2016), pp.2-3.

<sup>43</sup> Fergus Lyon, 'Trader Associations and Urban Food Systems in Ghana: Institutional Approaches to Understanding Urban Collective Action', *International Journal of Urban and Regional Research* 27:1 (2003), pp.11-23; Fergus Lyon, 'Institutional Perspectives on Understanding Street Vendor Behaviour and Networks: Cases from Ghana', (2007), pp.164-79.

institutions re-enforce existing social structures and patterns of behaviours and, in such environment, the customs, conventions, norms and values guide individual actions no less than formal rules and regulation. When it comes to social capital generation across a multitude of contexts, the difference lies, if not entirely, in the strength or weakness of formal institutions. I agree with Lowndes and Wilson<sup>44</sup> who see social capital partly as an outcome of public policies, but I depart from their (and other's) stance on social capital as a deliberate act of creation through public policy measures.<sup>45</sup> The position adopted here is that it is unintended impact of the weaknesses of the institutional design of formal local governance institutions. It is argued that the incapacity of local government institutions in the performance of their functions of service delivery results in an informal privatization. This informal privatization is a common feature of local governance across rural and urban contexts in Pakistan.<sup>46</sup> Before elaborating on the weakness of local government systems in Pakistan as a crucial determinant of the role of social capital in local governance, in the following section it is explain whether social capital can be conceptualized as an informal institution.

### **Conceptualizing social capital as informal institution — how it relates to local governments in Pakistan?**

The local population in Pakistan relies on informal institutions for service delivery, regardless of rural and urban difference. These different spheres of informal sectors have filled the gaps in the needs of people that formal sector or informal private organisations have failed to provide.<sup>47</sup> Hasan<sup>48</sup> explains in the urban context of Karachi, how these informal institutions for service delivery have grown as a consequence of the absence of a sound institutional framework. And how different legal and illegal activities for governing the commons have been institutionalized in the context of weak formal institutions. up to this point, the parable does not looks out of an ordinary in the context of state fragility. However, he goes on to develop the argument that these

<sup>44</sup> Lowndes and Wilson, 'Local Governance and Social Capital', pp.833-4.

<sup>45</sup> Teles, 'Beyond Paternalism towards Social Capital', p.864.

<sup>46</sup> Richard Batley, 'Public-private Relationships and Performance in Service Provision', *Urban Studies*, 33: Vol.4-5 (1996), pp.723-51, 724.

<sup>47</sup> Arif Hasan, 'The Changing Nature of the Informal Sector in Karachi as a Result of Global Restructuring and Liberalization', *Environment and Urbanization*, 14:1 (2002), pp.69-78, 70; Mohmand, 'Local Government Reforms', pp.380-81.

<sup>48</sup> *Ibid.*, p.69.

informal and illegal means of service delivery had helped develop different neighbourhoods and had served the needs of the low-income and middle-income populations that were becoming increasingly difficult for the state to provide like the basic facilities of employment, health, housing and sanitation.

I do not draw on the notion of illegal activities and the way they are institutionalized in the context of weak institutional framework to serve the needs of the local population as Hasan would argue. Instead I argue that informal social institutions, especially the normative dimension of social capital, is institutionalized as a consequence of the non-robust local government system and it becomes an integral part of the institutional design of the local government functions in Pakistan. The reader should be conscious at this point to avoid confusing the institutionalization of social capital with the notion of institutional design as a ‘deliberate act of creation’, a mistake commonly made by neo-liberals or rational choice scholars on social capital. I suggest, if social capital is viewed as an informal institution, it is partly an outcome of the existing social structures and partly as a deliberate act of creation.<sup>49</sup>

Conceptualizing social capital as an institution, and also as an integral element of an institutional design has some limitations especially at the micro and meso level. These include: (i) How social capital as a norm of cooperation can be differentiated from the rational choice theory of social capital as informal institution as Knowles suggest.<sup>50</sup> (2) Social capital as an input or an output of the formal institutional design, and social capital’s embeddedness in the institutional design at the micro level related to the implementation side of local governments.

Is social capital an institution? For economists like Knowles<sup>51</sup> social capital, interpreted as trust, cooperative norms, and networks of relations, social capital is institution. This conceptualization is problematic in three ways: It confuses the structures of relations with institutions which, despite some similarities have fundamental differences.<sup>52</sup> Second, networks or structures of relations are not

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<sup>49</sup> Stephen Knowles, ‘Is Social Capital Part of the Institutional Continuum?’, *Credit Research Paper*, No.5-11 (2005). Available at: <https://www.nottingham.ac.uk/credit/documents/papers/05-11.pdf>.

<sup>50</sup> *Ibid.*, pp.70-1.

<sup>51</sup> Steve Fleetwood, ‘Institutions and Social Structures’, *Journal for the Theory of Social Behaviour* 38:3 (2008), pp.241-65, 242.3 (emphasis added).

<sup>52</sup> Stephen Knowles, *op.cit.*

institutions, instead they are the carriers of institutions.<sup>53</sup> There is a considerable debate whether trust is social capital. Scholars like Woolcock<sup>54</sup> views trust as a consequence of social capital, instead of viewing it as social capital.<sup>55</sup> In contrast, Blumberg et al.<sup>56</sup> argues that the notion of trust should be viewed not as social capital, but as a factor in the development or deterioration of social capital. After this process of elimination, we are left with cooperative norms as social capital which is conceptualized as institutions here. Though the impact of social capital on economic performance is not the subject of this paper.<sup>57</sup> However, some economists should be given credit for linking social capital with institutional design. Svendsen<sup>58</sup> argues that the impact of social capital on economic performance is largely the outcome of the quality of formal institutions.

When it comes to the definition of social capital, scholars employ the definition of their own choice.<sup>59</sup> However, conceptualizing it as an informal institution renders this choice difficult. For instance, Nowles<sup>60</sup> refers to the common interpretation of social capital as trust, networks, and cooperative norms. However, attempting to demonstrate an overlap between social capital and informal institutions he departs from his basic definition. Referring to North<sup>61</sup> he notes,

North's notion of institutions, once broadened to include informal institutions, includes the concepts of norms of behaviour and social conventions, hence it seems to overlap significantly with the notion of social capital.

<sup>53</sup> *Ibid.*, p.3.

<sup>54</sup> Fleetwood, 'Institutions and Social Structures', pp.243-5.

<sup>55</sup> W. Richard Scott, 'Institutional Theory: Contributing to a Theoretical Research Program', *Great Minds in Management: The Process of Theory Development*, 37 (2005), pp.460-84.

<sup>56</sup> Woolcock, 'The Place of Social Capital in Understanding Economic and Social Outcomes', 2001, pp.11-12.

<sup>57</sup> Knowles, 'Is Social Capital Part of Institutional Continuum?', p.5.

<sup>58</sup> Boris F. Blumberg, José M. Peiró and A. Roe Robert, 'Trust and Social Capital: Challenges for Studying their Dynamic Relationship' (Edward Elgar: Cheltenham, Handbook of Research Methods on Trust, 2012), pp.61-71.

<sup>59</sup> Knowles, 'Is Social Capital Part of Institutional Continuum?', p.1.

<sup>60</sup> M. Paldam and G.T. Svendsen, 'An Essay on Social Capital: Looking for the Fire behind the Smoke', *European Journal of Political Economy*, 16 (2000), pp.339-66.

<sup>61</sup> Knowles, 'Is Social Capital Part of Institutional Continuum?', pp.1-2.

He goes on to say, ‘This is especially true if it is acknowledged that North discusses the importance of cooperation’.<sup>62</sup> The purpose here is not to dispute the fundamentally agreed upon elements of social capital,<sup>63</sup> rather it is to clarify which of these can be conceptualized as an informal institutions.<sup>64</sup> One may readily reject this conceptualization of cooperative norms as institutions by calling them behavioural regularities. I borrow Hodgson’s<sup>65</sup> argument of sanctions which provide these norms the characteristic of institutions because their breach invoke both external and internal sanctions. On these grounds and others, social capital is defined as networks of relations and cooperative norms that manifests through power relations.<sup>66</sup>

Conceptualizing social capital as informal institution raises a more difficult question: How social capital is embedded in the institutional design? A large literature on social capital discusses its relation to the institutional design.<sup>67</sup> Telles<sup>68</sup> have recently explored the interrelation of local governments and social capital. He argues that approaches to local government reforms requires a sensitivity to social capital, and the role of institutional arrangement of local governance in the formation of social capital. His approach, though comprehensive in many respects, explicitly advocates ‘proactive and objective’ top-down initiatives in the formation of social capital. The major inspiration for this approach is derived from the growing body of literature that demonstrates the influence of public institutions and public policy on the formation of social capital.<sup>69</sup> On the other hand, Lowndes and Wilson<sup>70</sup> presents a more balanced approach, that neither downplays the role of society, nor the role of state institutions as a cause of social capital formation.

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<sup>62</sup> *Ibid.*, p.6.

<sup>63</sup> Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990).

<sup>64</sup> Knowles, *op.cit.*, p.6.

<sup>65</sup> Asimina Christoforou and Davis John B. (eds.), *Social Capital and Economics: Social Values, Power, and Social Identity*, vol.20, London: Routledge, 2014, pp.3-5.

<sup>66</sup> Jeffery M. Hojson, ‘What are Institutions’, *Journal of Economic Issues*, XI:1 (2006), pp.1-25.

<sup>67</sup> Christoforou and Davis, ‘Social Capital and Economic Values’, p.3.

<sup>68</sup> See footnote 1.

<sup>69</sup> Teles, ‘Beyond Paternalism towards Social Capital’, p.864.

<sup>70</sup> Bo Rothstein, *Social Traps and the Problem of Trust* (Cambridge: University Press, 2005).

I adopt a somewhat similar approach to the role of state and society for considering social capital as an informal institution. However, it is argued that the incapacity of state institutions plays a pivotal role in explaining the outcomes of social capital for local governance. Just as there is a reciprocal relation between democracy and social capital,<sup>71</sup> similarly, there is a relation between institutional capacity and norms of cooperative relations that are institutionalized within a specific state context.

Social capital becomes an institution for problem solving where institutional capacity is in short supply. Hodgson<sup>72</sup> argues that it would be a mistake to go to an extreme and regard rule following as something entirely deliberative. Reminding us of Michael Polanyi<sup>73</sup> who argued that ‘there is always and unavoidably tacit substratum of knowledge that can never be fully articulated, even with the most deliberative of acts’.<sup>74</sup> In a similar vein, local government institutions, no matter how carefully crafted, leave room for informal governance which is institutionalized variously in different contexts of governance, demonstrating this institutionalization in the weak state context is relatively easy because of their weak formal institutions.<sup>75</sup>

One last point, with regard to local government institutions and social capital demands consideration here. Are local government institutions robust enough to promote social capital?<sup>76</sup> Wallis and Dollery<sup>77</sup> rightly observes that local governments vary widely in their capacity for governance. This variation, I argue, is one of the critical

<sup>71</sup> Lowndes and Wilson ‘Social Capital and Local Governance’, pp.833-4.

<sup>72</sup> J. Sides, ‘It Takes Two: The Reciprocal Relationship between Social Capital and Democracy’, Paper presented at the American Political Science Association annual meeting, 1999, pp.2-3.

<sup>73</sup> Hodgson, ‘What are institutions?’, p.3.

<sup>74</sup> *Ibid.*, p.4.

<sup>75</sup> Jean-Paul Faguet, ‘Does Decentralization Increase Government Responsiveness to Local Needs?: Evidence from Bolivia’, *Journal of Public Economics*, 88:3 (2004), pp.867-93; Mohmand, ‘Social Capital and Local Government Reforms’, pp.388-9; and Krishna, Anirudh, *Active Social Capital: Tracing the Roots of Development and Democracy* (Columbia University Press, 2002).

<sup>76</sup> M. Warner, ‘Building Social Capital: The Role of Local Government’, *Journal of Socio-Economics*, 30:2, 2001, pp.187-92.

<sup>77</sup> Joe Wallis, Paul Killerby and Brian Dollery, ‘Social Economics and Social Capital’, *International Journal of Social Economics*, 31:3 (2004), pp.239-58.

determinants of their role in the construction of social capital, and also for the state-society interaction at the local level.<sup>78</sup> Vornar<sup>79</sup> notes that Putnam's, thesis on social capital provides little evidence on the 'constructability of social capital'. 'A major state intervention in creating a regional system of government did little to promote social capital formation in areas where it was weak'. This argument seems plausible in the developed states context where local governments have enough resources, and autonomy to partner with private actors. It is difficult to realize this kind of construction of social capital in the context of less developed state with weak, and strictly top-down structure of local governments. Though Vornar's<sup>80</sup> thesis is on the 'constructability of social capital', however, one of his significant observation on social capital formation is the consideration of whether an area has horizontal or vertical social capital.<sup>81</sup> Horizontal social capital entails lateral ties between individuals which lead to the creation of more egalitarian and robust democratic structures. Whereas the latter reinforces patron-client relations.<sup>82</sup> I argue, social capital in Pakistan is more hierarchical in structure, and both social structures and formal institutional structure reinforce the patron-client relations.<sup>83</sup> This argument should not be misconstrued to form an impression that horizontal social capital does not exist at all. It exist in Pakistan, specially in the urban environment, but even this horizontal social capital is vertically shaped across power differentials.<sup>84</sup> Thus it is partly an outcome of a deliberate act of creation, and partly an outcome of the existing institutional structure.

It is a deliberate act of creation if it is looked from a bottom-up perspective, where agents collectively improvise strategies to cope with the laxities of formal institutional design as Mukhtorov, et al.<sup>85</sup> notes in the context of institutional interaction elsewhere. And it is an outcome of the existing institutional structure if looked from a top-down perspective. Especially if institutional designers fail to anticipate the unintended outcomes of a local government system. It is against this backdrop that I

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<sup>78</sup> Warner, 'Building Social Capital', pp.187-9.

<sup>79</sup> *Ibid.*

<sup>80</sup> *Ibid.*

<sup>81</sup> *Ibid.*

<sup>82</sup> *Ibid.*, p.1053.

<sup>83</sup> *Ibid.*

<sup>84</sup> *Ibid.*

<sup>85</sup> Mohmand, 'Local Government Reforms in Pakistan', p.390; and Jo. Beall, 'Policy Arena: Social Capital in Waste—a Solid Investment?', *Journal of International Development*, 9:7 (1997), pp.951-61.

argue, the institutional mix is often overlooked by the institutional designers of local government in Pakistan, especially in the delivery of services to the local population. Instead of increasing local government's capacity in the delivery of services, the local government systems in Pakistan have re-enforced patron-client relations.

### **A historical overview of local government system in Pakistan: a faulty incorporation of informal institutions?**

This section explains the weakness of local government institutions as an outcome of the weak institutional design. This design is marked by an inherent weakness that exploit social structures and re-enforce existing social tensions in different contexts. As a consequence, the development and manifestation of social capital is more vertical instead of being horizontal. The institutional designers have taken into consideration informal institutions and structures, however, the way they have been incorporated into the institutional design have perpetuated instead of mitigating the problems of service delivery at local level.

Local governments in Pakistan have ever been a top-down initiative of the ruling governments, and not a bottom-up phenomenon emerging organically from the grass root level.<sup>86</sup> Besides current local government bodies, local governments were established by the ruling elite, specially military, to legitimize their rule, to have a local support base, and to raise a loyal cadre of local politicians.<sup>87</sup> The decentralization program in Pakistan have always been removed from the peoples effective participation in the local planning and development. Even the most ambitious local government program of President Musharraf (the Local Government Plan 2000) was unable to deliver its effects to the citizens. Instead of empowering the citizens, it had concentrated powers in the hands of the state.

The history of local governments in Pakistan can broadly be divided into two phases, active elected local governments under the military regimes, and dormant elected LGs under civilian governments. After its independence from British rule, and partition from India in 1947, the leaders of newly found Pakistan were engaged in building up a non-existing state with scarce resources. Alam and Wajidi<sup>88</sup> notes that this factor was responsible for the absence of local governments till the

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<sup>86</sup> *Ibid.*, pp.958-9.

<sup>87</sup> Mukhtarov, *et.al.*, 'Interactive Institutional Design and Contextual Relevance', p.207.

<sup>88</sup> Mohmand, 'Local Government Reforms in Pakistan', pp.383-4.



promulgation of Pakistan's first constitution in March 1956. It was not until the 1959 local government ordinance, passed under the first military government, that an elected local government system was installed, which was later transformed into an electoral college. This system disappeared with the end of military government of Field Marshal Ayub Khan in 1969. The second military regime was short lived (25 March 1969 to 16 December 1971). It was pre-occupied with the issues of first general elections in the country, and resultant threats to national integration, thus it remained reticent on the subject of local governments. During the civilian rule of President Bhutto (17 December 1971 – 5 July 1977), who later became the prime minister, a local government system was framed, but no elections to the local bodies could be held. Once again, the civilian government was rapped-up by the military which again introduced local government system. This system also fell into disarray after the demise of the military rule in 1988. The following decade was marked by political turbulence, and four general elections were held within a short span of nine years, but none of the civilian governments could install an elected local government system in the country. The elected provincial governments of NWFP (now KPK), Sindh, and Punjab had undone the local government system in 1991, 1992, and 1993 respectively.<sup>89</sup> The military intervened once again in October 1999, and launched the most ambitious program of decentralization in 2000-2001.<sup>90</sup> It is neither the intent, nor the purpose to account for all the variations in detail, however, some major differences between devolution of power plan and previous local government systems are summarized in the table below.<sup>91</sup>

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<sup>89</sup> Cheema, *et.al*, 'Breaking the Countercyclical Pattern of Local Democracy in Pakistan', pp.2-3.

<sup>90</sup> Alam and Wajidi, 'Pakistan Devolution Plan 2001', pp.21-28.

<sup>91</sup> Sirajul Haq Kandhro and Ghulam Akber, 'Local Government System in Pakistan: Causes of Bad Governance of Local Government System', *Journal of Social and Administrative Sciences*, 2:2 (2015), pp.62.

**Comparison of the features of the previous LGs and those created through Devolution of Power Plan (DoPP) (2001)**

<b>Features</b>	<b>Previous LGS</b>	<b>LGS created through Devolution of Power Plan</b>
Urban-rural division	4 tier system in urban areas, and 3 tier system in rural areas	3 tier system in both rural and urban areas
Dependence on provincial government	High dependence	Comparatively low dependence
Representation to marginalized groups	Nominal representation	Substantial representation

The local government system of 2001 was different from the previous local government programs in that it established a wider participation base that was more inclusive of women, labour, and minorities. It also had provisions for citizen community boards that allowed local people to undertake community development measures for local service delivery.<sup>92</sup> However, (1) local governments were susceptible to capture by local elites and politicians.<sup>93</sup> And (2) the devolution of power was a rhetoric more than a carefully designed act of empowering the local people. As Paracha<sup>94</sup> points out, it was a broad based reform agenda attempted at decentralization. However, it was controversial and a hasty attempt to devolve powers to meet the deadline of the supreme court for the transfer of political powers to the elected governments. Or, as Cheema et al.<sup>95</sup> would count it, as another attempt of a military government to legitimize its rule. Local people had no role to play in the local planning and development, the only change in this regard was that planning for local development was given in the hands of local bureaucrats who were distanced from the local population. In short,

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<sup>92</sup> Saad Paracha Abdullah, 'Devolution Plan in Pakistan: Context, Implementation and Issues', Open Society Institute, Budapest – Hungary (2003), p.7.

<sup>93</sup> Ahmad and Talib, 'Local Government System and Decentralization'.

<sup>94</sup> Philip E. Keefer, Ambar Narayan and Tara Vishwanath, *Decentralization in Pakistan: Are Local Politicians Likely to be More Accountable?*, Working paper, Development Research Group, The World Bank, 2005, pp.3-9.

<sup>95</sup> Paracha, 'Devolution Plan in Pakistan, pp.6-7.

these local government reforms neatly fitted in the neo-liberal reforms agenda,<sup>96</sup> which had out rightly rejected contextual realities.<sup>97</sup>

Though rural and urban differences have often been considered in the institutional design of local governments to allow for the specific needs of the rural and urban development and service delivery. However, differences in the local social institutions have largely been overlooked in the local government systems in Pakistan. This has been one of the significant deficiency in the institutional design of the local governments which contributed to the ineffective local government systems.

Pakistani governance system is characterized by informal social norms, especially clientelism, interpersonal ties, and moral attachment. These informal norms heavily impact the behaviour of public officials who, while implementing public policy, are exposed to these social norms. This creates greater likelihood of decisions that are counter to the official or intended norms of good governance.<sup>98</sup> One of the central outcomes in this regard is the inefficiency in the delivery of services and re-enforcement of local social tensions.

One of the primary reasons for the failure of top-down reforms in the delivery of services is the type of state-society relations which are fundamentally different from which exist within the developed states.<sup>99</sup> Instead of neoliberal explanations of the top-down initiatives for creating social capital, I argue that it is largely the outcome of weak institutional structure in Pakistan. The causes of this weak institutional structure in Pakistan are many. However the culture of power in the governance of the country,<sup>100</sup> patron-client relations, lack of responsiveness, hierarchical social structures, and benefiting one's relatives and acquaintances at the expense of a common citizen offers a sufficient explanation for the weakness of formal institutional structure. Be it the electoral side of local governments, or its implementation side, the

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<sup>96</sup> Cheema, *et.al.*

<sup>97</sup> Mohmand, 'Local Government Reforms in Pakistan', p.410.

<sup>98</sup> Mughees Ahmed, 'Local-Bodies or Local Biradari System: An Analysis of the Role of Biradaris in the Local Bodies System of the Punjab', *Pakistan Journal of History and Culture*, 30:1 (2009), pp.82-92.

<sup>99</sup> Sadia Saleem and Ahmad Mughees, 'Political and Administrative Structure of Local Bodies in Pakistan: A Case Study of City District Government Faisalabad', *Berkeley Journal of Social Sciences*, 2:6-7 (2012), pp.1-15, 12.

<sup>100</sup> Shehryar Khan, 'The Un-official Performance of Official Business in Pakistan: The Interface with State Bureaucracy', PhD dissertation, University of Bath, 2012, p.4.

formal institutions are not robust enough to deliver the promises of a democratic system.

In addition, in the top-down implementation of local governments to further their own political objectives, the institutional designers have often overlooked the negative outcomes of the local government system. Both during Zia's military rule and in the Musharraf regime, non-party elections were aimed at weakening political parties. One of the central outcome of non-party elections for the local government was the dominance of the cast-*biradari* system in Punjab. And instead of the service delivery, the major point of the election campaign seems to be *biradarism*. After getting elected as the head of the district government, the service delivery e.g. construction of roads, streets, schools or provision of employment would be focussed on one's own *biradari*. In sum, every administrative decision was analysed in the light of *biradarism*. While concluding his analysis of the three local government systems in Pakistan, Ahmed<sup>101</sup> notes, instead of improving local democracy and service delivery, the local body systems have perpetuated the rifts between casts and *biradari* at local level, thus having negative consequences for the dominated communities. Be it the basic democracy system of the Ayub regime, rootless democracy of President Zia, or the devolution of power plan of President Musharraf, the local body systems have not been practiced with factual sagacity, except the promotion of *biradarism*. Thus the local practices went against the essence of local government institutional design, which gave way to negative impacts of local social structures on service delivery through local administration.

### **18<sup>th</sup> Amendment and provincial local government acts: A paradigm shift?**

This section analyses the current local government system which is largely the outcome of the 18<sup>th</sup> Amendment to the Constitution of 1973. It is argued that a more decentralized institutional design of local governments may remedy the problems of a centralized local government systems implemented in the past. This proposition is premised on the fact that the design and implementation of local governments fell into provincial jurisdiction after the 18<sup>th</sup> Amendment. Consequently, all the four provincial governments envisaged their respective local government acts in 2012-14. Elections to the local governments in the provinces under these acts were held in 2015-16.

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<sup>101</sup> Khan, 2012, p.7.

A significant aspect that paved the way for this elections was the 18<sup>th</sup> Amendment to the present constitution of Pakistan. Alam<sup>102</sup> calls it a ‘paradigm shift’ in the distribution of powers in the state which has transformed a heavily centralized governance system into a largely decentralized federation. It transferred considerable powers from the centre to provincial governments, but also have accorded substantive powers to local governments.<sup>103</sup>

Though the original Constitution of 1973 offer some hints at the local governments, however, it had not been a constitutional body established by the constitution. Article 7 of the original constitution describes the state comprising of federal governments, provincial governments, and the local governments that will be established by the mandated authorities for the governance of the state. Article 32 of the constitution, the chapter describing policy principles also calls for the establishment of local governments for more representation, better governance and empowerment of marginalized social groups. However, it was the 18<sup>th</sup> Amendment which amended Article 140 that determined the exact constitutional status of local governments. LGs were made a provincial subject, which can be seen as one of the causes for the discrepancies in their institutional design.

### **Local governments and institutional design in Pakistan: what is different and why it matters?**

The first visible outcome of the local governments in the civilian rule is the diverse institutional design of LGs. The electoral laws and procedures,<sup>104</sup> their tenure, and in some cases authority of elected local government officials vary across the four provinces of Pakistan.<sup>105</sup> Diversity in the laws related to voting and elections across Pakistan speaks of the discrepancies in the design of local governments. A recent study of Pakistan’s local governments, conducted by UNDP, captures these variations in detail. Some of these are summarized in the table below without any further discussion in order to direct the focus to the discrepancies in the configuration of local power relations. These power

<sup>102</sup> Ilhan Niaz, *The Culture of Power and Governance of Pakistan: 1947-2008* (Karachi: Oxford University Press, 2010), pp.43-44.

<sup>103</sup> Ahmed, ‘Local Bodies or Local Biradari System’, pp.89-92.

<sup>104</sup> Munawwar Alam, ‘Integrating Civil Service Reforms with Decentralization: A Case Study’, *UNDP Working Paper*, No.2, 2015, p.15. Accessed on 1 April 2016 at: <https://issuu.com/undppublicserv/docs/gcpse-civilservicereform>.

<sup>105</sup> *Ibid.*, p.15.

relations, and social configurations have historical, social, cultural and economic dependencies, they are relevant to the discussion of local governance because like decentralized local government systems, these local power relations are usually being subjected to the top-down agenda of the governments controlling the centre.<sup>106</sup>

**Table 2: Similarities and Differences in LGs across the Provinces**

Province	Election of the head of the District council	Term of LG's office	Dismissal and suspension of the heads of the district council respectively	Fiscal authority / supervising local revenue officers	Authority over police	Local government relation with provincial government
Punjab	Direct election	5 years	Yes. For 3 months	No	No	Will work under the directives of provincial government
Sindh	Indirect election by the respective council	4 years	Yes. For 6 months	No	No	Will work under the supervision of provincial government
Khybar Pakhtunkhwa	Indirect election by the district council	4 years	Yes. For 30 days	Yes	Yes supervision, and recommendation to	Will work under the supervision of provincial government

<sup>106</sup> I. Adnan, 'Diverse Rules: Local Government Laws Vary Across Pakistan', *The Express Tribune*, 18 October 2015.

					provincial government	
Balochistan	Indirect election by respective council	4 years	Yes. For 30 days	No	No	Will work under the directives of provincial government

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Columns 4 to 7 in the table above show that the authority of the local governments is controlled by the provinces. And the system can still be characterized as a top-down initiative of the provincial governments.

However, this brief overview of local governments systems across the provinces reveals that there have been fundamental improvements in the local government system. Yet the system is still far from empowering the people. The conclusion of Arif et al,<sup>108</sup> on the Devolution of Power Plan can be re-echoed at this point. People are largely dissatisfied with local governments with regard to their performance in the delivery of services. A fact that is unsurprising in the context of local governance in Pakistan.<sup>109</sup> In their analysis of the Urban Institute Nielsen survey conducted across four provinces of Pakistan in 2008, Arif et al.<sup>110</sup> found that a substantial number of people consider it difficult to access local government officials. Their findings suggest that access to local government officials at the level of union council/town committee has increased, but on the other levels of LGs (municipal and district council respectively) the situation is far from ideal.

The current local government system, installed by the elected provincial governments has addressed the disconnect between LGs and provinces. Nonetheless, it retain the culture of subordination of LGs and many promises of public accountability and responsiveness of local

<sup>107</sup> UNDP, *An Analysis of Local Government Acts and Province-local Government Relations* (2014). Available at: [www.pk.undp.org/.../pakistan/...pakistan/local-government-acts-2013-an](http://www.pk.undp.org/.../pakistan/...pakistan/local-government-acts-2013-an).

<sup>108</sup> Shahzad Arif, William Cartier, Andrew Golda and Ritu Nayyar-Stone, *The Local Government System in Pakistan: Citizens Perceptions and Preferences*. No. 2010-02. IDG Working Paper, 2010.

<sup>109</sup> Keefer, et al., 'Decentralization in Pakistan', pp.2-4.

<sup>110</sup> Arif, et al., 'Local Government System in Pakistan', pp.43-44.

government officials are yet to be delivered. The examples of decentralization and local governance elsewhere demonstrate a positive correlation between participation of people in the local governance processes and accountability and responsiveness of local governments. However, in Pakistan, at least this participation exist only in theory. The governments do not hold public meetings and consultations on local planning or budgeting,<sup>111</sup> as the decentralization programs in Brazil or Bolivia has achieved.<sup>112</sup>

Several reasons account for this gap between theory and practice. The most important among those include the design of local government systems across provinces and their implementation; the culture of patron-client relations in intra-governmental relations between hierarchical levels of government; elite capture; local power relations; and the top-down approach to local government systems. The key question with respect to state-society relations, especially at the local level is the robustness of the state institutions and their capacity to govern effectively.<sup>113</sup> In Pakistan, specifically in the provinces of Khyber Pakhtunkhwa and Balochistan, the weak presence of formal governance institutions, and the dominance of traditional structures of governance (at least in some regions) are a question mark on government's ability to govern effectively. Accordingly, the perceptions of people regarding the efficacy of local governments in delivering services, or creating enabling environment to eradicate poverty or empower local communities do not reflect these top-down initiatives of the governments. In such a situation, what role does social capital perform in decentralized local governments in relation to the state-society relations, and what are its implications for local governance are examined in the following section. The key question in this section is that do top-down initiatives to promote social capital generate social capital or it emerge as a consequence of the ineffectiveness of formal governance institutions?

### **Local governments and social capital in Pakistan: does decentralization help?**

Local government institutions are interdependent on the complex political, economic, social and cultural processes. The complexity of these processes and their rested interaction with local government

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<sup>111</sup> *Ibid.*

<sup>112</sup> Faguet, 'Does Decentralization Increase Government's Responsiveness to Local Needs?', p.867.

<sup>113</sup> Warner, 'Building Social Capital'.



systems necessitates an understanding of the context in which social capital and local government system operates.

Social capital exist everywhere, but it is entirely contextual. Certain factors explain its operations and outcomes which are often ignored in the neo-liberal conception of social capital. Its significance for development or for governance, or for any related matter, is inestimable if the social structures and their differential effects on the functions and outcomes of social capital are overlooked. In addition, in its relation to local governance, the key factor to bear in mind are the forces that are responsible for its construction. Three views exist in the literature on social capital and local governance on the construction of social capital.<sup>114</sup> The first view is rooted in the World Bank's notion of social capital as a missing link in the local development which aims to 'depoliticize social capital'.<sup>115</sup> Harriss<sup>116</sup> questions that if local government is more participatory and responsive to people, as oppose to NGO's, then why channelling of funds for community development is preferred by the World Bank through NGO's instead of local governments? On the other hand Fukuyama<sup>117</sup> argues that governments are ill equipped to develop social capital, however, they can do certain things that are useful, and avoid certain others that are detrimental for social capital. Evans<sup>118</sup> and Scokpal<sup>119</sup> argues that social capital can be developed through effective government interventions. It is argued here that social capital is not an outcome of the government intervention, nor the community development measures as the neo-liberal perspective on social capital would suggest. Instead, it is an outcome of the weak formal institutions that is distributed unequally among the members of society in which it operates.

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<sup>114</sup> F. Fukuyama, 'Social Capital and Civil Society', 'IMF conference on second generation reforms'. 1 October 1999 <https://www.imf.org/external/pubs/ft/seminar/1999/reforms/fukuyama.htm>. John Harriss, 'Depoliticizing Development: The World Bank and Social Capital. Anthem Press, 2002. Evans, Peter. 'Government Action, Social Capital and Development: Reviewing the Evidence on Synergy', *World Development*, 24:6 (1996), pp.1119-32.

<sup>115</sup> Harris, 'Depoliticizing Development', *op. cit.*, pp.1-9.

<sup>116</sup> *Ibid.*, p.13.

<sup>117</sup> Fukuyama, 'Social Capital and Civil Society', *op. cit.*, p.7.

<sup>118</sup> Evans, 'Government Action, Social Capital and Development', *op. cit.*, p.1119.

<sup>119</sup> Mohmand, 'Local Government Reforms in Pakistan', *op. cit.*, pp. 383-4, 390. Beel, 'Policy Arena', *op.cit.*, pp.958-9.

Be it individual or group, social capital in Pakistan it is unlikely to account for its impacts by ignoring the power structures in which it is embedded.<sup>120</sup> Be it state interventions to develop social capital to help in effective governance, or horizontal networks of people engaged in civic activities, social capital in Pakistan has more commonality with Putnam's vertical social capital which he associates with southern Italy, rather than horizontal social capital which he identifies for the north.<sup>121</sup> In the context of Pakistan, this structural factor explains the functions and outcomes of social capital at different levels. Community vs. State<sup>122</sup> or individuals vs. other individuals or organisations.<sup>123</sup>

Consider for instance, the role of state in the provision of service delivery. In urban Pakistan, the focus of service delivery activities is more on the areas that are populated by the upper or middle class. Whereas the low income areas are overlooked.<sup>124</sup> Beall, her study of solid waste management in Faisalabad points out though horizontal social capital exist in both high and low-income areas, however, it is only the president of the welfare society in the high income areas who can bring the Members of National Assembly to their municipality for dinner to describe the development, and attract funding for more development. Thus linking social capital is embedded in a hierarchical power structure where the gentry gets more attention than deprived neighbourhoods.

In Pakistan, social capital is specifically weak in the rural society. As Mohmand<sup>125</sup> rightly notes, it is not because these societies have inherently weak stocks of social capital, but the social structures of the society prevent the development of social capital that is beneficial for the society as a whole. In other words, social capital in such societies should not be read as a feature of the society as a whole, rather it is embedded in the power relations that has differential effects for the people placed at different levels of the social ladder.<sup>126</sup>

Are local government institutions in Pakistan robust and sophisticated enough to help in the development of social capital?

<sup>120</sup> Beel, *ibid.*, p.959.

<sup>121</sup> *Ibid.*

<sup>122</sup> Mohmand, 'Local Government Reforms in Pakistan', *op.cit.*

<sup>123</sup> Beel, 'Policy Arena', *op.cit.*, pp.958-9.

<sup>124</sup> Mohmand, 'Local Government Reforms in Pakistan', *op.cit.*, pp.384-5.

<sup>125</sup> *Ibid.*

<sup>126</sup> Evans, 'Government Action, Social Capital and Development', *op.cit.*, p.1119; Theda Skocpol, 'Unravelling from Above', *American Prospect*, 25 (1996), pp.20-25.

Evans<sup>127</sup> and Scokpal<sup>128</sup> argue for an active role of government in the construction of social capital. The central point of this argument is that robust and sophisticated formal institutions are likely to help in the formation of social capital through decentralizing powers. Whereas civil society helps in keeping the governments responsive.<sup>129</sup> In Pakistan, neither decentralization has been a success,<sup>130</sup> nor civil society has been powerful enough to keep the governments responsive.<sup>131</sup> The politics of service delivery, and governance at local levels is based more on the patron-client relations, rather than on the improvement of governance.<sup>132</sup> As Hasnain<sup>133</sup> observes, be it in the recruitment of primary school teachers, or the provision of health services, governance is poor in that the elected politicians aim at targeted development to increase their prospects of victory in the next election. Thus the focus of governance of these areas is on returns to the politicians instead of the quality of those services. The PP, despite its best attempts to increase participation of the marginalized groups, and the rhetoric of improved service delivery could not rectify this problem of local governance.<sup>134</sup>

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<sup>127</sup> M. Warner, 'Social Capital Construction and the Role of the Local State', *Rural Sociology*, 64:3 (1999), pp.373-393, 188-89.

<sup>128</sup> Saneer Sajjad, 'Social Capital, Relations of Power and Democracy: A Comparative Analysis of Decentralization and Development Policy in Regions of Different Nature of Social Capital and Power Relations', in, *Policies for Democratic Decentralization* (panel 48, session 1), London School of Economics (2012), pp.1-2.

<sup>129</sup> Mohmand, 'Local Government Reforms in Pakistan', *op.cit.*

<sup>130</sup> Zahid Hasnain, *Devolution, Accountability and Service Delivery: Some Insights from Pakistan*, Policy Research Working Paper No.4610, World Bank South Asia Region (2008), pp.2-3.

<sup>131</sup> B.F. Blumberg, J.M. Peiró & R.A. Roe, 'Trust and Social Capital: Challenges for Studying their Dynamic Relationship', in F. Lyon, G. Mollering, & M.N.K. Saunders (eds.), *Handbook of Research Methods on Trust* (Edward Elgar (USA), Cheltenham (UK), 2015).

<sup>132</sup> Zahid Hasnain, *Devolution, Accountability and Service Delivery: Some Insights from Pakistan*, *op.cit.*, pp.148-149.

<sup>133</sup> *Ibid.*, p.147.

<sup>134</sup> Muhammad Shakil Ahmad and Nurani B. Talib, 'Local Government System and Decentralization: Evidence from Pakistan Devolution Plan', *op.cit.*; Zahid Hasnain, *Devolution, Accountability and Service Delivery: Some Insights from Pakistan*, *op.cit.*; Mughees Ahmed, 'Local-Bodies or Local Biradari System: An Analysis of the Role of Biradaris in the Local Bodies System of the Punjab', *op.cit.*

The change in the institutional design of local governments, both in their legislation and implementation have raised questions for service delivery. As Ahmad<sup>135</sup> questions if this major reform in the local government system of Pakistan will work effectively and will it insure better living standards across all the four provinces? He also questions the extent to which the need for national identity is important 'in insuring that the decentralization does not cause the federation to unravel or the overall delivery of public services to deteriorate and lead to greater exclusion of the poor?'<sup>136</sup> These questions are significant in determining the future of the 18<sup>th</sup> Amendment and the social stability in Pakistan. A more serious concern which I have raised in this paper is related to the strength or weakness of local governments and their ramifications for local social capital and its outcomes for service delivery. A logical next question which requires empirical research across the provinces in Pakistan is: in what ways the new local government system enhances capacity of local governments in Pakistan? And what are its implications for the formal-informal institutional interaction?

### **Conclusion and the way forward**

Social capital in Pakistan is not inherently weak, but is embedded in vertical power relations.<sup>137</sup> The previous systems of local governments in Pakistan paid little if no attention to this factor. In addition, the centralized institutional designs of local government have overlooked contextual realities. With the installation of new local governments through provincial legislation, the hope is that institutional designers will take into consideration informal institutions of their respective provinces.

Once again, not as a designed act, but unintended outcome in the design of local government can be observed in the new local government systems. The variations across provinces, especially the party-based elections to the lowest levels in the Punjab and Sindh, and non-party elections in KPK requires a cross-provincial case studies of their impact on local governance systems. Though local governments in Pakistan empower marginalized groups especially during elections,<sup>138</sup> it is yet

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<sup>135</sup> Muhammad Shakil Ahmad and Nurani B. Talib, 'Local Government System and Decentralization: Evidence from Pakistan Devolution Plan', *op.cit.*

<sup>136</sup> *Ibid.*, p.2.

<sup>137</sup> S.K. Mohmand, 'Local Government Reforms in Pakistan: Strengthening Social Capital or Rolling Back the State?', *op.cit.*

<sup>138</sup> Ahmed Mughees, 'Local-Bodies or Local Biradari System: An Analysis of the Role of Biradaries in the Local Bodies System of the Punjab', *op.cit.*

unclear how this system empowers these marginalized groups in terms of their access to service delivery in the Pakistani context.

Informal means of access to service delivery in both legitimate and illegitimate fashions is prevalent across rural and urban contexts. This tendency is largely the outcome of weak formal institutions of local governance in Pakistan. Besides improvement in the capacity of the implementation side of local government institutions, the institutional designers should devote considerable energy for deciphering among the types of social capital that improves and deteriorates local governance respectively. This sifting through the types of social capital as cooperative norms is critical for a healthy state-society relations. For this purpose, the local government experts are advised to undertake studies to help the institutional designers on local government. A more endogenous approach to social capital as informal institution is required in which social capital is viewed not as an external factor, but an internal factor to the institutional design. However, a logical starting point should be to bear in mind the fundamental difference in the systems of governance in the developed and less-developed states.<sup>139</sup> To determine whether the role of social capital is either constitutive or substitutive to the formal system of governance, Helmke and Lavitski's<sup>140</sup> analytical framework can be employed.

Local governments cannot create social capital. However, they can improve its quality through doing certain things that are desirable for better governance and avoid doing those that are detrimental to the quality of social capital. It is because social capital is not always positive but it can have negative outcomes for local governance. The responsibility of civil service officers at the district level can be cited as a critical instance of the weakness of the institutional design. It explains how it resulted in creating negative social capital which had negative ramifications for the effective functioning of the local government system, mainly in the delivery of services. Thus, the institutional design of local governments results in the emergence of social capital that can have both negative and positive consequences for service delivery. The emergence of these informal norms of cooperation as an outcome of the local government system requires serious consideration both on the part of institutional designers, and those who are responsible for carrying out its implementation.

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<sup>139</sup> Kate Meagher, 'The Strength of Weak States? Non-state Security Forces and Hybrid Governance in Africa', *op.cit.*

<sup>140</sup> Michael Helmke and Steven Levitsky, 'Informal Institutions and Comparative Politics: A Research Agenda', *op.cit.*