

## **The Politics of Service Delivery in Pakistan: Political Parties and the Incentives for Patronage, 1988-1999**

ZAHID HASNAIN

This paper examines the impact of the political party structure on the incentives for politicians to focus on patronage versus service delivery improvements in Pakistan. By analysing inter-provincial variations in the quality of service delivery in Pakistan, the paper argues that the more fragmented, factionalised, and polarised the party systems, the greater are the incentives for patronage, weakening service delivery improvements. Fragmentation and factionalism both exacerbate the information problems that voters have in assigning credit (blame) for service delivery improvements (deterioration), thereby creating the incentives for politicians to focus on targeted benefits. Polarisation, particularly ethnic polarisation, reduces the ability of groups to agree on the provision of public goods, again causing politicians to favour the delivery of targeted benefits.

*JEL classification:* D72, H41, I00

*Keywords:* Public Goods, Models of Political Processes: Rent-seeking, Elections, Legislatures, and Voting Behaviour, Health, Education, and Welfare: General

### **1. INTRODUCTION**

The lack of relationship between democracy and improvements in the services for poor people is one of the more enduring puzzles in development. The last three decades have witnessed a huge increase in the number of democratic governments in the world, but not concomitant improvements in services for the poor. Instead, it appears that many democracies in the developing world systematically pursue policies that hurt the welfare of the poor.

The experience of Pakistan bears witness to this problem. Between 1988 and 1999, the country experienced its longest period of democratic rule, and also a decline in its social indicators, particularly with regards to basic education. Given that the median voter in Pakistan is poor, and given that improvements in education and health services have a positive impact on the lives of the poor, why do elected politicians not act on the demands of the median voter and improve these services? Elected politicians in Pakistan appeared to be far more concerned with patronage, or doling out targeted favours to a small number of privileged groups, rather than on providing public goods that would benefit the majority of citizens. Assuming that Pakistan's politicians were rational agents, who sought to maximise their chances of remaining in office, the question then is: What were the constraints under which these politicians were operating that resulted in these perverse incentives?

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*Author's Note:* The generous and insightful comments of Nick Manning, Zareen Fatima Naqvi, and John Wall are gratefully acknowledged.

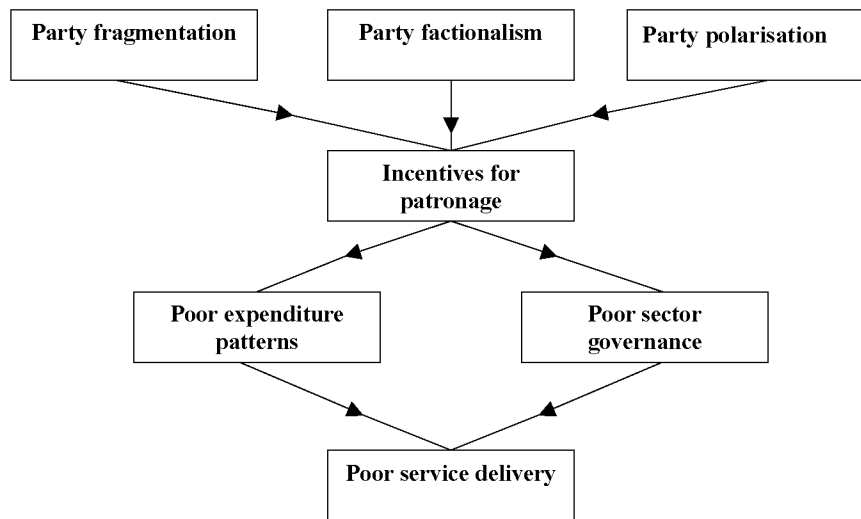
In analysing this puzzle, this paper builds on the substantial, and growing, literature on institutions and economic development, particularly the subset of this literature that focuses on the political economy of service delivery.<sup>1</sup> This literature has recognised that information is the key reason why elected officials may actually pursue policies that benefit the few at the expense of the many. To get elected, politicians must credibly communicate to voters that they personally were responsible for certain improvements in their lives, a requirement that tends to favour targeted benefits, or patronage, rather than public goods. For example, this tradeoff is evident in the decision on whether or not to undertake patronage-based recruitment of teachers. On the one hand this recruitment will benefit a narrow segment of the population that gets these teaching jobs, and these 'clients' will be well informed about who was responsible for hiring them, but the general quality of public education will suffer. On the other hand, if teachers are qualified and are made to show up regularly to class to teach, then education will clearly improve but it will be difficult for voters to clearly assign this improvement to the efforts of a particular politician.

Institutions have an important impact on this tradeoff between patronage and service delivery. The specific institution that this paper focuses on is political parties, and argues that three features of the party system have important bearing on this tradeoff: the number of political parties or the degree of *fragmentation* of the party system; the internal cohesion, or degree of *factionalism* of political parties; and the degree of ethnic divide or *polarisation* among political parties.<sup>2</sup> The higher the levels of party fragmentation, factionalism, and polarisation, the greater the incentives for patronage, and the poorer the quality of service delivery. Party fragmentation increases the informational demands on voters since there are many more candidates and therefore, many more messages that voters have to evaluate during election time. When political parties are highly factionalised they do not provide their members with stable career prospects, and politicians have a relatively greater incentive to focus on targeted goods so as to build a personal reputation that they can carry across party lines. Finally, in highly polarised party systems, the provision of public goods provides less political benefits as different ethnic groups have different preferences over, and cannot agree on, the public goods to be provided.

This argument is developed by looking at the inter-provincial variation in party structure in Pakistan, and its correlation with the quality of service delivery. The quality of service delivery is measured by expenditure patterns within sectors, such as the relative emphasis on non-salary recurrent as opposed to salary expenditure; and the quality of sector governance, as measured by the degree of politicisation of the bureaucracy, and the adherence to proper procedures for staff recruitment and procurement. In provinces where the degree of factionalism, fragmentation, and polarisation was higher, there were greater incentives for patronage, expenditure patterns were less efficient, and there were greater problems in sector governance. The outline of the argument is sketched out in Figure 1.

<sup>1</sup>The literature on institutions and growth is large, beginning with North's seminal work [North (1981)]. Acemoglu, *et al.* (2004), and Keefer (2004) provide excellent reviews of the literature. On service delivery, the recent works include World Bank (2003), Keefer and Khemani (2003), and Keefer (2002).

<sup>2</sup>This classification is borrowed from Mainwaring and Scully (1995).

**Fig. 1. The Outline of the Argument**

The structure of the paper roughly follows this outline. The next section attempts to establish some stylised facts regarding inter-provincial variations in the quality of supply of education and health services in Pakistan. Section 3 then begins the political economy analysis, by first examining a couple of commonly made explanations in Pakistan for these governance problems—namely, élite capture and the impact of political instability. Section 4 presents the main argument on how the structure of the party system interacts with these informational asymmetries and exacerbates or abates these incentives. Finally Section 5 concludes by summarising the discussion, and pointing to some reform options.

Two caveats are in order before proceeding. This paper does not examine issues related to the demand for education. In fact, it assumes that the demand for education is high, and focuses instead on political market failures that fail to translate this demand into supply. There is some empirical justification for this assumption in Pakistan, as there has been considerable growth of private schools in recent years, particularly in the rural areas.<sup>3</sup> This growth in private schooling represents parent's dissatisfaction with government schools, and the demand for better quality education. Nevertheless, this assumption of high demand is clearly simplistic, especially with regards to female education in Pakistan. As a number of studies have shown, enrolment of girls, particularly in rural areas, is lower than that for boys, and it is lower for all income groups. Girls are also more likely to drop out of school than boys, and their school attendance is also much more sensitive to school quality than that of boys. Clearly therefore, the demand for girl's education cannot be taken as a given. However, delving into issues of demand will distract from the purpose of this paper, which is to examine how supply failures can exist independently of demand-related issues.

<sup>3</sup>Pakistan (2006).

Second, this paper limits its analysis to the democratic period between 1988 and 1999, and therefore does not examine the impact of the recent devolution initiative on policy-makers incentives to improve service delivery. Devolution has brought about a far reaching change in the functioning of government in Pakistan, with the main responsibility for the delivery of education, health, water and sanitation, roads and transport, and agriculture services devolved to district, tehsil, and, to some extent, union governments.<sup>4</sup> This functional devolution has been accompanied by complex political, fiscal, and administrative changes, and a detailed analysis of the impact of these changes on the incentives of local policy-makers is beyond the scope of this paper.

## **2. PAKISTAN'S POOR SERVICE DELIVERY: EXPENDITURE PATTERNS AND SECTOR GOVERNANCE**

Despite respectable per capita growth, high levels of foreign development assistance, and impressive reductions in poverty, Pakistan has among the worst social indicators in the developing world. The 1990s, Pakistan's decade of democracy, was also a decade of stagnation in intermediate and outcome social indicators. The net primary enrolment rate had declined from 46 percent in 1991-92 to 42 percent in 2001-02, with male enrolments declining from 53 percent to 46 percent, and female from 39 percent to 38 percent.<sup>5</sup> At the provincial level, educational outcomes for Sindh and in particular Balochistan worsened considerably, while NWFP witnessed a modest increase in enrolments. Other social indicators paint a similarly depressing picture. Access to indoor piped drinking water declined from 25 percent to 22 percent, and there were only modest improvements in immunisation coverage and reductions in the incidence of diarrhea.

As is now well-known, these poor social indicators are not due to poverty or lower rates of economic growth. As Easterly (2003) shows, Pakistan significantly underperforms when compared to other countries at similar levels of per capita income, and when compared to countries that on average grew at a similar rate. For example, Pakistan has 36 percent fewer births attended by trained personnel, an infant mortality rate that is 27 per thousand higher, and a gross primary enrolment rate that is 20 percent lower than countries with similar income levels. Similarly, growth in Pakistan appears to have less of an impact on social sectors than in other countries—between 1960 and 1998, as per capita GDP more than doubled in Pakistan, infant mortality declined by 43 percent, as compared to a decline of 73 percent in a group of low income countries that on average grew at the same rate.

This stagnation was particularly disappointing given that the 1990s was also the period of the Social Action Programme, which was up to that point the most concerted effort at improving service delivery in the country's history. Between 1992 and 2000, the government and the donor community spent a total of \$9 billion on the programme—two-thirds of this funding went to education, with disappointing outcomes.

One common reason cited for this poor performance was that social sector expenditures were squeezed as a result of the deteriorating macro-economic situation in the country. As a result of the accumulating debt burden from running high fiscal deficits

<sup>4</sup>See World Bank (2004a) for a detailed discussion.

<sup>5</sup>*Pakistan Integrated Household Survey* (various years).

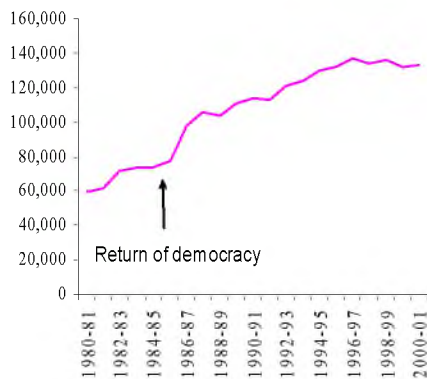
in the 1970s and 1980s, the 1990s was a period of declining fiscal space with, at its peak in 1997, almost 60 percent of public expenditures being consumed by debt servicing. Education and health expenditures declined from 2.2 and 0.7 percentage of GDP in 1987-88 to 1.7 and 0.5 percentage of GDP by 1999-00. However, despite these declines, social sector expenditures were prioritised and protected relative to other sectors—for example, agriculture and irrigation spending declined by 30 percent between 1990-91 and 1999-00, and even defense expenditures declined from 6.3 percent of GDP in 1991-92 to 4.2 percent by 1998-99.

It would also be erroneous to attribute declining outcomes primarily to this reduction in aggregate expenditures. As the World Development Report 2004 points out, cross-national evidence suggests that there is no systematic relationship between expenditures and outcomes in education and health. The reason for this lack of relationship is that in many cases this spending fails to reach the poor, and is of poor quality because of (a) poor expenditure patterns and (b) poor sector governance. Both of these factors are a key to the under-performance of the Social Action Programme. Moreover, while these problems were evident across the country, there was interesting variation around this ‘poor average’. In other words, while all provinces performed poorly, some performed worse than others.

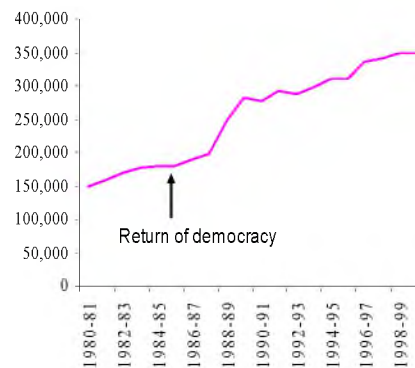
**2.1. Expenditure Patterns**

While overall social sector expenditures were protected relative to other sectors during the 1990s, intra-sectoral allocations were suboptimal. Specifically, the construction of new buildings and the hiring of additional staff were prioritised at the expense of operations and maintenance. As Figure 2 and Figure 3 reveal, the advent of democracy—first with the limited, non-party based electoral democracy under General Zia-ul-Haq in 1985, and then the fully-fledged party-based democracy from 1988—saw

**Fig. 2. Number of Primary Schools, Pakistan, 1980-2000**



**Fig. 3. Number of Primary Teachers, Pakistan, 1980-2000**



Source: Economic Survey and National Education Management Information System (NEMIS).

a surge in school construction and particularly, teacher recruitment.<sup>6</sup> The number of public sector primary schools nationally increased by 70 percent from 1985 to 1999-2000 (from approximately 77,000 to over 132,000), and the number of primary teachers almost doubled (from 179,000 to roughly 350,000) over the same period. This surge was particularly salient in the province of Sindh, with primary schools increasing by approximately 180 percent (from roughly 14,000 in 1985 to 39,000 in 1999-00) and primary teachers increasing by 125 percent (from roughly 45,000 in 1985 to 101,000 in 1999-00). The fact that net primary enrolment rates declined in Pakistan in the 1990s, with a particularly significant decline in Sindh, is a stark reminder of the lack of correlation between educational inputs and outcomes.

There were also significant staffing increases in other sectors, particularly health and the police, and the overall size of the provincial bureaucracy increased by 35 percent between 1988 and 2000. As Table 1 shows, the highest increase was in Sindh (60 percent), followed by NWFP (48 percent), Balochistan (29.5 percent), and Punjab (22 percent). As a result of these increases, Sindh, and in particular Balochistan, were relatively overstaffed as compared to Punjab and NWFP. The number of civil servants per 100 of population was 1.50 in Sindh and 1.95 in Balochistan, as compared to 1.48 in NWFP and 1.21 in Punjab.

Table 1

*Trends in Provincial Employment*

	1988-89	2000	Growth (1988-2000)	Civil Servants per 100 Population (2000)*
Punjab	722,916	888,796	22.9%	1.21
Sindh	285,042	457,494	60.5%	1.50
NWFP	177,106	262,074	48.0%	1.48
Balochistan	98,942	128,132	29.5%	1.95

Source: The World Bank (2004).

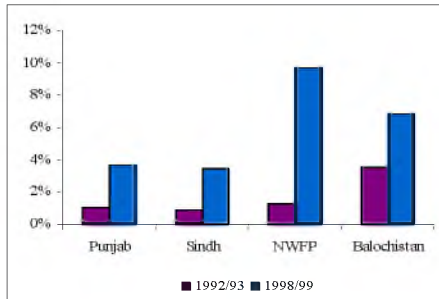
\* Based on the 1998 census.

These increases in the number of schools, and in particular staffing, were not matched by concerns for quality, and where the increases were the greatest, as in Sindh, the quality improvements were the lowest. With regards to the recurrent budget, the bulk of health and in particular, educational expenditures were consumed by salaries, and remained so despite the strong emphasis in the Social Action Programme for increasing operations and maintenance expenditures. Non-salary expenditures (which for example consists of expenditures on textbooks, furniture, blackboards, medicines, injections, equipment, as well as on maintenance and repair) increased only modestly, rising from 1.2 percent of total expenditures in education in 1992-93 to 4.7 percent by 1998-99, and from 18.5 percent of total expenditure in health in 1992-93 to 29.5 percent by 1998-99.<sup>7</sup> As Figure 4 and Figure 5 reveal, the inter-provincial variation around this national

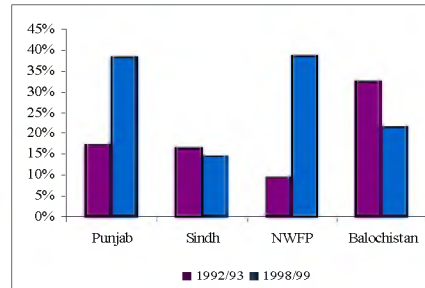
<sup>6</sup>This fact is also corroborated in field-based studies. For example, one study of schooling in 5 rural districts found that over a third of the village schools in the sample had been constructed after 1985 [Gazdar (2000)].

<sup>7</sup>MSU (2000), based on revised estimates of SAP expenditures only.

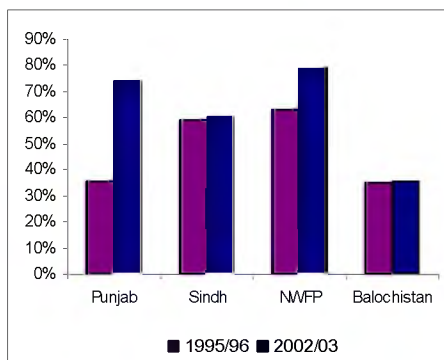
**Fig. 4. Share of Non-salary Expenditure in Education (as Percent of Total Expenditure)**



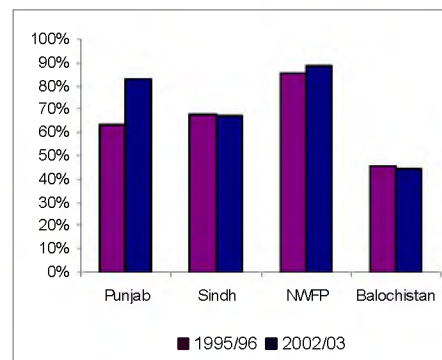
**Fig. 5. Share of Non-salary Expenditure in Health (as Percent of Total Expenditure)**



**Fig. 6. Percentage of Girls Primary Schools with Latrines**



**Fig. 7. Percentage of Girls Primary Schools with Boundary Walls**



Sources: NEMIS, MSU (2000).

average was considerable. In education, the least increases were in Punjab (from 1 percent to 3.6 percent) and in Sindh (from 0.9 percent to 3.5 percent) and the largest were in NWFP (from 1.2 percent to 9.7 percent).<sup>8</sup> The inter-provincial contrast in health expenditures was more marked, with the share non-salary health recurrent expenditures actually declining in Sindh (from 16.5 percent to 14.5 percent) and Balochistan (from 32.3 percent to 21.5 percent) between 1992-93 and 1998-99, while increasing significantly in Punjab and the NWFP.

Similarly, with regards to the development budget the emphasis was on constructing new buildings at the expense of improving the quality of the existing facilities. Again, the contrast between Sindh on the one hand, and Punjab and NWFP on the other was striking. For example, as Figure 6 and Figure 7 show, between 1995-96 and 1999-00 the percentage of girls' schools with latrines and boundary walls—both of which are important features of school quality, and have a large impact on encouraging parents to send their daughters to school—were roughly stagnant in Sindh (from 59 percent to 60 percent, and 68 percent to 67 percent respectively). By contrast, they increased in Punjab and NWFP.

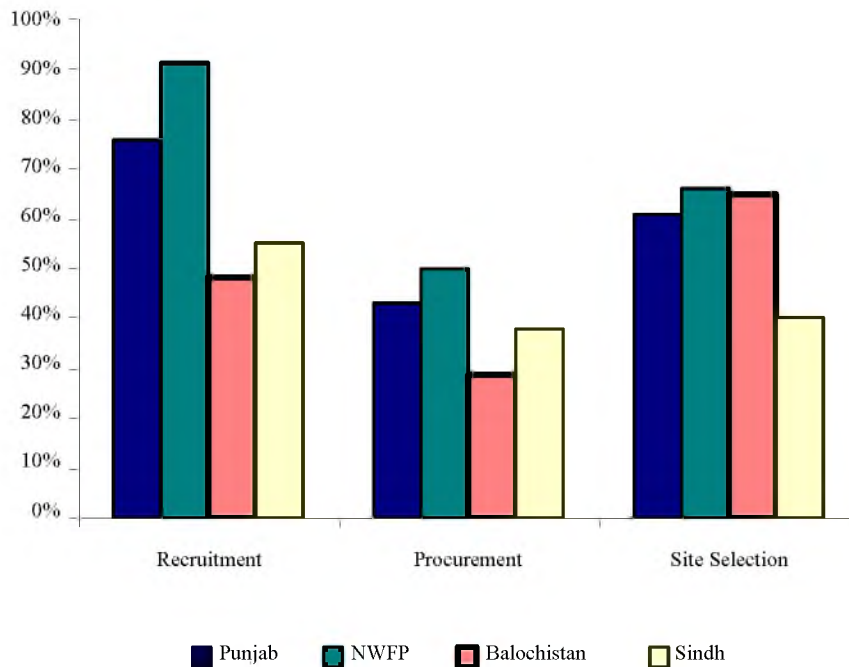
<sup>8</sup>It should be noted that the figure for NWFP is likely to be overstated due to misclassification of some 'establishment' type expenditure as non-salary salary expenditure [MSU (2000)].

## 2.2. Quality of Sector Governance

The considerable mismanagement associated with these increased inputs compounded the problem of poor intra-sectoral allocations. Teachers were recruited primarily on patronage grounds, and the schools built were of poor quality because of the commissions given to the contractors. The best evidence for this abuse were a series of Third Party Validation exercises conducted by the Auditor General of Pakistan as part of the Social Action Programme. These exercises, conducted between 1998 and 2001, examined the extent of departmental compliance with existing procedures and criteria in the areas of procurement, site selection, and recruitment, as well as the adequacy of systems for the monitoring of staff absenteeism.

Cumulative results for the four rounds of the exercise revealed that nationally on average only 72 percent of the sampled cases of recruitment, 43 percent of procurement, and 68 percent of site selection, followed the required procedures. As Figure 8 shows, the inter-provincial variation around this national average is considerable, with Sindh and Balochistan performing much more poorly relative to Punjab and NWFP. For example, in Sindh only 58 percent of the sampled cases of recruitment, 38 percent of procurement, and 41 percent of site selection followed the required criteria. By contrast, in NWFP these figures were 91 percent, 50 percent, and 66 percent respectively.

**Fig. 8. Cumulative Results of TPV for the Social Action Programme (1998-2001): Percentage of Cases Following Proper Procedures**



Source: Auditor General of Pakistan. *Social Action Programme: Third Party Validation*, 1998, 1999, 2000, and 2001.



The marginalisation of the public services commissions was a significant factor in the governance problems relating to recruitment, and nowhere was this problem more serious than in Sindh. In general, democratically elected governments in Pakistan have sought to undermine the scope and independence of the services commissions, and to introduce greater departmental discretion in the recruitment of the upper echelons of the civil service. For example, the 1973 constitution, introduced by the government of Zulfikar Ali Bhutto, removed the constitutional guarantees that had earlier been given to the services commission. Chairmen and members now held their posts for varying terms of mostly two to three years, and were dependent on the government for the extension of their service. Moreover, existing civil servants could be appointed as chairmen (and members), thereby compromising their independence. This lack of autonomy was particularly severe in Sindh, as the government used its discretion to remove chairmen and members on three occasions—the entire commission (chairman and all ten members) was disbanded in 1994, the chairman was removed in 1997, and the chairman and two members were removed in 1998.

There is an obvious link between these abuses in recruitment and staff absenteeism.<sup>9</sup> At one level, if recruitment was based on political criteria, and not on merit, then the appointed teachers would not be the ones most qualified for the job, and would also likely be protected from disciplinary action by their political bosses. In addition, and more interestingly, anecdotal evidence reveals that recruitment was also a revenue-generating activity for politicians and bureaucrats, with primary school teacher posts being ‘sold’ for Rs 35,000 to Rs 50,000.<sup>10</sup> Given that these are relatively large sums of money for the people who were recruited, and were often paid by taking out loans, it created incentives for absenteeism to the extent that the inducted teachers needed to take on a side job to finance these investments.<sup>11</sup>

Endemic staff transfers were another problem negatively impacting the quality of service delivery. While the provincial government’s Rules of Business explicitly required that staff remain in a particular post for 3 years, in practice, as Table 2 indicates, average tenure was much lower. The problem was more severe in Sindh, as compared to Punjab and NWFP. For example, in Sindh, during the democratic period, the average tenure of secretaries in 7 key departments was approximately 12 months, as compared to 14 months in Punjab and NWFP. Interestingly, across the three provinces tenure was worse in departments such as education and works and services that had the greatest potential for patronage, either through employment or through the implementation of development schemes. This rapid turnover of staff was an indicator of the politicisation

<sup>9</sup>There are very few estimates of teacher absenteeism in Pakistan. One survey, conducted by the World Bank, revealed that out of the 206 schools surveyed, classes were not being held in 34, or in 16 percent, at the time of the survey visit [World Bank (2002)]. Even in schools in which classes were being held, the rate of teacher absenteeism was high, at around 20 percent. The problems in Sindh were worse than in Punjab and NWFP, with almost 30 percent of the schools not holding classes.

<sup>10</sup>Based on informal discussions with various education department staff in the provincial and district governments.

<sup>11</sup>Another indicator that these problems were worse in Sindh is the high proportion of “non-functional” schools. As per the National Education Census (2006), 12.5 percent of educational institutions (mostly primary schools) were non-functional in Sindh, as compared to 2.4 percent, 4.4 percent, and 2.6 percent in Punjab, the NWFP, and Balochistan, respectively. A major reason for non-functional schools is the permanent absence of the teacher.

Table 2

*Average Tenure (in Months) of Secretaries in Key Departments  
(Jan. 1, 1989 – Dec. 31, 1999)*

Department	Sindh	Punjab	NWFP
Education	9.4	13.2	9.4
Health	12.0	14.7	13.2
Works and Services	9.4	9.4	11.0
Services (Establishment)	12.0	14.7	22.0
Agriculture	11.0	14.7	12.0
Finance	12.0	16.5	14.7
Planning and Development	18.9	18.9	26.4
Total (7 Departments)	11.9	14.0	14.4

*Source:* Services departments of the provincial governments.

of the bureaucracy, and clearly disruptive to effective management of the sectors. Staff transfers at junior levels were also endemic, particularly of teachers, although it is difficult to get data to indicate the magnitude of the problem.

To summarise, the above analysis suggests that Pakistan's elected policy-makers were motivated to hire teachers and doctors, but less motivated to worry about the quality of teaching or medical staff that were recruited. They were also motivated to build schools and basic health units, but less motivated to worry about maintaining this infrastructure, and for ensuring that it was of good quality. The key question is what were the underlying political and institutional reasons for these poor expenditure patterns and governance problems. Moreover, why were these incentives so much worse in Sindh as compared to Punjab and NWFP? Was this a failure of the accountability of policy-makers to the public, or was it a more complicated failure of the political market. These issues are taken up in the rest of the paper.

### **3. SOME COMMON POLITICAL ECONOMY EXPLANATIONS: ELITE CAPTURE AND POLITICAL INSTABILITY**

This paper, following the new political economy literature, began with the puzzle as to why democratic governments can pursue policies that hurt the very majorities that voted them into power. This puzzle assumed that the numeric weight of the lower classes makes them a vital resource in democratic politics. A large body of literature on underdeveloped countries rejects this assumption altogether because it ignores the effects of power and societal dominance. Instead, this literature argues that inequalities rooted in society translate into unequal political influence—for example, because of the rural poor's dependence on elites for their economic well-being it would be naïve to expect the disadvantaged to exercise an independent voice in the democratic process. Elite capture is a standard political economy explanation for the lack of a pro-poor public policy generally, and for problems in service delivery specifically. For example, Bourguignon and Verdier (2000) argue that in

‘oligarchal’ societies, elites will oppose mass education because the more educated the population the greater the pressures for democratisation, and the greater the threat to the power of these privileged groups.

In Pakistan, a popular version of this elite capture hypothesis takes the form of the ‘feudal politics’ argument. To summarise, this argument rejects the notion of electoral accountability and citizen voice, and argues that policies instead reflect the preference of rural elites, and that these preferences are explicitly against improvements in education.<sup>12</sup> These rural elites are able to win elections, either through outright coercion, or through their monopoly economic and political position in their constituency, and not because of their responsiveness to voter demands. And their monopoly position is dependent on keeping their constituents backward. To quote one prominent economist “the ruling élites found it convenient to perpetuate low literacy rates. The lower the proportion of literate people, the lower the probability that the ruling elite could be displaced.”<sup>13</sup> And given that these feudal elites were particularly powerful in Sindh and Balochistan is one possible explanation for the particularly severe service delivery problems in these provinces.

While popular, there are a number of problems with the élite capture, or feudal politics, argument. For one, in a number of constituencies in Pakistan, in particular rural constituencies, powerful ‘feudals’ have been defeated at the polls, often by opponents from non-privileged backgrounds by comparison. Feudal politics implies that votes are cast for individuals rather than for political parties, which in turn implies that there should be a relatively large proportion of candidates who win as independents in elections. However, as Table 3 below indicates that, except for the case of Balochistan, independent candidates won a small proportion of seats in provincial assembly elections between 1988 and 1999.<sup>14</sup> Even in Sindh, which is considered to be the bastion of feudal politics, independent candidates won only 6 percent of seats in the provincial assembly elections of 1988 and 1993. Sindh in fact had roughly the same proportion of victorious independent candidates as Punjab, and much less than NWFP and Balochistan. These data do not to deny the importance of the personal characteristics of candidates in determining electoral outcomes. However, the fact that belonging to a political party is so important does suggest that voting behaviour is more complex than that suggested by the popular model of societal dominance of rural landed élites.

Table 3

<i>Percentage of Seats Won by Independent Candidates in Provincial Assembly Elections</i>				
	1988	1990	1993	1997
Punjab	12.1%	6.7%	8.3%	7.9%
Sindh	6.0%	19.0%	6.0%	13.0%
NWFP	20.0%	21.3%	15.0%	13.8%
Balochistan	17.5%	12.5%	22.5%	20.0%

Source: Election Commission of Pakistan.

<sup>12</sup>See Haq (1998) and Husain (1999) as some of the prominent examples of this argument.

<sup>13</sup>Husain (1999), p. 359.

<sup>14</sup>The proportion is even smaller for the National Assembly elections.

Electoral studies reveal that, unlike what is postulated in the feudal politics model, politicians care about, and spend a great deal of their time, in dealing with the problems of their constituency. For example, as one study noted “virtually every politician interviewed throughout the course of this research emphasised the growing expectation and demand of voters that candidates serve as conduits for patronage” [Wilder (1999), p. 106]. The importance of patronage is also underlined by the practice, initiated by the Junejo government in 1985 and subsequently duplicated by the Sharif and Bhutto governments, of allotting funds to individual MNAs and MPAs to spend on development schemes in their constituencies.<sup>15</sup> In fact, as we saw earlier, elected politicians cared a great deal about school construction and teacher recruitment, as was particularly apparent in the case of Sindh, which as mentioned earlier is widely considered to be the domain of feudal politics.

Field studies also reveal that the problems of schooling in rural areas have little to do with direct feudal resistance. For example, one study found that “there are relatively few instances of total patron power in sample communities... [and that] it is no longer possible to trivially ascribe school failure to patron-induced distortion.”<sup>16</sup> Of the 125 schools sampled in the study, in only one case had a large landlord actually prevented the establishment of a school. Instead, the study found that local politics was one of ‘partial patron power’ with political competition between patrons in an electoral system that was highly responsive to public demands. Instead, a major reason for school non-functionality was that teachers were appointed on the basis of political connections, and therefore had little incentive to focus on teaching.

Political instability is another commonly made explanation for the failure of the democratic governments in Pakistan. Easterly (2003) for example makes the point that the rapid turnover of regimes in the 1990s meant that Pakistan politicians behaviour was akin to what Mancur Olson termed as ‘roving bandits’. That is, since politicians had a short time horizon they had an incentive to ‘loot today’ rather than to ‘invest for tomorrow’. Between 1988 and 1999, Pakistan had four elected governments, and in such short terms of office politicians had less of an incentive to implement policies that require a longer time to show results. Improvements in service delivery, such as ensuring better quality teaching, unlike the provision of government jobs or construction of school buildings, do not bear immediate fruit. Econometric studies have also shown that ‘a higher propensity of change in executive power, either by constitutional or unconstitutional means’ leads to lower investments in public goods and slower economic growth.<sup>17</sup>

Political instability is however, endogenous to policy. In Pakistan a major reasons why terms of office were short was precisely because elected politicians engaged in widespread rent-seeking and corruption, thereby greatly discrediting themselves and creating the necessary conditions for their dismissal. In 1988, when democracy returned to Pakistan after a hiatus of 11 years, there was no reason a priori to expect that the government would be short-lived. In fact, the end of a long and repressive period of military rule had created considerable hope and excitement in Pakistan, but the new government quickly dissipated this political capital, resulting in, for example, declining

<sup>15</sup>These programmes were called the Peoples Programme and the Tameer-e-Watan programme by the Benazir Bhutto and the Nawaz Sharif government respectively.

<sup>16</sup>Gazdar (2000), p. 59–64.

<sup>17</sup>Alesina, *et al.* (1996).

voter turnout in provincial and national assembly elections and considerable disillusionment with democratic government. These actions therefore beg the question—why were incentives such as to encourage rent-seeking at the expense of public goods. One needs to explain the more fundamental causes of this political instability, rather than view instability as a given.

#### **4. THE ARGUMENT: THE STRUCTURE OF POLITICAL PARTIES AND THE INCENTIVES FOR PATRONAGE**

Information is the key reason as to why democracies can produce outcomes that hurt the median voter. Politicians care about getting elected, and they will focus on policies and will emphasise expenditure in areas that will maximise their electoral fortunes. Importantly, getting elected is also crucially contingent on information—specifically, it requires that voters are able to connect improvements or deteriorations in their welfare to the actions of a particular politician. In other words, politicians must be able to credibly take credit for these improvements. As a recent and growing body of literature points out, this importance of information implies that politicians are likely to be more responsive to the more informed group of citizens, and as a result focus more on private goods, or targeted benefits, as opposed to public goods that benefit the majority.<sup>18</sup>

Some public goods, such as the provision of roads, are much easier to verify and credit to the efforts of a particular politician, than others, such as better quality healthcare or education. As the World Development Report 2004 points out, education and health place very high informational demands on voters as these are transaction-intensive services with outcomes that are crucially dependent on the behaviour of providers that are very difficult to monitor. Therefore, one would expect politicians to focus more on roads, and evidence from Pakistan seems to suggest that this is indeed the case. As mentioned earlier, in Pakistan, members of parliament are each given funds to spend on development works in their constituency, and the largest proportion of these funds were spent on roads.<sup>19</sup>

While some public goods like roads will get more attention than others, individual-specific favours will in general receive even greater priority. The reason is that demands for public goods and for individual-specific favours differ in the relative ease with which preferences are transmitted to policy-makers. Individual contacting for particularised benefits places the least organisational demands on citizens, and presents the clearest relationship between action and result. Demands for public goods entail free-rider problems and are therefore much more difficult to organise.<sup>20</sup> Since individuals are much

<sup>18</sup>Important recent works in this literature include Persson and Tabellini (2000); Keefer (2002); Keefer and Khemani (2003).

<sup>19</sup>This analysis is of the Peoples Programme introduced by the first PPP government of Benazir Bhutto (1988-90) and the Tameer-e-watan programme introduced by the first Nawaz Sharif government (1991-93). Both these programmes provided each member of the national assembly with development funds to spend in his or her constituency.

<sup>20</sup>The CIET (2002) survey showed that citizen contacting of politicians in Pakistan is motivated primarily by (a) individual-specific problems; and (b) to the extent that issues about service delivery are raised, they relate more to roads and water supply rather than education and health. The majority of reasons cited by male and female respondents alike related to personal issues, such as financial support, the issuance of identity cards, a police problem, or some form of dispute. Those who contacted for reasons of service delivery did so regarding mainly about water, roads, and electricity. Less than 2 percent of the respondents approached local officials for education and health matters.

more likely to lobby for private goods, they are also likely to be much more informed about whether or not this demand was satisfied, and whether or not this fulfilment was due to the efforts of their elected representative. For example, people will observe how helpful the local representative's office was, how much attention was paid to them, and what were the impressions of others waiting in line, and obviously whether they received the benefits. By contrast, improvements in service delivery will be much harder to measure.

The informational problems associated with the provision of public goods highlighted above are likely to be similar across developing countries, and therefore on their own cannot provide an adequate explanation for why the supply of these goods is lower in some countries as compared to others. Specifically, given that it would be difficult to make the case that voters in Pakistan were relatively more uninformed than their counterparts in other countries, or that within Pakistan they were more uninformed in Sindh relative to Punjab or NWFP, one needs additional ingredients to explain the variations in the quality of service delivery outlined earlier.

Clearly, institutions—specifically how institutions interact with informational problems—are one such key ingredient. Recent papers have examined how institutions, particularly electoral arrangements and regime types, influence the incentives of policy-makers to provide public or targeted goods.<sup>21</sup> While popular in the literature, electoral systems and regime types do not throw much light on the problems of service delivery in Pakistan as there is no variation across the provinces in these specific institutional features.

Political parties are another important institution, and one that has not received sufficient attention in the new political economy literature. In democracies, political parties are the key organisational structures mediating between voters and policy-makers, and the structure of the party system, as well as the internal organisational structure of political parties, is therefore likely to have considerable influence in shaping the incentives of politicians. Party identification is also important precisely because voters are uninformed. To elaborate, voters, in developing countries and developed countries alike, tend to cast their ballots both on partisan considerations and on the basis of the personal characteristics of individual candidates. In many ways, partisan identification can be viewed as an informational short cut. That is, given that voters do not have the time to be informed about the details of a candidate's policy position, or past record, a candidate's identification with a particular party ideology, or with a particular party leader, provides voters with a cheaper means of differentiating between candidates. This partisan identification however, also complicates the ability of an individual candidate to take credit for a particular action, such as improvements in public education. Specifically, voters may give this credit to the party as a whole, which, depending on the structure of the party system may create perverse incentives for individual policy-makers.

Three features of the party system are likely to have bearing to these incentives—the number of parties, or the degree of *fragmentation* or *fractionalisation* of the system; the internal cohesion, or degree of *factionalism*, of political parties; and the ideological distance, or *polarisation*, between the political parties. As we shall see, all of these

<sup>21</sup>See Keefer (2004) for a comprehensive survey of the literature.

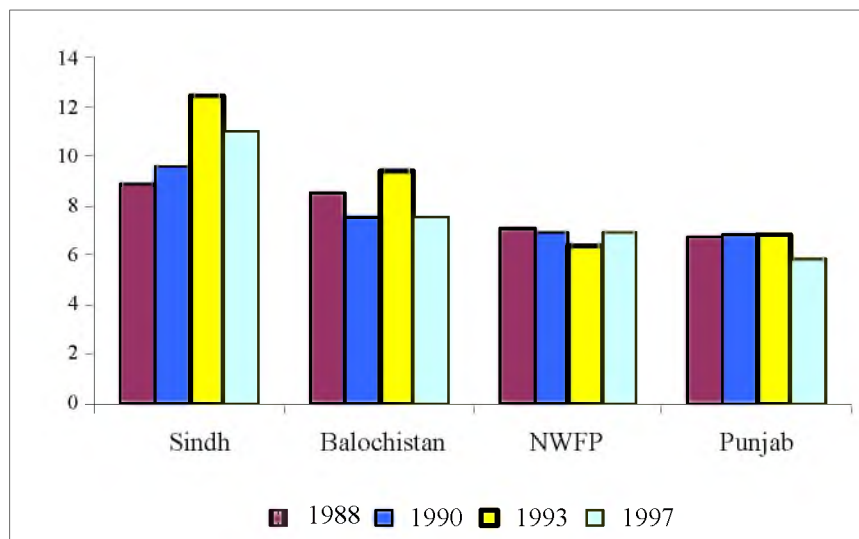
features—both of the party system, and of specific parties within the system—have important bearing to the problem of service delivery in Pakistan.

### 5.1. Party Fragmentation

Fragmentation increases the informational problems of voters since there are many more candidates and therefore many more messages and claims to evaluate at election time. As discussed above, voters find it difficult to associate improvements in service delivery with the actions of a particular politician. A large number of contestants challenging the incumbent's claims for taking credit for any service delivery improvements increase the informational demands on voters. The greater the number of candidates per seat in an election, the greater the informational demands on the electorate. Anticipating this difficulty, the incumbent will have greater incentives to focus on particularised benefits that he can more easily take credit for. Importantly, providing targeted benefits is also likely to be a more viable electoral strategy if there are a large number of competing candidates. Given that the vote will be divided up among the larger number of contestants implies that the voters that can be won over through focusing on targeted expenditures will carry more weight in deciding the electoral outcome.

Figure 9 shows the average number of candidates per seat in provincial assembly elections in Pakistan in the four general elections between 1988 and 1997. As can be seen, Sindh had the highest number of candidates, and therefore the greatest degree of fractionalisation, with on average approximately 12 candidates competing per seat in the 1993 elections. By contrast, Punjab and NWFP had the least degree of fractionalisation, with on average 6.8 and 6.4 candidates per seat in the 1993 elections.

**Fig. 9. Average Number of Candidates Competing per Seat in Provincial Assembly Elections in Pakistan, 1988–97**



Source: The Election Commission of Pakistan.

## 5.2. Party Factionalism

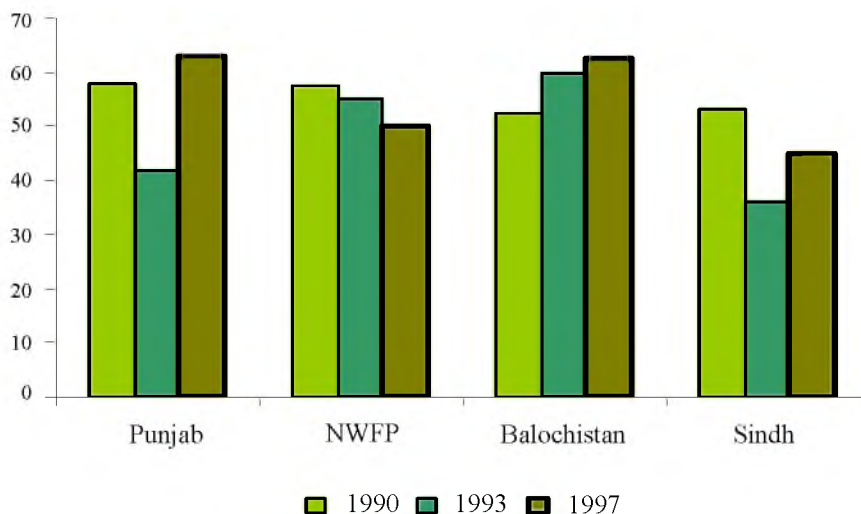
Factionalism refers to the internal cohesion of political parties. Highly factionalised parties are characterised by considerable infighting among the different political factions in the party, an inability to work towards 'corporate goals', and considerable insecurity of tenure for its members. Specifically on the last point, an incumbent politician of a highly factionalised party knows with a certain probability that he may not be competing the next election on the same party ticket. This insecurity gives him an incentive to focus on activities that enhance his personal reputation, a reputation that he can carry with him across party lines, which in turn creates incentives to focus more on individual favours rather than on public goods.

To elaborate, even if the party system is not fractionalised, a voter will find it difficult to associate improvements in service delivery with the actions of the incumbent. As far as the voter is concerned, education and health services could have improved through exogenous circumstances, or through actions of other individuals within the governing party. In other words, the voter could hold the party, and not the individual candidate, responsible for the improvements. Given this, each party member will be wary of taking actions that enhance the party's reputation as he or she may be competing against his own party in the subsequent election. Therefore, the more factionalised the ruling party the greater the incentives for each member to focus on providing targeted benefits that he or she can more easily take credit for as an individual.

Conversely, improvements in the quality of education, such as through managerial reforms to reduce teacher absenteeism, will likely need the cooperation of other party members to implement, which is more difficult in factionalised parties.

Figure 10 gives a sense of the scale of factionalism in political parties in Pakistan.

**Fig. 10. Percentage of Incumbents Competing Provincial Assembly Elections from Their Constituency on the Same Party Ticket**



Source: The Election Commission of Pakistan.



The figure depicts the relative proportion of incumbent members of provincial assemblies contesting elections on the same party ticket from which they won the previous election. For example, the figure shows that 58 percent of the incumbents competed the 1990 elections in Punjab on the same party ticket from which they had won in the previous election (in 1988). Overall, the figures were the lowest for Sindh—with for example, only 36 percent in the 1993 elections—and highest in Punjab and Balochistan. A significant number of these incumbents actually competed as members of another party, while others did not compete from their prior constituency.<sup>22</sup> Either way, this high degree of ‘candidate churn’ suggests the importance for incumbents to establish a reputation for themselves among voters that transcends party identity, which again created incentives to focus on particularised benefits.

The reasons why political parties in Pakistan have become highly factionalised and fractionalised are complex, and there are few comprehensive analyses of the subject. Most political observers agree that the long periods of military rule, in particular the eleven-year government of General Zia-ul-Haq (1977-88) had a detrimental impact on party politics in the country. In the late 1960s the Pakistan Peoples Party (PPP) had emerged as the most significant political force in what was then West Pakistan. PPP’s mobilisation strategy was organised explicitly along class lines, with an appeal, under the campaign slogan of ‘Islamic socialism’, to the rural poor and to industrial labour, and was very different from the more traditional, patron-client methods of the other political parties. The PPP’s comprehensive victory in West Pakistan in the 1970 general elections marked the beginnings of a new era in politics, as party identity, in particular the appeal of a charismatic leader in the person of Zulfikar Ali Bhutto, superseded the influence of local élites, and traditional vote banks.

The current weaknesses of the party system are associated with the decline of the PPP and the inability of other parties to develop an ideologically based mass appeal. General Zia-ul-Haq, who came to power through removing the Bhutto government in a military coup, was dedicated to destroying the PPP as a political force, and did so through both outright repression as well as through developing alternative nodes of political representation. The PPP was banned, Zulfikar Ali Bhutto hanged, and most of its leadership jailed, but more significantly Zia encouraged what one analyst terms the ‘localisation of politics’, which undermined the PPP’s national appeal.<sup>23</sup> This process of localisation began with the holding of local government elections on a non-party basis, which were designed to serve as a political pressure valve and to deflect attention away from the PPP, and culminated with the national elections in 1985, also held on a non-party basis.

Localisation and patronage politics was bad for party discipline. If elected representatives are evaluated primarily for their constituency service then they have incentives to maximise the resources at their disposal, and since these resources are scarce, there is intense competition for funds. By contrast, partisan voting by the electorate implies that the electoral fortunes of members of the same party are tied together. If party members are constantly bickering then the party’s reputation suffers and legislator’s lose votes.

<sup>22</sup>Some of these candidates did compete for the same party but in a different constituency.

<sup>23</sup>Wilder (1999).

In addition to these centrifugal pressures created by localisation, the PPP, and other major political parties, also suffered from organisational weaknesses that undermined their cohesion. Party organisation was never high on the agenda of the PPP under Benazir Bhutto in the 1980s and 1990s. One factor was the absence of internal party elections. Instead, the party organisation was highly personalised, with people close to the leadership being appointed to key posts, as opposed to being elected from amongst the party membership. This personalisation promoted factionalism. According to one PPP leader “every leader of the People’s Party is more interested about his rival inside the party than his rival outside the party.”<sup>24</sup>

### 5.3. Party Polarisation

There is a widely observed empirical linkage between ethnicity and the provision of public goods. Alesina, Easterly, and Baqir (1999) found that more ethnically diverse jurisdictions in the United States spent less on a per capita basis on public goods like education and roads. Easterly and Levine (1997) reported that Africa’s high level of ethno-linguistic diversity was the single most important cause of the continent’s low rate of economic growth. They also found that ethnic diversity was negatively correlated with various measures of public goods, such as teledensity, percentage of paved roads, and years of schooling.

There are a number of possible explanations for this relationship between ethnicity and public good provision. One is that different ethnic groups have different preferences over public goods, and find it difficult to reach agreement on which public goods to provide. As one early study observed, ethnic tensions result in the “ethnicisation of collectively provided goods ... non-excludability, a defining characteristic of public goods, is violated. Ethnicity serves as a basis for exclusion. And the excluded communities clearly perceive such decisions as ‘public bads.’”<sup>25</sup> Similarly, Alesina, Easterly, and Baqir (1999), argue that the heterogeneity of preferences for public goods across ethnic groups leads to the low supply of these goods. Ethnic polarisation also reduces the accountability of elected politicians, as voters tend to vote for candidates based on their ethnic background, and not on their public performance and policy records [Keefer and Khemani (2003)]. Provision of public goods suffers as a result of this lower accountability.

Ethnic, religious, and more generally social, polarisation is clearly an important feature of Pakistan. There are 20 languages spoken in the country, and six major ethnic groups. In addition to ethnicity, tribal and clan rivalries are also an important feature of local politics. In Punjab for example, *biraderi*, or clan, affiliations are considered a key determinant of voting behaviour.<sup>26</sup> In the 1970s, with the rise of the Pakistan Peoples Party, identity politics took a back seat to class—based politics. However, it is generally believed that ethnic and biraderi-based politics was strengthened during the military rule of Zia-ul-Haq as political parties were banned, and candidates for local bodies elections, and the 1985 national elections, were forced to appeal to traditional identities.

<sup>24</sup>Quoted in Wilder (p. 136).

<sup>25</sup>Rabushka and Shepsle (1972), pp. 84-85.

<sup>26</sup>See Wilder (1999) for a discussion.

Ethnicity was a particularly important feature of politics, and the source of much strife, in the province of Sindh, and therefore one reason why clientelist pressures are so much worse there than in the other provinces of Pakistan. The major source of tension was between the *muhajirs*, or urdu-speaking migrants that came from India at the time of partition and settled in the urban areas, particularly Karachi, and the local Sindhi population. Socio-economic inequality was the root cause of the conflict—the muhajirs, with higher levels of education, dominated the urban-based economy, as well as the upper echelons of Sindh’s public administration in the initial years after Partition. Governments, beginning with the first PPP government of the 1970s, had responded by setting quotas in the bureaucracy and in educational institutions, which became a major source of grievance for the muhajirs, and the basis of their political mobilisation by the MQM (Muhajir National Movement) during the 1980s. During the 1990s, there was intense political competition between the PPP on the one hand, and the MQM on the other. The two parties won roughly 50 percent and 30 percent seats respectively in the provincial assembly elections throughout the decade, with the PPP drawing its strength almost exclusively from the rural, Sindhi-speaking areas, and the MQM winning exclusively from the urban, Urdu-speaking areas.

Table 4

*Characteristics of Party Competition in the Provinces*

	Characteristics of Party Competition	Degree of Polarisation between Political Parties
<b>Punjab</b>	<ul style="list-style-type: none"> <li>• Two-party competition between PPP and PML, with some seats going to independents</li> <li>• Little ideological or ethnic distinction between the two parties</li> </ul>	Low
<b>Sindh</b>	<ul style="list-style-type: none"> <li>• Two large parties—PPP and MQM; and a number of smaller parties and independents</li> <li>• Extreme ethnic political divide—MQM dominating the mohajir vote, and PPP, and other smaller parties, dominating the Sindhi vote</li> </ul>	High
<b>NWFP</b>	<ul style="list-style-type: none"> <li>• Three main political parties—PPP, PML, and ANP</li> <li>• Declining ideological division; very little ethnic division</li> </ul>	Low
<b>Balochistan</b>	<ul style="list-style-type: none"> <li>• A number of small political parties</li> <li>• Significant ethnic division between Pashtun and Baloch political forces</li> </ul>	Medium

This degree of political polarisation was absent in Punjab and NWFP. Essentially, two-party competition prevailed in the Punjab, involving the PPP and the PML (Pakistan Muslim League). There was very little ideological difference between the two parties, and virtually no ethnic differentiation. In NWFP, Pashtun nationalism had been a significant political force in the 1960s and 1970s, but had lost much of its appeal by the 1990s. The three main political parties—the PPP, PML, and the formerly nationalist ANP—had little separating them, either ethnically or ideologically. In Balochistan, there was a significant ethnic divide between the Baloch and Pashtun parts of the province, and political competition involved a number of small parties appealing to ethnic, religious, as well as tribal loyalties. However, this polarisation was not of the same magnitude as in Sindh, nor did it manifest itself in similar levels of ethnic strife. Table 4 summarises the characteristics of party competition in the four provinces.

## 6. CONCLUSION

This paper has analysed inter-provincial variations in Pakistan in order to probe into the underlying political reasons for the poor service delivery in the country. While acknowledging that service delivery was poor across the country, it showed that there were important differences in expenditure patterns in education and health across the four provinces, as well as variations in the quality of sector governance. Specifically, the incentive to focus on recruitment and new infrastructure investments, at the expense of operations and maintenance, and quality improvements, were the greatest in Sindh, and less severe in Punjab and NWFP. Similarly, governance problems associated with politicisation in the processes for recruitment of staff, for procurement, and for site selection of new facilities, as well as problems of staff absenteeism, were the worst in Sindh as compared to NWFP and Punjab. These findings are summarised in Table 5.

Table 5

*Summary of the Relationship between the Provincial Political Economy  
Factors and the Quality of Service Delivery*

	Political Institutional Factors			Quality of Service Delivery	
	Party Fragmentation	Party Factionalism	Party Polarisation	Quality of Expenditure Patterns	Quality of Sector Governance
Punjab	Low	Medium	Low	Above average	Above average
NWFP	Low	Low	Low	Above average	Above average
Sindh	High	High	High	Below average	Below average
Balochistan	Medium	Medium	Medium	Average	Below average

The paper showed that there is an interesting relationship between these service delivery inputs on the one hand, and some institutional features of the political party system on the other. Specifically, provinces with fragmented, factionalised, and polarised party systems, such as Sindh, scored the poorest on these inputs. Fragmentation and factionalism both exacerbated the informational problems that voters had in assigning credit (blame) for service delivery improvements (deterioration), and thereby created incentives for politicians to focus on targeted benefits. Polarisation, particularly ethnic polarisation, reduced the ability of groups to agree on the provision of public goods, thereby again causing politicians to favour the delivery of targeted benefits.

With devolution, the main responsibility for service delivery in Pakistan has now been shifted to local governments. The main logic of devolution is that bringing government closer to the people increases the accountability of elected policy-makers to the public, and creates the necessary incentives for these policy-makers to act on the public's demands for improved service delivery. Indeed, locally elected representatives in Pakistan are now much more accessible to voters, and the political participation of women has increased significantly.

While a detailed analysis of the impact of devolution on service delivery is beyond the scope of this paper, anecdotal evidence suggests that local politicians are subject to the same pressures for patronage as their provincial and federal counterparts, and therefore increased accessibility per se is unlikely to result in dramatic improvements in service delivery. Moreover, devolution has resulted in considerable political tensions between the provincial and local governments, particularly in provinces where the provincial and district governments are run by opposing political parties.<sup>27</sup> These tensions have manifested themselves in particular in control over staff, and in many ways have resulted in further politicisation of the bureaucracy.

The preceding analysis therefore, suggests that improvements in service delivery in Pakistan are conditional on changing the political incentives of elected policy-makers, whether at the local, provincial, or national level. The underlying political tradeoffs between patronage and provision of public goods in Pakistan will need to change, and this in turn will require political reforms, such as the strengthening of the internal organisation of political parties through holding of regular internal party elections, as well as campaign finance reforms that reduce the need to deliver specific favours in return for money for campaigning.

These reforms are likely to be feasible only in the medium to long term. A more feasible short-term alternative could be the development of institutional mechanisms that reduce the ability of politicians to act on these pressures for patronage. Some of these measures could include independent Public Service Commissions that are given oversight over the recruitment and perhaps even career management (transfers and postings) of key service delivery personnel; improvements in the legal and regulatory framework for procurement, and freedom of information legislation so as to provide citizens with access to key public records.

International experience also shows that policies that increase the information available to citizens, particularly specific information regarding particular government actions, can have a significant impact on increasing citizen pressures for improving services.<sup>28</sup> For example, use of Citizen Report Cards and Public Expenditure Tracking Surveys, and publicising these results, have had some successes in countries such as India, Uganda, Philippines, and Ukraine in building the public awareness that was necessary for building greater political commitment to improve services. Pakistan also has a number of data sources that can form the basis of a public information campaign. For example, the CIET Social Audit survey, conducted in 2001-2 and 2004-5, measures citizen satisfaction with a number of services, such as education, health, water supply, and police. These can be used in the same manner as Citizen Report Cards have been

<sup>27</sup>See World Bank (2004a) for a detailed discussion of these issues.

<sup>28</sup>The World Bank (2003) provides a number of examples of the impact of increased information.

utilised in other countries. Similarly, the Pakistan Social and Living Standards Measurement Survey (2004-05) provides a host of intermediate and outcome social indicators that can form the basis of a public information campaign.

Devolution also offers the opportunity for the federal and provincial governments to set in place incentive systems that can encourage local governments to work towards service delivery improvements. Unlike many other federations, Pakistan has not adequately explored the potential for conditional fiscal transfers as a tool to achieve national priorities, relying almost entirely instead on block transfers between the national and provincial, and between the provincial and local governments. A selective use of conditional grants, preferably conditioned on specific outcomes, such as improvements in primary enrolment and in immunisation coverage, could provide the necessary counter-balance to the prevailing incentives to focus on patronage.

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