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Social Institutions, Local Governance, and Social Capital
Foundations of Sustainable Development and Poverty Reduction

In the past, interventions focussed on a top-town approach. Such interventions have not been successful. The current focus is based on facilitating social capital through small group formation and well directed, non-intrusive economic interventions. This paper examines the changing concepts of institutional development interventions and their positive and negative impacts, with examples from the Hindu Kush-Himalayan (HKH) region. In the end, the author poses some research questions and pertinent issues as part of the framework of an institutional governance, and social capital approach to poverty reduction and sustainable development in the HKH.

The Context

Decades of development planning and assistance have led to the unavoidable conclusion that economic development alone will not bring about equitable and lasting development. For too long, such a focus on the economy meant an exclusion of political, social, environmental, and cultural factors. However, in the face of continued and devastating poverty and rapid environmental deterioration, more and more policy planners are acknowledging that development must be people centered, equitably distributed, and environmentally and socially sound. The 1980s and 1990s have seen the pre-eminence of concepts and approaches, such as participatory development, stakeholder involvement, empowerment, and ownership of projects by beneficiaries, and sustainable development. Newer strategies, such as micro-credit, an NGO-orchestrated target group approach, and empowerment of the poor and voiceless, have reverberated throughout the development world. Such leaps in development thinking have not always resulted in positive changes in the lives of the people for whom such development was meant. Meanwhile, misdirected energy and resources have inspired cynicism in global development. Marginal areas, such as the mountains, have remained poor and isolated as peripheries within the peripheral world.

Why has such a situation arisen despite the best of intentions and marshalling of tremendous amounts of human and capital resources? The question deserves answers that are far more comprehensive than can be dealt with under one single treatise, nor can the elusive panacea be found in simplistic and cliched terms. Issues, such as empowerment, sustainability, participation, etc, find their way into project documents, but more often as catchy concepts rather than in the context of their structural background. Traditional institutions and local governance structures have always ensured the mobilisation of people to undertake activities for the common good. In the mountain areas, complex engineering feats; viz, terracing, irrigation channel construction and maintenance, and trail construction and maintenance, are often carried out locally (without external support). It is well known that no amount of external inputs can ensure sustainability of a project unless it is truly owned by the clients themselves. This means that they must own and approve the idea first and find an internal mechanism to carry out the task and enjoy its fruits over generations. Similarly, intensive management and intermediation efforts by external agencies cannot guarantee continuity and survival of interventions unless there is trust and cooperation within the community. This is where social capital is so critical. Traditional best practices are socially inspired and approved – and not designed by external experts.

We cannot empower the poor or expect people's participation unless we know the power relations in the society or the institutional complex that governs people's lives.

Social Institutions: Entry Point for Community-level Action

To begin, we need to familiarise ourselves with a definition of institution and how it differs from an organization; a term which is often erroneously used interchangeably. Institutions may or may not be organizations, but they are always broader in scope. For instance, family, marriage, and so on are institutions, but family-based organizations (e.g., mothers' clubs, etc) are

organizations. In general, institutions are complexes of norms and behaviour that persist over time by serving collectively-valued purposes. Both the rule and the role-oriented nature of institutions make it an important determinant in governing local resources. For instance, to deal with local-level administrative and planning issues, local government institutions have emerged through tradition as well as through directives of the modern state. Then again, as shared collective values, institutions can be a contractual arrangement in tenancy, labour-sharing practices among farmers, forms of social stratification such as the caste system, social hierarchies and power relations such as the Patron-Client relationship, and so on. Institutions can be defined as forms of organizing practice in all arenas of life. That is why the centrality of institutions and institutional analysis have gained increased attention in the understanding of economic development (North 1990).

Nowhere is it more crucial to manage resources having comparative advantages in a sustainable manner, based on shared values of local institutions, to achieve the goal of better and sustainable livelihood, than in the fragile and inaccessible mountains of the Hindu Kush- Himalayan (HKH) region. External inputs and opportunities are hard to deliver in these marginal areas, and hence the importance of local institutions to mobilise and manage local resources, as well as the importance of coming up with ideas that are appropriate and shared by the people. Institutional management of rangeland and common property resources is well documented in the HKH region (Miller and Craig 1997, Cernea 1992), and there is also a consensus about the efficiency of such management techniques over private property rights (Buzdar 1992). Grazing in common property areas is regulated through complex community rules and procedures institutionalised by the common adherence to such rules; and examples of this can be found throughout the HKH region. Rules such as range closure, sequential grazing, herd size, and ritual culling or not killing animals due to religious beliefs (as is the case in Himalayan Buddhist societies) are all part of the pastoral institutions' spread over the entire HKH range. The rules here are products of institutions, while the adherence to rules is mediated by local organizations. Such rules not only ensure equity but also promote conservation of biodiversity and efficient allocation of labour and resources. Similarly, forests based on units of social organizations, such as the *Shammilat* and *Guzara* types in northwestern Pakistan and Kashmir, call for a new strategy of forest management derived from local institutions as opposed to modern methods and models of forest management (Cernea 1992). Religious institutions such as the practice of maintaining sacred groves in much of the Eastern Himalayas, e.g., *Law Lyndoh, Law Kyntang,* and *Law Niam,* and traditional protected forests, such as *Law Adong Law Shnong*, in Meghalaya are conserved by the rules laid down by local institutions.

Indigenous resource management practices and traditional institutional structures are perceived to be closely intertwined. Thus, they are part of the socioeconomic structure of the given community. Historically, institutional patterns were not only relevant to the question of local leadership but also to the management of all the affairs of the community. The *Karbari* in the Chittagong Hill Districts is not merely a revenue collector for the Headman and King but is also the informal leader of the community and source of information from and contact with the outside world. Thus, local institutions can converge with local leadership.

Institutions may also be seen as obstacles embedded in existing social relations. For instance, the caste system determining particular tasks and food habits for specific pre-destined groups on the basis of their birth and ethnicity can be detrimental to the well-being of segments of the population. For the mountain people, this is, however, relatively less rigid due the syncretic beliefs of most mountain communities. Similarly, in the South Asian context, institutionalised social constraints resulting in discriminations can prevent women from realising the full benefits of their efforts.

Social institutions thus show very clearly crucial linkages with resource management in mountain areas, in both positive and negative ways. Development activities in much of the developing world and the HKH region are often drawn up with little or no cognisance of the fact that there are various institutions at work among the client population. It has been shown conclusively that institutional strengthening and innovation are essential for the success of resource conserving and productivity enhancing initiatives in the HKH areas, in order to face up to the realities of gradual erosion of traditional institutions in the mountains (ICIMOD 1990). However, in order to do so, we first need to understand the underlying conditions for growth and sustenance of local institutions increasingly threatened by market penetration and the expanding role of the state.

Drawing on experiences during the past four decades, an alternative vision of development has emerged; one that centers on widening people's choices and capabilities, and providing for their participation in decisions affecting their lives. Such development, however, does not and cannot occur in a political and social vacuum. It can only happen through a system of governance that promotes and supports people in articulating their interests, exercising their rights, meeting their obligations, and mediating their differences (UNDP 1998). This is what constitutes good governance, governance that promotes participatory decision-making and transparent action in all spheres of life. Among its other aspects, good governance is closer to the people. Local-level governance through local institutions enables and empowers people to participate more directly in the decision-making process and, therefore, is one of the critical ingredients for promoting genuine ownership by the people. The interface of politics and development has emerged as one of the core themes of contemporary times, not least because of failures in implementation and the inadequacy of policy options challenging the gains made by scattered and incremental progress. In the rethinking that has taken place, the dysfunctionalities inherent in governance, particularly at local level, have emerged as a prime pathological errant. Local government in the HKH region has a mixed history. While most mountain communities revolve around headmen or chiefs, institutionalised local government made its inroads much later than in the plains. Although, in many countries of the region local governments are constitutionally recognised, the ambivalence towards them, whether by undermining traditional structures or providing little jurisdictional power remains a sore point in the overall governance of the HKH nation states.

In the HKH areas of Pakistan (northern Areas, AJK, North-West Frontier Province, and parts of Balochistan), traditional social institutions have remained more or less intact since the colonial period. This has more to do with political and strategic questions, even after decolonisation, rather than being a conscious effort on the part of the state to keep it so. However, whether local autonomy has added to the welfare of the local population is still a moot point. Nonetheless, it is fair to state that institutional structures are in place to carry out appropriate development initiatives on behalf of the state. In many mountain areas of the sub-continent, and particularly in Northeast India and Chittagong Hill Districts of Bangladesh, the situation is quite the opposite. Decentralisation has been a policy objective in both India and Bangladesh, and along with it came the extension of official local government institutions to all areas of the country. Many parts of Northeast India and all of Chittagong Hill areas were acceded to British India under special agreements; and these agreements recognised the autonomy and uniqueness of these areas. Under the decentralisation fetish, official local government institutions, such as *Panchayat*, Union *Parishad*, and District Councils are being superimposed upon existing traditional structures. The *Karbari* and Headmen in Chittagong Hill Districts, effective local leaders in their own right, are now being subjugated by elected officials of Unions. In the Meghalaya and Arunachal states of India such undermining of traditional institutions has had a considerable impact on land management and degradation (Maithani et al. 1998).

In recent times, local governance has received increasing attention from national governments and international agencies. In Nepal, the UNDP-supported Participatory District Development Project (PDDP) is one such initiative (see Box). The Aga Khan Rural Support Programme (AKRSP) through its various rural development and social mobilisation programmes, is slowly but surely building local organizations to represent people in the local governance structure in the Northern Areas of Pakistan. Forestry User Groups under the community forestry programme in Nepal and the Joint Forest Management Programme in the Indian Himalayas are also being transformed from single-goal organizations to organizations representing the voice of the local people in the formal governance structure. Even the institutional credit programme of Grameen Bank in Bangladesh is not only providing credit for the needy but also transforming the borrowers' groups into active social units involved in local-level decision-making.

The support base for local-level governance can also be credited with initiating environmental conservation activities, and these are greatly needed in fragile mountain areas. This is particularly important for protecting the local communities from the monopolistic and capitalist interests of the state as well as commercial interests outside the marginal mountain areas. In the Indian Himalayas, two well-known movements, the *Chipko* movement and the movement against the *Tehri* Dam, began through organized local efforts. While the *Tehri* Dam construction goes on, some concessions have been extracted in the interests of local environment and its impact upon local communities. The *Chipko* movement has quite successfully mobilised local resistance against indiscriminate logging of mountain areas. Both the movements for their stubborn local-level resistance and scientific merit drew support from a wider range of stakeholders from the scientific community, politicians, and activists from home and abroad (UNRISD 1994). These home-grown environmental movements in the Himalayas are also precursor to larger and often better known grassroots movements elsewhere, such as the Save *Narmada* Movement in Gujrat, which has drawn international attention.

Local Governance: ParticipatoryDistrict Development Project, Nepal

The basic idea behind the PDDP, as with many other such projects worldwide, is to build self-reliant communities to promote empowerment and local-level governance. Social mobilisation is used as a tool for bringing people together and for fostering growth of community organizations (CO). These COs have been formed along the same lines as other rural developmental cooperatives with each member taking a number of social development vows, viz., growing and consuming vegetables, sending children to school, using hygienic latrines, and voicing issues at the local government level, modelled after the Grameen Bank approach. The COs are the lynchpin in the bottom-up approach to decentralising the structure of governance. The move has strengthened people's participation in local-level decision-making considerably. Development activities matching local priorities have been introduced in this way. Communities have come together to build small rural roads to link scattered and inaccessible mountain communities, to provide land rights to local landless households, to provide access to income-generating training programmes offered by donor and government projects, and to carry out many others initiatives. The PDDP project is not merely promoting group formation and self-reliance based on local initiatives, but can also be credited with sowing the seeds of 'bottom-up' planning and monitoring activities (PDDP Bulletin 1997). This is the most important contribution to promoting responsible and participatory local-level governance, which may serve as a pointer towards the election and functioning of VDCs and DDCs in Nepal.

Social Capital: Source of Collective Action and Means to Reduce Transaction Costs

The concept of capital is intimately linked with issues such as poverty and sustainable development. Capital includes a broad range of assets which can be turned into desired goods and services. The characteristics of capital are most commonly expressed in the form of economic capital, comprising of material resources. However, recent research and analysis on the persistence of poverty and underdevelopment have widened the definition of capital itself. Now we hear about Human Capital (UNDP), Cultural Capital, and, more recently, Social Capital (Putnam et al 1993). As conceptualised here, social capital resides in social relations. It indicates, among other things, mutual trust, reciprocity, and collective action. Thus, social capital refers to those stocks of social trust; i.e., norms and network that people can draw upon to solve common problems. Social capital is productive, since two farmers, exchanging tools or sharing labour, can get more work done with less physical capital. In marginal farm households in the HKH areas short on both labour and capital resources, this is very important. Thus, the concept is quite close to previously held concepts of social networking, and some define it in similar institutional terms. Here it might be useful to distinguish between institutions and social capital. While institutions organize or regulate practices based on shared collective values for the good of the community, social capital is an asset of trust and mutual reciprocity among certain members of a community. People abiding by institutional behaviour may or may not have an element of social capital within them, although institutions often serve to crystallise and channel that trust and reciprocity through their established norms and practices. Institutions are often the repository of social capital and, therefore, social institutions can serve as entry points to the study of social capital; nonetheless they are not the same. The identification of social capital may not be too complicated but its realisation is far more complex, as it is dependent upon associated issues such as power relations and availability of time to spare for participating members. Otherwise, in unfavourable circumstances, mutual trust and reciprocity cannot operate independently and may easily break down, as is the case in many mountain communities today. Notwithstanding, recent research efforts have been directed towards resolving some of these issues, particularly the methodological ones, in measuring social capital, and a lot of progress have been made by the social capital group in the World Bank.

Linkages and Towards a Framework and What Next?

Poverty reduction and facilitation of sustainable livelihoods for mountain/hill communities of the HKH region are the stated goals of ICIMOD; and this is also the case with national governments in the HKH region. To address such goals, ICIMOD had identified and continues to carry out appropriate applied research, documentation, and other activities to develop and promote better policies and programmes for member countries in the region. In this short essay, an attempt has been made to highlight some of the less emphasised but crucial issues of anti-poverty strategies and sustainable development based on people's organizations and collective action. No amount of state or international support can successfully eradicate poverty in the

HKH region, or for that matter anywhere else, unless the people themselves are mobilised to address their own problems in their own way. Such a synergistic mechanism for addressing poverty and sustainable development is more likely to emerge if latent possibilities are encouraged and supported through organized initiatives. The poor, as with all other people are actors

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Social Capital among Communities: Examples from the Hindu Kush Himalayas

There is sufficient evidence among the mountain communities of the HKH even through a casual and anecdotal investigation and information base to suggest that social captial is present among various communities.

The *Chakma* ethnic group in the *Chittagong* Hill districts of **Bangladesh**, although the most numerous among all its indigenous populations, has a very high literacy rate (60%) compared to the national average (54% in 1998). Being a minority ethnic group inhabiting the least developed and least accessible hill districts, having such a high literacy rate presents a very interesting phenomenon that should be further examined. The continuing conflicts over the last two decades in the hill areas hardly had any impact on the literacy rate, particularly in *Rangamati* district. Historical factors, such as their alignment and direct contact with the British in pre-partition days and the pro-education values of Buddhism, may have had a lot to do with such a phenomenon. However, the resultant high literacy rate has in turn produced a certain amount of social capital in the Chakma community, illustrated by community support for education, sharing of the *Kaptai* Lake bed in winter, and innovative ways of collectively harnessing the fish in the lake.

In the *Yarsha Khola* watershed of *Dolakha* district in North central **Nepal**, farmers have contributed voluntary labour to mitigate the bank erosion of several streams and water channels, despite the lack of support and leadership from the local VDC (the formal local government institution). The farmers with tiny plots along the bank had little economic incentive, but nonetheless have carried out such tasks every year to protect the village farmlands. This goes to show that reciprocity among hill farmers in the *Yarsha Khola* area is not merely based on greater economic incentives. As farmers are poor and only have tiny plots of irrigable paddy land, its protection is of great importance to them. In addition, mutual trust and cooperation exist, resulting in contributing voluntary labour and completing bank protection engineering tasks in phases. Had there been no mutual trust among the farmers and no tradition of reciprocity in the group, people would only work on their own plots and would not have trusted others to help them in turn. Thus, amongst small plot holders, there is enough trust and reciprocity for them to organize to undertake phase-wise engineering works that will benefit each of them in turn. Another lesson in this example is related to the location of social capital itself. The larger and formal bodies, such as VDCs, having more authority and relatively more resources fail to carry out such tasks, while small farmers' groups take on the responsibility. This indicates that the ineffectiveness of externally-imposed, local government institutions, which have replaced the traditional social units, and the role of externally inspired politics often create divisiveness and affect the cohesiveness of local institutions.

In **China**, the land ownership and management system changed many times between 1949 to 1988. Peasant farming and Collectivisation have led to a contractual responsibility system. Despite problems of a macro-nature in the Chinese countryside, due to the contractual responsibility system, innovative examples of several families banding together to fulfill contractual responsibilities and specialise in high-value activities (*Miyi* county in *Sichuan* province) have led to prosperity for impoverished farm households (ICIMOD 1990). Such arrangements have been possible only because small social units more likely to foster trust and cooperation than large ones established by outside impetus. Even the minority *Miao* people of *Lu Quan* County in *Yunnan* province cultivate high-value cash crops in their marginal areas to compensate for their low incomes following the introduction contractual responsibility by the state; they are able to manage this, by producing staple cereals on state-allocated agricultural land. Such action has become feasible because of the sharing of labour within the community to prepare and maintain marginal steep lands outside state control. Collective marketing by members of the community has also provided the needed impetus for such a venture. Strong solidarity among the *Miao* communities has led to collective action based on reciprocity.

Similar illustrations are found elsewhere in the HKH region. The Potato Cooperative in *Hunza*, in *the* Northern Areas of **Pakistan**, The *Van Panchayat*(s) in the U.P. hills of India, the Forestry User Groups in Nepal; and the network of women entrepreneurs supported by Grameen Bank in Bangladesh are examples of fostering incipient social capital through local organizations and institutions.

The above forms of social capital, although not quite measured or demonstrated, serve to unite members of communities in order to pursue commonly held goals. This is a critical determinant of social capital, which allows participating members to pursue productive activities in such a way as to provide maximum benefit with negligible transaction costs; and this is possible because of their mutual trust and goodwill. Much can be learned about the basis of their functioning and conditions of growth if detailed investigation is carried out.

seeking to cope with their situation as they perceive it and in whatever way they can. It would be over simplistic to think that the poor can escape poverty through their own initiatives. Complementary support in various ways to promote self-reliance rather than dependence on external actors is perhaps the only viable option. In order to do this, we need to understand the basis of collective action, be it for managing natural resources, such as forests and water, or for small entrepreneurial that defy the inevitability of the logic of economies of scale. This is where social institutions, local level governance, and receptacles of social capital are intertwined and hold the promise of catalysing the energy latent in isolated mountain communities. Based on the previous discussion, some research questions and pertinent issues can be presented as part of the framework of an institutional, governance, and social capital approach to poverty reduction and sustainable development in the HKH region.

First, on the conceptual level, insufficient attention has been given to a focussed understanding and analysis of the institutional issues in development planning. We are still very preoccupied with other approaches and academically-interesting models. But many of these, in view of the unintended consequences of development initiatives over the years, have led to sterile macro-

theorising. We need to understand the local institutions in the context of the changes brought about by market forces and the expanding role of the state. Social institutions today need to re-adjust to present realities and move ahead with creating rather than only regulating resources as they have done in the past. This is the issue we need to explore; can the traditional institutions cope with present day reality?

Second, our inability to look into social institutional issues is linked to our failure to understand the instrumentality of local governance. The fact is, local governments in most of the HKH, are weak in terms of representational authority and jurisdiction. In many ways, the weakness of the local government authority underpins the hegemony of bureaucratic traditions that have been passed down from the colonial times. In most cases, the rhetoric of participation does not match with ground realities. There are local government structures, both formal and informal, that often compete with each other. On an operational level this is dysfunctional and counter-productive. We need to study more closely the functioning of the local governance structure, without bias towards one or the other, and find ways to strengthen them in support of participatory decision-making.

Third, newer concepts such as social capital deserve to be taken seriously. Research and implementation need to locate the receptacles and realisation of social capital in order to develop programmes that will be owned by beneficiaries and which require fewer transaction costs to implement. Understanding the presence of social capital among groups and communities will provide policy planners and implementers with ideas about better targeting, ensuring the results desired. External support services only need to identify and catalyse incipient forms of social capital among communities to facilitate the formulation of natural units of participation for the intended beneficiaries.

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