

**Contested Aims, Contested Strategies:  
New Development Paradigm through the  
lens of the AKRSP**

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## **List of Abbreviations**

|       |  |
|-------|--|
| ADB   | Asian Development Bank                       |
| AKRSP | Aga Khan Rural Support Program               |
| DfID  | Department of International Development (UK) |
| IMF   | International Monetary Fund                  |
| IFI   | International Financial Institution          |
| LSO   | Local Support Organization                   |
| NGO   | non-government organization                  |
| PPP   | Pakistan Peoples' Party                      |
| VO    | Village Organization                         |
| WO    | Womens' Organization                         |
| WTO   | World Trade Organization                     |

# **Contested Aims, Contested Strategies: New Development Paradigm through the Lens of the AKRSP**

Anotonia Seattle

## **Abstract**

There has been a shift in development paradigms reflected in the discourse of international funding bodies, from technocratic aid modalities associated with Washington Consensus models towards a ‘new development paradigm’ that accompanies post-Washington Consensus economic prescriptions. This new development paradigm relies increasingly on NGOs for channeling funds, while granting more space for government regulation and emphasizing participatory approaches. The new paradigm has produced a discourse on devolution, participatory development and decentralization. Yet the new development paradigm has not broken free of the essentially technocratic approaches that continue to limit both monitoring and evaluation procedures and the discourse of development at the broader level, resulting in a gap between policy and practice as well as ill-informed development policy formulation.

This paper undertakes a case study of the Aga Khan Rural Support Program (AKRSP), a rural development program operating in the North of Pakistan that conforms to the prescriptions of the new development paradigm and has achieved impressive accolades, international replication and “remarkable” findings in a number of World Bank evaluations. The paper seeks to consider this very successful program beyond the norms of mainstream monitoring and evaluation procedures, to consider some of the issues raised in the critical literature regarding the new development paradigm and the larger discourse within which the new paradigm remains embedded.

The paper raises a number of issues with regards to the AKRSP, including the role of religion in sustaining engagement amongst communities and the limits on market functions in alleviating poverty. These issues are indicative of how mainstream approaches fail to incorporate important aspects into monitoring and evaluation outcomes and the narrowness of the discourse within which these processes take place.

## **Introduction**

The World Bank, recast as a “knowledge bank”, has been central in shifting the agenda towards a new development paradigm (Fine, 2009), which occurred during the 1990s as a result of broad based criticism against the austerity of Washington Consensus economic policies and their associated development models (Onis & Senses, 2003). Former World Bank Chief Economist, Joseph Stiglitz, articulated the emerging new approach in his 1998 address to the United Nations Conference on Trade and Development, where he outlined a new approach emphasizing participation and ownership and recasting the one-size-fits-all Washington Consensus development model to recognize the specificity of context while

retaining “openness” in regards to trade and investment. The new paradigm grants more space to government regulation, reflecting the extra-Washington Consensus success of the ‘Asian Tiger’ economies, and pits governments as “partners in development”, along with the private sector and NGOs, while recognizing social criticism of Washington Consensus models through the incorporation of the concept of social capital (Stiglitz, 1998). This new formulation of development as “a holistic, multifaceted yet contextual phenomenon” has come to be known as the ‘new development paradigm’ (Dunning & Fortanier, 2007: 27), which can be understood as an expansion of the Washington Consensus, rather than its replacement (Jomo & Fine, 2006).

The Aga Khan Rural Support Program (AKRSP) can be considered particularly representative of the new development paradigm. The AKRSP has been working in the quasi-province of the Northern Areas, reformulated in late 2009 as Gilgit-Baltistan and still without the same institutional framework as other provinces, in Pakistan since 1982. The AKRSP aims to improve the quality of life of the people in this arid and mountainous region through the fostering of social, financial and human capital (AKRSP, 2008: 1). The work of the AKRSP thus touches on issues both of economic development and of social relations, including democratic empowerment, which are linked in turn to questions of the role of the state vis-à-vis the market and that of the NGO sector, which has risen to prominence as a ‘third sector’ through the new development paradigm. This socially imbedded interpretation of development, which remains hinged on market solutions, suggests the AKRSP’s compatibility with new paradigm strategies. Furthermore, the AKRSP is widely acclaimed both domestically and internationally and has received impressive accolades, including the “remarkable” findings of four World Bank evaluations (RSPN, 2008; World Bank, 1987; 1990; 1996; 2002).

The present paper undertakes a case study of the Aga Khan Rural Support Program, an excellent example of successful rural development along the lines of new paradigm prescriptions, in order to contribute to lessons learnt about participatory approaches and the newly paradigmatic approach. The AKRSP is an important case study because of its acclaimed structure and approach, which has been hugely influential in developing rural development strategies within the international development community. The AKRSP model has been incorporated into national Government programs, as well as replicated in all provinces of Pakistan and abroad.

The present case study is the result of in-depth field interviews, policy review and broader literature review, and aims to consider the new development paradigm through historical and theoretical contextualisation, rather than the narrower terms through which monitoring and evaluation are carried out within the mainstream development discourse. The AKRSP is thereby situated within historical and theoretical currents and addressed firstly in terms of major themes identified in the critical literature regarding the role of NGOs in the new development paradigm. Secondly, the AKRSP is considered in terms of three of the central themes that remain contentious in the critical literature of the wider Washington Consensus, these being the issues of democracy, poverty and the role of the state. By approaching the AKRSP in terms of both topical issues regarding NGOs in development practice and in terms of a number of central political themes, the current practices and the wider trajectory of AKRSP strategy can be extracted from an emotive discourse that largely emanates from within the dominant development paradigm, allowing its practices and strategies to be studied

from a different angle; one which rests less on technocratic principles of evaluation as undertaken by dominant development institutions, and more on ground realities within overarching themes and questions of political thinking. The study, thereby, aims to provide an evaluation of the AKRSP that compliments previous World Bank evaluations by ‘filling in’ some of the quantitative ‘gaps’. By looking at the new development paradigm through the work of one single organization in one specific region and through both issues of practice as they arise in the fieldwork and through abstract questions of the critical literature, the study seeks out reflections of issues in the particular case of the AKRSP that may throw light on the wider development context yet fail to be recognized in the mainstream literature.

In building an analysis of the AKRSP and considering the implications of both the AKRSP and the broader political movement that it represents on such major issues as the interests of the vulnerable and the political system, the scope of the study is necessarily particularly broad and the analysis necessarily lengthy. The underlying methodology utilized by the present case study rests mainly on literature review and qualitative interviews with AKRSP staff, past and present, clients and community leaders working outside of the AKRSP institutions, through which a historical-contextual approach is undertaken. The literature reviewed includes primary and secondary data, the former especially where policy statements from the major actors, including the World Bank, bilateral aid agencies and the AKRSP itself, are concerned. Some quantitative data is employed in considering funding sources and the quantitative success of the AKRSP.

The broad scope of the study limits the depth of detail that may be explored. Certainly, a discussion of such lofty issues as the building of a robust political system could be taken a great deal further, and the historical debates about power, autonomy and freedom, amongst others, have been excluded from this analysis. Instead, the present study rests on a typical pluralist liberal-democratic ideal rooted in “Hegelian and French revolutionary notions of the constitutional state as emergent and universal representative of the people” (Brown, 2003), central to which is the separation of powers, some degree of market-containment in the interests of a healthy public sphere and so forth. The present study is not able to undertake a deep theoretical analysis neither of constitutional democracy nor of what is presented by the global neo-liberal shift as an alternative to the more solid government of the formerly prevailing democratic ideal. Where important questions of political philosophy arise, for example surrounding Eurocentric expectations of governance in an isolated, Asian region, the issues can only be touched upon and a pluralist liberal-democratic ideal referred back to, if not due to certainty of the appropriateness of such a model to the region, but at least as a yard stick that does not depart from a mainstream framework. This is defended both in order to keep the analysis within certain realms and to contribute to the debate at a level not too far removed from the kinds of theoretical analysis undertaken by organizations such as the AKRSP, an organization which sees itself as pragmatic and unideological (Tetlay, 2009) and which is funded through the often technocratic approaches of international funders. Rather than making deep theoretical claims about the nature of participatory governance or the microeconomic strategies of alleviating poverty, this paper deals with the question of developing a robust political system and of alleviating poverty in general terms, attempting to detect the general direction of developments. The emphasis of this study remains more on locating the AKRSP within its broader theoretical roots and conducting a preliminary discussion of the trajectory which the AKRSP is setting for Gilgit-Baltistan, and less on the rigorous theoretical analysis of the implications of the broader neo-liberal shift either on the

local region or the global population; broader claims regarding the implications of the neo-liberal shift are outlined in order to place the AKRSP's position in its political context and locate the direction in which it pushes the development of Gilgit-Baltistan.

The case study component of the study is limited to the AKRSP in the Gilgit region of Gilgit-Baltistan, a province formerly known as Northern Areas. Within the AKRSP, the Gilgit-region program is the oldest and best established, in many regards granting the Gilgit-region program an unofficial best practice status.

## **Section One: Theoretical Underpinnings**

This section begins by defining the major actors and themes within the development context in laying out the theoretical perspective from which the study proceeds. This section begins with a brief description of the AKRSP approach and the new development paradigm, followed by an outline of the critical literature regarding the role of the state and the social and political implications of the neo-liberal agenda, explored through a theoretical discussion of the role of NGOs in development, accountability, social capital and state legitimacy.

### **1.1 The AKRSP**

The AKRSP approach follows in the footsteps of the work of Dr. Akhter Hameed Khan, whose Orangi Pilot Project won international acclaim for its emphasis on participatory development, self-reliance and replicability (RSPN, 2007). Resting on the three axis of social, financial and human-capital building, the AKRSP approach centers on a strategy of 'social mobilization', by which communities are organized into self-governed institutions, through which collective decision-making can occur and development programs facilitated. This strategy is complemented by the provision of basic health and educational services run by the AKRSP's sister organizations, including the Aga Khan Education Services and the Aga Khan Health Services, which are the largest providers of private education (Harlech-Jones et. al., 2005: 557) and private health services (Nanan et. al, 2003) in Gilgit-Baltistan. The Aga Khan Education and Health Services, along with the AKRSP function under the umbrella of the Aga Khan Development Network. The AKRSP is known for having "pioneered bottom-up, community driven development using a flexible, autonomous, politically neutral approach" (Rasmussen et. al.: 2). The embedding of this three-pronged strategy in an approach that emphasizes the efficacy of market solutions, while aiming to be politically neutral and seeking alternatives to formal political processes, firmly places the AKRSP within the ideological domain of the new development paradigm. For example, the AKRSP focuses on gaining market access for its clients, promoting the use of public-private partnerships and working with various multi-national corporations to bring their products into Gilgit-Baltistan (AKRSP, 2008; Muzaffar, 2009). The AKRSP promotes the privatization of government service provision such as schooling, health and public transport, including the Government-run Northern Areas Transport Company (NATCO) (Muzaffar, 2009), while constructing alternative community institutions outside of the formal political system.

The AKRSP's approach of 'social mobilization' resting on the three capitals is widely accepted both nationally and internationally and the AKRSP has received international recognition for its pioneering work in community-managed development (RSPN, 2008). Moreover, 'social mobilization' has been introduced directly into government development

policy (RSPN, 2008) and replicated internationally (World Bank, 2002). This study focuses on the AKRSP's strategy because it is representative of central characteristics of the new development paradigm. This is evidenced through the keen endorsement of 'self-managed development' in the dominant discourse of development (Farrington et al., 1993) and of 'social mobilization' specifically by those institutions central to development policy in Pakistan, including the World Bank and the federal Government (World Bank, 2007; 2002;1996).

## **1.2 The New Development Paradigm**

The new development paradigm is constituted by the dominant development discourse as has emerged through central funding institutions including the World Bank, International Monetary Fund and Western foreign aid bodies and the programs of recipients, including governmental and NGO development programs, of which the AKRSP is considered representative. The new development paradigm is understood as intimately linked to and indeed the direct product of the post-Washington Consensus, which represents a shift in the Washington Consensus to reflect earlier criticism of its orthodox nature. Ben Fine, Professor of Economics at the University of London, writes that:

*“Other than enhancing the economist's rhetoric, the post-Washington Consensus has primarily been used to legitimize the continuation of neo-liberal policies in return for aid, albeit under the guise of being more state-friendly and promoting the functioning of both market and non-market.”*  
(Fine, 2008b: 449)

This study accepts this argument that the post-Washington Consensus has evolved only superficially from the former Washington Consensus to retain the same theoretical underpinnings. (Jomo & Fine, 2006) The new consensus, thus, continues to be characterized by the expansion of market functions and the shift towards the primary role of government as provider of an “enabling environment for the private sector” by which notions of ‘public goods’ are revised downwards. (Stiglitz, 1998) In the words of Stiglitz, who has played a central role in overhauling the Washington Consensus, the new consensus “naturally” maintains the private sector at center stage, but widens the previous focus to bring regulation, environmental sustainability, decentralization and equality into the analysis. Stiglitz argues that government should be recast as “partners” in development, that while “strong government” may be necessary in some regards and in the provision of some “public goods”, notably “knowledge” and “social capital”, the many areas where “the private sector and civil society should take the lead” need to be identified. (Stiglitz, 1998) The liberalization of trade and capital is thereby rephrased as “openness” and remains central to the strategy, although the importance of “complimentary policies and structures” to ensure the maximization of the benefits of ‘openness’ is recognized. Key principles are those of “participation and ownership”, including devolution, and that renewed government action should concern itself with “sequencing” policy change and constructing institutional support for the private market as the shift is undertaken towards a “society-wide transformation” into a “developed economy”.

The new development paradigm is described by eminent Pakistani political-economist, S. Akbar Zaidi, as centering on an economic program seeking stabilization and structural adjustment and as sponsored by the International Monetary Fund and the World Bank:

“The main composition of these programs is their dependence on market solutions and on the neo-liberal synthesis, where privatization, open trade, lower government spending, and smaller governments are expected to dominate. Decentralization, devolution, and decontrol form another important element, with a much greater role for local government. As the state recedes and withers away, the vacuum is supposed to be filled by the private sector and by non-governmental organizations. (Zaidi, 1999: 9)

Under the new development paradigm, then, the role of government is as a “development partner”, (Stiglitz, 1998) since market functions are understood to remain the most expedient means of achieving development. Privatization is encouraged where possible, particularly in the case of infrastructure, and the public sector reform is sought so as to run on market principles wherever possible. In order to avoid some of the mistakes of the Washington Consensus, government should focus on “sequencing” policies in the correct order, with due consideration for the specific context. Stiglitz explains that “it may, for instance, be essential to establish a competition and regulatory framework before privatization; or it may be essential to establish a financial regulatory framework before capital market or financial sector liberalization”. As such the content of the policies remain of the neo-liberal order, and the governments’ role thus lies chiefly in providing an “enabling environment for the private sector” as the “key objective (of any development strategy) is the creation of a strong, competitive, stable and efficient private sector”. Public goods are narrowly conceived in terms of supporting market functions, and include identifying the country’s competitive advantage and protecting the environment (Stiglitz, 1998).

The dominant approaches of the IFIs and major Western funders can be located within the new development paradigm as expressed in policy documents. The charge is lead by the World Bank, which has evolved to consider itself not only as a funding institution but a “knowledge bank” with a vast and influential research agenda (Stiglitz, 1998). In the case of major European and North American aid agencies, emphasis remains on liberalized economic policies, public-private partnerships, NGOs as channels for funds and participatory development, amongst references to social capital and devolution.<sup>1</sup>

### **1.3 Critical Themes regarding Neo-Liberalism**

The new development paradigm, however, remains deeply contested in the literature. At the broader level, a great number of scholars contest the efficacy of the paradigm’s underlying neo-liberal policy principles in serving the long term interests of society in general, and the poor in particular. (Stiglitz, 2002b) This line of debate is supported by the global mass social movements such as those represented in the World Social Forum, who condemn the

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1 For examples, see ADB, 2004; IMF, 2008; World Bank ([www.worldbank.org/html/extdr/thematic.htm](http://www.worldbank.org/html/extdr/thematic.htm)) For bilateral donors see Canadian International Development Agency, (CIDA, no date); UK Department for International Development (DFID, no date; Hulme, 2000); U.S Agency for International Development (USAID, 2008); Dutch Ministry of Foreign Affairs ([www.minbuza.nl/en/themes,poverty+reduction/partnerships](http://www.minbuza.nl/en/themes,poverty+reduction/partnerships))

economic rationality of neo-liberalism and embrace a substantially wider view of public goods. (World Social Forum, 2002) The retreat of the state in welfare provision and the accompanying privatization of public services, along with the deregulation of trade and capital are seen as facilitating the intensification of the transfer of wealth to multi-national corporations and the business-owning classes. (Dumenil and Levy, 2004; Wray, 2009) Such approaches center on the political nature of neo-liberal globalization as it is played out through the new development paradigm, where the shifting nature of the political sphere is contested, issues of accountability raised and the ‘trickle down’ theory rejected. Such approaches problematize privatization, considering the expansion of market-based relations as often occurring at the cost of the cohesion of society in general. (Nairn and James, 2005) Some argue, for example, that the profit-seeking imperatives of market-based relations exclude the possibility of catering for the broader social good. The government must, thus, retain control over certain potential markets in the name of governing in the interests of the society as a whole, (Martin, 1996) which includes the protection of the most vulnerable members of society from the harshest consequences of market forces. (Bayliss, 2006) Government action may be considered crucial in responding to the issues facing marginalized populations where strategic responses at a macro or societal level may reveal a domain of coordination in which only governments can deliver. (Arnove & Christina, 1998; Onis & Senses, 2003)

The social critique is complemented by the more technical approaches to the critique of neo-liberalism. One substantial body of literature in this vein challenges the neo-liberal consensus by recognizing the crucial role of government in the processes upon which the newly industrialized economies of East Asia have established themselves. (Abbasi, 2008) These ‘tiger economies’ have used state policy to coordinate industrialization, in direct contradiction to the neo-liberal strategy underlying both the Washington and post-Washington Consensuses. Furthermore, while the key assumptions underlying neo-liberalism have been “debunked” by various scholars, an economic critique of privatization, including of Public-Private Partnerships, has pointed to the ideological nature of many such exercises, which have made little economic sense yet remain characteristic of neo-liberal reform. (Keen, 2001)

At a broader level of the development debate, Robert E. Wood argues that foreign aid in general stunts the ability of the state to develop and introduces market dependency. (Wood, 1980) Wood notes that while it has been shown that Less Developed Countries produce large surpluses, foreign aid lessens the state’s dependence on its ability to appropriate the domestic economic surplus by providing outside resources. This “systematically undercuts the possibility of state-controlled development and fosters the structural dependence of the state on processes of private accumulation,” (p. 6)

#### **1.4 Critical Themes regarding NGOs, Accountability and Development Discourse**

The new development paradigm as the present dominant model of international aid has raised some concerns, although less common either in the literature or in the new mass social movements, about the new role of NGOs in both developed and developing countries. This is neatly summed up by Sabeel Rahman, who notes that “the financial dependence of NGOs on donors creates a situation where, as NGOs increase in size and prestige, their increasing need

for foreign funding binds them to the discursive hegemony and dictates of western donors and academics". (Rahman, 2006: 457) A further issue, however, lies in the undermining of government legitimacy in certain sectors that results from the expansion of service provision activities undertaken by NGOs, due to the simple absence of government in hitherto core state activities of service provision (Edwards and Hulme, 1996: 961; Smillie & Hailey, 2001). Such concerns are aggravated by the NGO sector's lack of accountability and dependence on a wider, and often foreign, policy environment in which they have no influence (Farrington et al., 1993). As a result of these conditions, the 'depoliticisation' of NGOs has been recognized by a growing academic consensus. (Rahman, 2006: 452) NGOs have been understood as significant forces in potential political movements that challenge power relations to empower the poor and thus are attributed recognition as an independent sector representing civil society and especially the poor. (Brinkerhoff and Brinkerhoff, 2004) Yet it has become increasingly recognized that the dominance of Western donors and Western discourses of development compromise the independence of NGOs and their ability to represent the poor and challenge power relations. (Edwards and Hulme, 1996; Rahman, 2006) Furthermore, the NGO sector is noted as being subject to corruption. This is of particular concern where donor funds represent massive transfers in relation to local economies and are designed upon a Western business model, yet must work within societies characterized not only by poverty but by relations of patronage. (Thomas, 2007) Maintaining business practices free of corruption and nepotism in such an environment should not be considered easy. This problem is further aggravated by limited accountability standards both at the donor level and at the NGO level, (Holvoet & Rombouts, 2008) which reflects the limitations on development discourse and neo-liberal underpinnings that rely on market principles as a function of accountability.

At the donor level, issues of accountability also arise within the critical literature. Just as NGOs remain accountable chiefly to their funders and not to the communities in which they work, bi-lateral donors cannot be considered accountable through the democratic systems of their home nations, and the International Financial Institutions (IFIs) face substantial legitimacy issues about their own lack of accountability. Given the dominant power of western government representatives in the World Trade Organization (WTO) as well as the IMF and World Bank, these institutions are recognized in the literature as suffering from a deficit of legitimacy due to poor transparency and accountability practices. The WTO is criticized for not addressing issues of transparency or the unequal power dynamics between nations, (Suleri, 2004; Smyth & Smith, 2006) and the IMF and World Bank are widely recognized as distributing voting rights in favor of western nations, (Raffer, 2004) despite the impact of IMF and World Bank policies primarily on developing nations.

As noted above, NGOs generally only remain accountable to their funders, despite the implications of their programs in the communities in which they work. An important issue in this regard is the lack of critical force not only in monitoring and evaluation processes, but in the wider discourse that surrounds development. While NGOs have an interest in promoting their own success, which raises questions about the reliability of documentation, the IFIs and western donors have been found to be subject to a "narrow technocratic vision" which severely compromises their monitoring and evaluation processes; (Holvoet & Renard, 2008: 577) an approach that is also required by donors of NGOs, as suggested above by Rahman (2006). As such, not only the monitoring and evaluation of development processes, but the general discourse can be lacking in critical force both where the interests of the publishing

institutions and the dependency on technocratic approaches limits the discussion. With regards to monitoring and evaluation, Nathalie Holvoet and Heidy Rombouts (2008) note that “several multi-country reviews...point to a bias towards methodological and technical issues, to the detriment of broader policy, institutional and systemic issues”. (p. 579) Holvoet and Rombouts consider this “deplor(able)” and identify the “denial of politics” as “one of the most serious flaws” of the new development paradigm. (Holvoet & Rombouts, 2008: 577)

An instructive investigation into this problem is undertaken by M.A Thomas, (2007) who considers the World Bank’s success with regards to combating corruption in developing countries. Thomas concludes that despite the greatest part of World Bank funding being directed towards the rule of law, the justice system and public administration, the World Bank is unlikely to succeed in countering corruption. Thomas explains that because of “legal and institutional constraints conceived to ensure the Bank d(oes) not engage in political activity, as well as the Bank’s bureaucratic and political constraints,” the World Bank’s research remains effectively blind to the problems of ‘neo-patrimonial’ politics (p. 740). Amongst these constraints is the technocratic approach upon which the World Bank was built and the nature of the organization which allows that “staff are not expected to be familiar with the political economy of the countries with which they work, and consequently many are not only innocent of the local specifics, but unaware of political economy as a field.” (p. 741) Thomas argues that where ‘neo-patrimonial’ politics prevail, the World Bank is unable to understand that “governments that depend politically on corrupt practices cannot saw off the branch on which they are seated.”<sup>2</sup> (p. 742)

This “narrow technocratic vision” (Holvoet & Rombouts, 2008: 577) reflects the neo-liberal underpinnings of the new development paradigm, which maintains an oppositional interpretation of government and a trust in market functions, while problems of poverty are considered technical problems to the exclusion of political analysis. Neo-liberalism interprets the ‘invisible hand’ as providing accountability within the market and tries simply to reduce activity where the market cannot hold an actor to account, for example in the non-market activities of the government, as opposed to promoting the use of government regulation. This is the source of neo-liberal small government rhetoric and consequently fits with the promotion of voluntary codes of conduct and philanthropy characteristic of neo-liberal approaches since de-regulation remains a central principle. This logic is then applied to NGOs, who are understood as competing in a market for contract funding, and thereby as being held largely accountable by the functions of the market. In addition to this, accountability documentation is required by donors, but characteristic of the technocratic approach which aims to remain politically neutral, such documentation is often selective and quantitative in nature. It is not widely recognized how far from ‘perfect’ the information is that is generated through internal accountability practices. NGOs report their own success, which may be open to manipulation in an attempt to secure ongoing funding, and is carried out within a national context of weak governance. Where donor evaluations are undertaken, such as the World Bank evaluations of the AKRSP, these often consist of short visits by

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2 Thomas explains that neo-patrimonial rule is twist on Weber’s concept of patrimonial rule, where authority is not based on tradition, but instead is purchased through the distribution of patronage. This patronage often takes the form of exemptions from the application of laws because this is one of the least expensive ‘patronage goods’ that a government can ‘distribute’. Neo-patrimonial rule is, therefore, incompatible with the rule of law, yet “patronage, not rule of law, is demanded by the government’s supporters”. (Thomas, 2007: 735)

foreign evaluation teams facilitated by the NGO in question, thereby often failing to fully understand the political and social contexts within which the organization under evaluation is working. Where independent third-party evaluations are commissioned by donors, evaluations remain within the “narrow technical view” as illustrated by Holvoet and Rombouts, since they are commissioned by technocratic donor agencies. Furthermore, third-party evaluators, usually NGOs, also have an interest in not upsetting the development order, where they struggle to survive in a competitive market for contracts, relying both on lucrative evaluation contracts and winning contracts for the execution of projects and thereby play the role of both the reviewer and the reviewed through different projects.

Although an important body of sophisticated literature has been published within the academic arena about the development discourse, referred to above, the bulk of the literature has been produced through donor research and monitoring and evaluation procedures, funded by donor agencies and carried out either within their own research wings or contracted out to NGOs to conduct. Ben Fine notes that “donor agencies, the international financial institutions, and especially the World Bank, have now become increasingly dominant in setting the agenda for development studies”. (Fine, 2009: 894) With such a substantial body of literature emanating directly from central actors within the new development paradigm, either as research or monitoring and evaluation, and subject to the technocratic approach expected of leading institutions such as the World Bank, the entire discourse of development remains highly characteristic and largely uncritical of the new development paradigm. This discourse, furthermore, is characterized by emancipatory rhetoric that can provide the function of purveying an emotive kind of legitimacy to activities carried out within the development field. Within Ben Fine’s argument that the post-Washington Consensus functions to legitimize the continued application of otherwise “delegitimate” neo-liberal policy, (Fine, 2008) the legitimacy implicit in concern for empowerment, democracy, sustainability, participation and equality is implied. Within the wider development discourse, and at a very general level, the legitimizing functions of the emotive sway of themes intimately related to ideas of ‘freedom’ should be recognized, especially where the wider discourse is constituted, to some degree at least, by the skillful employment of such concepts in extra-academic publications, such as appeals of NGOs. These concepts retain an emotive pull that can, at a superficial level at least, shield the practices of development from criticism by cloaking them in the emancipatory discourse of the left. It is argued in this paper that donors are also subject to the legitimizing force of emancipatory rhetoric.

Here it can also be noted that the critique of development at the widest level is largely absent from much of the literature, and most prominently from the literature generated within the new development paradigm, which generally fails to address issues of an abstract and complex nature, as noted above. As Arturo Escobar (1995) notes, the concept of ‘development’ implies a linear process whereby states move from a state of ‘less development’ towards a state of more, finally to arrive at a state of modern liberal democracy. The implications of such an ‘end of history’ constituting the ‘background’ of development discourse, limits the discourse by narrowly conceiving development as the pursuit of emulation of the West. At the more abstract level, this functions to define the realms of what is ‘reasonable’ and ‘natural’ and pits alternative ideas about the advancement of well being as beyond ‘development’. This is demonstrated in Pierre Bourdieu’s conception of ‘doxa’, which sets up “arbitrary rituals of power” as “matters of living a natural order of truth” (Pierre Bourdieu in Ashley, 1989: 262). Development is thereby taken for granted as a

natural process through which developing countries are moving in order to ‘catch up’ with the West, where the role of the market is naturally central, the government inevitably plays a supportive role and to which there is no real alternative. At the practical level, insofar as neo-liberalism is considered a set of policies aimed at reaching this aim of ‘development’, the approach is not only flawed because policy demands of the West on the developing world have not conformed to a model emulating the development of western economies; but because the policies do not appear successful in creating liberal democracies out of developing countries. The hypocrisy of the gap between neo-liberal policy prescriptions and the historical experiences of western economies is well documented.

### **1.5 Social Capital**

The major addition in the constitution of the new development paradigm on top of Washington Consensus policies, is the acknowledgment of social issues through the idea of ‘social capital. Yet the concept of social capital is fiercely contested, based on a critique that rests on a wider concern for the erosion of the political sphere under neo-liberalism and is closely linked to debates surrounding the depoliticisation of NGOs. (see Brown, 2003; Fine, 2009) Social capital, referring to the norms and networks that enable collective action, (World Bank, no date, a) is attributed central relevance in the new development paradigm, where it is understood as the social relations which underpin and facilitate economic development is therefore particularly relevant to developing countries. (Paldam, 2005) Social capital has come to provide the prism through which social relations are targeted, measured and acted upon in the new development paradigm. Yet the critics of this approach point to its theoretical origins in neo-classical economic theory (Spies-Butcher, 2002) and argue that the centrality of social capital to the new development paradigm marks the high-jacking of social relations, and their commandeering into the reach of the market. (Somers, 2005: 8; Fine, 2008a) This can be seen in the work of eminent social capital theorist Robert Putnam, who applies the concept of social capital to explain the relative economic success of Northern as compared to Southern Italy, (Putnam et al., 1993) and to the present social malaise in American society. (Putnam, 1995) Putnam’s research analyzes and explains these cases as the result of an abundance of, or a lack of, horizontal ties of trust, of community associations and relations resting on normative reciprocity. As Margret R. Somers notes, the prism of social capital allows Putnam’s findings to exclude the role of any formal political institutions in evaluating underlying social dynamics (Somers, 2005) or, in the words of Ben Fine, as “proceeding as if globalization, class, power, meaning and conflict had never been heard of”. (Fine, 2009: 894) As such, many scholars consider social capital a ‘marketising’ of the social (Somers, 2005) insofar as social capital is used as the social component of a market-based strategy of neo-liberal development, applying the logic of the market to social relations while removing the political from the question of development by excluding formal political institutions from the analysis. (Brooks, 2007) This reflects the foundations of social capital in the methodological individualism of rational choice theory, which is methodologically blind to complex social relations since analysis is limited to the rational choices of individual consumers. Social capital can be thus understood as a prescient example of the “political rationality that both organizes (economic) policies and reaches beyond the market” through the dissemination of market values to all institution and social action under neo-liberalism. (Brown, 2003)

The “denial of politics” that, according to Holvoet and Rombouts represents the major weakness of the new development paradigm and is reflected in monitoring and evaluation norms, (Holvoet & Rombouts, 2008: 577) has important implications for the discourse surrounding development, as mentioned above. Here, the same “denial of politics” resurfaces in the critique of social capital and the penetration of new development discourse into the literature becomes clear. That the World Bank has been a leading proponent of social capital is unsurprising given the “ideal” role that social capital has played in “easing the transition from the Washington to the post-Washington Consensus” (Fine, 2008b: 450). That Robert Putnam, leading proponent of social capital, however, has been identified as the most cited social scientist of the 1990’s (Fine, 2007:50) reflects the penetration of discourse associated with the World Bank in the wider literature on development. Where the prominence of social capital in the literature is described by Ben Fine as an “extraordinary degradation of social science”, (Fine, 2009: 497) the ascendance of “methodological individualism” and rational-choice theory that has accompanied the rise of neo-liberalism not only within economics, but within other academic disciplines, has been condemned by many scholars, (Keen, 2001; Fine & Milonakis, 2009) spawning an academic movement within economics referring to itself as “post-autistic economics”.

## **1.6 State Legitimacy**

Underpinning neo-liberal expansion of market-based relations through the utilization of NGOs and a discourse centering on social capital, is a concern for state legitimacy that has remained largely quelled through the depoliticisation of discourse surrounding development. Taking state legitimacy as an important arena in which the consequences of the work of NGOs, such as the AKRSP, may be considered, a socially embedded approach to state legitimacy is emphasized in this study. Such an approach builds upon the neo-Weberian ‘isolated autonomy approach’, as advanced by Theda Skocpol, (Skocpol, 1985) and the ‘embedded autonomy approach’, as advanced by Peter Evans, (Evans, 1995) by emphasizing the centrality of broad social legitimation of the state in considering state capacity. Weberian approaches look beyond typical liberal and Marxist approaches, which respectively consider the state-based “fundamentally, consensually” “based legitimate authority or fundamentally coercive domination,” to take into account the broader structure and functions of the state, including those of a bureaucratic nature. (Seabrooke, 2002, p. 6) In elucidating the ‘social embedded approach’, Leonard Seabrooke criticizes the neo-realism of scholars such as Skocpol and Evans, which leads them to consider society fundamentally acquiescent, rather than contested, and emphasizes the international domain in determining state behavior, rather than the domestic. (p. 16) A socially embedded approach recognizes the legitimate social reproduction of the state through the embedding of the state in broader society, recognizing further that while the “state pushes and shapes norms and material conditions of society, the reverse is also true”. (Seabrooke, 2002, p. 16)

Seabrooke’s focus on social legitimation can be recognized as underlying the argument made by Wendy Brown that the subjection of the political sphere and wider social relations to an economic rationality under neo-liberalism allows the state to index its success and legitimacy on its abilities to foster and sustain the market alone. Where Jurgen Habermas and others argue that the state may suffer from a legitimation crisis in those instances where it intervenes on the behalf of capital (for example through bailouts), Brown argues that such crises are entirely overcome by “founding the state” not on notions of constitutional representation, but

as a “legitimate servant of the market, an aspect of the market or a form of the market” (Brown, 2003). With Seabrooke and Brown in mind, the narrowing of the domain of the state through the implementation of neo-liberal reform correspondingly narrows the legitimate realm of the state in the public mind. As such, the state is alleviated of its responsibilities associated with ‘universal representation of the people’ to leave the role of the state practiced, and publicly legitimated, as little more than a facilitating function of the market.

In recognizing broad based social legitimacy in evaluating state capacity, the use of NGOs as ‘substitutes’ (Campos et al., 2004) for weak states through which to channel IFI funds takes on an explicitly political character. Such an approach lends weight to Sabeel Rahman’s claim that “the dramatic prominence of NGOs in developing countries can be dangerous for the goal of achieving an accountable and responsive political system and a robust consolidation of political citizenship in the developing world”. (Rahman, 2006: 452)

The new development paradigm can thus be interpreted as representing the difference between the Washington Consensus and the post-Washington Consensus, whereby the new development paradigm is the outcome of the legitimizing rhetoric that has provided the post-Washington Consensus with a ‘human face’. The AKRSP’s approach, central to which is the social mobilization strategy, is in turn considered representative of this synthesis of values presently salient within the dominant discourses and processes of development, which overlie enduring neo-liberal principles. This, however, can be understood as potentially problematic, especially for vulnerable sectors of society, where the government is divested of capacity to undertake coordinated policy action or to protect vulnerable sectors of society from the harshest of market forces through its weakened capacity and broad-based social delegitimation. Moreover, this approach can be considered as having the potential to stunt the development of an accountable, democratic system and to suffer from accountability deficits, while suffering from limited reflexivity due to the cloistered nature of discourse, processes and monitoring and evaluating techniques within the arena of the development paradigm. There is a danger, moreover, that donor agencies may find appeal in the legitimizing rhetoric of the new development paradigm, funding new paradigm projects, such as the AKRSP, without understanding dynamics on the ground. While the market-oriented aims of donor agencies remain suspect as per the critical literature regarding neo-liberal social organization, donors furthermore may lack efficacy because they are excluded from understanding the impacts of new paradigm projects on the ground through limitation in monitoring and evaluation processes. The danger of donors to failing to fully comprehend project outcomes lies in the very functions of the market by which contractual arrangements within the new paradigm are carried out, which provide incentives for the generation of imperfect information. These issues will be explored further, and in specific relation to the AKRSP, following a historical review of both the development of Pakistan and the development discourse.

## **Section Two: The Historical Development of the State and Economic Change in Pakistan and the Rise of the New Development Paradigm**

This section considers the historical development of the state and of economic change in Pakistan, against wider developments in the Western-dominated discourse of development. After a brief over-view, the dominant strategies of economic change as pursued by the various Pakistani governments are considered. These strategies are understood as generally

resting upon import-substitution industrialization in the decades from the birth of Pakistan in 1947 until the 1980s, when neo-liberal structural adjustment assumed dominance in domestic policy. The parallel evolution of the development discourse at the global level is considered following. This section thereby presents the historical background to the emergence of the new development strategy and the AKRSP within Pakistan.

## **2.1 Political and Economic Development in Pakistan**

Economic change was accorded a central role in policy in the first decades of government in Pakistan, reflecting the minimal resources and industrial capacity available to the new state after partition (Abbasi, 2008). The execution of such policy, however, has been greatly complicated by the corruption of the functions of state power. Although Pakistan inherited from the British Raj one of the most developed civil service systems in the world, (Cheema, 2006, p. 7) the departure of the Raj left a constellation of power between the military, bureaucracy and the feudal landlords, who have remained major political actors, amongst whom the Punjabi elite has largely dominated. (Khan, 2000b, p. 182) In the decades following, the political and economic system has been subverted and destabilized by various governments, military and civilian, seeking to consolidate their power. (Cheema, 2006) Thus, the bureaucracy has largely become an instrument of political patronage, (Noman, 1988) while the development of political parties has been stunted to the cost of the personalization of political leadership (Cheema, 2006: 14) and the lasting entrenchment of the largely Punjabi military and feudal elite to the functions of power. (Khan, 2000b: 182)

In the first decade after partition, Pakistan attained impressive growth figures due to an import-substitution program that propelled industrialization through the imposition of tariffs, licensing arrangement, risk-sharing and decisive monetary policy. (Khan, 2000a) These policies were supported by the Cold-War allegiances of the United States, which granted substantial aid loans and technical assistance to encourage a strongly anti-communist Pakistan. (Khan, 2000b, p. 183) The import-substitution program, however, focused on consumer products and failed to develop the more complex manufacture of capital goods, in part due to the political crisis that arose with the 1958 coup of General Ayub Khan. (Khan, 2000a: 7) Under General Ayub, the American alliance was further cemented and industrial development continued to be a core focus of the state. (Khan, 2000a) The granting of loans through the newly-created industrial banks was characterized by the concentration of lending amongst a small number of families. This was justified, however, by the notion of 'functional inequality', which reserved redistribution and welfare for a later date, keeping wages low to allow profits to be reinvested, so as to maximize industrial development in this early stage of Pakistan's development. (Gardezi, 2005; Khan, 2000a p. 23)

Towards the end of the 1960s industrial policy began to fail as General Ayub's leadership came under increasing pressure from the urban middle-classes, through Zulfiqar Ali Bhutto's populist Pakistan People's Party (PPP), and from East Pakistan's Bengali nationalists. As the political crisis deepened, "industrial policy increasingly became part of the process of political containment rather than of economic planning" (Khan, 2000a: 28) as General Ayub's government distributed the state's industrial support resources along the lines of political patronage in an effort to secure the stability of his government.

With the installation of Bhutto in 1971 into the leadership following the collapse of the state into civil war and the separation of East Pakistan (presently Bangladesh), development policy shifted away from the American allegiance through populist policies of the nationalization of key industries and the advancement of some progressive labor laws, while political repression continued. (Khan, 2000b, p. 183) Considered by many a major contributor to the decay of the civil service, (Easterly, 2001) the bureaucracy was restructured under Bhutto, enabling it to accommodate increasing patronage, (Cheema, 2006, p. 16) while the poorly implemented nationalization program further facilitated the development of a parasitic bureaucracy. (Khan, 2000b: 184) During this period, industrial policy waned and yet economic crisis was eschewed by the hugely important remittances from Pakistanis working in the Gulf. (Khan, 2000a)

The 1977 coup of General Zia-ul Haq saw the return of the American alliance and the entrenchment of the military in the political system, while the Islamic movement was fostered by the state both in an effort to improve the legitimacy of General Zia's government and in furthering US strategic interests in Afghanistan. (Zaidi, 2005) Measures were taken to dismantle the popular political parties, notably the PPP (Cheema, 2006: 13) and suppress labor, (Gardezi, 2005) with lasting disabling effects on the political system.

In the 1980s, despite various changes in leadership, the Pakistani government undertook the neo-liberal transformation of its economy. Pakistan's first IMF Structural Adjustment Program was signed in 1982, although reform was undertaken in earnest after 1988 under the alternating leadership of Benazir Bhutto and Nawaz Sharif. (Zaidi, 1999) Conditionalities entailed in the Structural Adjustment loans included privatization of state assets, deregulation of industry and business, curtailed public expenditure, the introduction of a regressive sales tax, the devaluation of the rupee, the reduction of tariffs and the elimination of certain subsidies and price controls on core food items. (Gardezi, 2005) Complemented by other conditional IFI lending and membership of the World Trade Organization, (Suleri, 2004) the government of Pakistan, under the leadership of General Musharaff, has been maintaining a fairly strict adherence to the neo-liberal policy formulations to which it has become subject. (Gardezi, 2005) Furthermore, the political system continued to be weakened through the Musharaff years with policy aimed at further weakening the party system and the judiciary. The latter policy remains highly contentious under the present leadership of PPP President Zardari. With Pakistan having become one of the IFI's more "ardent enthusiasts", (Zaidi, 1999: 265) major industrial and social policy has remained effectively out of bounds (Peck, 2001).

## **2.2 *Development Discourse at the International Level***

Political and economic development in Pakistan has occurred within an international context. The most tangible relationship between Pakistan's development and the international arena has existed through the direct link of multilateral and bilateral funding, linked in turn to the prevailing ideologies and geo-strategic concerns of the time. This section considers the historical rise of the concept of 'development' and the dominant ideological backdrop to which development funding has been attached. The dominant ideology that informs development since the Second World War is understood as drifting from technically-oriented import substitution industrialization strategies, through a phase of orthodox neo-liberalism through the 1980s into a post-Washington Consensus during the later 1990s. This entails the

new development paradigm, which retains much of the foundations of orthodox neo-liberalism, but grants greater emphasis to values such as social capital, local 'ownership' and devolution. (Onis and Senses, 2003)

As Arturo Escobar (1995) explains, the end of the Second World War prompted a new conceptualization of the third-world as 'under-developed'. This conceptualization retains an inherently Western nature, subjecting third world populations to Western categorization and Western remedies to a problem conceived through Western eyes. As such, two years after the creation of the state of Pakistan, the Truman doctrine was announced, proclaiming the new policy goal of securing material prosperity and economic progress across the globe, the key to which lay in the "more vigorous application of modern scientific and technical knowledge". (Harry Truman in Escobar, 1995: 3) Under the guidance of modernization theory, the idea of 'development' gained hegemonic status within Western governments, and with the stakes raised through Cold War alliance-building, the 1950s saw large-scale funds flows from North to South in aid of the dominant strategy of import-substituting industrialization. (Zaidi, 1999) In line with this pervasive policy agenda, as noted above, Pakistan pursued this dominant strategy with the strong support of the US, behind which lay the geo-strategic importance of the country within the Cold-War setting.

With the Latin American debt crises of the 1970s, however, and the less than optimal result of decades of industrialization policies which in many cases had delivered growth but not development, (Easterly, 2001) the previously dominant strategies of import-substitution industrialization became increasingly criticized. (Gore, 1999) In place of import-substitution, and confirmed with the demise of Soviet command-economics, a new set of policy prescriptions arose to assume dominance in the Western aid institutions through the 1980s. (Portes, 1997) These neo-liberal policies appealed to the "natural" status of markets as central (Stiglitz, 1998) and assumed the victory of liberal-democracy over other models of government in line with Samuel Huntington's 'end of history' thesis. The new neo-liberal consensus took its most orthodox form in the early 1980s, evolving over the years into a more flexible 'market-friendly approach', the post-Washington Consensus, which retains the central principles of the earlier, orthodox version. (Gore, 1999)

With the new perception of the state as 'facilitator' for market transactions, (World Bank, 1997) rather than previously more comprehensive notions of government such as government as 'service provider in the interest of social well-being', state policy has been largely restricted to the economic sphere. In line with the market-orientation of neoliberal ideology, private companies and NGOs have come to occupy new markets that were formally considered the domain of the state. In developing countries, the dramatic expansion of the NGO sector (Edwards and Hulme, 1996) remains characteristic of the New Development Paradigm that has flourished in the process of the neoliberalization of development policy. (Fernando and Heston, 1997)

The new development paradigm arose out of the strict Structural Adjustment strategies of the early 1980s and entails the recognition that these development policies over-emphasized the role of growth while under-emphasizing the institutional governance required for the distribution of wealth to create development. (World Bank, 1990b) As 'institution-building' and 'good governance' came to assume a central place in development discourse, the often endemic corruption of developing nations' governments became increasingly recognized as

problematic. (Zaidi, 1999) An alternative was sought in NGOs and the private sector, which both came to assume new and central roles in the provision of services and, especially for NGOs, in the execution of aid programs, that were previously met by governments.

This new approach has been outlined in IFI and bilateral aid policy documents and is supported by much of the literature (World Bank, 1997; USAID, 1995; Brinkerhoff and Brinkerhoff, 2004). On the one hand, the private sector invigorates formerly state dominated sectors with the efficiency and choice brought about by open market competition. On the other, NGOs provide a promising new sector that allows the circumvention of corrupt bureaucracies in the provision of development aid and certain services that were formally considered the state's responsibility but are not appropriate for the private market to absorb. (Farrington et al., 1993) NGOs, like the private sector more generally, are considered a preferable conduit for development and service provision as they are considered to be generally "unburdened by large bureaucracies, flexible and innovative, efficient and better able to identify and respond to grass-roots needs." (Fisher, 1997)

Central to the discourse of the new development paradigm is the concept of 'social capital', which exemplifies the shift from the macro-industrial policy and technology-centered approaches of the post-war years to the new focus on the micro; on devolution, governance and 'self-managed development' (Farrington et al., 1993) that parallels a new emphasis in microeconomics in the corresponding period. (Fine, 2009) The concept of social capital provides a paradigm that looks beyond the individualism of the market and the coercion of states to consider social prosperity and economic performance in terms of social relationships. (Somers, 2005: 5) Building social capital refers to nurturing relationships of trust, norms and networks that enable collective action and is prominent in IFI policy, as development discourse has come to recognize community-centered approaches.

### **Section Three: The AKRSP and Gilgit-Baltistan**

#### **3.1 AKRSP Strategy**

The Aga Khan Rural Support Program was first established in the Gilgit region of Gilgit-Baltistan by the Aga Khan Foundation in 1982. The region, sitting high in the mountains between the Chinese, Afghan and Indian-held Kashmiri borders, remained extremely isolated until the Karakoram Highway was completed in 1986, linking Islamabad to the Chinese border through the region's steep valleys. Until the early 1970s, the region remained a network of princely states, the head of each state titled the Mir. The population is made up of Ismaili, Shia, Sunni and Noorbaqshi (sub-sect of Shia) communities, each sect of Islam and of approximately equal populations (Harlech-Jones et. al., 2005: 558).

The Ismaili population follow the leadership of His Highness the Aga Khan, the forty-sixth Aga Khan descended from the Prophet Mohammed, in whose name the Program is established. The Ismailis are noted as set apart from other Muslims insofar as "the Aga Khan holds a position of both secular and spiritual authority". (Greene & Butler, 1996: 54) The Aga Khan thus retains the position of founder and Chairman of the Aga Khan Development Network, under which the AKRSP functions. However, the often direct involvement of the Aga Khan in the AKRSP and its sister organizations represents only one facet of the important relations between the Aga Khan, who resides in France, and his followers, who are

spread across Gilgit-Baltistan, Afghanistan's Wakhan Corridor and its neighboring regions of Tajikistan. Ismaili communities have their own Ismaili Council, the Pakistani arm of which is based in Karachi, through which the Aga Khan issues regular telegrams to his people through the local network of Ismaili mosques (*Jamhat Kanna*) and through which *zakat* (Islamic welfare tax) is paid and distributed on an institutional basis, rather than the often personal transfer of *zakat* amongst non-Ismaili Muslims. Ismailis across these harsh, mountainous regions speak affectionately of the Aga Khan as their savior in historic times of famine and follow his guidance, which advocates capacity building through education and enterprise, warning of the folly of formal politics. (Shah, 2009; personal communication)

As AKRSP documents explain, “the original goals of the AKRSP were to contribute to doubling the per capita income of local communities (of the region), and to develop and test a practical rural development model for replication in Pakistan and other countries” (AKRSP, 2008: xi). Under the guidance of Dr. Akhtar Hamid Khan (AKRSP, 1985: ii), the AKRSP strategy is based on the principle of self-managed development through the three pillars of social, financial and human capital development, with physical capital included in the strategy in the mid-1990s.

The AKRSP focuses on strategies of “collectivization” and collaboration in order to address some of the problems that have restricted a shift from small-scale subsistence farming towards commercial farming in the area. (AKRSP, 1983) The organization's first Annual Report notes that “people cooperate [or collude] only when cooperation is profitable. Similarly, long-term collusion requires continuing benefits to the members”. (AKRSP, 1983: 4) Along this line of thinking, the AKRSP developed the strategy of ‘social mobilization’ by which village and intra-village level institutions are established and supported by the Program. This organizational framework is then utilized for the facilitation of projects including community infrastructure, sanitation, health, enterprise development, micro-credit, micro-insurance, skills training, leadership training, educations and others. (RSPN, 2008) As such, the Program develops social capital, by constructing village and intra-village institutions for collaborative work; financial capital, through micro-credit programs and the provision of grants; and human capital, by promoting leadership and entrepreneurial training, healthcare, sanitation and education. The physical capital component is largely constituted by the upkeep of irrigation channels, which also includes the construction of bridges and roads, organized and funded through the village-level institution. (Gohar, 2009)

The AKRSP justifies its intervention in terms of “filling the gap” left by the demise of princely rule which was not met by government. With only a weak government presence in the region, “if not outright (government) failure” (Campos et al., 2004: 51) the AKRSP set about “organizing the poor into self-governed institutions” (RSPN, 2008: 9) to fill the vacuum left by the departure of the Mir. (Campos et al., 2004: 53)

The central pillar of the AKRSP's social mobilization strategy is the Village Organizations (VO), “a self-sustaining development institution at the village level that can enter into a partnership for development with governmental and private agencies”. (AKRSP, 1983: 4) The VO qualifies for AKRSP assistance when at least 75% of village households are organized and an initial project is agreed upon which will deliver tangible economic benefits. Each household must agree to start regular contributions to its own savings account, which is

administered through the VO. VO members elect a VO Manager and Bookkeeper, removable by a two-thirds vote of member households. (Campos et al., 2004: 55)

Since VOs are dominated by men, Womens' Organizations (WO) function in much the same way, having a key micro-credit function, providing a forum for discussion and decision-making and providing a platform for carrying out various projects.

At the intra-village level, Local Support Organizations (LSO) represent clusters of villages (10-30,000 people). The LSO has been a more recent development, however, upon which efforts have been focused in recent years in order to provide a platform from which people can continue to organize themselves after the AKRSP scales down and pulls out. (Gohar, 2009)

### **3.2 The AKRSP Over the Years**

#### **Box 1: The AKRSP in 1985**

By 1985, the AKRSP had

- Organized 316 villages into VOs, through which 232 physical infrastructure projects had been initiated, with just over 1% of funding being contributed by the VOs themselves and the rest by the AKRSP
- Artificially inseminated 106 animals through the breed improvement program and further explored crop development
- Disbursed fertilizer loans to 19 VOs
- Distributed 9 marketing loans and 34 long term loans
- Broadened the Marketing Section to include timber, vegetables, livestock and maize, besides fruit, and introduced a mobile Food Processing Unit
- Established 100 Womens' Organizations, through which 1.38 million rupees had been saved.

*Source: AKRSP, 1985, Annual Report 1984, AKRSP, Gilgit.*

#### **Box 2: The AKRSP in 2008**

22 years later, by the end of 2007, the AKRSP had

- Established 2,636 VOs and 1,939 WOs within the Northern Areas and Chitral regions alone
- Been replicated in each of Pakistan's provinces
- Been incorporated into government strategy, for example through the Social Action Program and local government structure under the Devolution Plan 2000
- Provided over 26,000 individuals with various training programs
- Conducted 16 development forums to bring together various stakeholders in the development process
- Achieved other advances in agriculture and livestock, market development, infrastructure development and social capital development

*Source: AKRSP, 2008, Annual Report 2007, AKRSP, Gilgit.*

While Boxes 1 and 2 reflect the impressive scaling up process undertaken by the AKRSP over a period of 22 years in the region, Tables 1, 2 and 3 reflect some of the gains made in the region in term of various poverty indicators, set against national statistics. Stephen Rasmussen, former General Manager of AKRSP, and his associates, who undertook the study

cited below, claim that “the available evidence is strong enough to suggest that the contribution of AKRSP to economic development in (the Northern Areas and Chitral) has been substantial”. (Rasmussen et al., 2004, p. 11) These findings are supported by World Bank research (World Bank, 2002) and are not contested by this study, as discussed below.

Table 1 reflects the decline in national economic growth, which slowed considerably in the 1990s, while the Northern Areas and Chitral economy experienced per capita income growth of 84% during the 10-year period (Rasmussen et al. 2004, p. 10)

**Table 1: Trends in Income Per Capita (US\$)**

|      | Pakistan | Northern Areas and Chitral | Northern Areas and Chitral as percentage of Pakistan |
|------|----------|----------------------------|--|
| 1991 | 424      | 131                        | 31   |
| 1994 | 440      | 176                        | 40   |
| 1997 | 487      | 232                        | 48   |
| 2001 | 415      | 241                        | 58   |

Source: Government of Pakistan, Federal Bureau of Statistics; AKRSP, Farm Household Income and Expenditure Surveys cited in Rasmussen et al. 2004.

Table 2 reflects the translation of this growth into poverty reduction statistics. Again, while national poverty displayed an upward trend, poverty in the Northern Areas and Chitral dropped from about two thirds of the population to about one third. Moreover, the indicators for the depth of poverty (poverty gap), intensity of poverty (poverty gap index) and severity of poverty all reflect decreasing trends (Rasmussen et al., 2004, p. 10).

**Table 2: Trends in Poverty**

|      | Pakistan             | Northern Areas and Chitral |             |                   |                     |
|------|----------------------|----------------------------|-------------|-------------------|---------------------|
|      | Head count (percent) | Head count (percent)       | Poverty Gap | Poverty Gap Index | Severity of Poverty |
| 1991 | 26.1                 | 67                         | 0.53        | 0.36              | 0.75                |
| 1994 | 28.7                 | 54                         | 0.49        | 0.27              | 0.55                |
| 1997 | 29.8                 | 45                         | 0.42        | 0.19              | 0.41                |
| 2001 | 32.1                 | 34                         | 0.38        | 0.19              | 0.27                |

Source: Government of Pakistan, Planning Commission; Malik and Wook (2003) cited in Rasmussen et al. 2004.

Table 3 reflects a limited set of social indicators for the Northern Areas, revealing the sharp decline in infant mortality and increasing literacy rates.

**Table 3: Selected Social Indicators for Northern Areas**

|                 | Infant mortality rate (per 1000 live births) | Literacy Rate (percent) | Primary School Enrolment Rates (percent) |       |
|-----------------|--|-------------------------|--|-------|
|                 |  |                         | Boys                                     | Girls |
| 1986            | 162  | N/A                     | N/A                                      | N/A   |
| 1994            | 50   | 14                      | N/A                                      | N/A   |
| 1997/1998/2002* | 33   | 33                      | 77                                       | 62    |

Note: Infant mortality figures are for 1997, literacy rates for 1998, and primary enrolment rates for 2002.

Source: Government of Pakistan; AKHSP; AKESP cited in Rasmussen et al. 2004.

The AKRSP has now substantially surpassed its original goal of doubling incomes (World Bank, 2002) and has slowly shifted its emphasis, reflecting its monitoring and evaluation

processes, including the findings of World Bank evaluations. The AKRSP strategy has, thus, moved from broader rural development to individual projects, particularly in the field of enterprise development targeting women and poorer households. (AKRSP, 2008) The social mobilization strategy has come to focus on the larger, inter-village level organization, the Local Support Organization (LSO). LSOs, including one staff member trained and paid by the AKRSP, are intended to liaise with donors directly and take over AKRSP functions as the AKRSP prepares to scale-down, both as a result of ‘donor fatigue’ (World Bank, 2002) and its original expectations. (Gohar, 2009) Moreover, the LSO is intended as an institution which can cooperate with the Musharaff Government’s 2000 Devolution Program, whereby local governments are granted increased service delivery and development roles with a new emphasis on civil society participation. (Gohar, 2009) Government capacity has also come to constitute a new focus for the Program, reflecting World Bank findings that this area represented the Program’s main weakness. (World Bank, 2002: xvi) The AKRSP’s most recent Annual Report defines its aims as “promoting inclusive human development, eradicating extreme poverty, and reducing gender inequalities in the area.” The Annual Review goes on to state that,

“For the accomplishment of these overall objectives, AKRSP has developed a strategy that focuses on 1) social development to create an enabling development environment by forming and developing sustainable community institutions and holding policy dialogues with development partners, 2) resource development to improve livelihood systems by creating assets and income-generating opportunities, and 3) market development by systematically searching for market-based opportunities for income, employment and enterprise.” (AKRSP, 2008: 2)

This focus reflects World Bank criticism, finding that, despite the “remarkable results” achieved by the AKRSP,

“The continuing relevance of the program has been threatened by persistent weakness in public sector development capacity; declining frequency of village infrastructure investment; increased pluralism in community organizations; limited progress in bringing women fully into the development process; declines in saving and credit flows; and an increase in overdue repayments in microfinance.” (World Bank, 2002: 2)

In responding to World Bank criticism regarding the AKRSP’s approach in relation to government, (World Bank, 2002) in 2003 the AKRSP initiated a Policy Dialogue and Partnership Program. This Program includes holding development forums, in which “community organizations, public and private sector agencies, religious institutions and NGOs participate”. (AKRSP, 2007: 11) Furthermore, the Program includes the undertaking of collaborative projects and initiatives in partnership with government and other service providers in the areas of education, health, water supply, sanitation, housing and culture. Finally, the AKRSP has started a Linkage Program, which attempts to link WOs and LSOs with government agencies and government line departments respectively. The Policy Dialogue component represents policy research initiatives. (AKRSP, 2007)

The AKRSP has also made a concerted effort to reach women and poorer segments of society, in response to its weaknesses in this regard, (World Bank, 2002) introducing the

Grameen Bank-designed 'scorecard' system to identify the poor, and making various changes to its gender policy. (AKRSP, 2007)

The AKRSP has made a major contribution to improving the quality of life in Gilgit-Baltistan. The presence of Aga Khan services, including the AKRSP, in the region is highly visible and is reflected in the statistics provided by each of the successive annual reports. The interview data reflects a widespread belief that the most outstanding success of the AKRSP has been in empowering local people and "broadening consciousness". This may be attributed not only to the VO and WO system, which entails participation rather than obedience to elites, but also to programs such as 'exposure visits', whereby AKRSP clients visit other regions, scholarship programs, specific training programs, as well as other achievements in broader human and social capital development. One prominent example of AKRSP success lies in the development of potatoes as a cash crop, which is an important development for the region, allowing families to save money, which is usually put towards education, including through the use of special long-term savings accounts for the college education of children (personal communications). In this regard, the AKRSP initiated potato trade in the region, introduced communities to the banking system and emphasized the importance of education. These successes have been widely disseminated within the development community and have justified the replication of the Program at both the provincial, national and international level.

### **3.3 *The AKRSP and Replicability***

Replicability is a central aim of the AKRSP, (AKRSP, 2008) the source of much international acclaim (RSPN, 2007) and considered "fully achieved" (World Bank, 2002: xiv). However, the relevance of the AKRSP's achievements with regards to replicability can be questioned insofar as Gilgit-Baltistan remains a unique region for a number of reasons. The most salient point in this regard may be the prevalence of Ismaili communities in the regions in which the AKRSP has proved so successful. Certainly, for the Ismailis there is religious prestige related to the Aga Khan and compliance with a program that assumes His Highness' name. This suggests that an element of the AKRSP's success can be situated in its religious nature, despite the fact that the AKRSP explicitly plays down the relevance of this dimension of the AKRSP's work and considers itself a non-sectarian organization, which complies with the international funding environment.

A religious platform from which development agencies may work has been articulated by scholars such as Dr. Ali Gohar, who argues that religion is a central institution in community resource management in the region. (Gohar, 2003) Given the relevance of religion not only to day to day life, but to community relations and decision-making within the ethnic communities of Gilgit-Baltistan, the incorporation of religion into the development paradigm can be considered crucial in contributing to the efficacy of development programs. Interview data revealed that the AKRSP has been greeted with suspicion in Shia and Sunni villages, where participation with the Program has been conducted with less fervor, if not outright rejection as occurred in Diamer district near Gilgit, on the part of villagers. Although this study has not been able to closely study the extent of the AKRSP's success in non-Ismaili areas, it has been reported that in the Shia and Sunni areas of Nagar region in the Gilgit district (population approximately 70,000), where some 200 VOs and WOs had run in the early years of the AKRSP, "100%" are now said to be dormant. (Mohammad, 2009) It is

difficult to assess the causes of this collapse of the AKRSP system in some non-Ismaili areas and to identify the degree to which the loss of interest in the Program came from villagers at the grass-roots level as opposed to a loss of interest from the AKRSP in supporting the Organizations. The interview data suggests the latter was the major issue, while the AKRSP's 2008 Annual Report blames failure of VOs and WOs on the former, on "weak leadership, unresolved disputes and poor communication amongst members", (AKRSP, 2008: 8) without specifying the problem as being largely specific to non-Ismaili areas. It is, however, very likely that the commitment of villagers to a program that exists in the name of another sect's spiritual leader has not endured in the same way that the commitment remains in Ismaili communities.

Locating such an important engine behind AKRSP success in the religious commitment of the Ismaili people to their spiritual leader suggests that the Program may be seriously impeded in replication where the religious designation of the Program is excluded, as it appears to be in Shia and Sunni areas. This conclusion is reached in opposition to the most recent World Bank evaluation which regards replicability as "fully achieved" (World Bank, 2002: xiv) and undertakes no discussion over the reception of the AKRSP in Sunni and Shia areas. The central role of religion in facilitating sustained community engagement remains an extremely important lesson learnt from the present case study of successful rural development strategies.

Furthermore, the AKRSP is considered by some to have strengthened increasing sectarian divisions that have dramatically escalated in the Gilgit region since the 1980s. The root causes of sectarian violence, particularly in the Gilgit region, remain linked to the fostering of Sunni *jihadi* groups under General Zia, carried on through successive government policy, in the interest of keeping the flame of conflict alive in neighboring Indian-held Kashmir. Violence, predominantly between Shias and Sunnis, erupted in the Gilgit area in 1988 resulting in hundreds of deaths, with crises arising again in 2005 and 2006, revolving around the assassination of leading religious figures and the installation of conservative Sunni government officials in the area. (Ahmed, 2009) Thus, the articulation by name of the AKRSP as an Aga Khan-sponsored program, while strengthening its work with Ismaili communities, is questionable in its wisdom insofar as it operates in an environment of heightened sectarian tension.

The nature of the AKRSP as an Aga Khan-sponsored program, moreover, has resulted in a degree of security in funding, which has allowed the Program to take on a strategy rooted in a more long-term approach to the area. The first Annual Report refers to the Program's 10 year strategy, thanks to the security of Aga Khan Foundation funding, as offering the Program a lead over the regular, short-term, project-based development strategies of most agencies. (AKRSP, 1983) The support of the Aga Khan Foundation as representing an important level of security for the ongoing nature of the project was reflected in the interview data. Here, questions regarding the sustainability of funding were responded to with references to the ongoing concern of His Highness for his people. The AKRSP may thus address common issues related to the short-term nature of much development funding by demonstrating a level of success related to a development strategy embedded in long-term funding and thus providing another important lesson on overcoming problems associated to short-term funding. Yet the psychological and financial security of being directly linked to the spiritual leader of the majority of the subject population represents another facet whereby the religious

nature of the organization contributes to the Program's success, calling its replicability into question.

Other salient characteristics of the AKRSP's work within the specific context of Gilgit-Baltistan include the regions exceptional geographical terrain. On the one hand, the region remains of strategic importance and Chinese aid has contributed crucially to the building and maintenance of the Karakoram Highway, accepted by the Pakistani Government in countering the presence of India in the region, with whom the Chinese have continued territorial disputes. Thus, the strategic nature of the region has ensured the external funding of major transport infrastructure development in the region. Consequently, Gilgit-Baltistan maintains a certain standard of infrastructure, and especially transport infrastructure, which contributes to the economic success of the region, without having depended on government investment. In this regard, the model of Gilgit-Baltistan as having achieved impressive development indicators with major inputs from the AKRSP and little government presence is obscured by the strategic nature of the region.

On the other hand, the mountainous terrain has contributed to the historic isolation of the region with specific consequences for the nature of power relations within the region. Due to the mountainous isolation of the area, the government presence remained weak even in the years following the accession of the regions into the state of Pakistan in 1973. The late accession of the region into Pakistan and the closeness of the region to Indian-held Kashmir, moreover, has contributed to the prevailing nature of Gilgit-Baltistan as a quasi-province of Pakistan, with a weak constitutional position and limited formal representation in the National Government.<sup>3</sup> The region was, thus, not endowed with a strong government presence at the time of the AKRSP's inception into the area and, without the functions of a full province on par with the other provinces, government rule has continued to retain an irregular and limited capacity. The isolation of the region, then, has ensured that the nature of the political landscape in the region has remained somewhat un-convoluted, particularly as, in contrast to much of the rest of Pakistan, agricultural land is generally owned by those who farm it so, in general, there is not a community of landless peasants and there is relatively little inequality within and between villages. This is the result of the transfer of land directly to farmers with the departure of the Mir. The interview data suggests that the old elites under the Mir maintained control over conflict resolution and community decision-making through various forms of the *jirga* and *namadan* system, which still persist especially in non-Ismaili areas, in the decades after accession into Pakistan, and were carried over into the VO system. This points to the claims of the AKRSP that the AKRSP was filling an institutional gap with the departure of the Mir as somewhat of an exaggeration, while the claim of the AKRSP as having democratized local decision-making may also be subject to the same criticism. The articulated shift in emphasis towards reaching the poorest of the poor in recent years, which suggests that the poorest were being excluded from the region's gains in the first decade of the AKRSP's work, lends weight to this accusation.

At any rate, the relative equality and general social cohesion within the different communities of the region is generally conducive to participatory development programs. For example, as

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3 With the passing of the Gilgit-Baltistan package in the national Parliament in the latter half of 2009, the constitutional status of Gilgit-Baltistan has shifted towards regular provincial status along with the shift in name from the Northern Areas to Gilgit-Baltistan. However, the region continues to be denied full provincial rights at par with the other provinces.

opposed to where caste hierarchies co-opt participatory approaches in certain cases in South Asia, (Prasad & Tripathi, 2009; Nripal, 2009) relative equality within Gilgit-Baltistan contained much potential conflict in the imposition and functioning of new village institutions in the region and the carrying out of development projects. The peripheral presence of government, relative equality within the population and absence of landlords has thus contributed to a unique power dynamic in the region which may well have provided a political backdrop relatively conducive to the work of the AKRSP. With the complex power dynamics of other regions of Pakistan, where government presence stretches back to the British, deeply embedded patronage systems prevail and feudal elites dominate, the AKRSP model may well be less effective.

### **3.4 Limitations of the AKRSP: Accountability**

In considering the limitations of the AKRSP model, one major shortcoming can be found in the inability of the AKRSP to escape the trap of corruption and nepotism that characterizes the NGO sector in many developing countries. While the interview data reflected a widespread perception that the AKRSP had functioned well in its first decade, the AKRSP is now described as “the cow that drinks from its own milk”. The AKRSP has, then, been understood to have become, to some degree at least, a self-serving bureaucracy. In this regard, the unnecessary use of helicopters for AKRSP staff and the expansive fleet of expensive vehicles assigned to AKRSP officials and their families, has been cited by local people who see the AKRSP as a corrupted employment opportunity for the Ismaili community.

Within this latter criticism is the widespread concern amongst the non-Ismaili community that there is a heavy bias against Sunni and Shia communities. In this regard, non-Ismaili community leaders argue that only one single scholarship has ever been granted in the Nagar district, which consists of predominantly Sunni and Shia villages, whereas some 300 have been distributed in Ismaili districts. Similarly, non-Ismailis are reported to need higher grades to get into Aga Khan Higher Secondary Schools than Ismaili candidates. Regardless of the statistical accuracy of such claims, the widespread mistrust of the AKRSP in non-Ismaili areas is a problem in itself and suggests that the AKRSP has succumbed, to some degree, to the relations of patronage that prevail across Pakistan.

These criticisms point towards a general trend, acknowledged to some degree by the AKRSP itself in interview data, that the first decade of the AKRSP was a “golden age”, whereby staff and volunteers were idealistic and highly motivated. This has given way, to some degree at least, to nepotism and corruption, whereby the AKRSP is no longer an NGO different to the others, but another ‘gravy train’ busy reporting its own success in order to secure continued funding. Here, then, the question of the accuracy of the AKRSP’s own reporting is called into question. This study is not able to examine this issue in detail. However, the decline in the AKRSP, which was widely acknowledged in the interview data, is not clearly reflected in AKRSP Annual Reports. One prominent discrepancy between the interview data and the AKRSP’s own publications, which suggests that the AKRSP may be subject to some degree of inaccurate reporting in the interest of maintaining funding, is claims by certain community leaders that in the Shia and Sunni areas of the Gilgit region, as mentioned above, VOs and WOs are “100% dormant”. (Mohammad, 2009) This is not reflected in the most recent Annual Report, which paints a positive picture of the AKRSP continuing to produce

remarkable results, citing a selection of data as representative of the Program. In a seemingly token admission of failure, the Annual Report does mention that only 6% of VOs and WOs in Baltistan region have reached a high level of maturity, but no discussion is undertaken as to why this may be so and the predominance of Shias in the region is not mentioned, in line with the general pitch of the document, which does not widely recognize or discuss continuing sectarian issues in the region in relation to the AKRSP's work. (AKRSP, 2008: 36)

The decline in the AKRSP as revealed in the interview data is also not reflected in the most recent World Bank report, where neither the prevailing politics of patronage nor the sectarian make up of the region is discussed. The World Bank report instead focuses on efficiency and efficacy and fails to recognize any issues with such political dynamics, with no mention of the ethnic complexities of the region and the ways that the Program seeks to work in this environment.

### **3.5 Approach to Government**

Further limitations can be found in the Program's attitude towards the government. Consensus over the nature of the AKRSP as supporting a neo-liberal agenda especially with regards to the relationship with government, was reflected in the interview data, although is much more difficult to locate, at least explicitly, within AKRSP publications. The neoliberal principles underlying the AKRSP's work, however, can be gleaned from the Program's disinterest in government, focus on market-solutions and funding (see Table 4). The underlying neoliberal nature of the relevant funding bodies, which embrace an overlay of new paradigm strategies, is reflected in policy documents. In line with the dominant discourse of the new paradigm, these agencies emphasize liberalized economic policies with a small role for central government, evident in the promulgation of public-private partnerships, NGOs as channels for funds and participatory development and devolution, amongst references to social capital and local context.

**Table 4: Major Funding Sources for the AKRSP (1982-2000)**

| <b>Funding Source</b>                     | <b>As percentage of total AKRSP Funding</b> |
|---|---|
| British Overseas Development Agency       | 34%   |
| Canadian International Development Agency | 20%   |
| Netherlands Government                    | 16%   |
| Norwegian Agency for Development          | 8%  |
| European Union                            | 8%  |
| Aga Khan Foundation                       | 7%  |
| World Bank                                | 0.13%                                       |
| Total:                                    | 93.13%                                      |

Source: Campos et al., 2004.

The AKRSP's hesitant approach to government is apparent through historical policy review. Certainly government does not constitute any of the pillars upon which the Program focuses its work and government remained somewhat absent from the AKRSP approach in the early years. Although the Policy Dialogue and Partnership Program was included in 2003 as a result of World Bank criticism, the designation of the government as a "development partner" on a similar level to other "development partners", such as other NGOs and external funding sources, reflects the low status of government in the AKRSP's analysis, which coincides with the neoliberal approach.

The AKRSP approach represents an unfilled gap insofar as the AKRSP remains incapacitated for large-scale infrastructure projects. Rejecting the efficacy of Public-Private Partnerships, it is exactly this domain which remains unique to government which, it is argued below, is undermined by the neoliberal approach. In the case of Gilgit-Baltistan, the abundance of water provides an obvious solution to the deficit of electricity in the area; even in Gilgit, the region's major hub, the electricity supply is neither constant nor predictable, deteriorating sharply in the winter months. The development of the road network is a second area through which economic development could be vastly stimulated. Yet both projects are far beyond the capacities of the AKRSP and, arguably, the government.

Furthermore, the strategy of sustainability at the village level results in the creation of user-pays services for education and health facilities, dovetailing with what K. Munir describes as the Pakistani Government's "wholehearted embrace" of a view of education "as a market like any other". (Munir, 2004, cited in Harlech-Jones et. al., 2005: 559) In a major collaborative project with the Education Department, the AKRSP implemented the government's Social Action Program in 1993. Under this program, 'community schools' were established where communities provided the school buildings, teachers and management, and a grant of some 100,000 rupees (approximately US\$1,500) was provided by the government, from which accruing interest could be put towards teachers salaries. (Harlech-Jones et. al., 2005: 559) Not only does this establish norms in Gilgit-Baltistan that quality education and health facilities are neither the responsibility of government nor available to those who can't pay, but such an approach has implications for the quality of both these sectors and, as Munir argues, could reduce access of both females and the poor. (Munir, 2004)

The hesitancy towards government is not surprising considering the sordid state of government in Pakistan, as noted in the historical analysis above. Furthermore, the government's weak presence in Gilgit-Baltistan may be considered as adding impetus to a strategy that does not lend itself to creating a dependence on government in the region. Yet it is argued by some that the weakness of government in the region at the time that the AKRSP was initiated could be considered a strength, whereby a regional development initiative such as the AKRSP could have worked with government from the start to develop government capacity. From this point of view, the task of building a responsive and capacitated government is easier when the government has a weak presence in an area than when it is deeply embedded in patronage networks, such as is the case in other provinces of Pakistan.

Although it is mere speculation to claim what the government in Gilgit-Baltistan *would* have become if the AKRSP and its sister organizations had not stepped in to carry out service provision and establish village-based development institutions, the interview data reflects a widespread understanding that the AKRSP has undermined government, thereby weakening it. The AKRSP has, thus, been found to have made a remarkable contribution in general to the welfare of the people of Gilgit-Baltistan. Yet by effectively substituting the state in promoting development and establishing parallel decision-making institutions, this has come to some degree at least at the cost of weakening the state. The wider implications of such relations with government are discussed in the following section.

In conclusion, the discussion above suggests that, aside from obvious successes in Gilgit-Baltistan, the limitations of the AKRSP's work in the region remain rooted in the limitations of the neo-liberal principles within which the AKRSP functions. This is apparent both with

regards to the role of government in organizing society in the AKRSP model, by which government has been unmistakably decapitated, and characteristic conceptions of accountability, which tend towards relying on the functions of the market. With regards to the latter, the AKRSP may, then, be limited by the funding dynamics to which it is subject, by which the AKRSP has been forced to succumb to the rationality of business in its attempts to secure ongoing funding. As such, the AKRSP has reported its own activities in a somewhat uncritical manner, skipping entirely over the religious element, be it in contributing to the success of the AKRSP in some areas or hindering success in others, while avoiding a discussion of nepotism and corruption. It is argued here that this reflects the nature of the development arena, especially NGOs and donors, that does not seek out the political dimensions of development (Holvoet & Rombouts, 2008) and is thereby blind to both local sectarian issues and the prevalence of patronage networks in the area. Where the market does not supply adequate accountability to the AKRSP, the new development paradigm's complimentary monitoring and evaluation processes are inadequate.

#### **Section Four: Role of State, Interests of the Vulnerable and Development of a Robust and Democratic Political System**

This section analyzes the impact of the AKRSP, the new development paradigm and neo-liberalism more generally on the role of the state before posing the question of whether or not these developments serve the interests of vulnerable sectors of society and contribute to the development of a robust and democratic political system.

##### **4.1 *The Role of Government***

On the question of the role of government, the AKRSP approach is widely accepted as contributing to the weakening of the state. This is reflected both in the most recent World Bank evaluation, which emphasizes this concern (World Bank, 2002), and in the interview data. The government is “delegitimized” in the public mind through its increasing irrelevance, where basic services and political organization occurs outside of its domain and inside that of the AKRSP and its sister organizations. As such the state may no longer be expected to carry out core duties and participation in the formal political system may be deemed of less value as the government is considered with decreasing legitimacy.

Moreover, the role undertaken by the AKRSP of substituting government has contributed negatively to the development of the state's capacity as demands for service provision and representation are satisfied by the AKRSP, diverting such demands away from government. While this effect can be recognized as stunting the development of state capacity, the deterioration occurs through “brain drain” to the higher-paying employment of the AKRSP in the area. Although the political system remains convoluted across Pakistan, and especially in the quasi-province of the new Gilgit-Baltistan, the present lack of government capacity in the region can be partially attributed to the presence of the AKRSP. Certainly the government presence in the region was very weak when the AKRSP initiated its program there, yet had the AKRSP worked with government from the start, state capacity could be expected to be much stronger than it is today, after 25 years of the AKRSP in the Gilgit-Baltistan (Gohar, 2009).

A concern for the “delegitimization” and “decapacitation” of the state is reflected in criticism of the wider neoliberal model with regards to the question of the role of the state. (Farrington et al., 1993) In the neoliberal ideal, the state’s capacity is substantially diminished both from an ideal pre-Washington Consensus liberal-democratic model, and from the reality of often weak developing country governments. For example, the IMF Structural Adjustment Program’s deficit reduction demands cut government spending in order to facilitate the expansion of markets and NGOs. (Gore, 1999) Additionally, the pursuit of free trade through the WTO rules of trade curtail economic support to domestic business by considering such support a ‘market distortion’, leaving major policy, such as industrial policy, largely to the market. (Suleri, 2004) With the reduction of government capacity, government becomes increasingly irrelevant and illegitimate in the public mind and is divested of much potential as the state is reverted to a mere function of the market.

#### **4.2 The Interests of the Poor**

The question of whether or not such developments, and indeed the AKRSP itself, is in the long term interests of the most vulnerable segments of society, whom the IFIs and the AKRSP attempt to benefit, is pertinent. As noted above, the AKRSP has done a great deal for the people of the region, notably in reducing poverty. However, even the AKRSP itself has had difficulties reaching the poorest. This may be due to the perpetuation of elite power through the VO system, which was noted by a number of interviewees. Indeed, there is an increasing gap between what the market provides and what is provided by the government, which has been largely sidelined in the development process and has failed to capacitate itself. While this gap is presently filled by the AKRSP, it is currently looking towards scaling back its operations and the poorer populations of the region may well not be able to afford to pay for the services that are not provided by government if and when donor funds are reduced. Moreover, it must be recognized that the AKRSP has contributed to the “decapacitation” of the Pakistani government by failing to address government capacity in establishing itself in substitution roles. While it may certainly be argued that if the AKRSP has brought services to Gilgit-Baltistan where none existed before, on the long term, the people of the region may well suffer as much as any other vulnerable population by being denied the potential benefits of a functioning government working for the public good.

The same criticism has been leveled at neo-liberalism more generally. The neo-liberal model increases market-based relations at the cost of government capacity. Yet market-based relations hinge on profit, not providing for the social good. Regardless of the corrupt or otherwise dysfunctional nature of any particular state, the most vulnerable sectors of society, such as the poor, the elderly, women and the disabled, fare the worst when the protective functions of the state are eliminated; these are the people that do not have the financial resources to protect themselves when protection can only be obtained through the market.

Moreover, neo-liberal government denies the poor, and society in general, the potential benefits that may result from high capacity government, including coordinated macro-level policy such as infrastructure projects, development and industrial policy.

### **4.3 *The Development of a Robust and Democratic Political System***

When it comes to the development of a robust and democratic political system, neo-liberalism can be considered at the broadest level to rest on the expansion of markets and the contraction of state capacity. Yet this comes at the cost of accountability, which is a key feature of a robust and democratic political system. Governments are constituted to be accountable to the people through a system of elections, checks and balances and the separation of powers. While the market is accountable through the law and government regulation, it lacks the central function of democratic governance, which lies in the electoral system. (Martin, 1996) As such, a contraction of government theoretically equals a contraction of accountability.

The issue of accountability is also prominent in the literature regarding the new development paradigm. (Fisher, 1997) NGOs, like the market, are not constituted to be accountable to the people in the way that government is and are instead chiefly accountable to their funders. The dependence of NGOs on external funds, moreover, not only encourages NGOs to uncritically report their own success which distorts crucial monitoring and evaluation processes, but plays a pivotal role in the “depoliticisation” of NGOs, which undermines many of the claimed advantages that are assigned to NGOs as institutional structures. (Rahman, 2006) Such perceived advantages revolve around NGO abilities to strengthen democracy in developing countries. Where the new development paradigm utilizes NGOs because of their ability to empower and represent the poorest of the poor, (Farrington et al., 1993) their dependence on external funding and the project-specific nature of that funding contributes to the divestment of NGOs of their significance and potential as political movements challenging power relations to empower the poor. (Rahman, 2006, p. 452) The failure of NGOs to represent the poorest of the poor is increasingly accepted across the literature. (Edwards and Hulme, 1996) Furthermore, in attempting to address the accountability deficit through heightened auditing from funders, NGOs also become bureaucratized, losing their positive attributes as innovative and dynamic alternatives to government. (Silliman, 1999)

Within these debates, social capital within the new development paradigm is deeply contested. Some critics view the focus on social capital as exempting the political from the discourse on social issues at the broadest level. (Fine, 2008a) To view social issues through the concept of social capital excludes power, politics and rights in centering on choice and trust alone as important principles of social relations. (Somers, 2005:12) From this point of view, the deployment of policy based on the analysis of social capital as undertaken by the new development paradigm can be considered at the theoretical level as detracting from the development of a robust political system where such an approach endorses apolitical development analysis.

One function of accountability in the liberal-democratic model lies in the arena of public debate over major policy decisions. As government is divested of the capacity to enact major, coordinated policy, the realm of debate is reduced; major policy is largely irrelevant to a society with a government that does not have the capacity to fund or carry out major policy. Community-decision making institutions do not deal with big issues; such institutions do not offer an arena for debate around the kind of issues that promote public discussion at the level of ideological debate in the way that the national arena, complete with a party-based system, does. Instead community-level institutions deal with project-oriented local issues and service

delivery. By promoting the local at the cost of the provincial or national, the scope of government action is contracted, and with it, the accountability mechanism of public debate at this level. As such, the emphasis on the local level sidelines the traditional arena of politics by eradicating major policy and shifting the discourse of politics to the local level. This process is intimately linked to the question of social legitimacy in regards to the contraction of government, as discussed above.

With the demonstrated favor of Western donors of channeling funds through NGOs rather than governments, a large proportion of development funding is subject to development policy designated by external donors or the recipient NGO. Financially weak recipient governments remain capacitated with little control beyond outright rejection. NGO accountability aside, the Western donors themselves, thus, remain only indirectly accountable to those subject to their projects through the electoral accountability of the recipient government, which itself remains in a weak position in its relation to external funding. On top of shifting of the political debate around development beyond the ballot box, the dominant presence of Western donors in development funding and policy can and has been interpreted as a major accountability deficit. (Fine, 2006)

These concerns over power relations and accountability are also reflected in criticism of the WTO, and IMF and World Bank conditional lending, which remain weakly accountable while exerting control over crucial aspects of member countries' budgets and financial, trade and macroeconomic policy. The control of unaccountable supra-national bodies (see Wood, 2001; Smythe and Smith, 2006) over major policy arenas remains characteristic of neo-liberal globalization. As such, the entire neo-liberal edifice may be considered to be suffering from an accountability deficit in the eyes of the public across the world, but particularly in those countries subject to both a high presence of international development funding and to harsh adjustment processes in complying with the IMF and WTO. (Fine, 2006) The lack of social legitimacy that the institutions of neo-liberalism suffer under has been demonstrated in the international protest movement that established its presence with such force around the turn of this century, that the WTO and IFIs have been forced to hold their annual meetings in the security of Middle Eastern states. These mass demonstrations in the Global North mutually support the mass movements in the Global South, such as those represented by the World Social Forum. The diversity of interest groups drawn to these protests and to the Social Forum reflects the diverse nature of the issues that are understood as illegitimately in the hands of the institutions of neo-liberal governance, principally the WTO and the IFIs.

In considering the AKRSP approach specifically in terms of the development of a robust political system in Gilgit-Baltistan, there remains much to commend it. That many people of the region have achieved a much greater level of empowerment is not disputed, and this certainly leads to increased political awareness and activity at the grass roots level and in the broadest sense at least. Furthermore, although the democratization of community decision-making through the VO system may not have been as successful as the AKRSP would like to assert, it is reasonable to expect that community decision-making has become more democratic than under previous arrangements, to some degree at least. A theoretical problem remains, however, in the fact that the AKRSP, like other NGOs, remains accountable only to its funders, and not to the population with which it works. While the AKRSP has attempted to achieve some level of accountability through the legalized nature of the VO system, whereby VOs are registered not-for-profit community organizations, (Tetlay, 2009) the limited nature

of the AKRSP's institutions remains, at a theoretical level at least, by no means as robust a system as the constitutional state.

The debate around social capital is also directly relevant to the AKRSP, in which social capital forms one component of its three pronged approach, along with financial capital and human capital. In line with the social capital approach, causal roles for the state or national political institutions, formal politics or political parties are largely absent from the AKRSP approach; the AKRSP is an explicitly non-rights based, apolitical organization. Furthermore, the AKRSP's 'social mobilization' model embodies the new development paradigm's "delegitimation" of the big-issue contest of national party politics through the undermining of government capacity to the benefit of the market and shifting emphasis towards local development and service delivery issues. The subject population holds no electoral accountability over either the AKRSP or its funders while being subject to its programs that weaken the electorally accountable state.

#### **Section Four: Conclusion**

This study has found the AKRSP strategy to be ideologically entwined with the dominant discourse of development. The present study has explored this relationship with regards to two currents of the critical literature: one in relation to AKRSP practices on the ground as they relate to concerns regarding the utilization of NGOs in conducting development projects, the second in relation to the AKRSP's role in Gilgit-Baltistan with regards to big-picture themes of the trajectory constructed by the AKRSP for development of the region.

Where the AKRSP has been found to be extremely successful in some fields, evidence of poor results in non-Ismaili areas suggests that success may rest less in the strategies of the new development discourse, such as participatory development, and more in the religious nature of the organization. This conclusion supports the literature that finds religion to play a central role in development, especially in this specific region. (Gohar, 2003) This crucial facet of the AKRSP's work, however, remains largely unstated in order to comply with funding institutions and is not picked up in deficient monitoring and evaluation processes, despite extensive and additional evaluation, over and above the demands of donors, being undertaken in the case of the AKRSP. The deficiency of monitoring and evaluation processes found in this study supports an increasing body of literature which finds the technical bias, at the cost of political analysis in the broadest sense, a fundamental problem within the development field, and especially in monitoring and evaluation processes. (Holvoet & Rombouts, 2007) This study has, thus, found that the ability of the AKRSP to attract funding and achieve broadly recognized success has not reflected realities on the ground since the end of the organization's 'golden age', thereby disputing claims that replicability has been "fully achieved" (World Bank, 2002) or that the AKRSP has found success in "continuing achievements in organizing the poor into sustainable self-governing institutions". (AKRSP, 2008) These findings suggest that development experts from *outside* of the NGO and donor sectors should play a crucial role in informing development policy to avoid gaps between policy and practice and ill-informed policy and funding decisions.

The broader analysis of the AKRSP's work suggest it has largely ignored the fact that neo-liberalism does not provide solutions for vulnerable sectors of society in developing its strategy. Yet the failure of market-based solutions to accommodate the poorest of the poor is

attested to and recognized by the AKRSP in the AKRSP's recent targeting of the poor following World Bank criticism. Within the AKRSP, the AKRSP's work in this regard is considered "strategic", whereby the AKRSP's new focus targets the poor in order to bring them "up" to a level to compete in the market. (Karim, 2009) Yet this strategy can only be pursued, in the absence of government, as long as there are NGOs and funding to undertake this task. While the Ismailis of Gilgit-Baltistan may have recourse to the financial support of their Spiritual Leader and a strong faith-based welfare system funded through institutional *zakat* payments, and while the development industry may presently be booming, much of the rest of the world's poor do not have access to such support networks and external funding may well dry up.

The relation of the AKRSP to the development of a robust and democratic political system, on the other hand, could be interpreted as a reflection of His Highness the Aga Khan's personal dislike for formal politics, which coincides with the ideological goals of donor bodies.

While the AKRSP strategy may serve large parts of Gilgit-Baltistan particularly well at a general level, the strategy does not take stock of the wider processes in which it participates. Rather, the AKRSP lends itself as a tool to unrepresentative power by allowing itself to be promoted in the name of the new development paradigm, and thereby belies solidarity with vulnerable segments of all societies threatened by neo-liberal globalization. Gilgit-Baltistan represents an island of positive outcomes in education, health and wealth achieved largely through the Aga Khan network. But it has not achieved these goals by relying on internal resources. Insofar as the AKRSP gets support from and gives support to the functions of power that perpetuate the wider sea of inequality, it neglects its responsibility to those disenfranchised by the international processes of neo-liberalism.

Indeed increasing community participation in decision-making may traditionally be amongst the central demands of a leftist critique, yet such demands have come to be utilized by the interests of capital in the name of democracy. With a concern for social legitimacy in mind, the shift from the Washington Consensus to the post-Washington Consensus, endowed as it is with a central interest in devolution, can be considered as an attempt to secure public legitimacy for an agenda characterized by a distinctive lack of accountability, as suggested by Fine. Furthermore, such a shift to empowering community-level institutions, while at the same time decapacitating the institution of national government, shifts power away from the traditional arena of democratic politics. Whether or not community-level institutions can carry out the kind of ideological debates central to a robust political system remains to be seen.

In examining the ethos of devolution with regards to Pakistan, skepticism is particularly warranted considering the repeated use of devolution programs in legitimizing non-representative rule in this country. Ali Cheema and his associates point to the instrumental founding of a local government system by the British in a bid to maintain imperial power. (Cheema et al., 2005) This tradition has been carried through in the three devolution and local government systems established by military rulers in Pakistan, under Generals Ayub Khan, Zia and Musharaff. The International Crisis Committee's 2004 *Devolution in Pakistan* report notes that "local governments have proved to be the key instruments in the military's manipulation of the Pakistani polity to ensure regime survival". (cited in Zaidi, 2005: 55)

Although the particularly complex systems of patronage that prevail in the case of Pakistan have granted certain advantages in maintaining national leadership through the use of devolution,<sup>4</sup> the democratic appeal of devolution cannot be denied as being exploited in order to grant legitimacy to undemocratic rule and it is argued that such a legitimacy grab has indeed been a primary goal of devolution. Each of the Generals' devolution plans have involved a more representative system at the lower level, yet their sincerity has been belied by entailing severe constraints by centralizing power at the higher level through strategies ranging from explicit 'suspension powers' to implicit budgetary restraints. Zaidi (2005) notes that the ADB/DfID/World Bank report on Musharaf's plan asserts that most districts under the plan are "hugely" dependent on transfers from higher tiers. (ADB/DfID/WB 2004 in Zaidi, 2005: 45) The International Crisis Group's *Devolution in Pakistan* report notes that "while the ostensible aim of Musharaf's devolution scheme may be the transfer of administrative, political and financial authority to the lower tiers of government, the reality is starkly different". (ICG, 2004 in Zaidi, 2005: 54)

Salient characteristics of Musharaf's Plan include the non-party basis of local elections and the devolution of provincial power to the local level, yet retention of all federal level power, suggesting an instrumental interest in undermining politics, whilst riding on the legitimacy of local democratic revival. The party system remains a key element of a democratic system, through which ideological and major policy positions can compete for the votes of citizens. In place of a strong party system, politics becomes personalized, as has occurred in the wake of suppression of party-politics in Pakistan since the mid-1970s and explicitly in the case of Musharaf's Plan. This theme can be detected in Zaidi's claim that "local governments have also had significant utility for the military's divide-and rule tactics. By juxtaposing more than 100 new local governments between it and the provinces, the centre, where the military continues to maintain its grip on the levers of state power, has been strengthened at the cost of Pakistan's four federating units". (Zaidi, 2005: 55)

This brief analysis of the dynamics of power and legitimacy employed under Musharaff's Devolution Plan sheds light on the parallel process being played out through the new development paradigm. The "depoliticisation" of politics through the undermining of a central element of a democratic system, being national government, can also be identified in the devolution strategy of the new development paradigm. Again, legitimacy is invoked through an emphasis on devolution, which helps to counter the legitimacy deficit of those institutions implementing neo-liberalism. While Musharaf's Devolution Plan undermines the functions of a party system, the new development paradigm undermines the functions of the federal government, whilst instituting a power arrangement saturated in the discourse of democratic empowerment.

The AKRSP cannot shoulder the blame for such political developments, but can be fairly criticized for failing to take stock of the wider processes with which it cooperates. His Highness has certainly succeeded in fostering a position of relative privilege for his people, yet this with little apparent concern for the national and international implications of the policies to which His Highness lends himself on vulnerable segments of all societies, despite the historical vulnerability of his own people. Furthermore, while discounting formal politics,

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4 For example, local government officials used public funds and other state resources to stage pro-Musharaf rallies during the April 2002 presidential referendum and to support the Pakistan Muslim League (Quaid-e-Azam) parliamentary candidates in the 2002 national polls. (Zaidi, 2005, p. 54)

His Highness fails to recognize the wider theoretical questions regarding the development of a robust and democratic political system, or the dishonest political tool that is the Devolution Plan.

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