

# Convergence model of Governance; A case study of Local Government System of Pakistan

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## **1.1 Introduction**

The future of devolution plan in Pakistan may be analyzed in view of our Convergence model. This model views stability of the local Govt. system drawn on Devolution Plan 2001. It claims that as there would be more volatile and non-committed (floating) number of agents in the political market and governance system, there is more probability of divergence; i.e. the system will remain unstable. Contrary to that more is the systematic trend in political market and governance system more is the probability that the convergence in the system occurs and that in turn leads to stability of the over all system. In this ‘Convergence’ Model different types of agents have been highlighted on the basis of their political affiliation and being in competition as ruling elite and/or their allies and non-ruling elite and/or their allies.

The agents have interactive relationship horizontally and vertically with other agents i.e. either they are ally or otherwise. The composition of this structure of the agents and clients is based on the principle of bottom top approach i.e. Union council’s members, Nazim and their political competitors, Tehsil council and Nazim, District Nazim and his allied district assembly members and their political competitors, Member provincial Assembly and their political rivals, Member National Assembly/Senator, and their political rival and the ruling political elites, Provincial Government and their political rivals, and Political elites ruling Federal Government and their political rivals.

## **1.2 Local government system**

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<sup>2</sup> The views expressed in the paper are solely of the authors and do not represent official point of view. We would like to acknowledge Dr. Nadeem-ul-Haque for his inspiration and encouragement to do this work, Dr. Eatnaz Ahmed, Dr. Musleh-ud-Din and Dr Sohail Jehangir Malik for their useful comments, Dr. Paul Darosh for support in providing data and Dr. Syed Nisar Hamdani and Mr. Wasim Shahid Malik for academic comments.

The devolution of administrative and fiscal power from the national and provincial level to local governments (LGs), viz. District government (DGs), Tehsil/town municipal administrations (TMAs), and union administration (UAs), that began in 2001, is designed to help correct the problem of inadequate rival and non-rival goods delivery by making the public sector more accountable to citizens and more efficient at delivering basic services. Local Government Ordinance 2001 (LGO 2001) defines responsibilities for service delivery and fiscal and political oversight at the DG, TMA and UA levels.

### **1.3 The History of Process of devolution of power through local government in Pakistan**

Devolution of power has been carried out in Pakistan in earlier decades as well by respective rulers in different times. These were:

- a. Ayub's BD (basic Democracy) system of devolution of power
- b. Zia's BD system of devolution of power

These devolution systems were to serve short run needs in order to get their support in (1)diffusing public reaction/sense of deprivation against the respective regime (2)Hedge against criticism of international democratic elites (3)To legitimize their actions of nullifying the previously existing political system (4)The system was backed by military.

These two types of basic democracies were short run in objectives and structure therefore ceased with the end of respective ruler due to the following reasons:

1. Structural instability due to divergent endogenous variables of the political system such as antagonistic role of MNAs and MPAs.
2. Withdrawal of strength and reinforcement of exogenous variables for stability of the political governance system.

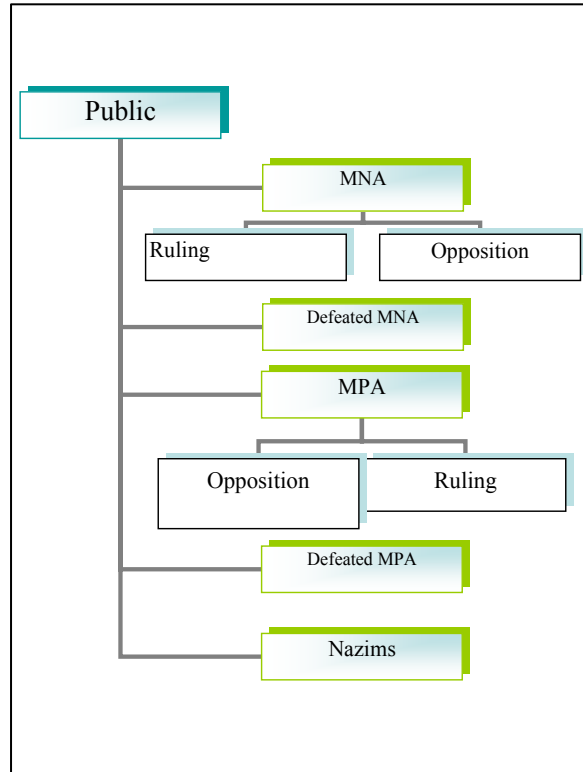
Commonalities and difference in previous and present system of governance are given below:

**Table 1**

<b>Similarities</b>	<b>differences</b>
<ol style="list-style-type: none"><li>1. Introduction of new political system is backed by Military regime.</li><li>2. Defusing reaction</li><li>3. Partial Hedging against the critics.</li><li>4. Legitimization of change in political governance system.</li></ol>	<ol style="list-style-type: none"><li>1. Earlier only one type of system of basic democracies (BDs) existed as a substitute of national assemblies (NA), and provincial assemblies (PA), but now its more complicated and heterogeneous and there are parallel tiers of NA, PA and district governments with formal and informal, independent and overlapping functions, domain and constituencies with clashing objectives.</li><li>2. It has multifarious functions<ol style="list-style-type: none"><li>i. Administration</li><li>ii. Law and order</li><li>iii. Fiscal &amp; Legislative</li><li>iv. Execution</li></ol></li><li>3. Structural difference and change to perpetual skeleton is framed in thirteen (13) district departments with elimination of office of Assistant commissioner deputy commissioner and commissioner etc.</li></ol>

#### 1.4 Structure and composition of LG system and its integrating partners in the convergence model:

This system comprises principal/agent (Nazims and governance system) to supervise/deliver the rival and non-rival goods for ensuring service delivery to clients (general public). Here the agents X (Union council (UC) nazims and members, Tehsil (TMA) nazim and members of tehsil council (TC) and District nazim and district council (DC)) and agent Y (executing machinery/line departments and other establishment personal) with endogenous variables like stake holders in the district etc.



##### 1.4.1 Appointment of agents Y

These agents are members of executing machinery and are placed against high responsibility, demanding and professional posts. Appointment on these posts can or should only be made from amongst highly qualified persons with experience in financial management, planning and development and administrative exposure, which is only available at this, much low cost from the government departments. Alternatively, persons of same caliber are available in the private sectors for appointment on such posts would cost approximately above 60,000 Rupees per month which is further subject to location, political stability and environment of the district. Then the only economical and cost effective strategy is to appoint officers from the civil service which may cost at most 15,000 to 20,000 Rupees per month.

One of such appointee is the district coordination officer (DCO), who is supposed to head the district secretariat and perform a number of functions stipulated in different

laws/rules/regulations. His immediate performance is judged and reported upon by the district Nazim. DCO is thus obliged to keep district nazim in good humor and if district nazim is from the ruling party, the very survival of DCO is dependent upon the continued support of district nazim. Similarly for the purpose of maintenance of law and order District police officer (DPO) has to report to district nazim. These two factors immensely enhance the clout, power and authority of district nazim. Thus he can influence bureaucratic machinery to his advantage.

Postings/transfers of members of district cadres is an important source of mustering and exercising political influence. Many developmental works are carried out within the district by the Executive District officers (EDOs) with the concurrence of DCO. DCO has to keep in mind the recommendations of district nazim, MNA/MPAs while agreeing to the proposal. His sailing is likely to be smooth where district Nazim and MNA/MPAs are from the same political party; otherwise reconciliation of conflicting interests would become a real source of trouble for DCO.

Award of all contracts of public capital formation at the district level are keenly controlled despite the fact that government has evolved procedures that help ensure that contracts are awarded on merit but still room is always there for favoring a contestant. These aspirants for contracts are mostly influential people who can help fetch votes in the next elections. Further award of contracts also help create more job opportunities, as more people would be required to complete a new project. This situation can create tension and friction in the system if power holders are from different political parties and thus weaken the system.

#### **1.4.2 Appointment of Agents X**

Agents X are appointed by through election in two different steps and methods; 1)members (agents) of district and union councils are elected through public elections 2) Nazims (principal) of district elected through electoral college comprising members of district councils, union councils and other councilors etc. through apparently non party based election.

The system is essentially political in nature, though for reasons unexplained the government has been trying to keep it apolitical. The known political parties have actively participated in the political process of election for district government institutions at all levels

under different names. This apparent apolitical policy gives rise to increasing numbers of non committed agents.

The elections of district government in 2001 were held in the scenario when there was complete political vacuum. The elections to national and provincial assemblies of 2002 created different environment in which district governments were to operate. There were instances of friction especially where a district Nazim headed the district government hailing from a party opposite to the party in power at the provincial level. However, district governments headed by a Nazim belonging to the party in power at the provincial level had different impact on convergence of the system. The position is illustrated from the Table 2.

Every politician irrespective of whether he/she is aspiring for any elected body needs popular votes to be elected. This is done by having more and close interaction with the voters and mobilizing their opinion in his/her favor by highlighting certain issues/problems. This may be a point of divergence as well as convergence keeping in view the fact that the issue/problem in question may be looked at from divergent viewpoints. The strategy of an aspirant would play a definite role as to how he convinces the voters that certain of his promises would increase the welfare level of voters, enhance their material well being and social status, as well as provide them opportunities for more economic gains.

**Table 2**

Political market		Principle/Agent at the local government	Agents	System	
<p><b>Politicians in Local Government Setup.</b> (Here we assume it's the district government/politicians involved in district politics including ruling or otherwise)</p>		<b>Nazim</b>	<b>Partisan group (Committed)</b> Elected and non elected allies at horizontal and vertical level	Convergence	
			<b>Non committed</b> Elected and non-elected members at district level	Divergence, if have direct access to Zila Nazim or Zila Nazim is elected under a political party's flag then workers/partisans of that party may support agents	
	<p>Politicians at Provincial Level</p> <p>MPAs; they draw/exercise provincial government powers in local government jurisdiction for securing their vote bank</p>		<b>District opposition (Non-committed)</b>	<b>Partisan</b> with Provincial/federal government, by-passing Local Government	Divergence
			Partisan group to MPAs	<b>Partisan</b> with local government	Convergence
				<b>Opposition</b>	Divergence
			Opposition group to MPAs	<b>Partisan</b> to the local government	May convergence or diverge; depending upon MPAs power drawn from provincial government and relations with local government
				<b>Opposition</b> to the local government	diverge
				MNA's	Partisan group to MNAs
	<b>Opposition</b>	Divergence			
	Opposition group to MNAs	<b>Partisan</b> to the local government			May convergence or diverge; depending upon MNAs power drawn from provincial government and relations with local government
<b>Opposition</b> to the local government		diverge			

It has been observed that such change has been noted in the priority and approach of the electorates. In certain constituencies voters have made casting of their votes contingent upon resolution of their collective needs. In certain cases they have insisted upon guarantees from candidates for resolution of their problem before exercising their right to vote in their favor.

District Nazim's have the opportunity to strengthen their political position to get elected some of their nominees to different monitoring by exercising their clout with other members of the district council.

### **1.4.3 Factors making agents 'X' to commit or change loyalties**

An agent is assumed to be rational when he decides his strategy in view of his expected gains and costs in period one and period two ( or in general upto n periods). He also plans how he can achieve maximum votes in future along with other political and economic interests by optimizing his utility simultaneously in different periods. These include:

#### **I. Political Interests**

- i. More interaction with people.
- ii. Appease voters
- iii. Increase their welfare level by obliging themselves by;
  - a) increase their social status in merit goods through their role and personal recommendation and recognition
  - b) Economic gains
  - c) Public capital share
  - d) Power share through participation in different committees such as ;
    1. Public safety
    2. Accountability
    3. Project committees
    4. CCB (Community Citizen Board)
    5. Monitoring etc
- iv. Role in election in order to have expansion in political/interest groups

- v. Time preference model to be affective so as to prepare group fellow or allies to be successful in time period two (Term period 2, TP2).
- vi. Influence/recognition over bureaucrat machinery
- vii. Influence and recognition over political elites for posting/transfer and share in developmental works

## II. Economics interests

- 1. Contracts of public capital
- 2. New emerging economic opportunities are grasped, Mega project and industrializations as a byproduct of Government policies pertaining to economic development e.g. in Bolachistan Gwadar Port scheme, Schemes in Lahore, New Muree Development projects and other projects including those which need land acquisition.
- 3. Employment opportunities for prospective voters whether new job is created or for already existing jobs.
- 4. leverage in playing due to own revenues

As already there is incompatibility between opportunities and choices, with its competing people existing in the political market makes an agent to compare and evaluate his gains and costs in the dynamic manner, so he performs role and duties in current and future time periods and set his behavior for establishment of his credibility and political alliances/links with other power elites accordingly.

If a politician is losing something which was in his possession or in a simpler case of no gain no loss game, by losing the game he suffers the loss of opportunity cost of his resources coupled with investment made at the time of election and credibility of next election win.

One time or two time loss in game may or may not adversely affect a local politician but series of loss will adversely affect his performance, objectives and future designs and probability to stay in the game of politics. Whether he stops himself in political arena or completely knocked out by competitors. As the general public (local voters) expect performance of their local representative in very petty administrative and developmental or economic matters. If he continuously remains in opposition and is not capable to promote their interests he may lose a large number of his voters. He calculates

his cost and benefits; both pull and push factors and then decides whether to stay in opposition or join ruling party, therefore, his role may be divergent if he stays in opposition and convergent if he joins ruling party (group).

Similar, analysis of rest of the integrating partners may be carried out one by one. Change of their loyalties to the ruling district government/group or staying in the opposition depends on both cost (direct and opportunity cost) and benefits (current and future).

#### **1.4.4 Factors making agents ‘Y’ to commit for efficient delivery**

The Agent ‘Y’ would also make their decisions based on his dynamic utility maximization, in which he not only considers his short term welfare targets i.e. financial returns, social networking, career growth etc but also in their longrun goal perspective is incorporated in the decision making. From the geographical perspective i.e. in the remote districts the officers are unwilling to serve due to their opportunity constraints such as:

- i. Financial losses.
- ii. Power gain or loss.
- iii. Transportation cost. E.g. shifting from HQ to any remote district as there is a big gap between the TA DA rates which were fixed dozens of year earlier. This causes additional psychological and financial burden on the official.
- iv. Lack of HR deployment especially in rural and remote districts. E.g. temporary posting, i.e. out of 24 districts less than 50% have appropriate HR deployment especially in rural and remote districts junior officers are posted against senior posts. In other words more responsible and high level of efficiency is expected from persons of lower grade despite the fact most of them legally qualify for the posts being held by them. Due to lack of their formal/actual up-gradation (promotion) to their respective grades they feel they are not properly appreciated. This fact could be highlighted from the following table as well;

**Table No 3**  
**STAFF STRENGTH AT TEHSIL LEVEL**

Heads Province	Punjab	Sindh	NWFP
<b>TMOs</b>			
Vacant	CH	KD	
Actual & Existing Same	SG	MK, DG, ML	TM, SB
Actual Grade	AE (18)	KP (18), BD (18)	
Existing Grade	AE (17)	KP (17), BaN (16)	
<b>TOFs</b>			
Vacant		MK	
Actual & Existing Same	SG, AE	DG	
Actual Grade	SL (17)	BIN (16), ML (17)	TM (17), SB (17)
Existing Grade	SL (16)	BD (11), ML (11)	TM (16), SB (11)
<b>TOPs</b>			
Vacant	CH	KD, MK, DG, ML	TM, SB
Actual & Existing Same	Sg TG		
Actual Grade	AE (17)		
Existing Grade	AE (16)		
<b>TO(I&amp;S)</b>			
Vacant		BD	
Actual & Existing Same	SG, TG	MK, DG, ML	TM, SB
Actual Grade	AE(17)		
Existing Grade	AE (16)		
<b>TORs</b>			
Vacant	CHK		
Actual & Existing Same	SG, TG	MK, DG, ML	TM
Actual Grade	SL (17), AE (17)	BD (17)	SB (17)
Existing Grade	SL (16), AE (11)	BDN (16)	SB (11)

SG = Sargodha SL = Silanwali CH = Chakwal TG = Talagang BH = Bahawalpur AE = Ahmedpur East KP = Khairpur KD = Kot Digi MK = Mirpurkhass DG = Dighri BD = Badin ML = Matli TM = Temergara SB = Samarbagh

Source: This Data was taken from work funded as part of the World Bank "Rural Growth and Poverty Reduction Study", 2006.

As it can be seen from the above table;

1. Certain roles are not filled at all, e.g. Tehsil Chakwal and Kot Digi does not have TMOs (Tehsil Municipal Officer).
  2. Some roles are not considered to be important for any posting/transfer, e.g. the role of Tehsil Officer planning (TOP), which is responsible for spatial planning and other issues of resource management.
  3. Those Tehsils which have postings with required grades (which is supposed to carry required level of capacity for the job) against positions would lead to efficient delivery of rival and non-rival goods.
- v. If we see it from the convergence point then the following can be asserted;

**Table 4**

Executing machinery (agent Y)	Convergent	Their response may be convergent at the stages of planning and implementation.
	Divergent	Under this system their cost of living increases while decreased incentives, such as transport, residence etc. further their power decreases as well, as theoretically their responsibility shifts to Nazims but practically they use them to achieve their interests under the garb of official practices/procedures in remote, unattractive district where they are least interested or indifferent.

### **1.5 Theory and model**

Success story of this devolution plan presumably is laid on the fact that the plan is mainly to pursue welfare objectives grasping welfare opportunities. A man also counts his own welfare level while making decisions of performance in this system what he lose and what he gains? If he is losing something which was in his possession rather its no gain no loss game, however, by losing this game he suffers the loss of opportunity cost coupled with investment made at the time of election.

The convergence of endogenous variables leads toward long run sustainability of the system and its further stabilized and perpetuated with a coherently exogenous variables, contrarily disharmonized or divergent exogenous variable may unstable the system in a slow or radical manner depending on the strength of converging variables and degree of divergence of exogenous variables. Similarly, cordon of diverging endogenous

variables by a strong exogenous variable only shows a short run and pseudo stability of the system. More a system is endogenously convergent more it will be stable in the long run.

Convergence and divergence of endogenous and exogenous variables (integrating) partners of the power system will determine its sustainability. The above discussion shows that in case of Local Government's case federal government seems the only integrating partner, whose behavior is completely convergent due to the obvious reasons that this devolution plan is her brain child, similarly this plan nurtures at the playground of provincial government whose powers were snatched and delegated to the district government. Similarly, if there are meager financial revenue generation systems are given by the federal government to the district government, and more are federal or provincial transfers then federation is using administrative powers to make its baby successful then that may not be a convergent factor. The same is evident by Table No.5.

**Table No 5**

**FUNDS TRANSFERRED TO LOCAL GOVERNMENTS (PUNJAB, SINDH, AND NWFP)**

	2001-02	(Mill.Rs.)		
		RE 2002-03	RE 2003-04	RE 2004-05
<b>Punjab</b>				
District Governments	43,043.6	50,858.7	53,794.6	54,785.0
Tehsil/Town Municipal Administrations	3,765.2	7,119.4	4,670.8	4,884.3
Union Administrations	2,410.8	2,702.0	2,702.2	2,712.7
<b>Total</b>	<b>49,219.6</b>	<b>60,680.1</b>	<b>61,167.6</b>	<b>62,382.0</b>
<b>NWFP</b>				
Development		963.0	963.0	973.0
OZT tax share		984.0	887.0	926.0
<b>Total</b>		<b>16,900.0</b>	<b>16,858.0</b>	<b>19,173.0</b>
<b>Sindh</b>				
OZT grants		6,600.0	6,029.1	11,496.3
Development			2,728.1	6,789.6
DSSDP				1,889.0
<b>Total</b>		<b>29,885.8</b>	<b>30,675.5</b>	<b>55,204.5</b>
<b>Total 3 provinces</b>		<b>107,466</b>	<b>108,701</b>	<b>136,759</b>

Source: Finance Departments GoPunjab, GoNWFP and GoSindh

Punjab 2002-03 BE

Sindh 2004-05 is BE, 2005-06 Recurring slit on 2004-05 basis,

PHE transfers, DSSP and ESR same as last year

Note: This Data was taken from work funded as part of the World Bank "Rural Growth and Poverty Reduction Study", 2006.

The above table shows that there are huge transfers to the local governments, which are mainly used to finance for the developmental budget. More over their own revenue is not even enough to cover for their recurring expenses, as evident from the following table;

**Table No 6**

**SAMPLED DISTRICT GOVERNMENT OWN REVENUES (2005-06)**

Districts Heads	Total Budget <i>(Rupees in millions)</i>	Own Revenues <i>(Rupees in millions)</i>	Own Revenue <i>(% Total Budget)</i>
Sargodha	3,028	121	4.0
Chakwal	2,513	24	1.0
Bahawalpur	3,088	502	16.3
Khairpur	3,325	269	8.1
Mirpurkhas	1,923	247	12.8
Badin	2,030	115	5.7
Dir Lower	917	0	0.0

Sources: District Governments Budgets

Note: This Data was taken from work funded as part of the World Bank “Rural Growth and Poverty Reduction Study”,2006.

**Table No 7****SAMPLED TEHSIL MUNICIPAL ADMINISTRATIONS OWN REVENUES**

TMA's	Year	Budget ( <i>millions</i> )	Own revenue (%)
Sargodha	03-04	283.1	37.4
	04-05	277.7	41.9
	05-06	308.0	55.8
Silanwali	03-04	--	--
	04-05	--	--
	05-06	37.5	15.2
Chakwal	03-04	98.9	59.6
	04-05	243.1	63.8
	05-06	220.8	44.1
Talagang	03-04	211.6	22.4
	04-05	109.2	73.4
	05-06	131.0	72.4
Bahawalpur	03-04	131.2	38.3
	04-05	214.0	41.2
	05-06	277.3	44.7
Ahmedpur East	03-04	67.4	47.8
	04-05	124.6	50.7
	05-06	91.0	31.9
Khairpur	03-04	69.9	11.7
	04-05	--	--
	05-06	101.0	35.6
Kot Digi	03-04	--	--
	04-05	35.5	11.5
	05-06	62.4	10.4
Mirpur Khas	03-04	62.5	27.7
	04-05	76.6	13.5
	05-06	160.0	21.3
Digri	03-04	56.7	29.4
	04-05	56.6	26.2
	05-06	140.0	24.3
Badin	03-04	--	--
	04-05	37.3	14.9
	05-06	56.0	35.0
Matli	03-04	14.5	23.3
	04-05	39.6	25.1
	05-06	45.6	22.8
Timergarah	03-04	22.7	88.2
	04-05	28.2	60.3
	05-06	30.0	63.3
Samarbagh	03-04	4.0	87.8
	04-05	17.7	70.8
	05-06	10.7	55.9

Source: This Data was taken from work funded as part of the World Bank "Rural Growth and Poverty Reduction Study", 2006.

The above tables show that there are huge fiscal budgets both at tehsil and district levels. But the own revenue financing of budgets are very low at district level and some what better at tehsil level. Only Bahawalpur among the sampled district had a share of 16.3 percent portion of budget is financed by own revenue in 2005-06, and lowest of Chakwal i.e. only 1 percent. Now this shows that the gap needs to be bridged from the financing by either the federal or the provincial government. Now as per assignment there are transfers from these as well, but to increase availability of funds for development and recurring expenses the nazims have to use the channels as explained in the table .....

### **1.5.1 Model**

Now the four integrating partners (Governments), the district level politicians have mixed response, partisan ruling party may have convergence while opposition members have divergence. In the paper we would also use the notion of Political convergence in analysis.

Similarly overlapping interests, functions etc of all the integrating partners including agents, principal and clients may be analyzed on the following lines:

1. Economic perspective
2. Political perspective
3. Social perspective
4. Legislation
5. Fiscal transfer of power to MPAs

The role of exogenous variables can be seen from the angle of;

- a. Publicity
- b. Share of power in politics, execution and law and order
- c. Fiscal share with not a good start
- d. Capacity building

The analysis is carried out by using the above defined types of agents of the game; i.e. X and Y. 'X' types of agents have dual role/nature that is they may act as principal (of Y) at one time in a particular situation and may act as agent (to the public) at the same time in another situation as well which reconciles with agency theory by

Fama,(1983). Other type of agents ‘Y’ is only to deliver public goods and services etc to clients.

There are three broad types of opportunity sets for these agents;1. ‘U’ universal set of opportunity bundle available at the expense of public funds and it is open to all the agents of type ‘X’ and ‘Y’ to be dealt out to clients (beneficiaries). 2. Second type of opportunity set is ‘N’ a sub set of ‘U’, which comprises elements of public goods of non-rival nature and may be shared by agents of all type. 3. Third, type of opportunity set is ‘R’ which is also a sub set of ‘U’; comprises elements of rival goods such as obtaining contracts, employment opportunities, power of posting transfer etc which becomes exclusive to some agents. Elements of both the sets ‘N’ and ‘R’ does not exhaust set ‘U’, i.e. set ‘U’ may also contain elements other than the elements of ‘N’ and ‘R’ as other floating and prospective opportunities are also possible in these types of opportunities. If the competition is more tough then even the agent having arbitrary powers may push out the competitors from the market/competition.

The model of local government system (from devolution plan) can be defined as:

Universal set:  $U: \{C_1 \text{ -----} C_n\}$

Opportunity Sets:  $\{ \text{Type 1} \longrightarrow N \text{ (Non-rival, overlapping for its elements)}$   
 $\text{Type 2} \longrightarrow R \text{ (Rival, mutually exclusive)}$

where  $N: \{a_1 \text{ -----} a_m\}$

‘  $R: \{b_1 \text{ -----} b_e\}$

The agents ‘X’ on behalf of beneficiaries (people) get power, then by obtaining opportunity set ‘N’ deliver these opportunity elements to the beneficiaries for getting his stronger vote bank for next confirmation of win. These elements may be shared with public and more than one agent. Agents of type ‘X’ can be further sub-divided in two types. One are the committed agents  $X_c$  which are affirm to their alliances principally based on common, political and socio-economic interests. While the second type of agents ‘ $X_n$ ’ are the floating non-committed agents in the system who behave randomly and ultimately increase randomness in the system of governance leading toward divergence and then making local government system unstable as a whole.

For the second opportunity set ‘R’ the agents grab the opportunity set exclusively independent of others, without sharing with other agents such as contracts, appointment

of allies, posting transfer etc. As they are exclusive to some, therefore to grab the most of them the agents compete and apply their other influences and tactics. Every agent is a competitor in this regard making it an oligopoly model, where there are shares based on the market power (e.g. Cournot Model). As they are the competitor the agent who gets more powers individually or as a group gets more elements out of set ‘R’ and they exercise market power by applying rules of game.

Similarly, Agents of type two ‘Y’ are implementation agents which may deliver public goods and services drawn on the elements of Universal set ‘U’.

$$\begin{aligned}
 N \cup R &\subseteq U \\
 N &\subseteq U \\
 R &\subseteq U \\
 R_i &= \{a_1, \dots, a_m\} \\
 N_j &= \{b_1, \dots, b_e\} \\
 U_k &= \{U_1, \dots, U_z\}
 \end{aligned}$$

Where as;

$$\begin{aligned}
 i &= 1, \dots, m \\
 j &= 1, \dots, l \\
 K &= 1, \dots, z
 \end{aligned}$$

These agents may deliver public goods and services close to potential level of elements of ‘U’ or less than that. More the elements  $U_k$  of set ‘U’ are delivered by agent directly or indirectly to clients (beneficiaries) the probability of convergence of the system increase which in turn leads to stability of the political governance system. More, willing and dynamic agents of type ‘Y’ may increase size and scope of public goods and services delivery, which ultimately benefits to their clients (general public). Similarly the ‘Y’ type agents are of two types in our model; one is  $Y_w$  willing agents and other is  $Y_u$  unwilling agents. If a political system where agents of type  $Y_w$  are more it has more probability of convergence which in turn leads to sustainability of the local government system. Contrarily a governance system comprising more number of agents of type  $Y_u$  will have more probability of divergence that in turn leads to un-sustainability of the local government system. The opportunity set for  $Y_w, Y_u$  will be  $U_w$  and  $U_u$  respectively with the condition for stability that  $U_u \prec U_w$  for the society. So the size of the opportunity set

also affect convergence of the governance system and stability of the local govt. system. So optimal strategy would be to have more of set  $U_w$  delivered through  $Y_w$  for stability of the system.

If we take the case where we may have  $U = N \cup R$ . We assume that there is non-linearity and total of the opportunity set  $U$  is consumed. In both type of sets  $N$  and  $R$  comprising of non-rival and rival opportunity bundles, they can be further subdivided in two further types; committed and non-committed goods;

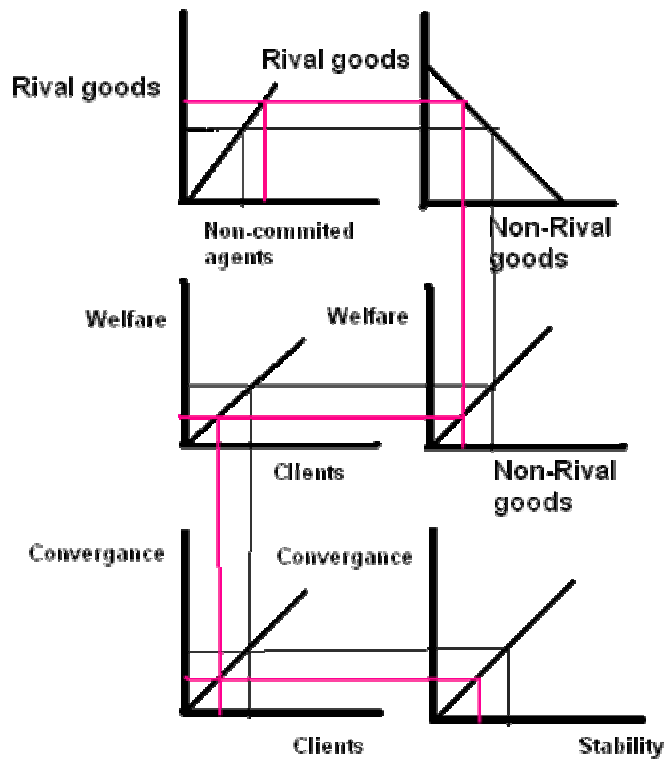
$$N = N^{\circ} + N^{\wedge}$$

$$R = R^{\circ} + R^{\wedge}$$

$$\text{So we can write } U = N^{\circ} + N^{\wedge} + R^{\circ} + R^{\wedge}$$

Where  $N^{\wedge}$  and  $R^{\wedge}$  are substitutable and the total budget utilization is made in rival public goods. With the increase in the number of Non-committed members more budget share is consumed in the Non-committed part of the rival goods set.

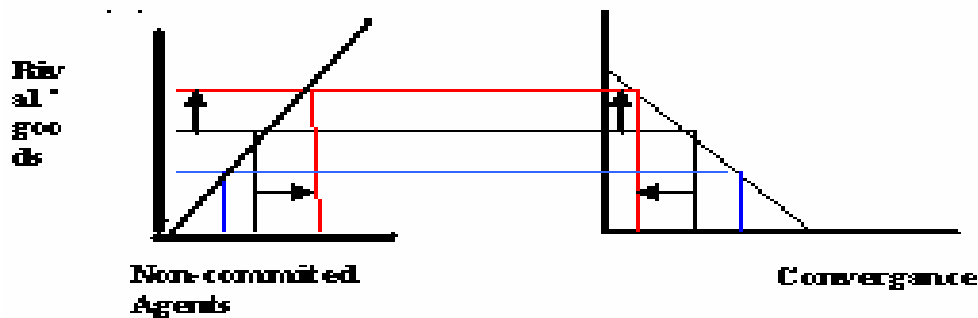
$$U = U^0 + U^{\wedge}$$



Slope of the curves show substitutability of loyalties in lieu of demand for rival goods rather it's the cost to be paid by the principal to attain loyalty out of the public exchequer (budget constraint). If there is such number of  $X_n$  that any of the principal either Federal government or the Provincial government may attempt to thwart existing district/tehsil/union council by producing rival goods. As the non-committed rival goods are substitute of non-committed non-rival goods. So if this process continues then in turn lesser allocation of resources (budget) on non-rival good is made. Non-rival goods mainly contribute to the welfare level enhancement of individuals, group or society. If there is an outcome from any system of governance that reduces welfare level of the society, that system will be less popular therefore individuals and society will not participate at their potential level and ultimately reject the system. This reduces stability of system due to divergent attitudes of principal, agents and client. If the principal makes rules of the game irrationally this gives more returns in the form of public goods to the principal and a group of non-committed agents at the cost of non-rival public goods to be utilized by the clients. This decreases the returns to the clients and bringing them at a lower utility indifference curve.

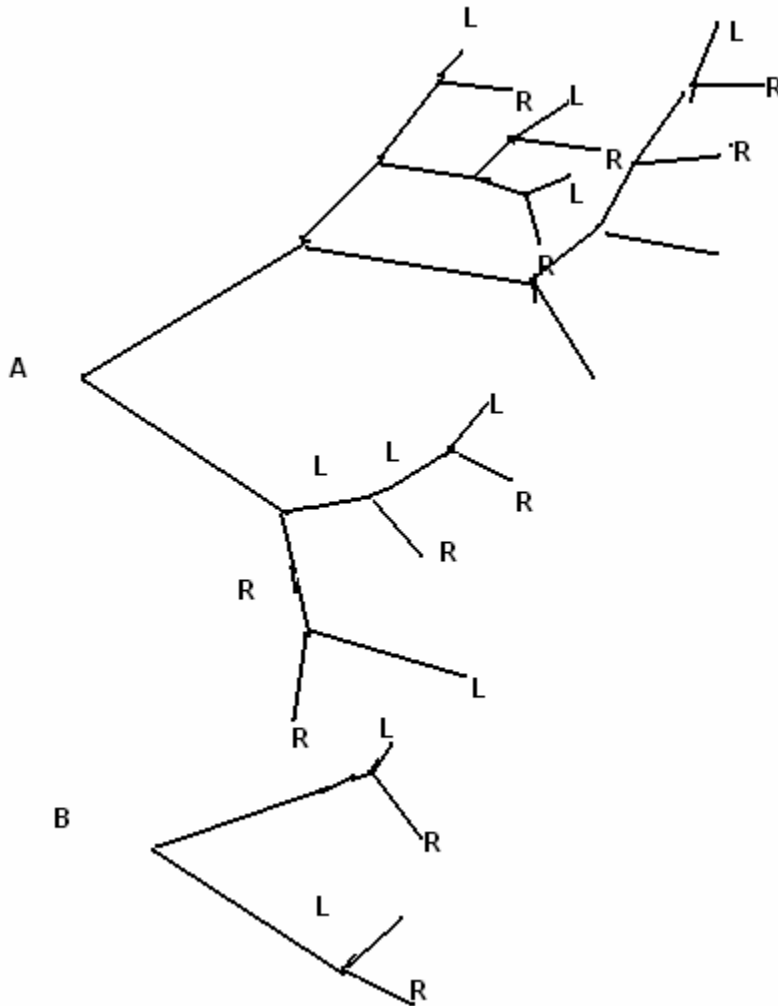
As a rational consumer an individual always prefer more through local-non-satiation. Therefore he will not stay at lower utility indifference curve and think of alternative strategy to change his cooperation with the existing local government system. Thus the system is rejected by more number of individuals and can not sustain itself or be viable for the long run. Therefore for a stable system of governance more member individuals in the society should cooperate with it in lieu of their production and distribution of public goods. As more are  $X_n$  number of agents more is the leverage for the principal to gain their loyalties in lieu of rival goods. It is the rent seeking behavior of the principal from such rules of the game, therefore he can use such a situation more in his favor. In the local government system of governance the role of principal is performed by the Federal government in period I but in period II with amendment in LG ordinance it is also conditionally performed by the provincial government. Different amendments in the ordinance empowered provincial government; it can suspend any district government conditional.

If both the principal; the Federal government and Provincial government have different interests and preferences then ultimately they will adopt different strategies to increase their own payoffs at the cost of clients who then decide to adopt the strategies which enable them to increase their payoffs. Similarly in period II no-confidence movement against nazims is also allowed which will pave ways to increase political manipulations to get hold over seats of power through the agents liked by the principal to replace the earlier agent elected by the clients.



Convergence mainly depends on number of Non-committed non-rival goods which is substitute of non-committed rival goods, so with the increase in  $R^{\wedge}$  the  $N^{\wedge}$  decreases and convergence for stability decreases. As  $X_n$  increases, to gain their loyalties either to change/topple the government or to maintain the seat of power the non-committed agents increase their rent seeking and that is given from the budget ( $U$ ) in the form of rival goods  $R^{\wedge}$ , so general public and opposition has to lose their share  $N^{\wedge}$  against their expectation and hence start reacting against this system and make other alliances or initiate resistance so that there is change in political system and this process continues with increasing instability to the system.

**Game: strategies of both the principals A: Federal Govt. and B: Provincial Govt.**



The convergence of endogenous variables leads to toward long run sustainability of the system and its further stabilize perpetuated growth with coherently exogenous variables, the disharmonized or divergent exogenous variable may unstable the system in a slow or radical manner depending on the strength of converging variables and degree of divergence of exogenous variables similarly, cordon of diverging endogenous variables by a strong exogenous variable only shows a short run and present stability of the system.

More a system is endogenously convergent more it will be stable in the long run. Following factor may affect committed and non-committed agents when they make their decision:

1. Incentives provided by the local district government (group).

2. Role/trend of voters to join ruling group.
3. Intensity of nature of opposition during election.
4. Role of opponent (defeated) of the opposition member (i) either he belongs to ruling group or not (ii) whether he encourages/bars his joining opposition deliberately or otherwise.
5. Role of local MPAs: may have the following dimensions: (i) whether they support the district government
6. keep themselves neutral
7. oppose them at provincial government level and at local political level
8. Effectiveness of local MPA in power circle at, provincial government level, federal government level and district government level.

As more are the non-committed members more is the probability to continue the game repeatedly and will take more time to converge.

### 1.6 Conclusion and recommendation

As stability of the system is function of opportunity bundles obtained by beneficiaries through agents  $Y_w$  and  $X_c$ . The equilibrium level is lowest if  $Y_w$  are lesser and  $X_n$  are more. The degree of sustainability can be described as follows:

Let us assume the influence of the agents on delivering from the opportunity set  $U$  is defined by the weights

$W_n$  for  $X_n$

$W_c$  for  $X_c$

$W_w$  for  $Y_w$

$W_u$  for  $Y_u$

Then

**Table No 8**

<b>Pay off matrix; Command over set 'U'</b>			
	$Y_w$	$Y_u$	
$X_c$	A: $W_c \cap W_w$	C: $W_c \cap W_u$	$W_c$
$X_n$	B: $W_n \cap W_w$	D: $W_n \cap W_u$	$W_n$
	$W_w$	$W_u$	$U$

If set A prevails in the system then the system would be most stable and contrary to that for D it would be most unstable, other options are in between these limits and becomes a questions of relative weights in the opportunity set. Expected results of the analysis enable us to give policy recommendation to increase convergence of the system by increasing number of agents of  $X_c$  and  $Y_w$  and the system of government removing randomness of the system.

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