DATE: November 3, 2011

TO: Executive Directors' Senior Advisors and Advisors

FROM: Corporate Secretariat

EXTENSION: 80236

SUBJECT: Technical Briefing: Tuesday, November 15, 2011
Localizing Development: Does Participation Work?
World Bank Policy Research Report

1. A copy of the draft report entitled "Localizing Development: Does Participation Work? World Bank Policy Research Report" is available on eBoard. The overview of the draft report and a copy of a powerpoint presentation entitled "Localizing Development: Does Participation Work?" have been distributed and are available under separate cover, OM2011-0040.

2. The reports will be used as background material for the Technical Briefing to be held on Tuesday, November 15, 2011.

3. Questions on the attached documents should be referred to Ms. Mansuri (ext. 84639) or Mr. Rao (ext. 88034).

cc: Executive Directors and Alternates
The President
Bank Group Senior Management
Localizing Development: Does Participation Work?
World Bank Policy Research Report

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DRAFT – NOVEMBER 1st, 2011

**Please note that this report is still not final. In particular it does not reflect revisions that will be made to incorporate comments from all the internal and external reviewers.**
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Overview

Over the last decade the World Bank has allocated close to $75 billion to local participatory development. This has been driven by an underlying belief that involving communities in at least some aspects of project design and implementation, will result in a closer connection between development aid and its intended beneficiaries. Indeed local participation is proposed as a method to achieve a variety of goals – better poverty targeting, improved service delivery, expansion of livelihood opportunities, and strengthening demand for good governance.

While it is clear in principle that a more engaged citizenry can achieve a higher level of cooperation and make government more accountable, we do not know how best to foster such engagement. Can participation be induced through the type of large-scale government and donor-funded participatory programs which have become a leitmotif of development policy? It is this question which is at the heart of this Policy Research Report.

The two major modalities for inducing local participation are community development and decentralization of resources and authority to local governments.

- **Community development** supports efforts to bring villages, urban neighborhoods, or other household groupings into the process of managing development resources, without relying on formally constituted local governments. Community development projects are variously labeled as Community Driven Development (CDD), Community Based Development (CBD), Community Livelihood Projects and Social Funds, and include efforts to expand community engagement in service delivery. Designs for this type of aid can range from community-based targeting, in which only the selection of beneficiaries is decentralized, to those where communities are also involved to varying degrees in project design and management as well as the management of resources.
Decentralization refers to efforts to strengthen village and municipal governments on both the demand and supply sides. On the demand side, decentralization strengthens citizens’ participation in local government by, for example, instituting regular elections, improving access to information, and fostering mechanisms for deliberative decisionmaking. On the supply side, it enhances the ability of local governments to provide services by increasing their financial resources, strengthening the capacity of local officials, and streamlining and rationalizing their administrative functions.

A few caveats on what we do, and do not do, in this report. Our emphasis is on assessing the impact of large-scale policy driven efforts to induce participation. We do not, for the most part, examine the literature on organic participation; by which we mean participation that is spurred by civic groups, whether organized or not, acting independently of government, and sometimes even in opposition to it. This is not because we believe that organic participation is unimportant, but because it has not been the focus of donor funding, and because doing justice to the large literature on organic movements would make the report very unwieldy. We do, however, draw on lessons from efforts to scale-up organic movements via induced policy interventions. In this context, we view non-government organizations (NGOs) that are largely dependant on donor or government funding through participatory interventions as part of the effort to ‘induce’ participation.

To keep the report manageable, we limit our focus to participatory development, and pay much less attention to the important “supply-side” aspects of governance—fiscal decentralization, taxation policy, local government procedures, and bureaucratic inefficiency.

In assessing and summarizing the evidence, we focus, for the main part, on studies which assess large-scale participatory projects using a credible comparison group and good quality data. Generally speaking, this means that our findings derive from econometric analysis. However, we draw on case-studies to develop specific ideas and to illustrate our
conceptual framework. We also draw on observational studies from large samples to illustrate various key points throughout the report.

In Chapter 1 we show that participatory development and decentralization have common intellectual origins. Deliberative decisionmaking has been a central feature of most religious and cultural traditions around the world, most notably in Athenian democracy, where important decisions were made in public deliberative settings to which all ‘citizens’ (this excluded, at the time, all women, slaves, and children) were expected to participate. Modern notions of participation arguably derive from the 18th and 19th centuries, notably from the work of Rousseau and John Stuart Mill.

In the post-colonial period, in the 1950s and 1960s, USAID and other donors helped drive the first wave of interest in participatory development by funding and promoting cooperative institutions, community-based development, and decentralization. By the 1970s, however, interest in participatory development had waned, with the realization that cooperatives had largely failed and government reform was difficult to implement or sustain. With this policymakers began a concerted effort to shift their focus to agricultural and industrial growth. By the mid-1980s, however, top-down development began to come under vigorous attack by activists and scholars who saw it as inherently disempowering and biased against the interests of the poor. Scholars such as Sen and Ostrom among economists, and Ferguson and Scott among anthropologists, made a vigorous case for a more bottom-up and deliberative vision of development that allows the “common sense” and “social capital” of communities to play a central part in decisions that affect them. This led to renewed interest in community-based development, decentralization, and participation by donors and governments. As the social costs of structural adjustment programs became evident by the early 90s, donors began to actively fund such participatory approaches, with the aim of ensuring minimal levels of investment in public services and infrastructure and in social programs to protect the most vulnerable.

However, this renewed policy interest in participatory initiatives, along with the expansion in funding, has proceeded, in large part, with little systematic effort to understand the particular challenges entailed in inducing participation or a systematic effort to learn from
the failures of past programs. Due to this, the process is, arguably, still driven more by ideology and optimism than by systematic analysis, either theoretical or empirical.

Our aim in this report is to make a contribution to addressing these lacunae. We do this by first outlining a conceptual framework within which local participatory development interventions can be analyzed. We then use available studies to draw some broad lessons, using this framework as a guide.

In developing the conceptual framework, outlined in chapters 2 and 3, we rely on a mix of economic, social, and political theory. We have also learned a great deal from in-depth qualitative studies and from well executed and rigorous quantitative research. Much of this body of research is reflected in the three main evidence chapters (4, 5 and 6) which draw on close to 500 studies. In the final concluding chapters, we summarize this evidence and provide some lessons for policy.

A Conceptual Framework

**Market and government failures** are now reasonably well understood and policymakers are less likely to assume that markets will work perfectly, or that governments can always provide effective solutions to market failures. However, the policy literature is rife with solutions to market and government failures that assume that groups of people — village communities, urban neighborhood associations, school councils or water user groups — will always work towards the common interest. Rarely is much thought given to the possibility of “civil society failure”— to the possibility that organizing groups of people to solve market and government failures is itself subject to problems of coordination, asymmetric information and pervasive inequality.

**Civil society failure at the local level can be broadly thought of as a situation in which groups, who live in geographic proximity—in rural villages and municipal townships or who draw upon a common pool resource—are unable to act collectively to reach a feasible and preferable outcome.** This includes an inability to undertake any coordinated action, as well as coordinated actions that are inefficient, or are efficient but welfare reducing for the most vulnerable. Think of organized fringe groups that use terror and
violence to further their extremist ends at high social cost; elite groups who engage in well orchestrated efforts to exclude the poor or other marginalized groups; or even majorities who take coordinated actions to exclude specific minority groups.

Development policy related to participatory processes needs to be informed by a thoughtful diagnosis of potential civil society failures. This is necessary for developing a clearer understanding of the tradeoffs involved in moving decisions to local communities, in each context, and to identify potential avenues to repair civil society failures.

Thinking through local development policy as occurring at the intersection of market, government, and civil society failures will invariably result in an appreciation of context. Such interactions are deeply conditioned by culture, politics and social structure, and vary from place to place. A policy that works in one country, or even one municipality, may fail miserably in another. And, ironically, effective collective action is usually conditioned by a “cooperative infrastructure” which presupposes functional state institutions, and is likely to be far more challenging in the absence of such institutions.

Furthermore, while empowering civic groups may often lead to good outcomes, it is not at all clear that inducing civic empowerment is always superior to a pure market-based strategy, or a strategy that strengthens the role of central bureaucrats.

**Empirical Findings**

With the conceptual framework in mind, we move to a review of the empirical literature in chapters 4, 5 and 6

We begin in Chapter 4, with the question that is at the heart of efforts to “go local.” Do participatory programs enhance the involvement of the poor and the marginalized in community-level decision making bodies, and does this enhance ‘voice’? Does allowing communities a greater say over decisions that affect their lives result in choices that are more aligned with their preferences? Does fostering participation lead to greater social
cohesion? Does it produce more resilient and inclusive local institutions? Does it reduce capture and corruption?

On balance, we find that participants in civic activities tend be wealthier, more educated, of higher social status (by caste and ethnicity), male, and more politically connected than non-participants. This may reflect, to a degree, the higher opportunity cost of participation for the poor.

However, it also appears that the poor, regardless of incentives to participate, often benefit less from participatory processes. For one thing, resource allocation processes typically reflect the preferences of elite groups. Furthermore, studies from a variety of countries show that high-inequality communities do much worse, especially when there is a concentration of political, economic and social power in the hands of a few. Capture also tends to be greater in communities which are remote from centers of power, have low literacy, are poor or have significant caste, race and gender disparities. Policy design may also have unintended consequences—a large injection of resources for a participatory development project can, for example, attract the attention of the wealthy, making exclusion more likely.

Evidence also suggests that participatory projects often fail to build cohesive and resilient organizations. What seems to happen instead is that during the course of the project, people are induced to participate and build networks. But they do so in order to benefit from the cash and other material payoffs provided by the project, an effect that tends to melt away when the incentives are withdrawn. Only when projects explicitly link community-based organizations with markets, or provide skills training, do they tend to improve group cohesiveness and collective action beyond the life of the project.

Available studies also suggest, that spending decisions are better aligned with local needs under democratic decentralization. There is also a shift of resources in favor of the less advantaged. Overall, democratic decentralization thus appears to reduce the scope for capture. However, much depends on the nature of electoral incentives and the
capacity of higher levels of government to provide oversight and to ensure downward accountability.

Capacity also matters. As with participatory projects, more remote, more isolated, and less literate localities tend to do worse. Such localities also tend to be more poorly served by mass media and other sources of information and are less likely to have adequate central oversight. Ultimately, the impetus for most participatory projects, as well as for decentralization, is the hope that greater engagement by citizens will lead to a faster and more inclusive development process. We turn to this issue in Chapter 5 where we assess the extent to which decentralized programs improve the targeting of anti-poverty projects, improve service delivery, increase incomes and lead to better managed natural resources and better maintained infrastructure. We also try to identify, as far as the literature permits, the channels through which community engagement improves outcomes and the factors which appear to limit its effectiveness.

Studies that have looked at the relative gain from decentralized targeting find that, on balance, the gains from local targeting tend to be small. Echoing the findings from chapter 4, there is also considerable evidence that those who get left out tend be the least literate, the most geographically isolated, and the least well connected to wealthy and powerful people. Thus participation appears to influence the distribution of benefits, suggesting that capture is often not ‘benevolent’ or altruistic.

Sometimes the problem of ensuring that the poor benefit from participatory development is exacerbated by well-meaning designs that have perverse effects. For instance, many projects require co-financing, at the municipal, community or individual level. For many years, willingness to contribute to programs and projects has been seen as evidence of commitment and of the sustainability of programs or of infrastructure. But this has little basis in evidence. What little we do know suggests that co-financing tends to reduce the coverage of the poorest, particularly when individuals or communities self-select into a program. Evidence also suggests that co-financing requirements can worsen
horizontal inequities, if poorer communities choose to lower the poverty threshold for eligibility to reduce their co-payments.

In reviewing the evidence on community management of common pool resources and community engagement in the creation and maintenance of small scale infrastructure, we focus on the following questions:

- What evidence is there for greater resource sustainability under decentralized or community management?
- What evidence is there of more inclusive management and greater equity in the distribution of benefits?
- To what extent is resource or infrastructure sustainability impacted by community characteristics like wealth inequality, ethnic heterogeneity or management experience?
- How much can local management systems help to overcome adverse local characteristics, i.e., whether the right type and level of participation can be induced by design?
- How dependent is success on the role played by the central state?

On balance, the evidence suggests that greater community involvement tends to improve resource sustainability and infrastructure quality. However, four general concerns permeate the literature:

1. **Inequality tends to worsen both efficiency and equity**, and there can be important tradeoffs between resource sustainability and equity.

2. **The transfer of management responsibilities** for a resource or an infrastructure scheme is not usually a matter of handing over control to an organic entity, but often **requires the creation of local management capacity** without which investments in infrastructure are largely wasted and natural resources are poorly managed.
(3) **Clear mechanisms for downward accountability are central.** The literature on common pool resource management is rife with cases where decentralization is more a mechanism for tightening central control and creating larger incentives for upward accountability than it is a mechanism for greater local discretion—often because it is a holdover from colonial rules designed to extract resources from local communities rather than to benefit them.

(4) **Communities need to benefit from the resources they manage.** For natural resources which create substantial externalities, this benefit should be commensurate with the size of the externality created by the resource and should at least compensate communities for the alternative uses to which they could put the resource for immediate gain.

There are only a few studies that compare community-managed infrastructure projects with similar projects delivered by governmental line departments, using a more ‘top-down’ delivery mechanism. These studies find that community engagement does seem to improve both the construction quality and management of local infrastructure—implying lower levels of corruption relative to government provision. However, these are cases where the implementing agency provides significant oversight during construction. Maintenance and recurrent costs are also explicitly budgeted for, or the implementing agency is available to provide training and support for maintenance. There is also encouraging news in that carefully designed projects have the potential to limit the adverse influence of ‘bad’ community characteristics to a substantial degree.

The report turns next to the role of participation in improving service delivery. Here the evidence is, on the whole, more heartening. Efforts to induce community engagement in health service delivery find that while greater volunteer efforts by community members have little impact on any outcome, encouraging community participation can be quite beneficial in a context where projects also provide
community based trained health personnel or make investments in upgrading health facilities. These projects achieve substantial reductions in maternal and infant mortality, as well as in the use of facilities and behavior modification.

Interestingly, successful programs are often located within larger government health delivery systems. This is encouraging, since government participation is usually central for scaling up health initiatives. The evidence also suggests that the most successful programs tend to be those implemented by local governments that have some discretion and are downwardly accountable. On the other hand, devolving the management of public programs to NGOs appears often to work less well, though there is as yet very little good evidence on this.

Finally, interventions that provide information to households and communities about the quality of services in their community as well as government standards of service tend to improve outcomes even when no additional resources are expended.

Community engagement in education has had somewhat similar impacts though more muted, primarily because impacts on learning tend to be weak. Overall, studies report an increase in school access as well as an improvement in retention rates, in attendance and in grade repetition.

As with other interventions, though, poorer, more remote areas are less able to realize gains from decentralized service delivery. Localities do worse when they are less well administered and more embedded in an extractive equilibrium with poor democratic practices and a politicized administration. Also, literacy is an important constraint—an effect that is consistent across several studies.

Funding matters as well. Increasing the fiscal burden of poor communities can worsen public service delivery. Similarly, as we see repeatedly across various contexts, when
maintenance and recurrent costs are not provided, poor outcomes follow: crumbling schools with no teachers, and clinics without medicines or doctors.

Decentralization is also not appropriate for all public services, as the principle of subsidiarity reminds us. The empirics add to this by showing that decentralization can generate poor outcomes when there are important externalities, such as in controlling river pollution where the tragedy of the commons may be particularly acute. The same is true for some public health initiatives such as immunization.

Finally, we ask whether inducing participation has had a positive effect on the incomes of the poor. Most carefully done studies find that community development has little impact on income poverty—although projects that have a significant microfinance component show some impact on savings and assets, at least over the life cycle of the project. Other studies find a significant impact of CBD projects on nutrition and diet quality, but most of these studies also find that larger benefits accrue to wealthier households and that the relatively wealthy and educated tend to have gains that are sustainable over the longer-term. However, this is clearly an area where more work is needed.

In Chapter 6 we turn to the question that is at the core of our analytical framework: In what ways do participatory efforts seek to confront and repair civil society failures and how successful have these efforts been? We look at efforts to build social cohesion, in conditions of peace, as well as in the aftermath of conflict; efforts to redress entrenched social inequalities of caste, ethnicity and gender through explicit mandates; and the creation of participatory forums where collective decisions can be made in a deliberative manner or where, at the very least, the exercise of ‘voice’ can be practiced and refined.

As we discuss above, there is little evidence that induced participation builds long-lasting cohesion, even at the community level. Group formation tends to be both parochial and unequal. Groups that form under the aegis of interventions, absent some kind of affirmative action program, tend to systematically exclude disadvantaged and minority
groups and women. Moreover similar types of people tend to form groups with each other – so projects, generally, do not promote cross-group cohesion and, conversely, may reinforce existing divisions. An important question in this context is the role of facilitators who work with communities. There is scant evidence on this issue, but the few studies that have tried to measure facilitator effects have found that they strongly influence stated preferences. Much more work is needed on this issue.

**Participation also tends to be driven by project-related incentives; people get together to derive benefits from project funds.** It is very difficult to know whether these effects will last beyond the tenure of the project. The limited evidence on this issue indicates that it may not last. Respondents also tend to mirror project slogans in their responses in the belief that this is what outsiders want to hear.

With these caveats in mind, **there is some heartening evidence that participation also has some intrinsic value.** Communities tend to express greater satisfaction with decisions in which they participate even when participation does not change the outcome or where outcomes are not consistent with their expressed preferences. There is very little evidence on this important issue also.

**The ballot box, though far from perfect, appears to provide a clearer mechanism for sanctioning unpopular policy choices or excessive rent-seeking by traditional or political elites,** than more informal forums for deliberation. In decentralized settings, electoral incentives—credible and open elections—tend to help by aligning the decisions of politicians with the demands of their constituencies. Moreover, in such settings we find that participatory and deliberative councils, when they exist, can foster a significant degree of civic engagement. It is less clear how citizens can collectively sanction negligent or corrupt officials or local leaders where such venues for the exercise of voice are not available.

Repairing civic failures also requires that social inequalities be addressed. One way of trying to do so is to mandate the inclusion of disadvantaged groups in the participatory
process. There is virtually no evidence for whether this works from evaluations of CDD projects. However, a growing body of evidence from village democracies in India indicates broadly positive impacts. **Quotas in village councils and presidencies for disadvantaged groups and women tend to change political incentives in favor of the interests of the group that is favored by the quota.**

**Mandated inclusion also appears to provide an incubator for new political leadership.** Evidence indicates that women and other excluded groups are more likely to stand for office from non-mandated seats once they have had some experience on a mandated seat. Quotas can also weaken prevailing stereotypes that assign low ability and poor performance to traditionally excluded groups. However, lasting change requires that the inclusion mandates remain in place for long enough to change perceptions and social norms.

Democratic decentralization works because village and municipal democracies incentivize local politicians to nurture their constituencies. Further, since decentralized programs usually come with a constitutional mandate or other legal sanction from the center, they are relatively permanent and can affect change by changing social and political dynamics over the long term. Community-based projects, on the other hand, are usually ad hoc interventions that are unable to open political opportunities for real social change.

Participatory interventions are also seen as a valuable tool in post-conflict settings—where the state is viewed as dysfunctional—as a quick way of getting funds to the ground. The limited evidence of the effectiveness of community-based projects in such settings mirrors what we know about inducing participation in situations without conflict. First, context matters a great deal, as does the quality of the intervention. Overall, projects tend to have very limited impact in building social cohesion or in rebuilding the state. However, evidence from Africa seems to suggest that people emerging from civic conflict have a strong desire to participate and that well-designed and implemented projects could effectively draw on this need.
In sum, the evidence suggests that, while local actors may have an informational and locational advantage, they use it to the benefit of the disadvantaged only where institutions and mechanisms to ensure local accountability are robust. Local oversight is most effective when other, higher level, institutions of accountability function well and communities have the capacity to effectively monitor service providers and others in charge or public resources. Local participation appears to increase, rather than diminish, the need for functional and strong institutions at the center. It also implies that implementing agencies for donor-funded projects need to have the capacity to exercise adequate oversight. However, there is little evidence that donors or NGOs alone can substitute for a nonfunctional state as a higher-level accountability agent. Instead, reforms that enhance judicial oversight, allow for independent audit agencies and protect and promote the right to information and a free media appear to be necessary for effective local oversight.

Learning from the Evidence

The preponderance of the evidence, consistent across a variety of studies and contexts, makes three lessons abundantly clear.

First, induced participatory interventions work best when they are supported by a responsive state. The state does not necessarily have to be democratic—though that helps a great deal—but in the sphere where the intervention is being conducted, at the level of the community or the neighborhood, the state has to be responsive to community demands. For example, schools that incorporate parents into decision making will be more responsive to the demands of those parents if the parents have a measure of control over school budgets. And village governments will become more responsive to the needs of citizens when they both function within an electoral democracy supplemented by deliberative interactions.
When funds are parachuted down into communities without any monitoring by a supportive state, however, this can result in decision making being captured by elites who control the local cooperative infrastructure, leading to a high risk of corruption. This is not to say that participatory engagement cannot make a difference in the absence of a supportive state under all circumstances. It can, but such projects face much greater challenges.

**Second, context, both local and national, is extremely important.** Outcomes from interventions are highly variable across communities; local inequality, history, geography, the nature of social interactions, networks, and political systems all have a strong influence. The variability of these contexts is sometimes so large, and their effect so unpredictable, that projects that function well usually do because they have strong in-built systems of learning, and great sensitivity and adaptability to variations in context.

**Third, effective civic engagement does not develop within a predictable trajectory.** It is instead likely to proceed along a punctuated equilibrium where long periods of seeming quietude are followed by intense, and often turbulent, change. But, when donor-driven induced participatory projects attempt to build civic capacity, they assume a far less contentious trajectory. Conditioned by bureaucratic imperatives, they often declare that clear, measurable, and usually wildly optimistic outcomes will be delivered within a specified timeframe. And because these are usually also sold as anti-poverty projects, or local infrastructure projects, declared outcomes are not just restricted to measures of civic capacity, but encompass poverty reduction, improved roads, better schools, observable improvements in public health, and so on. Consequently, there is a danger that such projects are setting themselves up for failure that derives not from what they achieve on the ground, but from their unrealistic expectations.

One important reason for this overly ambitious approach, especially at the World Bank, is that it maintains a path-dependent institutional structure that continues to derive from a focus on capital-intensive development and reconstruction. Building dams,
bridges, and roads, or even schools and clinics, is a much more predictable activity than changing social and political systems. **Repairing civil society and political failures** requires a shift in the social equilibrium that derives from a change in the nature of social interactions, and from modifying norms and local cultures. This is a much harder task that needs a fundamentally different approach to development—one that is flexible, long term, self-critical, and strongly infused with the spirit of learning by doing. As we demonstrate in the Annex, the World Bank falls far short of these rather obvious guidelines in its participatory projects. And we doubt if other donors are much different.

The variability of local context and the unpredictable nature of change-trajectories highlight the importance of developing effective systems of internal learning and monitoring in large participatory projects. Such projects require constant adjustment, learning in the field, and experimentation in order to be effective.

**Unfortunately, participatory projects at the World Bank, generally, do not pay enough attention to monitoring.** The Annex to this report provides a review of monitoring and evaluation systems in World Bank projects from 1999 to 2007 in which at least a third of the budget was allocated to local participation. We examined project documents such as Project Appraisal Documents (PADs), where the design of the project is laid out; Implementation Completion Reports (ICRs), which assess the quality of implementation; and other key documents drawn from a random sample of 20 percent of these projects. The analysis also encompassed a survey of project managers (task team leaders, in World Bank parlance), to gather information that was not available in project documents.

The PADs were striking in their similarity to each other. Often their language was cut and pasted from one project to the next, suggesting a singular lack of attention to context. The documents and the survey also revealed a pervasive inattention to monitoring systems. Only 40 percent of PADs included a monitoring system as an essential part of the project design, and a third did not even bother to mention basic monitoring requirements such as a
management information system (MIS). When monitoring was mentioned, it usually involved collecting extremely imprecise indicators, and even this was done irregularly. In the survey, the most important reasons given for the paucity of effective monitoring were poor human and technical capacity and the lack of sufficient funding. On the crucial question of whether monitoring and evaluation data are a guide to learning by doing, only 14 percent of the projects had explicitly outlined procedures that would be implemented if the monitoring and evaluation data indicated that a project had gone off track.

The majority of project managers participating in the survey stated that the Bank’s operational policies do not provide adequate incentives for monitoring and evaluation and that is not perceived to be a priority for the Bank’s senior management. Monitoring and evaluation seem to be treated as a box to be checked to obtain the loan rather than as an instrument for improving project effectiveness. Another major concern for project managers is the standard duration of projects (an average of 5.5 years, inclusive of renewals), which they believe does not allow enough time to realize participatory objectives. A majority also believe that World Bank project cycles and supervision budgets do not allow task managers to adapt their projects to different country contexts.

**Conclusion**

There has been progress in the last 10 years in evaluative studies of participatory development efforts, which has generated a good deal of new evidence - as reviewed in this report. However, there is still a long way to go. The lack of attention to monitoring, unfortunately, persists along with inflexible institutional rules that do not internalize the complexity inherent in engaging with civic-led development. The ignorance of context in design is another major problem. If this situation is not addressed, we believe that participatory development projects will continue to struggle to make a difference.

Several things need to be done at the World Bank and other donor agencies.
• Patience is a virtue. Project structures need to change to allow for flexible, long-term engagement.
• Project designs and evaluations need to be informed by political and social analysis, in addition to economic analysis.
• Monitoring systems need to be taken far more seriously. The use of new, more cost effective, tools such as SMS-based reporting could help enormously.
• Clear systems of facilitator feedback as well as participatory monitoring and redress systems also need to be created.

Most importantly, there needs to be a tolerance for honest feedback to facilitate learning, instead of a tendency to rush to judgment coupled with a pervasive fear of failure. The complexity of participatory development requires a high tolerance for failure, and clear incentives for project managers to report on evidence of failure. This is necessary if we are to be serious about innovation and support for evidence-based policy decisions. Failure is sometimes the best way to learn about what does work. Equally, a careful assessment must be made about whether the evidence for failure (or success) is due to problems with the evidence – with the design of the evaluation, the choice of the comparison group, the quality of survey based data, the analysis, etc.

In sum, local participation tends to work less well when it is merely the ad hoc, myopically directed, creation of a project. It works when it has teeth, when it builds on contextually well thought out and well tested designs, when it is facilitated by a responsive center, when it is adequately and sustainably funded, and when interventions are conditioned by a culture of learning by doing.
Chapter 1: Why Does Participation Matter?

1.1 The Debate

1.2 The History of Participation
   1.2.1 The Intellectual History of Participation
   1.2.2 The History of Policy in Participatory Development

1.3 Organic vs. Induced Participation

1.4 Roadmap for the Report
1.1 The Debate

Over the last decade the World Bank has allocated close to $80 billion toward local participatory development. Other development agencies - bilateral donors and regional development banks - have, in all probability, spent at least as much, as have the governments of most developing countries. The current wave of interest in participation began as a reaction to the highly centralized development strategies of the 1970s and 1980s, which created the widespread perception among activists and NGOs that "top-down" development aid was deeply disconnected from the needs of the poor, the marginalized, and the excluded. Underlying the shift was the belief that giving the poor a greater say in decisions that affected their lives, by involving them in at least some aspects of project design and implementation, would result in a closer connection between development aid and its intended beneficiaries. Indeed local participation has, over the past decade, acquired a life of its own and is proposed as a method to achieve a variety of goals – better poverty targeting, building community-level social capital, and strengthening the demand for good governance.

While participation can occur at many levels, one of its key objectives is to incorporate local knowledge into a project’s decision-making processes. When potential beneficiaries are able to make key project decisions, participation becomes self-initiated action—what has come to be known as the exercise of voice and choice, or empowerment. Participation is expected to lead to more effective project design, better targeting benefits, more cost-effective and timely delivery of project inputs, and more equitably distributed benefits, with less corruption and rent seeking.

The two major modalities for fostering local participation are community development and decentralization of resources and authority to local governments.

- *Community development* supports efforts to bring villages, urban neighborhoods, or other household groupings into the process of managing development resources, without relying on formally constituted local governments. Community development projects are
variously labeled as Community Driven Development (CDD), Community Based Development (CBD), Community Livelihood Projects and Social Funds. In recent years, the effort to expand community engagement in service delivery has also introduced participatory education and health projects which have some of the same features as CDD/CBD projects. Designs for this type of aid can range from community-based targeting, in which only the selection of beneficiaries is decentralized, to those where communities are also involved to varying degrees in project design and management as well as the management of resources.

- **Decentralization** refers to efforts to strengthen village and municipal governments on both the demand and supply sides. On the demand side, decentralization strengthens citizens’ participation in local government by, for example, instituting regular elections, improving access to information, and fostering mechanisms for deliberative decisionmaking. On the supply side, it enhances the ability of local governments to provide services by increasing their financial resources, strengthening the capacity of local officials, and streamlining and rationalizing their administrative functions.

As we show later in this chapter, even a brief look at the ideological underpinnings of modern notions of community development and decentralization demonstrates that both concepts share a common intellectual pedigree, firmly rooted in historical notions of participatory government. Proponents of participation hold that it has **intrinsic value** in that it trains individuals to look beyond their own narrow self-interest and to think instead in terms of the public good. Insofar as taking part in community decision making also builds capacity for self-reliance and collective action (or what is sometimes called “social capital”), participation also has **instrumental value**. When successful, participation can transform passive residents into effective public citizens, who use it as a tool to hold states and markets accountable and influence decisions that affect their lives.

Advocates of community development (e.g. Dongier et al. 2001) view it as a mechanism for enhancing sustainability, improving efficiency and effectiveness, scaling up poverty reduction programs, making development more inclusive, empowering poor people, building social capital, strengthening governance, and complementing market and public...
sector activities. They argue that community-driven development (CDD), in particular, is able to achieve these results by aligning development priorities with community goals, enhancing communication between aid agencies and beneficiaries, expanding the resources available to the poor (through microcredit, social funds, and occupational training), and strengthening the capacity of community-based organizations to represent and advocate for their communities. CDD has the explicit objective of reversing power relations in a manner that creates agency and voice for poor people and gives them more control over development assistance. It also strengthens their capacity to undertake and effectively manage self-initiated development activities.

Advocates for local decentralization are motivated by a closely related logic believing that reducing the distance between government and its citizens allows governments to be closely observed. Citizens can communicate their preferences and needs to elected officials and closely monitor their performance, which improves both transparency and accountability; when local government officials steal money from a construction project, or engage in nepotism, or spend their budgets without taking the views of citizens into account, this can be easily observed. Enhanced visibility is coupled with a greater capacity for citizens to mobilize and demand better services and hold local governments “socially accountable”; by activating the local capacity for collective action. Decentralization, it is argued, also improves electoral accountability, since better informed citizens are more capable of making more informed electoral choices. Furthermore, local governments have their ears close to the ground and can “hear” citizens better via direct interactions or deliberative forums. This increases the voice of citizens. Thus, advocates believe that, decentralization improves voice, accountability and transparency and consequently makes governments more responsive to the needs of citizens. Advocates of both decentralization and community development also argue that these forms of participatory development can be a training ground for citizenship. Local democracies teach citizens how to engage in democratic politics, and to engage, deliberate and mobilize in ways that strengthen civil society. Similarly community development projects, it is believed, enhance the capacity for collective action by instructing poor communities to mobilize in ways that improve their self-reliance and develop “social capital.”
This vision is not universally shared, however. Some Skeptics have misgivings about the basic precepts of the approach, while others are concerned about the practical challenges of implementing large participatory projects on tight timelines (Harriss 2001, Mosse 2001, Cooke and Kothari 2001, Li 2007). Particularly when their incentives are poorly aligned with the needs of the project, implementers may gloss over differences within target groups and local power structures, or evade the difficult task of institution building in favor of more easily deliverable and measurable outcomes. Another concern has been that community development may be inherently subject to elite capture because of the entrenched influence of local elites (Abraham and Platteau 2004).

Further, the professed capacity of donor-led participation to educate and transform communities has been challenged on several grounds. First, some argue that the exercise of voice and choice can be costly (Mansuri and Rao, 2004). At the most basic level, it may involve financial losses for beneficiaries due to the time commitments required for adequate participation. In addition, participation may lead to psychological or physical duress for the most socially and economically disadvantaged, since it may require that they take positions contrary to the interests of powerful groups. While the premise of participatory approaches is that its potential benefits outweigh such costs, critics argue, this is by no means certain.

Second, as participation has become mainstreamed, it has often been used as an instrument for promoting pragmatic policy interests, such as cost-effective delivery or low-cost maintenance—rather than a vehicle for radical social transformation—by shifting some of the costs of service delivery to potential beneficiaries. Indeed, in both Asia (Bowen 1986) and Africa (Ribot 1995), participation has been described as a form of forced or corvée labor, with the poor pressured into making far more substantial contributions than the rich.

Third, critics argue that the belief that participatory experiences will transform the attitudes and implementation styles of authoritarian bureaucracies (governments or
donors) may be naïve. The routinization of participatory planning exercises into the work of public sector agencies creates additional pressure on resources, while leaving implementers unclear about the implications of this new accountability. An examination of several participatory projects (Mosse 2001) finds that even in projects with high levels of participation, what was labeled “local knowledge” was often a construct of the planning context and concealed the underlying politics of knowledge production and use. Four aspects of this were identified:

- Participatory exercises are often public events that are open-ended regarding target groups and program activities. This makes such events inherently political, with the resulting project design often shaped by local power and gender relations.
- Outside agendas are often expressed as local knowledge. Project facilitators shape and direct participatory exercises, and the “needs” of beneficiaries are often shaped by perceptions of what the project can deliver.
- Participants may concur in the process of problem definition and planning in order to manipulate the program to serve their own interests. While this can benefit both project staff and beneficiaries, it clearly places consensus and action above detailed planning.
- Participatory processes can be used to legitimize a project that has previously established priorities and little real support from the community.

Fourth, critics have also argued that local governments in developing countries are not necessarily more accountable and transparent than central governments, due to the absence of prerequisites for local accountability to work (Bardhan and Mookherjee 2006). These prerequisites include the an educated and aware citizenry, relative social and economic equality, law and order, the ability to run free and fair elections within a constitutional setting, reliable and trustworthy information channels, and oversight by an active and effective civil society.
Thus, we write this report in the midst of a raging debate on the effectiveness of participatory development. Does it work? Does it result in greater accountability? Is it captured by elites? Does it result in greater voice and more choice? Is it truly “empowering”? Is the amount of money directed toward participatory development well spent? In recent years, sparked by concerns that the expansion in funding has not been accompanied by careful evaluations and independent analysis (Mansuri and Rao 2004), there has been a sharp increase in research, particularly impact evaluations, of community-based development. Scholars from a variety of disciplines have also substantially increased our understanding of the political economy of decentralization. Our goal in this report is to place this research within an integrated conceptual framework, to summarize its conclusions, and to draw implications for policy.

1.2. The History of Participatory Development

1.2.1 The Intellectual History

The idea of civic participation is not new. It is as old as the idea of democracy (Elster 1998), and has been present in many different cultures throughout history. In ancient Athens, policy decisions were made deliberatively, in public settings, with every male citizen given the opportunity to state his point of view. In Hinduism and Buddhism, public debate and deliberation have long been seen as a superior form of discourse (Sen 2005), and local deliberative institutions in South Asia, where these religions predominate, have been documented dating back to about the 5th Century BC (Altekar 1949).

Similarly, in Islam, the Quran requires that communal affairs be decided by shura, or mutual consultation (Ayish 2008). The community, or umma, uses shura to not only deliberate but also to provide inputs into public policy, which the Khalifa, or ruler, must consider. In pre-European Africa, Zulu chiefs could not make decisions without first consulting their chila ya njama, or councils. Although the chiefs exercised ritual power, their influence depended on their ability to persuade and convince, not coerce. Among the Akan people in West Africa, the authority of the chief was much circumscribed—the most
important injunction was to always act in concurrence with counselors, and attempt by the chief to act on his own was legitimate grounds for dethronement.

Local decentralization has an even longer history than participation. Archaeological evidence shows that small city states in Mesopotamia and districts or “nomes” in Egypt ruled for many hundreds of years before being unified (around 3200 BCE) into centrally ruled nations. Through conquest, these nations formed even greater empires, but cities and districts within the conquered territories — although obliged to pay tribute and contribute soldiers to their overlords’ armies — essentially enjoyed home rule. In addition, as soon as the hold of the conqueror faltered, local hegemony grew strong. (Samuel Kramer, The Sumerians, 1971; Sir Alan Gardiner, Egypt of the Pharaohs, 1961),

Around 1200 BC, for instance, when the great powers of Egypt and Mesopotamia faced internal problems and invasion from the north, Phoenician vassal cities seized the opportunity to declare their independence. While each city continued to rule itself, they agreed to form a loose geo-political alliance. For the next 600 years, even during periods of foreign rule, ships from the Phoenician alliance plied the Mediterranean and traded throughout their vast economic empire (Mann, 1986: 192). When Phoenicia was later conquered first by Greeks, then by Romans, its cities were forced to levy, collect, and send back revenues to the central power, but their municipal life continued to thrive. Rome actually encouraged (non-subversive) civic activity, and contributed handsomely to public buildings and activities across the Empire (Abbot and Johnson 1968).

Decentralized but loosely affiliated structures were also the rule in South Asia during the Mauryan (321-185 BCE) and Mughal (1526-1857) eras. Village governments had considerable authority and power over practical affairs, while the center was largely seen as a place of moral and symbolic authority that extracted taxes and tribute. In Africa, vassals used collective decision-making to hold chieftains in check, while community members used consultations and popular assemblies to hold vassal governments accountable to the public at large.
The modern theory of participation was perhaps first coherently articulated in the 18th century by Jean-Jacques Rousseau, author of *The Social Contract*. Rousseau outlined a vision of democracy in which equal citizens assemble to make decisions in an interdependent, deliberative manner, to uncover the “general will”—i.e., create a policy in which benefits and burdens are equally shared (Pateman 1976). Rousseau was searching for a vision of human progress in which communities and connectedness could complement the Enlightenment’s notions of individual liberty, and in which the human soul was more important than science (Damrosch 2007). Participation was, to Rousseau, more than a method of decision-making. It was a process by which an individual developed empathy for another’s point of view, and learned to take account of the public interest in order to gain cooperation. Participation, therefore, served an important educative function—the individual learned how to become a public citizen, and community members developed a sense of belonging. Rousseau intimately linked the notion of participation with the development of civic life—an idea that has had a profound influence on subsequent political thought.

Among the many 19th century philosophers who built on these ideas, perhaps the most notable was John Stuart Mill (1859), who also emphasized the educative value of participation. Influenced by Alexis de Tocqueville’s laudatory description of local political institutions in America and the spirit of participatory democracy they fostered (*Democracy in America* (1835), Mill became deeply skeptical of centralized forms of government. This led him to argue that universal suffrage and participation in national government are of little use if citizens have not been prepared for participation at the local level. Mill followed this logic to notions of participation in industry, where, he argued, collective management would lead to individuals valuing public over individual interests.

Mill’s vision of a “participatory society” was taken forward by G.D.H. Cole, Henry Maine, and other philosophers known as the English Pluralists, who rejected the idea of a centralized state and argued that “individual freedom would best be realized in the groups and associations that made up the fabric of modern civil society” (Mantena 2009). Henry Maine is of particular relevance to contemporary development thought. Sent to India in the 1860s
to advise the British government on legal matters, he came across several accounts by British administrators of thriving indigenous systems of autonomous village governments that had many characteristics of participatory democracies. He was led by these “data” to articulate a theory of the village community (Maine 1876) as an alternative to the centralized state. In Maine’s view, village communities, led by a council of elders (a panchayat), were not subject to a set of laws articulated from above, but had more fluid legal and governance structures that adapted to changing conditions while maintaining strict adherence to traditional customs (Mantena 2009).

Community development and government decentralization thus have a common intellectual history, stemming from a belief that participation has both an intrinsic and instrumental value. Participation in decisionmaking, Maine believed, makes individuals into public citizens by training them to think in terms of the public good rather than merely of private interests, and builds the capacity for collective action and what modern social theorists would call agency. Participation also has an instrumental value by developing the ability of citizens to hold the state and markets accountable and to influence decisions that affect on their lives. Though, as the concept evolved, two distinct forms of participation emerged. Participation in Rousseau’s sense of building a collective identity, and participation in the sense of electing a representative.

Rousseau, Mill, and Maine had a deep influence on colonial thought. In India, which became fertile territory for colonial experiments in governance, the liberal British Viceroy Lord Ripon instituted local government reforms in 1882 for the primary purpose of “political education” and to “revive and extend the indigenous system of the country.” (Tinker, 1967) Maine’s description of autonomously governed and self-reliant Indian village communities also influenced Mohandas Gandhi, who made it a central tenet of his philosophy of decentralized economic and political power, as articulated in his writings on village self-reliance which were later collected in the book Village Swaraj (Gandhi 1962).

Gandhi saw the self-reliant village as the cornerstone of a system of government and of economic life; the village was to be a “a complete republic, independent of its neighbors for
its own vital wants, and yet interdependent for many others where dependence is a necessity” (Gandhi, 1942). Gandhi’s village-republics would be emblematic of a “perfect democracy” with equality across castes and religions, self-sufficient in its needs, and driven by cooperation and non-violence. Gandhi remains a central figure in the participatory and decentralization movements, both in India and in the development community at large, particularly among those who see participation as an antidote to the community-corroding effects of economic growth and modernization.

Decentralization in colonial Anglophone Africa followed a similar trajectory, especially given the policy of “decentralized despotism” (Mamdani 1996) followed by the colonial powers. The principal colonizers established administrative systems to efficiently govern the conquered territories and extract revenues. The British established “indirect rule” that was, according to Mamdani, based on the lessons they had learned in South Asia from the innovations in local self-government initiated by Ripon. The British converted traditional chiefs into “administrative chiefs” responsible for several functions at the lowest level of the civil administration; and allowed them fiscal and functional autonomy so long as they did not challenge the colonial state. It should be remembered that the decentralization in colonial India and Africa was as much an effort at streamlining colonial power as it was an effort at “good governance” – turning the ideas of political philosophers into policy in the belief that it would improve the human condition.

The French colonies, by contrast, were “assimilative”; that is, decentralization involved the direct export of French administrative structures, culture, civil law, and education to the colonies. The early colonies, such as Senegal in West Africa, were organized according to the French local government model, based on urban communes represented by municipal councils. Citizens of the “Four Communes” of Senegal—Dakar, Goree, St. Louis, and Rufisque—even elected representatives to the French Parliament in Paris. Developments in Senegalese communes mirrored political developments in France: when French communes were given legal status and the principle of elected municipal councils was established in 1831, these changes also applied to the communes in Senegal.
As the French acquired more territory and extended their control over larger populations, they reversed their assimilation policies, and began to rule their new African colonies indirectly, through Africans. Instead of communes, they established a *Code de l’indigénat*, which outlined the legal system under which indigenous populations were to be governed (Levine 2004). This law provided for the establishment of administrative *cercles* ruled by appointed indigenous authorities, religious courts, and the native police. *Cercles* were comprised of cantons, and cantons were comprised of villages. Villages were governed by *chefs du village*, cantons by *chefs de canton*, and *cercles* by *cercle commanders*, each of whom was appointed by and responsible to the French authorities. The administrators who supervised these chiefs were recruited, trained, and fielded by the central state. Ribot et al. (2009) point out that in “all these decentralized systems, the colonial rulers used local ‘customary’ chiefs to administer the rural world, i.e., maintain law and order, collect taxes, and conscript labor. The systems were created to manage Africans under local administrative rule” (Ribot et al. 2009).

In Latin America, on the other hand, Spanish and Portuguese rule left a centralized legacy (Selee and Tulchin 2004, Grindle 2007, Eaton 2008). Colonial systems were based on the extraction of wealth and required highly centralized structures to coordinate the process (Selee and Tulchin 2004). In Mexico, for example, the conquistadors appointed local councils tasked with maintaining law and order and overseeing food and water supplies (Grindle 2007); the councils were supervised and held in check by district agents, who were also responsible for tax collection. Grindle points out that pre-colonial systems, such as that of the Aztecs, tended to be highly centralized and absolutist: the rulers began to appoint officials where they used to be elected (Grindle, op. cit.: 26). Latin American states had to contend with both regional elites, some of who were coopted, and with the popular struggles of indigenous people.

The post-independence states in Latin America modified these structures to conform more with federalist notions from France and America. In Brazil, for instance, the First Republic (which followed the centralized empire established immediately after independence) had pronounced federal features, but provided little or no support for local governments or
municipalities. With the collapse of the First Republic in 1930, decentralization gave way to centralized institutions (Melo and Rezende 2004) and, paradoxically, “municipalism” became a hallmark of the more centralized developmentalist period.

1.2.2 The History of Policy in Participatory Development

By the end of World War II, the disintegration of colonial regimes made reconstruction and development the central endeavors in Africa and Asia. Driven by the Bretton Woods institutions, development was viewed as a “big” undertaking, influenced by structural theories and planning models. However, “small” development also had significant proponents, particularly among policymakers at the United Nations and the United States Agency for International Development (USAID) who tended toward a communitarian vision of human progress. Their influence led to a first wave of participatory development in the 1950s, which by 1960 had spread to more than 60 countries in Africa, Asia, and Latin America (Arizpe 2004, White 1999).iii By 1959, USAID had pumped more than US$50 million into community development projects in about 30 countries. Perhaps the most important motive was to provide a democratic alternative to Communism (Arizpe 2004, White 1999). In the context of the Cold War, community development was seen as a means of protecting newly independent states against the dual threats of external military aggression and internal subversion.

The communitarian approach was also promoted in India in the 1950s, primarily by the US government and the Ford Foundation, and resonated because of its compatibility with Gandhian ideals. The Ford Foundation approach drew upon ideas from American regional planners, who were concerned about the erosion of communities with the onset of modernization and urbanization, as well as from Gandhi’s ideas about sustainable village communities (Immerwahr 2010). In 1952, a Ford Foundation-supported program based on participatory models of community development was launched in 16,500 villages, and the Government of India soon expanded this program to cover the entire country.
Funding for community development programs began to dry up in the early 1960s due to their perceived failures, and because the specter of famine in Asia made the more top-down, technical approaches to development seem more urgent. White (1999) argues that community development programs during this period were undermined by the inability of donors to incorporate lessons learned about elite capture, or to engage in genuine partnerships with beneficiaries. Despite these problems being diagnosed, community development programs were not improved or refined, but rather abandoned by the 1960s due to the (actual and perceived) failure to achieve their stated objectives, along with the specter of famine in most of Asia.

As donor interest in local participatory development waned in the 1960s, there was a revival of interest among radical thinkers. Particularly influential were Frantz Fanon’s *Wretched of the Earth* (1966), and Paulo Freire’s *Pedagogy of the Oppressed* (1971). Fanon’s work, although sometimes accused of exhorting readers to violence, was born out of frustration with the racism, torture and vindictiveness of the colonial administration in Algeria. In *Wretched of the Earth*, he critiques both imperialism and nationalism and calls for the redistribution of wealth and technology that orient effective power in favor of the poorest people. Freire was influenced by Fanon and by Liberation Theologists in Brazil. His lifelong commitment to adult education helped him to explore the ways in which the oppressed could overcome powerlessness and ‘unfreedom’. In *Pedagogy of the Oppressed* (1971), he stresses the need to develop an educational system that is more “dialogic,” rooted in the lived experiences of the students and values local and diverse kinds of knowledge. When deployed thus, education becomes a tool for ‘conscientizing’ the illiterate (and oppressed) populations. In effect, Freire argues for a model of education that does not consider students’ minds a *tabula rasa* (critiquing the ‘banking approach’ to education), rather the role of education is to make them more self-aware and sensitive to their position and to that of others – a theme very similar to Rousseau notion of the “general will”.

Conversely, during the same period, policymakers began a concerted effort to shift their focus to agricultural and industrial growth, which was given intellectual support from the seeming success of industrializing planning models of Soviet Russia, and from early neo-
classical growth models. The MacNamara era at the World Bank, while bringing the eradication of poverty to the center of development policy, focused in its early years on large infrastructure projects and later on the centralized provision of housing, education and health. Politically, centralized polities appeared to be viable and desirable. Even in the established democracies, mainstream democratic theories emphasized the representative rather than participatory features of democracy, the desirability of stability as against involvement of the lower classes, and the very conception of democracy as merely a method of aggregating preferences by choosing leaders, and de-emphasizing deliberation and civic empowerment (see Schumpeter, 1942; and Dahl, 1963 for typical formulations).

Also during this period, economists, who had long been skeptical of community-centered development, began to have a profound influence on development policy. The early literature on development policy was strongly influenced by the work of Olson (1965), who argued that without coercion or some other special device to make individuals act in their common interest, “rational self-interested individuals will not act to achieve their common or group interests.” Olson was concerned with “exploitation of the great by the small,” because those with smaller interests in a public good would tend to free-ride on the efforts of those with greater interests. Hardin’s (1968) powerful idea of the “tragedy of the commons” had even broader implications for a range of economic issues, including the domain of the public and the private, decentralization of power to local governments, and the provision and management of common-pool resources. Like Hardin, property rights theorists such as Demsetz (1970) and North (1990) argued that common property resources would be overexploited as demand rose unless the commons were enclosed or protected by strong state regulation. This view generated a great deal of pessimism in multilateral development institutions about the viability of local collective action for the provision of public goods, and created a strong impetus for state provision of public goods, state regulation of common-pool resources, and an emphasis on private property rights.

On the other hand there was also strong support among economic theorists for decentralized government with electoral democracy. Economists approached this problem in several ways. Tiebout’s (1956) work on the theory of local government expenditures
emphasized the efficiency of decentralized governance, arguing that in a community context, if mobility were relatively costless, individuals would reveal their true preferences for levels and combinations of public goods provision by “voting with their feet” and moving to the locality that offered their preferred tax-benefit mix. Competition among jurisdictions supplying different combinations of local public goods would thus lead to an efficient supply of such goods. The Tiebout hypothesis later came under heavy attack on the grounds that its assumptions—full information about community characteristics, costless mobility, no externalities, no economies of scale, and static preferences—were untenable in developing countries, and – indeed – in many developed countries as well. Nevertheless, Tiebout continues to be widely invoked to support the view that competition among local jurisdictions in the provision of public goods increases the allocation efficiency of those goods—and consequently, to justify a push toward decentralization.

By the mid-1980s critics of “top-down” began to complain that many large-scale, centralized, government-initiated development programs—from schooling to health to credit to irrigation systems—were performing poorly, while rapidly degrading common-pool resources and having significant negative environmental and poverty impacts. These complaints reawakened interest in local decisionmaking and the local management of resources. Led by Chambers (1983) and others, a new participatory development movement applied these ideas to small-scale projects in ways that would allow the poor to be informed participants, with external agents acting mainly as facilitators and sources of funds. Further support came from the increasingly strong critique of development from academic social scientists such as Escobar (1994) and Scott (1999), who argued that top-down perspectives were both disempowering and ineffective. Meanwhile, highly successful community-driven development initiatives such as the Self-Employed Women’s Association in India, the Orangi Slum Improvement Project in Pakistan, and the Iringa Nutrition Project in Tanzania were providing important lessons for large donors (Krishna, Uphoff, and Esman 1997).

Thinking in mainstream development circles was also significantly affected by the work of Hirschman (1970, 1984), Cernea (1985), and Ostrom (1990). Hirschman’s (1970) notions
of “voice” and “exit” helped development practitioners to understand how collective agency could improve well-being; and Hirschman’s (1984) own attempts to apply these ideas to participatory development help to confirm his theories. Cernea (1985) showed how large organizations such as the World Bank could “put people first” by working systematically at the local level. Ostrom’s (1990) work on the management of common-pool resources shifted perceptions on the potential for collective action in poor communities. Ostrom argued that what made Olson’s and Hardin’s work most powerful also made it dangerous as a foundation for policymaking, since their results depended on a set of constraints imposed for purposes of analysis. Their relevance in empirical settings, she argued, was an open question rather than a foregone conclusion. In the real world, after all, the capabilities of those involved can be changed, thus altering the constraints themselves. Ostrom and others assembled considerable evidence from case studies to show that endogenous institutions often managed common-pool resources successfully. Thus Hardin’s “remorseless tragedies” were not an inevitable outcome of community management.

Sen’s (1985, 1999) effort to shift the focus of development from material well-being to a broad-based “capability” approach also deeply influenced the development community. Central to this approach were strategies to “empower” poor people—an agenda taken on by the World Bank and other donors as part of their response to criticism of top-down development. Arguments for “participatory development,” as advocated by Chambers (1983) and others, led to the inclusion of participation as a crucial means of allowing the poor to have some control over decisions that affected them.

These intellectual developments paralleled the rise of pro-democracy movements in several countries of Latin America, Eastern Europe, Africa, and Asia (Leftwich 1993), which led to the breakdown of authoritarian regimes in many parts of the world (O’donnell 1993), the complete collapse of totalitarian systems in the Eastern Europe, the former Soviet Union, and Indonesia; and the radical redistribution of power and authority in Brazil and the Philippines. The rise of democratic movements and the conviction that centralized state institutions were corrupt, unaccountable, and unable to deliver public services led to an increasing belief in the value of decentralized government. Mexico is a typical example.
By 1982, international donors had begun to advise the country’s central government to both initiate structural adjustment and share administrative and fiscal responsibilities with lower tiers of government (Mizrahi 2004, Grindle 2007).

USAID, once again, was among the earliest donors to extend explicit support to democratic decentralization. In the late 1980s, with the fall of Communism in Eastern Europe, the agency clearly spelled out its agenda to support democratic local governance. It viewed decentralization as a “means to empower citizens locally and to disperse power from the central government to localities” (USAID 2000). By the early 1990s, the British and French governments, the Development Assistance Committee, the European Council, the Heads of State and Government of the Organization of African Unity, and the Commonwealth Heads of Government had all (re)committed to strengthening democracy, participation, and accountability through the mechanism of decentralization. The United Nations Development Programme (UNDP) began to explicitly extend assistance to decentralization in 1992, and by 1999, it had spent more than US$138 million on decentralization projects. Its “governance policy,” formally adopted in 1997, clearly identified decentralization as a key component of good governance.

The World Bank was perhaps most instrumental in popularizing the concept of decentralization by articulating the pressing significance of governance issues, especially in Africa. The Bank’s focus on governance was motivated by the difficult economic climate of the 1980s, coupled with the realization that investment lending required an appropriate policy framework to achieve its objectives (World Bank 1992). The publication Governance and Development summed up the benefits of decentralization as potentially “significant improvements in efficiency and effectiveness by reducing overloading of central government functions and improving access to decisionmaking and participation at lower levels of government” (World Bank 1992). Support for decentralized was by no means unqualified, and observers pointed that the “pure decentralization of fiscal federalism theory” (Prud’homme 1995) could, in fact, jeopardize macroeconomic stability and increase regional disparities within countries. Nonetheless, by 1996, the Bank recognized
the role of citizens’ participation in and ability to hold state structures accountable as key to effective local government.

If the move toward local decentralization was largely driven by a desire for better governance, community development was driven by the belief that investing in the “social capital” of communities would lead to their empowerment and give them a sustainable capacity to fashion development in their own terms. The inclusion of participatory elements in large-scale development assistance came quickly at the World Bank, in social investment funds (Narayan and Ebbe 1997) and other forms of assistance. Initially focused on targeting, these projects have moved toward a more holistic effort to encourage participation through institutions that organize the poor and build their capabilities to act collectively in their own interest (Narayan 2002). The World Bank’s (2001) *World Development Report 2000/2001: Attacking Poverty* focused on empowerment as a key priority of development policy. This led to a broad-based effort at the World Bank to scale up community-based development. The 2004 *World Development Report: Making Services Work for Poor People* identified local accountability and local decentralization as important element of programs that seek to improve the delivery of public services (World Bank 2003). More recently, donors have recognized that strengthening governance is key to effective development, and that improving civic participation, or the “demand side” of governance, should be an important object of community development and decentralization. Thus, with this second wave of interest in participatory approaches to development, participatory notions have, once again, been absorbed into the mainstream of development thought and practice.

We have argued here that the two types of local participation, community development and local decentralization, have common goals and intellectual origins. However, they became distinct modalities promoted by distinct ideological camps in the second half of the 20th century. Interestingly, in this current (21st century) wave of interest in local participation, policy does not distinguish clearly between the two interpretations. Many decentralization programs with local electoral democracy place local deliberative forums at the heart of decision making (e.g. participatory budgeting, gram sabhas), and many CDD projects build
electoral accountability into their leadership selection process. Thus, lessons from the evidence on village democracy could have implications for the design of CDD projects, and lessons on participatory forums in CDD projects could have implications for the design of decentralization programs. We have, consequently, chosen to treat both within the common framework of local participatory development.

1.3 Organic versus Induced Participation

Achieving participatory governance, and building civic capacity, has historically been an organic rather than a state-led process. By “organic,” we mean spurred by civic groups acting independently of government, and often in opposition to it. Organic participation is usually driven by social movements aimed at confronting powerful individuals and institutions within industries and government, and improving the functioning of these spheres via a process of conflict, confrontation, and accommodation. Such processes are often effective because they arise endogenously, within a country’s trajectory of change, and are directed by highly motivated, charismatic leaders who mobilize citizens to give voice to their interests—their grievances, their rights, and their concerns—and exploit political opportunities. Social movements demand change by confronting situations that they find untenable, and ultimately achieve their goals when they are able to influence the political process, or obtain political power. They engage in a process of creative destruction. First, they imagine a world in which social and political relationships are more equitably arranged, or at least restructured in a manner congruent with the interests of the movement; and they articulate their vision of this world to expand their influence. Then they mobilize citizens who believe in this vision to fight for the cause, often at considerable personal cost.

Organic participation is a large term that covers a variety of civic activities, and has historically been the norm for civic expression. It includes social movements that fight for greater democratic expression, and for the rights of the underprivileged, such as the American Civil Rights and the anti-Apartheid movements. It also includes attempts to build membership-based organization to improve livelihoods and living standards, such as the
Grameen Bank or Self-Employed Women’s Association in India. Organic participation may also include labor movements that form unions to protect workers, and trade associations formed to represent the interests of a particular industry.

Induced participation, by contrast, refers to participation promoted through policy actions of the state and implemented by bureaucracies. Note that the “state” here can include external governments working through bilateral and multilateral agencies, which usually operate with the consent of the sovereign state. Induced participation comes, as we have said earlier, in two forms: decentralization and community-driven development (CDD). What makes induced and organic participation different is not as much the state/non-state distinction, as that powerful institutions extrinsically promote the first usually in a manner that acts on a large number of communities at the same time; and that the second is driven by intrinsically motivated by local actors.

There is often some overlap between organic and induced participation. Governments may decentralize because of the efforts of social movements, and the designs of induced participatory programs are often build on organic models. A government may decide to scale up the efforts of small-scale organic initiatives and thus turn them into induced ones. One important question is whether efforts initiated by organic participation can be scaled up by policy interventions in the form of projects. Rather than wait for the slow process of the endogenous development of civic capacity, can policy interventions speed up the process and harness the capacity of citizens to help themselves, and improve the quality of government and the functioning of markets?

The organic development of civic capacity is a complex process—deeply imbedded in a country’s history, its internal conflicts, its conception of nationalism, its levels of education and literacy, the distribution of education and wealth, the nature of the state, the nature of economic and political markets, and a variety of other conditions. Importantly, organic participation is driven by self-motivated leaders who work tirelessly, with little compensation, and at high opportunity cost—constantly innovating, networking, and organizing to get the movement to succeed. When this complex of process of organic
change, driven by intrinsically motivated people, is turned into policy—into projects and interventions to induce participation—then it is has to be transformed into manageable, bureaucratically defined entities with budgets, targets, and extrinsically motivated, salaried staff as agents of change. This transformation is common to all large-scale, state-led policy initiatives, and has been famously characterized by Scott (1999) as “seeing like a state.” But, participatory interventions are different from other types of policy initiatives because they are based on an inherent irony—the government is creating institutions structured to resist failures in government. When government induces participation by means of projects, its agents, who are expected to implement these policies, must—often—act against their self-interest by promoting institutions whose purpose is to upset the equilibrium that gives them a considerable personal advantage. Moreover, by devolving power to the local level, higher levels of government are giving away power, authority, and finances to communities over which they may have little control.

Despite these challenges, in recent years, some countries have successfully induced participation by actively promoting participatory spaces within decentralized systems of governance. One of the best-known cases, is that of participatory budgeting in Porto Allegre, Brazil. Baiocchi (2005) outlines the history of how it came about. First, the move from dictatorship to democracy in Brazil in 1985 brought with it a process of decentralization in the form of large-scale municipal elections. The decentralization was codified in the new Brazilian constitution in 1988, which emphasized local power. Two years later, a candidate from the Workers Party, which during the dictatorship had become a leader in the citizens’ rights movement, was elected mayor of Porto Allegre. The Workers Party had been founded in 1980 as a party where “social movements can speak”. Although it had little overt political success during that period, its efforts had helped to develop civic capacity to engage. After his election, the new mayor of Porto Allegre introduced participatory budgeting; and by 2000, after some years of experimentation, participatory budgeting assemblies were drawing more than 14,000 participants from the city’s poorer classes. As Baiocchi (2005) recounts, participatory budgeting has resulted in between 9 and 21 percent of the city’s annual budget being dedicated to pro-poor investments,
including almost full sewerage and water coverage, a threefold increase in municipal school enrollment, and a significant increase in housing for poor families, among other successes.

Another important, if less than ideal, example of an entire country trying to introduce empowered participatory governance is of panchayat reforms in India; in this case, through a constitutional amendment to reform village councils - the panchayats. Prior to the enactment of the 73rd amendment in 1993, village democracy in India was extremely uneven, despite the fact that most state constitutions mandated regular village elections and gave village governments some degree of fiscal authority. The amendment addressed these problems in three ways: First, by systematizing panchayat elections, establishing independent election commissions, and giving the panchayats more fiscal authority and political power. Second, by mandating that gram sabhas, or village assemblies, be held at regular intervals throughout the year, to allow anyone in the village to discuss budgets, development plans, and the selection of beneficiaries, and to interrogate village panchayat and local administrative officials on any issue. And third, by reserving a proportion of seats on panchayats, including the position of panchayat president, for members of Scheduled Castes and Tribes (according to their share of the village population), and women (a third of all seats in the panchayat and all presidencies, on a rotating basis).

By making deliberative processes via the gram sabha a cornerstone of village government, the central authorities in India created a civic sphere that was not organically derived but, rather, sponsored by the state—in effect, blurring the boundary between the state and civil society, between organic and induced participation. By reducing its monopoly on power and altering its relationship with citizens, the government changed the terms of citizens’ engagement with the power structure. However, while a constitutional amendment sparked reforms in village democracy, the responsibility for implementing those reforms are held with state governments which makes the quality of the implementation variable, and dependent on local state politics.

Village democracy is China is another example of a centrally driven policy change towards decentralization and participation. Throughout much of China’s long history, the central
The state has ruled the countryside only indirectly. In fact, during the Ming (1468-1644) and Qing (1644-1911) dynasties, the Imperial bureaucracy extended only to the *xian* (county) level, which left control of the countryside largely in the hands of the local gentry and elites. It was not until the modern era (comprising the Republican Period 1911-1949, and the People’s Republic of China, 1949-present) that the central government consolidated its control of the countryside. Beginning with land reform in 1949 and accelerating with the collectivization of agriculture in the mid-1950s, the state established official bureaucracies at the county, township, and (through the Communist Party Secretariat and branches) village levels. Despite tight governmental control for state purposes, however, rural citizens remained marginalized when it came to social services, while the vast majority of national resources went to build cities and industry. It was not until the 1970s that administrative power was decentralized to rural communes, which were converted into townships and villages. In these new entities, the more entrepreneurial officials soon began using their new-found authority and discretion to take advantage of opportunities opened up by market liberalization; and in a few years, China’s countryside became a dynamic new source of economic growth.

Politically and administratively, however, decollectivization and the break-up of the communes left a vacuum in governance below the township level. To correct this gap, China enacted the Draft Village Organic Law (1987) and the Village Organic Law (1998), which reaffirmed villagers’ right to self-government, the popular election of local officials, and the central Communist Party’s role in village rule. These reforms recognized the village as the most important funder and provider of local public goods and services for the rural population. They vested land ownership rights in the village or collective and allocated use-rights to households on terms regulated by national law. Electoral democracy at the local level now co-exists with nominated or appointed Communist Party rule at the apex. Since 1998, the country has held direct elections to village committees, which are the organizational block of rural life and are responsible for public services at the local level. The electoral process, as enshrined in Article 14 of the Organic Law on Villagers Committees, combines popular nomination (locally called “sea votes”) with secret ballots. The design of this process was based on a series of pilots encouraged by the government in
as many as 24 provinces (Zhenyao 2007)—making China one of the few countries in the world where popular deliberations have been organized to determine electoral mechanisms.

In Brazil and India, participatory innovations were the culmination of long periods of engagement by social movements to deepen democracy which exploited, over many years, political opportunities at the center to slowly move the case for participatory democracy forward. This was not the case in China, where the introduction of local democracy was entirely the result of a technocratic decision to change policy from the center. They are therefore an administrative mandate that can always be withdrawn.

CDD interventions, unlike participatory innovations in decentralized local governments that are induced by a change in national policy, are usually packaged as “projects,” and designed as grants or loans that that work within, and are usually implemented by existing government institutions. They are, consequently, greatly influenced by the institutional structures and incentives of donors and bound by their time frames - usually three to five years. At their best, these projects attempt to speed up the rate of institutional change by nudging reforms in a direction towards which national governments are already committed. More typically CDD projects work in parallel with local governments, and often bypass them by setting up competing sources of authority within communities. Some projects have very ambitious goals – “reduce poverty by 20 per cent”, “rebuild trust”, or “enhance civic capacity”, and others have very well delineated goals that seek to introduce participation into particular arenas—such as schools with parent-teacher associations, or clinics with village health committees. Many projects that are not necessarily classified as CDD use deliberative and participatory processes for a limited objective such as selecting deserving beneficiaries for targeted programs, or forming village committees to manage the construction of a village infrastructure project, or forming micro-credit groups.

In CDD interventions the challenge is for the state agencies responsible for implementing the projects to internalize the intrinsic and instrumental values of participation, and to ensure that these projects are implemented in a manner that meet their stated intentions. If
participation is introduced to solve a principal-agent problem, where the central managers of an agency lack the information and the capacity to monitor the quality of services in local communities, then participation will likely be seen as a complement to their objectives. On the other hand, if the central agencies are enmeshed in a nexus of accommodation and capture with local elites, which would be jeopardized by effective participation, they will almost certainly see it as a threat. Moreover, in the early stages of the process participation may be more noisy than useful, and changing this dynamic requires sustained engagement, and a strong commitment from central agencies. Thus, the nature of the state affects the quality of participation, and its result. A state that is reasonably effective, and seeks to improve its ability to deliver local public goods and services, could provide an enabling environment for participation. On the other hand, a weak state deeply dominated by elites and enmeshed in structures of expropriation, and where participation is introduced because of external donor pressure, probably would not provide such an environment.

1.4 Roadmap for the Report

The scope of this report is rather large. Therefore, a few caveats on what we do, and do not do. Our emphasis is on assessing the impact of efforts to induce participation and, for the most part, we do not examine the literature on organic participation. This is not because we believe that organic participation is unimportant, but because it has not been the focus of donor funding, and because doing justice to the large literature on organic movements would make the report very unwieldy. However, we do draw on several lessons from efforts to scale-up organic movements via induced policy interventions.

To keep it manageable, we limit the focus to participatory development, and pay much less attention to the important “supply-side” aspects of governance—fiscal decentralization, taxation policy, local government procedures, and bureaucratic inefficiency. This important literature has been the subject other reports and reviews by the World Bank, in particular the series of books edited by Anwar Shah to which we direct the reader's attention (Shah 2006a, Shah 2006b, Shah 2007a, Shah 2007b).
In assessing and summarizing the evidence, we focus on large-scale participatory projects that have been evaluated based on representative samples of target populations with good counterfactuals. While much of the literature on participation tends to use a case study approach, with in-depth glimpses into a small sample of communities that has great value for understanding processes of change, only representative sample studies of large-scale projects with good counterfactuals can generate enough data to make statistically valid judgments on large-scale policy interventions. In other words, we focus on studies that have a valid control group for the communities that have been targeted (or “treated”) by the intervention. Without an adequate counterfactual, there is no effective way of attributing the observed changes to the intervention rather than to changes that might have occurred outside the intervention. Generally speaking, this means that our findings derive from econometric analysis. However, we do draw on several case-studies to develop ideas, and to illustrate our conceptual framework, and we draw on several observational studies from large samples to illustrate various key points throughout the report.

In the next chapter we elaborate a conceptual framework where we develop the notion of “civil society failure” which is key to this report. We explore the interaction between civil society failure, political failure and market failure as being central to diagnosing problems in local development. In Chapter 3 we develop some of the policy implications of this “failure triangle”, by examining its dynamics, and problems of implementation. This leads to a set of hypotheses that we derive from the conceptual framework. The evidence for and against the hypotheses we develop are explored in chapters 4, 5, and 6.

Chapter 4 focuses on reviewing the evidence on elite capture, and its relative importance within the broader context of leadership and representation within communities. It also examines the role of political and electoral incentives in determining the quality of leadership, and the local prevalence of corruption – examining whether it can be countered by better accountability mechanisms. How does inequality in communities affect the process of resource allocation? To what extent do elites dominate the process of decision making? To what extent does introducing local democracy make government more
accountable? To what extent does it change political incentives? Does devolving the allocation of funds to communities make them more susceptible to corruption and theft? Under what conditions does participation empower citizens to act in their own interests?

Chapter 5 examines the claim that participation improves the delivery of public goods and services, improves the management of common property resources, and enhances living standards. It begins by examining the effectiveness of community-based approaches in targeting the poor. Do localized projects do better than centrally driven projects in targeted private transfers to the poor? Are local projects better in allocating public goods in a manner that better matches the needs of the poor? It then looks at the impact of participation on a variety of important outcomes: common pool resources, local infrastructure, schooling, and health. Does involving communities in managing local public facilities result in improved maintenance? When common property resources are managed by communities, are they more sustainable? Does involving parents in the management of schools improve learning outcomes? When local public clinics and hospitals are overseen by individuals who come within their scope of operation, does this improve health outcomes? When citizens participate in decisions on local public goods and services, are they more satisfied with how the agents of government provide these services? More generally, are participatory projects effective in expanding livelihood options for the poor and in generating wealth?

In Chapter 6 we assess the evidence of whether participatory development can build civil society. How do deliberative processes actually work in developing countries? Is deliberation equitable, is it sustainable, under what conditions does it build the capacity to engage? Can local inequalities in power and social structure be remedied by mandating the inclusion of women and discriminated minorities in leadership positions? Does improving, and equalizing, the access to information result in better outcomes? Does participation build social capital? Does it improve the community’s capacity to monitor and sanction government? How well do participatory projects work in post-conflict settings with particularly dysfunctional states?
Finally in Chapter 7, we reflect on the first two chapters and on the three “evidence” chapters to draw implications for policy. We examine the conditions under which inducing participation may work, and when it is less likely to work. We outline some principles that should be kept in mind in designing participatory projects, and examine the extent to which World Bank projects adhere to these principles. The report also includes one Annex that assesses the quality of monitoring in participatory projects in the World Bank.
Chapter 2: Making Sense of Participatory Development

2.1 A Conceptual Framework for Participatory Development
   2.1.1 Market Failure
   2.1.2 Government Failure
   2.1.3 Civil Society
   2.1.4 Civil Society Interaction with Markets and Governments
   2.1.5 Failures at the Local Level

2.2 Civil Society Failure
   2.2.1 How Does Participation Occur?
   2.2.2 Coordination Failures in Civic Action
   2.2.3 Culture and Civic Identity
   2.2.4 Inequality and the Risk of Elite Capture
   2.2.5 Group Composition and Collective Action
   2.2.6 Information Failures
2.1 A Conceptual Framework for Participatory Development

Despite the recent upsurge in interest, participatory development policy is beset with a lack of conceptual clarity. Allocations of many millions of dollars are justified by little more than slogans; e.g., “empowering the poor,” “improving accountability,” “building social capital,” “improving the demand side of governance.” Part of the conceptual challenge lies in understanding what these notions mean, how they fit within broader conceptions of development policy, and how they differ across diverse contexts and over time. Just as other development interventions are now seen as responses to market or government failures, conceptual clarity would be facilitated by trying to understand participatory interventions as responses to a development failure. While we do not and, perhaps, cannot, give all these complex issues an entirely satisfying and comprehensive treatment, we will attempt to outline a framework within which to think about some of them.

We begin by briefly reviewing the concept of market failure, since it has become the key construct by which development policy is justified. We then review the extension of the basic notion of failure to the state, and look at government failure. This leads us to a discussion of civil society, which we view primarily as individuals acting collectively in the civic sphere; this allows us to define and characterize the key idea of civil society failure. We then outline how a vibrant civil society can help mitigate market and government failures, and go on to illustrate how the interaction of markets, government, and civil society failures affect local development. In discussing the policy implications of this framework, we argue that participatory development interventions can, for the most part, be understood as attempts to repair civil society failures. This framework then leads to some challenges, concerns, and hypotheses which we assess using evidence from across the disciplinary spectrum.

2.1.1 Market Failure

Markets fail when they are not able to allocate resources efficiently; when prices for goods and services are not determined in a manner where scarce resources are optimally
allocated. While inequality and poverty can co-exist with efficient markets, market failures exacerbate poverty traps and inhibit growth. Therefore, in theory, correcting or repairing market failures can help economies to generate a bigger pie, and – in situations where the market failure disproportionately affects the poor - to allocate a bigger share of that pie to the poor. Correcting market failures is thought of as one of the central challenge of development (Hoff and Stiglitz 2001, Devarajan and Kanbur 2005), with the other focused on distribution and – in particular – ensuring that the poor benefit from development processes.

Many market failures are caused by externalities, where the interdependence of economic agents is not mediated via market transactions. Consequently, in economic language, marginal private costs and benefits do not equal marginal social costs and benefits. In other words an exchange of goods and services between two individuals has consequences, either positive of negative, for other people who are not involved in the transaction. Negative externalities describe situations where consumers pay more for a good or service than the benefit they gain from it. Examples of this would include commodities produced by polluting industries, where the health and psychic costs of pollution to the consumer are not reflected in the price of the good. Positive externalities describe situations where a transaction results in consumers benefiting more than what they pay for. Examples of this would be spillovers from research and development, or the benefit that farmers receive from beekeepers whose bees help pollinate crops. Positive externalities lead to goods and services being under-produced while negative externalities tend to be overproduced.

Coordination failures, are a special case of externalities, where the failure of individuals “to coordinate complementary changes in their actions leads to a state of affairs that is worse for everyone than some alternate state of affairs that is also an equilibrium.” (Hoff 2000). In other words when actors in a transaction are unable to reliably connect and coordinate with one another, they often are forced into situations which makes at least one of them worse off without making the other better off. To quote Matsuyama (1995), “The task of finding out which activities should be coordinated is not unlike the problem of hundreds of people, scattered in a dense, foggy forest, trying to locate one another.” The market, in
practice, is not always able to solve this problem, for a variety of reasons; e.g., formal and informal institutions to enforce contracts either do not exist or are unreliable, making transactions unpredictable and subject to manipulation and rent seeking.

Another important cause of market failure is the existence of constraints in the distribution of information. When information is asymmetric—i.e., when some producers or consumers have more information about goods and services than other producers and consumers. Consider, for instance, a situation where commercial banks simply do not have the information they need to provide loans to poor clients—information such as a client’s access to collateral or her capacity to repay. This lack of basic information, which is often a more serious problem in poor communities where collateral is limited, much economic activity is informal, and many assets are not titled, causes a medley of other problems such as giving some lenders a monopoly over the provision of credit. This in turn substantially raises interest rates for borrowers and severely constraints their access to credit. Or think of a firm in an isolated country, unaware of a new technology that is sweeping the rest of the world that could drastically reduce production costs. Or think of the problem of insider trading, where some market participants have information about a firm that has a bearing on its stock price, thus making the market for that stock for inefficient and inequitable.

Note, however, that poverty and inequality can prevail even in the absence of market failures. Market efficiency does not imply that the outcomes produced by markets must be equally distributed and inequities can emerge from the unequal distribution of endowments such as wealth and ability. Thus, concerns about the distribution of wealth and income are also driven from a concern with justice and human rights. But we also know that, in many situations, market failures are reinforced by poverty and inequality traps. A highly unequal distribution of resources can amplify the effects of market failure such as failures of credit and labor markets, and can also lead to highly skewed distributions of power or social status that are resistant to change leading to poverty traps.

A poverty trap is a situation in which mechanisms such as credit market imperfections, corruption, dysfunctional institutions, or increasing returns to investments in health,
education, or physical capital, cause a group of people and their descendants to remain in a perpetual state of poverty. In an inequality trap, by contrast, the entire distribution is stable, because—as noted in the 2006 *World Development Report: Equity and Development*—the various dimensions of inequality (wealth, power, social status) interact to protect the rich from downward mobility and prevent the poor from being upwardly mobile (World Bank 2005, Rao 2006). The unequal distribution of power between the rich and the poor—between dominant and subservient groups—helps elites maintain control over resources and reduces the potential productivity of the poor. Credit and capital market failures tend to have a disproportionate impact on the poor, and asymmetries in information can both be caused by and perpetuate inequalities in income and power.

Consider, for instance, an agricultural laborer working for a large landholder. Illiteracy and malnourishment are likely to make it very difficult to break through the cycle of poverty. But she is also likely to be heavily indebted to her employer, which puts her under the landholder's control. Even if there were laws in place that make it possible to challenge the landholder's dictates, she is illiterate and therefore has difficulty navigating the political and judicial institutions that would help her assert her rights. In many parts of the world, this distance between landholders and laborers is compounded by entrenched social structures—landholders typically belong to a dominant group defined by race or caste, while tenants belong to a subservient group. Since members of these groups are prevented by social norms and networks from inter-marrying, group-based inequalities are perpetuated across generations.

To summarize, development is often thought of as being a problem of failed markets – the existence of externalities, and failures of coordination and information. Inequity, which can co-exist with perfectly functioning markets is, thus, a concern in its own right. However, it can combine with market failures to magnify inefficiencies, and result in situations where the aggregate loss in welfare is disproportionately borne by the poor. All this provides a rationale for government intervention where it can intervene in ways that improve outcomes – for example by providing goods and services such as health and education, or providing credit and insurance to communities, where markets are unwilling or unable to
do so; or to engage in land reform or other equalizing interventions to correct for poverty and inequality traps.

2.1.2 Government Failure

The concern with looking to government to solve market failures, is that problems of coordination, information asymmetry and inequality also characterize the government. Government failure occurs when a policy or political intervention makes resource allocation less efficient than the outcome produced by the market (Besley 2006). It is useful to distinguish government failures, which are common to all political systems, from political failures, which are government failures within a democratic framework. As with market failures, government and political failures are related to failures in information and coordination.

Information failures. The classic information failure in governance is “ignorance”—the inability of a government to know the preferences of its citizens. Ignorance results in the misallocation of resources—e.g., providing schools where clinics are needed, building roads that head off in untraveled directions, leaving septic tanks to fester. Decentralization is often seen as a solution to this problem, since bringing government closer to the people increases the public’s access to information and increases the government’s knowledge of people’s preferences. Another cause of government failure is information asymmetries where one set of agents have more information that another set while engaged in a transaction. A notable example is when governments keep vast amounts of information that citizens cannot access—details about contracts for public projects, budgetary allocations, lists of people under detention.

Coordination failures. Governments are also continually subject to various types of coordination failures, which result in some people being unable to influence decision making, while others have undue access to state favors via lobbying and corruption. Coordination failures can also arise when incentives in the political system prevent good candidates from running for office, resulting in societies being managed by less than
effective leaders; or when polarized sets of preferences result in inaction (i.e., a failure of collective action). Coordination failures can create endemic problems such as absenteeism among public service staff, which disproportionately affect schools and clinics in poor and isolated communities (World Bank 2003). They can also result in a “loss of the monopoly over the means of coercion” (Bates 2008), making nations subject to civil war and ethnic strife.

**Inequity.** Just as in the case of market failure, the burden of government failure frequently falls disproportionately on the poor. Poor and illiterate people tend to suffer from vast gaps in information about laws and government procedures—and consequently, government constantly fails them. In relatively stable societies with deep-seated inequalities, the rich are likely to use their influence to control the reins of power; while in cases of complete state failure, politicians can use their power to extract resources from the poor and powerless, thereby transforming the state into “an instrument of predation” (Bates 2008).

One of the challenges of development is to understand where, when, and how to balance the power of the state with the freedom of markets. Can governments solve market failures and redress inequities in a manner that does not worsen market efficiency? Can markets take over the provision of services such as water supply, health, and education, that failed governments are unable to provide? Can governments provide credit and insurance in underserved areas where markets will not enter? What level of government regulation will optimally solve information and coordination problems while not impeding the potential for sustainable growth? Since markets and governments are fundamentally interconnected, the challenges of information and coordination influence not just failures within markets and governments but also the links between them. Institutional economists have demonstrated that effective development occurs when institutions exist that are able to effectively resolve market failures, and when inequality is addressed in a manner that is conducive to long-run inclusive growth (Acemoglu and Robinson 2006, World Bank 2005).

Figure 2.1 illustrates the interaction between markets and governments in a simple diagram. They each have their own spheres in which they interact with people as
consumers, clients, or citizens. Consumers make purchases in the market, markets provide services to consumers, and in well-functioning markets, competition ensures accountability. Governments provide services to clients who, in democratic systems, hold them accountable via elections. Markets, in turn, interact with governments in different ways—governments purchase goods and services provided by the market, while markets try to influence governments through political processes and unofficial channels. Governments, in turn, interact with markets by providing public goods, regulating the access of markets to international trade, their capacity for expansion, and the quality for their products.
Figure 2.1: Interaction between Markets and Government

The state corrects and compensates for market failures, and markets provide goods and services to the state.

The state provides individuals and households with goods and services, individuals act as clients of the state.

Individuals purchase goods and services from markets, and firms compete to provide these goods and services to consumers.
2.1.3 Civil Society

The fundamental goal of local participatory development is to build an effective local civic sphere. The philosopher Jurgen Habermas (1991) argues that civil society is activated by a “public sphere” where citizens, collectively and publicly, create a “third space” that engages with states and markets. Thus civil society is symbiotically linked to the effective functioning of markets and governments.

An effective civil society is the social arena where citizens participate, where they voluntarily organize to work toward their collective benefit. In other words, civil society is the space where individuals turn into citizens. The term is often used interchangeably with non-governmental organizations, but civil society is much more than a collection of NGOs. As defined by the sociologist Jeffrey Alexander (page 4, 2006), ideally, it is “a world of values and institutions that generates the capacity for social criticism and democratic integration at the same time. Such a sphere relies on solidarity, on feelings for others whom we do not know but whom we respect out of principle, not experience, because of our putative commitment to a common secular faith.” Any collective effort to voluntarily mobilize citizens with shared values toward a common goal—consumer cooperatives, credit groups, neighborhood associations, religious organizations, social movements of various kinds, producer cooperatives, and a variety of formal and informal associations and advocacy organizations—is arguably a civil society activity. Note that effective civic action can also have harmful consequences for the average citizen; particularly when multiple groups with competing interests co-exist within the same society. For instance, when a fringe group is able to impose its beliefs on society at large by effectively mobilizing its members and cowering the majority into submission (Kuran, 2004).

Following Habermas, contemporary historians have increasingly recognized how fundamental civic action is to the development process. Bayly (2004, 2008) shows that poorer countries that have had high rates of growth in recent years, such as India and China, did not simply borrow Western ideas and technologies, but indigenized those ideas and ideologies via a group of highly educated elites who served as peer educators and
activated the civic sphere. In India, for instance, liberal leaders created an *ecumene*, a public sphere, beginning in the early 19th century that laid the foundation for the vibrant civic and democratic life of the country today. McCloskey (2006) and Mokyr (2010) have argued that the creation of an entrepreneurial class requires the development of networks and discourse that foster “bourgeois virtues,” which in turn facilitate the development of innovation and capitalism. In other words, an active and effective civil society allows citizens to engage with governments and markets, to hold them accountable, and to generate a culture that facilitates economic and democratic activity.

In their ideal state, the three spheres, while complementary in their functions, have competing ideological bases: civil society is organized around collective action— with justice, fairness, and other social norms as core goals—; and, ideally, the key principles of reciprocity, open criticism, and debate. Markets, on the other hand, are organized around individual actors following individual goals, with the goal of maximizing profits and generating wealth. Firms, within markets, depend on a hierarchically organized division of labor, rather than equality, to meet their goals. Governments are organized around politics, the goal of which is the reproduction of power, and they depend on authority and loyalty to function. All three spheres are needed to balance each other—to create a virtuous cycle. Market and government failures, and inequity, thrive in the absence of an active and engaged civil society, and civil society failures can exacerbate market and government failures. When the three spheres are equally healthy, they work in concert; the unequal tendencies of the market are balanced by the equalizing valance of the civic sphere, and the tendency of governments to monopolize power is balanced by pressures for accountability and openness that come from civil society.

### 2.1.4 Civil Society Interaction with Markets and Governments

Civic interaction with markets and governments is often conflictual—being held accountable, answering uncomfortable questions, responding to requests from mobilized groups of citizens is often costly and unpleasant to those at the receiving end of such attention. Absent appropriate regulation, markets would be motivated by profit
maximization and, in many cases, such as monopoly or oligopoly, the short-term interests of the firm or industry would not coincide with the best interests of citizens. Similarly, the interests of political leaders, in the absence of civic accountability, would be to hold on to power, capture rents, and preserve the existing hierarchy. Civic action thus is almost never smooth; to be effective, it has to introduce constraints into the decision making processes of governments and markets that cannot be ignored and that often force them to act against their private interests by reducing profit margins or power.

In its interaction with markets, a well-functioning civil society acts first as a watchdog—via consumer groups, for instance, that highlight firm behaviors detrimental to consumers. These range from issues of safety, such as food and drug adulteration, to unethical, inefficient, and inequitable behaviors such as collusion, and price fixing. Pressure from civil society groups has been responsible, in many parts of the world, for the establishment of agencies to regulate drugs, food, automobiles, and corporate behavior. When they function well, civil society groups also watch out for egregious inequities, such as discrimination in hiring practices, or price discrimination against particular groups or communities. The civil rights movement in the United States, the Arab Spring in Tunisia and Egypt, the Solidarity movement in Poland, and the pro-democracy rallies in Iran, are archetypal examples of civil society activity. Thus, civil society can be a source of countervailing power that acts as a check on government. This is usually a good thing, but can sometimes be socially detrimental - for example when vigilante groups attempt to impose unpopular points of view with reigns of terror, or when the state is captured by extremists.

In addition to their watchdog function, civil society groups play a direct role in generating economic activity; micro-finance organizations that provide the poor with access to credit are examples of this. Moreover, an active civic sphere can help create an enabling environment for the rise of an entrepreneurial class, by facilitating social networks that transmit information and creating collectives to help with credit and insurance. Trade groups such as farmers’ cooperatives, industry federations, and ethnic networks that help migrants with credit and jobs, are all examples of civil society activity.
An engaged civil sphere is even more critical to good government. If government is transparent and accountable it is transparent to, and held accountable by, civil society and “voice” is the collective expression of civil society. Civil society works much more effectively when it is cohesive—when it has a high capacity for collective action, which is central to the functioning of an effective state—because cohesion gives citizens the capability of engaging effectively with the state. Some scholars follow Putnam (1993) and others in calling this capacity “social capital.” In our view, this term dilutes the idea of an engaged public sphere into something conceptually much weaker, making it overly simplistic and therefore less effective as a guide for policy (Mansuri and Rao, 2004).

Markets interact with civil society in various ways; for instance, by providing them with information or attempting to influence them—including by generating the funding needed for the creation of civil society organizations that serve their interests. Governments engage with civil society in similar ways, providing them with information and attempting to influence them and control them—including through rules that prohibit rallies and political organizing. Governments also attempt to nurture, and even create, civil society activity in order to jump-start a participatory development process.

These ideas are represented in Figure 2.2: When citizens engage collectively with governments and markets, they are participating in civil society activity. Individuals contribute time, money, ideas and effort into collective engagement of this kind. However, these contributions occur within particular institutional and ideological conditions that foster participation – some of which are more conducive to participation than others. Collective activity – coordinated across a variety of civil society organizations – helps keep markets and governments accountable via economic, social and political processes.
Figure 2.2: Interactions between Markets, Government and Civil Society
2.1.5 Failures at the Local Level

Civil society, markets, and governments interact at different levels—global, national, subnational (state/district), and local (city/village). Each level has a unique set of challenges, modes of operation, and incentive structures. While markets can, obviously, operate at all three levels, market failures work differently in each of the spheres. Market failures in the global sphere require global coordination and regulation to correct—the role that, for instance, the World Trade Organization (WTO) attempts to perform. Market failures at the national level are the concern of governments and national reserve banks. Market failures at the local (village and neighborhood) level may be addressed by local approaches such as micro-credit and micro-insurance. Furthermore, the appropriate region may be sharply different for different types of market failure—e.g. river basins for water management problems between countries, or multinational airsheds for pollution problems like acid rain.

Similarly, government operates at different levels. Concerns about global governance are addressed by the United Nations system and by negotiations across governments. Within the context of nation-states, however, the principle of subsidiarity tells us that the functions of government should be allocated to the levels that are most competent to handle them. Clearly, functions such as national defense, foreign policy, and inter-state relations cannot be sensibly decentralized; and in allocating other functions to local levels, a few trade-offs need to be considered (Bardhan and Mookherjee 2006). On the positive side, local governments can be better informed about citizen preferences, and are better able to respond to the needs of citizens because of better information and lower transaction costs. But there are disadvantages as well: local governments may have difficulty coordinating decisionmaking across different communities (owing to inter-community externalities or spillovers), and decentralization also leads to a potential loss in scale economies.

Thus the optimal design of decentralization requires trading off the advantages of better aligned incentives with the disadvantage of more challenging coordination problems.
Generally speaking, the provision of local public goods may be best decentralized when preferences and needs for the good are highly variable and heterogenous. When the public good or service requires a high degree of responsiveness to community needs, or is highly subject to time-varying preferences, and has low inter-community spillovers and low economies of scales; or when it requires a great deal of local knowledge, then responsibility for managing that public good should be given to local governments. Public goods and services that might fall into these categories include common resources such as water bodies and forests, local sanitation, local irrigation canals, and village roads. Conversely, if a public good is homogenous and has high economies of scale because it requires a high degree of technical expertise or central coordination, then it should be centrally managed—think of national vaccination campaigns or national highways.

The decentralization of government functions could, however, merely result in the decentralization of government failure. Local governments can fail for a number of reasons, including the absence of democratic mechanisms by which voters can communicate preferences, the lack of effective political competition, and the lack of coordination among citizens, or, in other words, civil society failure. As a consequence, policies will tend to reflect the views of those in power, and the lack of accountability will result in corruption, inappropriate selection and monitoring of projects, and a lack of responsiveness to citizens (Besley 2006, Bardhan and Mookherjee 2006). Thus, in making decisions to decentralize in developing countries, it is important to understand the nature and degree of government failure at different levels of government, and to balance these considerations with prescriptions that derive from old-fashioned, politics-free, economic theory.

Just as markets and governments operate at different levels, so does civil society. Most political theorists generally think about civil society as operating within the level of nation-states, in the context of national politics (Alexander 2006), although in recent years there has been an increasing recognition of a “global public sphere” and global civil society; think of the movement for climate change, or the protests against “neo-liberal” development institutions that promote “market fundamentalism.” A vibrant civil society at the national
level is important not just for its own sake—to make effective citizens—but also for repairing market and government failures. Social movements have made markets accountable by exposing systematic failures in particular industries (e.g., Ralph Nader’s highly successful efforts to improve safety in automobiles); equalized the rights and welfare of excluded social groups (the movement for indigenous people’s rights, anti-Apartheid activism in South Africa); and pushed for greater democracy and openness in government (the pro-democracy movement in Indonesia, the right to information movement in India). The larger development challenge is to build a virtuous circle of checks and balances among markets, governments, and civil society that compensate and correct for the weaknesses in each sphere.

Our concern here is with the local civil sphere—groups of citizens who organize themselves into collectives to hold the local state accountable; assist with the functions of government (school committees, public village meetings in the context of local governments); remedy market failures such as lack of access to credit or insurance (micro-credit and micro-insurance groups); and help to directly manage common resources (forest management groups, water users groups). If government functions are decentralized to the local level, it is important to have citizens groups that watch out and correct for local government failures by a process of active engagement. However, local civil society can also have important linkages with a national civic sphere. Following Rousseau and John Stuart Mill, local governments, community organizations, and local civic groups are thought to be a training ground for civic activity. If several little local *ecumenes* develop, and are able to connect with and learn from one another via the exchange of ideas and methods, and provide support to each other, then these little groups have the capacity to shift civic culture; to activate a national civic sphere.

### 2.2 Civil Society Failure

We now turn to the question of civil society failure, which can be broadly thought of as a situation where collective participation operates in such a manner that it results in a net reduction in efficiency\textsuperscript{viii}. This could happen because of a group’s inability to act
collectively; i.e., a group of individuals is unable to coordinate their actions and make collective decisions that would make them better off than if they all acted in their individual best interest—as in the “tragedy of the commons.” Or, as we pointed out earlier, it could happen when one sub-group is able to mobilize collectively to further its interests, while other sub-groups with opposing interests are unable to do so, with the result that the welfare of the average citizen is reduced.

Civil society failures can be broadly classified—adapting language from the social capital literature—into “bonding” failures and “bridging” failures. Bonding failure occurs within the bounds of the civic community in a manner that is not related to its connection with the state or with markets; this happens when, for instance, a village is unable to collectively manage its common property resources, or when it degenerates into persistent inter-group violence. Bridging failures occur when citizens are unable to organize themselves to correct for market and government failures that have a direct bearing on the lives of citizens; failures of accountability and voice are bridging failures. In many instances, bonding civic activity acts as a substitute for state management of the provision of public goods; e.g., the use of collective “client power” to bypass government and directly produce public goods and services. Conversely, bridging civic activity complements the activities of states and markets by correcting their failures. While the cohesive and communicative elements of civil society activity often overlap, the rhetoric behind participatory development often does not clearly distinguish between them, which can lead to muddy policy.

2.2.1 How Does Participation Occur?

Participation occurs in two stages: First, individuals have to decide to participate in civic groups; and second, groups have to be able to resolve the challenges of collective action and act with a common purpose. Failure can affect both individual incentives for participation, and the group’s capacity for collective action. There can also be varying degrees of institutional receptivity to participatory activity; for instance, a country that is transitioning from dictatorship to democracy and trying to build participatory institutions clearly has improved its institutional receptivity to participation. By contrast, an
authoritarian country that functions by suppressing voice and dissent has a low receptivity
for participation. Even in authoritarian societies, however (think of recent events in Egypt,
or Apartheid South Africa), there may be some nascent vulnerabilities in the political
structure that can be exploited by change activists, and if those vulnerabilities increase
(say, because of international pressure) the receptivity for participation would increase as
well. In the literature on social movements, this is referred as the “political opportunity
structure” (Kriesi 2007); and such structures can either be “open” or “closed”—by either
allowing easy access to the political system or making access difficult. Effective civic action
requires that groups have enough information to identify and gauge political opportunities,
and then are able to mobilize citizens in a manner that takes advantage of them. We
expand on these concepts in the following section.

Individuals participate in civic activities for, broadly, three types of motives: instrumental,
ideological, and identity based. Instrumental motives have to do with the economic and
political benefits the individual may gain by participating. For instance, if a community
development project comes into a village with funds for building local infrastructure, then
an individual may participate in meetings associated with the project in order to gain
access to the funds to repair a road outside her house. Or an individual may vote in a local
council election in order to help get a corrupt politician out of office. Ideological reasons
have to do with adhering to a shared belief; for instance, in some countries nationalism is
strongly tinged with the ideology of communitarianism, making participation in
community projects an expression of patriotism. Identity-based reasons have to do with
social or religious identity; participating in building a mosque or church, or mobilizing a
caste group to fight for greater dignity within a village.

To be weighed against such benefits, people face costs and other constraints. The most
obvious have to do with the opportunity cost of time—wages, employment status, family
obligations, wealth, assets, and so on. There are also social costs: participating in
development activities could take time away from organizing a village festival, or could
violate social constraints by engaging women or members of discriminated groups in
public activities proscribed to them. There may be psychic costs as well; a low-caste group
may have internalized discriminatory ideologies due to years of oppression, making it particularly challenging to mobilize them for development activity; or a community may have an entrenched habit of receiving free benefits from the state instead of exerting physical labor in order to obtain those benefits, and changing this behavior may involve psychic in additional to economic and physical costs. Individuals, embedded in their particular social groups and networks, will balance all these costs and benefits before deciding to participate.

The decision to participate, however, is not merely an individual decision, since civic activity is most effective—perhaps only effective—when done collectively. While an individual may want to participate, the group to which she belongs may be unable to come to a collective decision. Thus, the supply of participation by groups—which is the classic challenge of collective action—needs to be distinguished from individual participation. Further, an individual’s decision to participate is deeply connected to the group’s ability to cooperate; if the individual believes that the group will be ineffective or unable to reach consensus, she will be less inclined to participate.

Mancur Olson (1965) theorized more than 40 years ago that without coercion or some other special device to make individuals act in their common interest, “rational self-interested individuals will not act to achieve their common or group interests.” Olson was concerned with “exploitation of the great by the small,” because those with smaller interests in a public good would tend to “free ride” on the efforts of those with greater interests.

Under what conditions will a group of people cooperate with one other? Under what conditions will they trust each other enough to believe that the promises they have made to one another are credible? Ostrom (1990), basing her analysis on field observations that demonstrate the success of collective action in commons management, emphasizes the role of social institutions that generate norms, impose sanctions, and improve the incentives for collective action. Arguing against a general theory of collective action, she contends that particularities matter a great deal, but postulates a set of “design principles” that might
serve as a guide. These include clearly defined boundaries to the commons with a defined community associated with the resource; rules to manage the commons that are appropriate to local conditions; arrangements to manage collective decisions, which are themselves subject to collective negotiations; gradated sanctions, with higher sanctions for repeated or more egregious violators of rules; low-cost and widely accepted mechanisms to resolve conflict; and the absence of excessive government interference. It is important to keep in mind that in deriving these conditions, Ostrom was specifically thinking about common-pool resource management, and her carefully delineated arguments do not necessarily apply to the wider issue of local participatory development.

Incorporating these insights and summarizing work by game theorists on collective action over the last four decades, Dasgupta (2009) identifies the two basic conditions required for people to cooperate:

1) At every stage in the agreed course of action, it is in the interest of each party to plan to keep her word if everyone else keeps her word.

2) At every stage of the agreed course of action, each party believes that all others will keep their word.

The first condition acts to self-enforce promises by ensuring that promises made by one person are expected to be reciprocated by others. This is not sufficient, however, because even if the first condition were met, it is still possible that every agent believes that everyone else would act opportunistically. If so, then everyone would think that it is in their best interest not to cooperate. Hence, condition (2) is needed to generate trust, by ensuring that everyone believes that everyone else will keep their word. Conditions (1) and (2) together generate a system of self-enforcing beliefs which facilitate collective action.

What, then are the conditions, the social environments, which ensure that conditions (1) and (2) hold? When are promises that people make to each other credible, hence ensuring cooperation? First, people may belong to “cultures,” relational environments that generate ideologies and preferences conducive to collective action. These include:
1) **Mutual affection.** If parties care about each other sufficiently and each one knows that the other cares about her, this facilitates coordination.

2) **Pro-social disposition.** If people trust each other enough to know that any promises made are credible even in the absence of mutual affection, the group has strong ties that generate loyalty. Loyalty of this kind can be shaped by group-specific culture and upbringing—when members of a community internalize norms of cooperation to the extent they feel shame or guilt by not cooperating. Loyalty can also arise because of the presence of social norms that prescribe punishment for those who do not have pro-social disposition to the group, which amounts to the same thing as group loyalty.

Other than such cultural reasons, there can be a set of incentives in place to ensure cooperation. People would keep agreements if there were a “cooperative infrastructure”; a set of institutions in place that would ensure that keeping promises was in the interest of each party if everyone else were to keep them. Three types of cooperative infrastructure can be identified:

3) **External enforcement.** Agreements made within the group can be externally enforced. This requires an explicit contract enforced by an established structure of power and authority; e.g., the state and its legal institutions or, in the absence of a formal state, a traditional leader such as a chief, warlord, or head of a traditional *panchayat*. The external enforcer does not necessarily have to act. The fact that such enforcement exists will lead people to make credible commitments to one another; promises made will be bootstrapped together by the belief that they will kept. The irony here is that collective action can be more successful in the presence a successful state, and conversely, state failure can reinforce failures in civic action, just as civil society failure can reinforce state failure. When the external enforcer cannot be trusted to enforce agreements, the parties will not trust each other enough to enter into collective agreements, which could result in non-cooperation.

4) **Reputation as a capital asset.** Even in the absence of external enforcement, if there is a strong enough reason for individuals to value their reputation for keeping promises, then
they will keep them. Reputation becomes a capital asset for reasons of status, maintaining an ethical code, or because the individual wants to preserve long-term relationships.

5) *Long-term relationships.* In a long term relationship, reputation becomes a capital asset after one transaction is completed, to enable individuals to enter into other credible contracts. Agreements, therefore, are mutually enforced. To achieve functioning social relationships, the community might impose stiff sanctions on anyone who breaks an agreement.

In practice, 3), 4), and 5) could blend into each other, since what all these solutions have in common is the imposition of collective sanctions on those who intentionally do not comply with agreements. However, as Dasgupta (2009) points out, “a credible threat of punishment for misdemeanors would be an effective deterrent only if future costs and benefits are not discounted at too high a rate relative to other parameters of the social environment.”

Therefore, in situations where individuals are forced to become myopic—for instance, in periods of civil conflict or social disruption—such self-reinforcing norms may be rendered ineffective, leading to civic failure (Coate and Ravallion, 1993). On the other hand, the capacity for cooperation can be enhanced if individuals are bound together in multiple social, economic, and political relationships. For instance, if the mutual provision of credit and insurance depends on norms of obligation and cooperation, which in turn depend on commitments for marriage or political support, then the violation of one interaction would result in a collapse of all the others. Thus, inter-linked agreements make cooperation robust. They may, however, also make them deeply inequitable. Highly hierarchical societies, such as those in rural India or West Africa, which depend on elites enforcing norms and “taking care” of others lower in the social hierarchy, may make such societies both highly cooperative and deeply ridden with inequality traps.

Having reviewed the underlying conditions that facilitate collective action, we introduce the concept of civil society failure. What makes civic participation effective in some contexts and ineffective in others? What are the challenges the local communities face in
activating their capacity for collective action? We begin by thinking about coordination failures, since this is likely to be the most important source of civil society failure.

2.2.2 Coordination Failures in Civic Action

An important reason to devolve decisions to the local level is to reduce coordination problems by allowing those most affected by projects to directly manage them. However, such devolution by no means implies that coordination failures will disappear. Following from the discussion above, coordination failures at the local level have two main causes: the lack of a cooperative infrastructure; and the absence of a mechanism to help ensure that individuals in a group have altruistic, or common, preferences; i.e., “pro-social dispositions.” To reiterate, cooperative infrastructure refers to institutions that would make individuals’ promises to the collective credible—when it would be in the interest of each party to keep her promises, if everyone else were to keep theirs. Let us look at the consequences of the lack of a cooperative infrastructure on “bonding” and “bridging” civic action.

Think of the challenges of setting up a project that encourages a community to sustainably manage a local forest. For the project to work, individuals in the community would have to agree to restrict their harvesting of trees from the forest. They would also have to participate in activities such as policing forest grounds to prevent outsiders from poaching resources, and planting and nurturing trees. If every individual were left to her own devices and did not engage in collective action, a tragedy of the commons would set into motion and deforestation would rapidly occur, which would destroy local livelihoods. This would be an example of “bonding” civic failure. On the other hand, many forest communities around the world have over centuries evolved strong norms of collective action to manage common resources, thus setting up an effective cooperative infrastructure.

Consider the difference in what would happen if a development project were attempted in the presence and absence of a cooperative infrastructure. Say the project wants to improve
the collective management of forest management by setting up a community-managed fund. Let us also say that the fund would provide financial incentives for individuals to cooperate by compensating them for income lost by the limitations on their harvest. Clearly the fund would be far more effective if there was a traditional leader present who was in complete agreement with the aims of the project, considered honest and beyond reproach, and with the authority to enforce agreements made between individuals and the fund. Similarly, if the community had evolved a method by which promises were rendered credible because each individual believed the promises made by every other individual, based on long-term ties and a strong belief that violating promises would result in ostracism from the community, this could also create a favorable environment for the fund. Ideally, the fund would introduce enough additional incentives within this favorable cooperative environment to sustain cooperation during periods of change and vulnerability. On the other hand, in the absence of an authority figure or strong long-term ties within the community, the fund would degenerate into a haven for rent-seekers, creating a bonding “failure.” Thus the authority figure, and the long-term ties that come from repeated interactions among individuals in the community, are both examples of effective cooperative infrastructure.

Weak cooperative infrastructure can also result in bridging failures. Consider a decentralized program in which a village council is given the authority to select beneficiaries for a centrally managed anti-poverty program. It is also mandated that beneficiary selection should be vetted in open village meetings, where anyone in the village can question the choices of the village council. This is an attempt to use local participation and local knowledge to improve poverty targeting, create links between villagers and the central government, and hold local governments publically accountable. If the central government were weak and its functionaries—the bureaucrats who manage the project in local areas—corrupt, then decisions made in the village meeting would not be enforced. If this were the case, villagers would decide not to waste their time participating in such meetings, because the benefits simply would not be worth the cost. Thus, the anti-poverty project’s attempt to foster participatory, community-based targeting, would fail because of a weak state’s inability to enforce collectively made decisions.
State enforcement could matter in “bonding” civic action as well. If the management of common-pool goods requires communities to follow laws and regulations passed by the state, and if those laws and regulations were poorly enforced, then there would be no incentive for the community to follow the law. There are at least two possible consequences to this. If the community had strong norms of collective action, then it would revert to traditional forms of resource management. If not, the common resources would be privatized and allocated according to the interests of the most powerful.

An interesting example of how cooperative infrastructure helps facilitate participation in the decentralization process comes from Tsai’s (2007) work on China. Tsai asks a simple question: how do we explain variations in public goods provision in the absence of formal institutions of accountability? The Chinese state has decentralized to local governments the primary responsibility for the provision of basic public goods and services such as road construction, drainage systems, irrigation works, primary school facilities, and sanitation. Analysis shows that some village governments provide their citizens with outstanding public goods and services, while others provide barely anything at all. What explains this variation? Tsai’s answer: the presence of local “solidary” groups in some villages that provide informal institutions of accountability, and the absence of such groups in villages with lower levels of public goods provision. A solidary group is a collection of individuals who share moral obligations and interests. Of the three types of groups that she delineates—village temple groups, village churches, and lineage groups—only temple groups and some lineage groups have the two structural characteristics that crucial to Tsai’s argument: (a) the group must be encompassing (open to everyone under the jurisdiction of the local government); and (b) it must be embedding (incorporating local officials into the group as members). “When the boundaries of a solidary group overlap with the administrative boundaries of the local government, embedded officials have a strong social obligation to contribute to the good of the group” (Tsai 2007, 356). In groups with embedded officials, the incentive for accountability is an amorphous sense of moral standing or prestige for good public goods provision.
This thesis is quite different from the idea of civic “social capital.” Whatever “social capital” such groups might have, those that do not meet the “embedding” criteria—the church groups—are not able to hold village officials accountable for public goods provision, since Party members are prohibited from membership. On the other hand, village temple groups can be both encompassing and embedded and are thus able to serve effectively as informal institutions of accountability. Lineage groups only marginally play this role, since their segmentation makes them less cohesive.

A more daring claim made by Tsai is that neither bureaucratic institutions of top-down control nor democratic institutions seemed to have a sizeable positive effect on village governmental public goods provision. Her suggestion is that “implementation of elections does not guarantee good governmental performance, especially when other democratic institutions are weak” (Tsai 2007: 370).

In countries with strong traditions of electoral democracy externally induced improvements in the cooperative infrastructure that come from the state, such as improved enforcement of laws, or decentralization programs with strong participatory elements, can substantially improve the quality of participation. Consider the case of the South Indian state of Kerala. Kerala has a long history of egalitarian social programs emphasizing education, health, and women’s equality, but until 1996 these were mainly top-down programs directed from the state capital. While Kerala is blessed with a literate and engaged electorate, participation was restricted to the political sphere and to membership in unions.

Following passage of a constitutional amendment in 1993, which mandated that state governments devolve resources and powers to democratically elected village councils (gram panchayats), Kerala began to plan and initiate a radical and deeply participatory program of decentralization (Heller and Thomas 2003). The program rested on three pillars: It devolved 40 percent of the state’s development budget to village councils; devolved substantial powers to these councils; and instituted an extensive People’s
Campaign—a grassroots training and awareness-raising effort to inform citizens about and energize them to participate in the panchayat system.

The Campaign instituted a planning process based on a set of nested piecemeal stages; e.g., working committees meetings and development seminars held in conjunction with the village meetings, which are structured to facilitate participation. Instead of open deliberation, attendees (members of the public) are divided into resource-themed groups or committees; the discussions within each group yield consensual decisions regarding the designated resource. This structure, which operates uniformly in all districts in Kerala, is geared toward increasing the efficiency of consensual decision making about public resource demands, and prioritizing individual beneficiaries for the allocation of government-subsidized private benefits. The process has been facilitated by various training programs to instruct citizens on deliberative planning, and to instruct village functionaries on methods for turning plans into actions that result in more effective public service delivery.

In the Kerala case, therefore, a direct intervention by the democratic state increased the demand for participation not only by creating greater opportunities of participatory planning, but also providing resources to make that planning meaningful, while embedding it within a decentralized system of government with enforcement authority. The state, in other words, created mechanisms whereby it strengthened the links between itself and civil society—although it is important to note that Kerala is a state with close to 100 percent literacy (compared with the Indian average of 66 percent); and that it has a long history of civic mobilization due to strong labor unions associated with the communist movement. Kerala, in other words, was not starting from scratch. Local participation in Kerala was fostered by channeling democratically and politically aware citizens into participatory avenues that resulted in better local government. In the absence of Kerala's well-developed democratic and participatory traditions, it is unlikely that the People's Campaign would have worked.
It is important, therefore, to understand how context, history, and culture shape the nature of cooperative infrastructure to be able to fully understand the nature of a failure of collective action. The local history of a community shapes the norms it has evolved to facilitate collective action; the extent to which such norms exclude women or disadvantaged groups; and whether or not those norms are transferrable. While local collective action norms may be effective enough to manage, for instance, water resources, this does not mean that the same norms would result in effective school management. Similarly, the history and evolution of the national government—the extent to which it supports an active civic culture and has an effective legal system and democratic systems—has deep implications for the success of efforts to foster local participation.

2.2.3 Culture and Civic Identity

Coordinating civic action at the local level is also affected by the formation of collective identity—which, in many societies, has been actively shaped to facilitate cooperation. In a small, ethnically homogenous community, there may be strong family ties across many families due to years of inter-marriage. This could, in some instances, result in common preferences and strong deference to the views of traditional authority figures. But preferences can also be shaped by state policy. For instance, the state can actively create a communitarian national identity by introducing notions of cooperation into the constitution; into symbols of the state, such as the flag, or pledges of allegiance; and into school curricula.

Collective identity formation is not merely a matter of shaping preferences; it is also about shaping the rules of the game, creating what Rao (2008) calls “symbolic public goods.” Rao builds on the work of Chwe (1999, 2001), who demonstrates how collective action needs to distinguish between structure and strategy. Chwe’s basic argument goes as follows: Most models of collective action assume, implicitly, some pre-existing “common knowledge.” That is, when a group of individuals plays a collective action game, whether static or dynamic, it is assumed that individual A knows the payoffs, information sets, costs, incentives, possible moves, etc., faced by individual B. Individual B, in turn, knows all of this
about individual A, and further knows that individual A knows everything about individual B. Individual A, in turn, knows that Individual B knows that Individual A knows, and so on. This common knowledge assumption then permits games of strategy to be played with a common understanding of the rules of the game—everyone knows what everyone else is playing. On the other hand, a cricket player persuaded to play baseball will be quickly confused—enough to not be able to understand or appreciate the skill, strategy, and actions of the other players. It is this aspect of coordination and common understanding that common knowledge attempts to capture—it plays a coordinating function that is a precondition for collective activity, and collective activity cannot occur in its absence. Common knowledge is arguably the core concept behind such amorphous notions as "trust" and "social capital," which figure prominently in the discourse on collective action.

Chwe goes even further, arguing that much of what we call "culture" is about the generation of common knowledge (Chwe 2001)—about turning "weak" ties into "strong" ones (Granovetter 1973). Public rituals, sites, and events such as festivals, celebrations, churches, temples, even the Olympic Games, help people to build a sense of community. In this sense, Chwe is simply borrowing from symbolic anthropology. Turner (1982), for instance, describes festivals as "generally connected with expectable culturally shared events." He suggests that when a social group celebrates a particular event it "celebrates itself" by "manifesting in symbolic form what it conceives to be its essential life." Thus, festivals and other such shared collective things serve to build social cohesion by reinforcing ties within a community.

In order to understand collective action, therefore, it is crucial to understand its social context via the common knowledge-generating processes that underlie it. Yet such processes are themselves the product of strategy and contestation. They can take a variety of forms—intangible processes of identity formation such as "nationalism," physical entities such as mosques and temples, and periodic ritual events such as festivals. These all share characteristics of public goods—in the sense that they can be simultaneously "non-rival," or capable of being simultaneously consumed by many individuals; and sometimes
“non-excludable,” wherein it is not possible to deny anyone access to the good. For these reasons, Rao calls all such goods *symbolic public goods*.

An important function of symbolic public goods is coordination through the generation of common knowledge. There are all manner of public goods and activities that serve this purpose, and many have both symbolic and material functions. Such symbolic public goods are often repositories of memory and identity—testaments to major binding events in the community. In this sense, they may be closely linked to the evolution of social norms and may serve as the symbolic embodiment of those norms—i.e., the public acknowledgement of a shared perspective. Norms need reinforcement mechanisms. Identity is not some fixed and exogenously provided entity that people either choose or inherit, as some economic models tend to assume (e.g., Akerlof and Kranton 2000). It represents strategic interactions within a community that are usually embedded within symbolic public goods. A feeling of kinship or commonality with another person needs to be expressed and reinforced in concrete ways in order to be stable. This could happen via reciprocal gifts when only two people are involved; or, when the size of the network increases and gifts are not enough, whole system of gift exchanges with coded and structured meanings—a potlatch—may come into being. When such a system of exchange serves a purely material purpose within, for example, an expanding economy, it might quickly transform into a market-based system. Since communities cannot exist in the absence of common knowledge, however, the exchanges could also be purely symbolic—strengthening networks and establishing trust. When the network becomes dense enough via intensified interaction, or becomes large enough via increased membership, systems of reciprocity become embodied within symbolic public goods, which serve as repositories of collective identity and historical memory.

Such symbolic public goods can be explicitly constructed by the state, as public policy, to facilitate cooperative behavior. Indonesia provides an interesting example. Post-colonial Indonesia was dominated by upper-class Muslims from Java, and its history in the decades following independence can be seen as primarily about the “Javanization” of the country (Ricklefs 2001). The ideological basis of Javanese belief is that social interaction is
“collective, consensual and cooperative.”

Bowen (1986) argues that much of this is expressed in the term gotong royong—mutual assistance—which has become the framework for Indonesian nationalism and the basis for construction of a national tradition. Sukarno, the “father” of Indonesia, attempted to use the notion to unify the diverse Islamic, non-Islamic, nationalist, and Communist groups in the new country by calling for a spirit of ke gotong royong (gotong royong-ness). Gotong royong provided a form of cultural legitimacy for state control.

When Sukarno was ousted in a coup in 1967, his successor, Suharto, introduced a “New Order” economic policy that, especially in its initial phases, had the two-pronged strategy of putting policies in place to enable high rates of growth, and passing on the benefits of that growth to the rural poor. An important element in this strategy was to dictatorially force the spirit of gotong royong into hamlets and villages around the country. Gotong Royong became a key element in development strategies in rural areas, and particularly in the mobilization of rural labor. In order to protect the political and cultural unity of the Indonesian state, Suharto believed that it had to be strongly authoritarian, and that development had to proceed in a cooperative and collaborative manner. By the early 1970s, the Sanskrit word svadaya, or self-help, started to be used in combination with gotong royong and mobilizing svadaya gotong royong became was central to the implementation of development policy (Bowen 1986).

In a detailed ethnography of local development in a Javanese community, Sullivan (1992) demonstrates that the combination of an autocratic state and the principle of svadaya resulted in a form of forced labor. In order to be a good Indonesian, one had to contribute labor and cash for development projects. Collective action was the norm, not the exception. It was very straightforward to mobilize—grants received by the village headman (kepala desa) were low because donors assumed that the mismatch between the size of the funds and the expected cost of the proposed project would be locally mobilized. And in fact, contributions from the community were actively mobilized by ward leaders. Everyone was expected to contribute free labor; people felt that if they failed to do so, they could be
labeled unpatriotic or uncooperative, and consequently face social, political, material, and even physical sanctions.

In this manner, nationalism was the symbolic public good constructed by Indonesian political leaders, deploying “imagined” traditional beliefs that misused traditional beliefs in order to make the individual subservient to the community. Since most of this was undertaken in the context of a military dictatorship—there being not much room for individuals to dissent—that approach was successful in coordinating public action. Suharto’s two-pronged strategy had good results for more than two decades, with high rates of growth and substantial improvements in the living standards of the poor. These improvements were achieved in a cost-effective way by, in effect, taxing the poor in the name of community participation. In other words, under Suharto’s rule there was a suppression of freedom, an implicitly regressive tax structure, but also excellent outcomes for poverty and human development.

In the last decade, with the rise of a robust democratic order and a concerted effort to decentralize the political and fiscal authority of state and district government, the authority of village leaders is increasingly being questioned. But, as recent survey data demonstrate, the spirit of *gotong royong* has by no means disappeared. Rather, it has been so deeply institutionalized that not abiding by it is seen as a violation of a communitarian ethic, which remains even now part of the foundation of what it means to be a good Indonesian. A recent survey shows that levels of participation in public goods construction remain high, at 47 percent; with 59 percent of those respondents saying they participate primarily because of “tradition” or “obligation.” This has real consequences—37 percent of the cost of village public goods is contributed by the community, with 60 percent coming from the government. Thus, Indonesia has successfully introduced a communitarian ideology that facilitates the spirit of cooperation at the local level, and thus improves the capacity for collective action.

Sometimes, instead of building symbolic public goods, the state can attempt an explicit manipulation of preferences to induce behaviors that are in line with its policy objectives.
Agarwal (2005) provides an interesting example of this from India, where, he argues, there was an explicit attempt by the state to shift preferences of forest communities toward a more collective purpose to facilitate community-based forest management. Based on a variety of archival and survey data, Agrawal seeks to understand how villagers in the Kumaon region shifted from violently protesting the government’s efforts to regulate forests in the 1920s, to using active community-managed forest conservation methods by the 1990s. This was achieved by decentralization of decisionmaking to the local level, along with active efforts to induce a change in identity, which facilitated a gradual change in villagers’ beliefs in the inherent value of forests and their ability to manage them. There was an explicit effort to change how people valued forests as a public good, while also building trust between the government officials and local Forest Councils.

Agarwal (2005) finds that villages with Forest Councils and active council headmen had much higher attempts at regulation, and that the desire for forest protection grew stronger in those “involved closest in actual monitoring” (2005: 176). However, to demonstrate the extent to which preferences had changed, Agrawal also shows that council members and headmen often had to act against their own material and family interests in enforcing rules of forest protection. Further, actual enforcement involved significant entanglement with existing governmental mechanisms, and Forest Council headmen often complained about the difficulties of enforcement without the backup of a governmental security mechanism such as guards or police).

2.2.4 Inequality and the Risk of Elite Capture

One of the professed advantages of local participation is its capacity to improve the match between the beneficiaries’ preferences and the allocation of public goods and benefits. In particular, the principal of subsidiarity tells us that when preferences of communities are heterogenous, or tend to vary with time, decentralizing decisionmaking and project management results in more efficient outcomes and a better preference match. However, local communities in many developing countries tend to not only be very heterogenous,
they also tend to be highly unequal. So, in addition to thinking about heterogeneity, it is important to understand how inequality and heterogeneity affect local civic failure.

The seminal insight on the role of inequality in collective action comes, again, from Olson (1965), who theorized that in situations where the rich have a strong interest in the provision of a public good, inequality could facilitate collective action because it would be in the interest of the wealthy to provide the good, while the poor would free ride. Olson's basic insight has been subjected to several extensions by economists (e.g., Baland and Platteau 2006; Bardhan, Ghatak and Karivanov 2006). These extensions are summarized by Baland, Bardhan and Bowles (2006), who point out that inequality can have ambiguous and contradictory effects on collective action, for a variety of reasons:

- A higher income may increase a rich person's demand for the public good but also increase the opportunity cost of her time, so she may be less able to spend time contributing to its provision. If the opportunity cost of the rich is high enough, this may discourage collective action. It could also result in situations where the collective objective is achieved, with the rich providing money while the poor provide labor.
- The lower assets of poor participants may reduce their interest in demand for the resource, but it would also reduce their ability to extract large amounts of the resource. Thus, poorer individuals may choose not to participate in setting up a committee to manage a high school, but they would also be less likely to send their children to the school.
- Inequality may, as Olson (1965) says, increase the propensity of the rich to contribute toward a public good, but it may also discourage poorer people from participating at all.
- Collective provision of public goods may be easier in situations of very high inequality, but also in situations of close to perfectly equality where everyone has an equal interest in the good—therefore inequality could have a U-shaped effect on collective action.

These results are derived in the context of static collective action problems, where communities are not engaged in repeated interactions. In situations—very common in
developing countries—where community members have lived together for a long time and expect to continue to engage in social and economic relations over the long term, the relationship between equity and the cooperative infrastructure become much more salient. Rural communities are often affected by inequality in income and wealth, which is usually highly correlated with inequality in power and social status. These communities are trapped in what may be called in a social equilibrium, where the same families have been rich, and poor, for several generations. And the same rich families maintain a tight hold over power relations in the village and rule with dictatorial authority. In such situations, high inequality is combined with a strong cooperative infrastructure; if the local feudal leader believes that collective action is in her best interest, she will ensure that it occurs.

In such situations, successful collective action comes—as in the Olson model—with high inequality. But, as Dasgupta (2009) demonstrates in models with repeated games, instead of allowing the poor to free ride on the contributions of the rich, situations of social equilibrium could also harbor exploitation. The reason, in intuitive terms, is that the poor who refuse to cooperate could face sanctions, which would push them to accept outcomes that would make them far worse off than they would have been in the absence of collective action. If they discount their future payoffs at a low enough rate, they may be forced to enter into cooperative situations with outcomes that would make them better off than they would have obtained with sanctions, but would leave them worse off that they would have been acting on their own. Consequently, a cooperative equilibrium could be sustained where the poor would be exploited over the long term.

Moreover, anthropologists have long noted that in such situations, the poor tend to internalize such unequal norms—a disadvantaged group might view its status within the hierarchy as correct and appropriate—and therefore be subject to what Rao and Walton (2004) call “constraining preferences.” For instance, preferences derived from the Hindu caste system may create an acceptance of hierarchy and constrain the motivation for mobility. These beliefs are also simultaneously external constraints; individuals from lower castes who engage in class struggle may face severe social sanctions. For those at the high end of the hierarchy, both types of constraints provide the means to maintain their high
position, while for those at the low end, these internal and external constraints can limit aspirations, create discrimination and exploitation, and block mobility.

Inequality can thus result in the systematic exclusion of disadvantaged groups and women. Elite domination also sharply increases the risk that elites will capture community development resources provided to benefit local communities (Abraham and Platteau 2004). Thus it is important when initiating a local development project to understand the nature and extent of local inequality and power relations. A blind belief that participation will necessarily benefit the poor is both naïve and potentially disempowering. Conversely, an explicit recognition of structures of power and dominance could result in designs to address such inequalities with affirmative action programs, such as the mandated inclusion of women and minorities in village councils, or programs targeted exclusively toward certain groups.

The problem of elite capture becomes even more complicated and difficult to assess in the context of decentralization. Bardhan and Mookherjee (1999, 2000) construct a model of elite capture in the context of democratic decentralization with electoral competition. They find that the level of capture depends on the nature and extent of political participation, on the political awareness of different groups in the population, and on how even the competition is between local political parties representing different interests. Wealthy groups can make contributions to the finances of politicians, who can then use those funds to recruit “unaware” voters. Aware voters, on the other hand, vote on the basis of their interests. Levels of political participation and awareness depend on the distribution of literacy, socio-economic status and exposure to media. Given all this, decentralization will result in a greater dispersion in the quality of governance—increasing the gap between the more and less advanced regions. It will also tend to highlight local inequalities and distribution of interests, making the extent of capture much more specific to the local context.

If inequality is manifested less in wealth and power, however, and more in education and occupational differentiation, it is even possible that elite dominance could be welfare
enhancing (Rao and Ibanez 2005, Beard and Dasgupta 2006). Educated elites are more in a position to negotiate with bureaucrats, read and interpret project documents, manage accounts, and engage in other important activities that are part of the everyday business of local development. They are also likely to have the moral authority to guide less educated individuals into collective decisions that improve their welfare. Thus, the fact that elites lead project implementation at the local level is not, by itself, a bad thing. It is important to understand whether such dominance is benevolent or malevolent. A hard challenge in these contexts is to assess the counterfactual—would poor groups be better off without the project, but still in the presence of elite domination?

2.2.5 Group Composition and Collective Action

Even if inequality were not an issue, the number of groups in a community would also make a difference—particularly if each group had a distinct identity and distinct preferences. Groups tend to care more for their own than for other groups, and consequently individuals may balance their individual incentives to participate with the interest that derives from their group identity. Since larger communities have more groups within them, this would suggest that collective action is more difficult to achieve in more populous communities. However, as Alesina and La Ferrara (2005) point out, the productivity of more heterogenous societies may be higher because diversity could allow for different skills to play a complementary role in the production process. Thus, if a community has groups that are inter-linked in production processes, this may increase their incentive to avoid disagreement and conflict.

The relationship between the size of a community and its capacity for collective action goes beyond the issue of heterogeneity. As Olson (1965) argues, larger communities would also have a greater number of free riders, because the impact of each individual defector is smaller. Moreover, if the public good being generated is not “pure”—meaning that more consumers would reduce its average availability—then an individual’s share in the public good would go down in larger groups, again reducing the incentive for collective action. This phenomenon is known in the literature as the group-size paradox. However, as several
scholars (citations) have noted, this is not true in the case of a pure public good that is “non-excludable”—meaning that larger groups do not reduce the average availability of the public good—think, for instance, of the quality of public television. In fact, in the case of pure public goods, Olson’s result is exactly reversed; larger groups would be able to produce more of them. Moreover, Esteban and Ray (2000) show that when the marginal cost of participation rises sufficiently fast, then larger groups will have a greater capacity to come to agreement—even if the good is excludable; that is, if it has elements of a private good. To understand what this means, consider a situation where poor people need to mobilize to counter a powerful and exploitative local leader. The marginal cost of participation of a poor person in this case is extremely high—both because, being poor, the opportunity cost of her time is high, and also because the more she participates, the more visible she becomes, the more she risks becoming a target of the leader. Consequently, unless there are a large enough number of poor people who would all benefit from mobilizing against the leader, it is unlikely to happen.

It is therefore not necessarily true that larger communities, or more unequal communities, or more heterogenous communities, are more prone to collective action failure. The impact of these factors is complex and highly dependent on the particular purpose underlying the collective action, the extent of interdependence within the community, the nature of the cooperative infrastructure, the opportunity cost of participation, the level of poverty, and the extent of literacy and political awareness.

2.2.6 Information Failures

A purported advantage of decentralization is that it solves an important information failure—the inability of distant central governments to observe the preferences of people who are far away, in social, administrative, and geographic terms, from central decision makers. This lack of information becomes particularly acute when preferences are highly variable, either across heterogenous populations, or over time. Decentralization promises to make governments more responsive to the needs of citizens by making government more proximate to citizens. However, whether decentralization actually solves the
information problem by improving the match between policy decisions and the preferences of beneficiaries is an empirical question.

Information failures in the civic arena are largely bridging failures—failures in the links among civil society, the state, and the markets. Such failures are widely prevalent and highly correlated with inequality and heterogeneity. They include imperfections in the availability of information about such basic issues as transparency in village budgets, citizens’ knowledge of legal procedures, opportunities for credit and insurance, and how to navigate bureaucratic red tape. Greater inequality contributes greatly to asymmetric information; richer and more powerful people are likely to have better connected networks, better access to powerful people in the government, greater education and therefore greater awareness, and a greater capacity to influence decisionmaking. The lack of information and transparency greatly hampers efforts at political and social accountability (Khemani 2007). If information failures are rectified via mass media, information campaigns, or “report cards” in a credible manner and on a regular basis, they have the potential to improve the ability of citizens to mobilize themselves to hold states and markets more accountable. With better information, citizens become more aware and are able to make more informed electoral decisions, which results in better electoral accountability. Even in the absence of electoral accountability, better information may enable citizens to engage in a more informed version of “rude” accountability—confronting public officials directly and forcing them to be more responsive to their needs (Hossain 2009).

In confronting the government, lobbying for resources, making demands on the state, unequal communities face a particular problem in that the interests of the rich would be different from the interests of the poor, and the rich would be more able to make their interests heard. In other words, they would have more voice. Moreover, bridging failures are closely linked to failures of aspiration. Aspiration—the ability to have hope, to see a way out of inequality and traps—is a navigational capacity, and it tends to be unequally distributed (Appadurai 2004). While the rich have access to networks that help them access markets and the state to facilitate individual mobility, the poor lack this access
because of the adverse social relations they face. For this reason, it would be more necessary to mobilize collectively to build a “capacity to aspire” (citation) and to achieve a level of dignity.

Even if the poor were somehow mobilized to have more voice, Esteban and Ray (2006) caution that inequality may create particular distortions in linking civic groups to the state. More unequal communities will have more polarized lobbies, which have distorting effects when governments lack information about the preferences of its different types of citizens. More polarized lobbies may also be more effective lobbies, and may be particularly loud in voicing their interests. Consequently, governments may be more influenced by the preferences of extreme groups and end up making inefficient decisions. Thus, in the Esteban – Ray model, inequality creates a particular type of civil society failure in bridging.

Solving imperfections in the provision of information is relatively straightforward in that it is less likely to involve a reversal in local power relations. However, solving information asymmetries—equalizing access to information between the rich and the poor is often not enough. It may require a direct confrontation with structures of power in order to result to result in more accountable and responsive policies and therefore could be contentious. The impact of resolving information failures—whether the provision of information improves the functioning of states and markets and improves the capacity of citizens to mobilize—remains an empirical question.

Fads, rather than analysis, tend to drive policy decisions on participatory development. Passionate advocates spark a wave of interest, followed in a few years by disillusionment, which gives ammunition to centralizers who engineer a sharp reversal. In time, however, excessive centralization generates negative fallout, which reinvigorates the climate for local participation. As we show in Annex 1, there have been at least two such waves in the post-World War II period, and if current trends can be extrapolated, we may be in the early stages of another centralizing shift. Advocates, and the vicissitudes of fashion are perhaps unavoidable in the aid allocation process, but they need to be supplemented by a thoughtful diagnosis of market, government, and civil society failures, and inequality, and
by a contextual understanding of the best ways to rectify them. These spheres do not operate independently, and well-being is enhanced both by improving the functioning of each sphere, and by enhancing links among the spheres. In particular, civil society is subject to similar problems of information asymmetry and coordination as markets and governments. Therefore, the decision about whether, when, and how, to promote local participation is not an easy one. It needs to be made with an understanding of the cooperative infrastructure, the role of elites, and economic, political, and social costs and benefits that obtain by localizing decisionmaking in a given country, and at a given time.
Chapter 3: The Challenge of Inducing Participation

3.1 The Diverse Objectives of Participation
3.2 Participation and the Capacity to Engage
3.3 Diagnosing Failure Triangles
    3.3.1 Local Government Failures and the Nexus of Accommodation
    3.3.2 Participation and Political Opportunity
3.4 Implementation Challenges in Inducing Participation
    3.4.1 The Role of Donors
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    3.4.3 Trajectories of Change
3.5 Deriving Hypotheses and Turning to the Evidence
3.1. The Diverse Objectives of Participation

In this chapter, we apply the analytical framework outlined in the previous chapter to better understand the challenges faced in inducing participation: in resolving civil society failures, in improving the interaction of civil society with markets and governments, and in implementing participatory projects. Keeping the failure triangle in mind, what can participatory development achieve, and under what conditions? What do the structures of failure at the local level tell us about options for policy? What are some of the challenges of using policy interventions to repair civic failures and induce participation? How do incentives within donor institutions and government bureaucracies affect the implementation of participatory projects? We conclude the chapter by using the analytical framework to derive a set of hypotheses that guide our analysis of the evidence in the subsequent chapters.

Having spent some time, in the last chapter, outlining failures and inequalities of various kinds, it might be helpful to begin by reminding ourselves about why, under the right conditions, effective local participation can be such a powerful force for positive change, and the ways it is thought to help achieve various development objectives.

Governance reforms move from being “participatory” to “empowered” when decisions made by ordinary people through deliberation are tied to policy decisions and actions. Fung and Wright (2003) call this “empowered participatory governance,” or EPG. It is characterized by three foundational principles: (i) participation must have a practical orientation; (ii) it must be “bottom-up” in the sense that all the people most affected by the problem and knowledgeable about solutions should be involved in decisionmaking; and (iii) it must be deliberative. The authors define deliberation as a process of collective decisionmaking, wherein a group reaches a consensus across diverse points of view. It is, therefore, an alternate method of what economists call “preference aggregation” through electoral mechanisms. In electoral decisionmaking, preferences are aggregated by counting votes. Deliberative decisionmaking requires, in the ideal, that “participants listen
to each other’s positions and generate group choices after due consideration,” even if they do not necessarily endorse those choices or find them optimal.

Fung and Wright (2003) argue, after examining various successful cases of EPG around the world, that in order to advance these foundational principles, governance institutions need to incorporate three design features:

- **Devolution.** Local decisionmaking units should have meaningful power and be downwardly accountable.

- **Centralized supervision and coordination.** Local decisionmaking units need to share information, learn from each other, and discover what works by trial and error, while being monitored and held accountable by the center.

- **State-centered, not voluntary.** Empowered participation should remake state institutions to align with its foundational principles, rather than develop parallel structures.

Ironically, therefore, ideal empowered participation requires a strong, functioning state that has not only internalized the broad objective of deepening democracy, and developed a much more astute view of citizens’ role in shaping policy, but has also actively promoted and supervised the process by which this happens.

The premise underlying participatory development is the power of the group—that individuals working together toward a common objective are far more effective than when they attempt to achieve the same objective on their own. By mobilizing citizens to work together for their collective well-being, participatory development has the potential to redress some failures of the state and some failures of markets, while improving the capacity of individuals to bond and work together.

One reason is that participation can have intrinsic value. People may value the simple courtesy of having their opinions heard, of being listened to. If public decisions are determined deliberatively rather than dictatorially, in a manner that gives everyone—poor and rich, female and male, lower and upper caste—an equal voice, the process by which decisions are made has, in itself, the potential to enhance agency. Political theorists have
argued that participation has the potential to lead to a process of positive self-transformation by catalyzing a set of desirable changes in the individual: enhanced facility for practical reasoning; greater tolerance of difference; more sensitivity about the need for reciprocity; enhanced ability to think and act with autonomy on the basis of her own preferences; and the ability to engage in moral discourse and make moral judgments (Warren 1995).

Much of the value of participation can be encapsulated in what Albert Hirschman (1970) famously called “voice,” which has, he argued, both intrinsic and instrumental value. The anthropologist Arjun Appadurai (2004) goes further, describing voice as a cultural capacity. That is, voice is not just a matter of people demanding democratic rights, but of engaging with social, political, and economic issues in terms of metaphor, rhetoric, organization, and public performance, in order to negotiate and navigate their worlds. Appadurai emphasizes that this “capacity to aspire” is not evenly distributed. In situations where the rich have consistently benefitted from better social, political, and economic connections, and have the cultural tools to navigate those worlds, they are “more likely... to be conscious of the links between the more and less immediate objects of aspiration.” Thus, the rich are better able to navigate their way towards potentially actualizing their aspirations. If participation is to build this navigational capacity, then “voice” and the “capacity to aspire” need to be “reciprocally linked, with each accelerating the nurture of the other” (Appadurai 2004).

For an economist, one way of understanding Appadurai’s “capacity to aspire” is to think of it within an opportunity cost framework. For someone born into a social group that faces high levels of exclusion, discrimination, and material poverty, the culture is geared toward survival and interactions within one’s own group; and the opportunity cost of aspiration may be high. One way out of this is to reduce the opportunity cost of aspiration by facilitating collective organization in a manner that expands and reinforces cultural and social capital. “The capacity to aspire” is about how a group (and the individuals within it) succeed in reducing the costs of aspiration by collectively envisioning their future, and
their capacity to shape this future by influencing other groups, the government, and other factors in their physical and social environment.

Participatory interventions are, however, more often justified by their instrumental value—their potential to make states and markets more accountable to the needs of citizens; and to help communities mobilize to improve credit and livelihood opportunities and to manage common property resources. The accountability function of participation requires groups of individuals to mobilize in a manner that changes the incentives of the agents of the state, so those agents act in the interests of citizens. State failure often occurs because the incentives of the individuals who comprise the state, and function as its agents, are not aligned with the needs of citizens; instead, their incentives lie in maximizing their private interests. In the absence of adequate oversight, this could result in a range of adverse outcomes—from officials being absent from their jobs, to outright corruption and theft of public resources. Further, if oversight of these officials is largely managerial, i.e., from the top rather than the bottom, then local officials are only upwardly accountable, and focus their attention on fulfilling the dictates of their bosses rather than meeting local needs. The consequences of this are ubiquitous in the developing world. Incentives aligned with meeting targets that are visible to higher-level authorities, rather than with ensuring the quality of construction or service delivery, result in phantom schools with crumbling buildings and absent teachers, non-functioning toilets that are used for storing fodder, roads that crumble at the first sign of rain, and many other types of problems.

Participation has the potential to force agents of the state to act against their private interests and for the public good. This makes accountability—whether it is electoral, social, or “rude” —inherently conflictual. How this conflict is managed and channeled depends on the nature of the state, the institutional incentives of its agents, the division of power and responsibility between political leadership and bureaucrats, the nature and extent of the decentralization of authority, and the receptivity of the state to the demands of citizens. We will come back to these issues later in this chapter.
Participation is also employed to enhance livelihoods opportunities and credit for the poor. Microcredit programs mobilize groups of individuals to collectively enforce the repayment schedule of every member, and thus attempt to resolve coordination problems, and asymmetries in information on the creditworthiness of individuals, which prevent banks and other large credit suppliers from servicing such communities. In addition to attempting to solve credit market failures, self-help groups have also been mobilized to, more generally, assist in the expansion of livelihood opportunities – by providing training in handicrafts, agricultural techniques, assist in small-scale entrepreneurial activities and other activities. The group provides peer education, and technical and moral support, using the power of networks to diffuse information and knowledge.

Participation has been used in attempts to resolve the under-provision of public goods and services such as roads, water tanks, schools, and health clinics, which are typically provided by local governments. In community-driven development (CDD) interventions, such public goods and services may be given entirely to communities to manage. In times of unexpected crisis—when a typhoon or earthquake strikes, and governments and markets are unable to respond quickly—communities are mobilized to rebuild homes, roads, and bridges, and manage emergency aid. When a country is emerging from a long war or civil strife, community-based aid is often used to lead the post-conflict efforts at reconstruction.

Participation has also been used to try and rectify social, political, and economic inequality. By reserving leadership positions in civic bodies for women or disadvantaged groups, participatory interventions have explicitly attempted to redress discrimination by promoting more egalitarian notions of leadership and breaking the power of traditional elites. These, again, are inherently conflictual interventions, in that they challenge the prerogatives of those in authority. On the other hand, using civic groups to help alleviate poverty usually involves far less conflict with elites, because it does not challenge the basis of their authority. For instance, in many countries around the world, the beneficiaries of anti-poverty programs are selected by community-based participatory bodies, and this alternative method of poverty targeting can be seen as fair even by local elites.
3.2. Participation and the Capacity to Engage

An important way in which participatory interventions work is by changing the character of everyday interactions—a process which, over time, reshapes social relationships. In highly unequal environments, the nature of how people talk to one another is structured by their social status. Moving towards a trajectory of accountable government both requires and brings about a change in the tone and content of discourse. The conversation shifts from being embedded within existing power relationships and conditioned by social norms, to one in which people confront authority, demand change, debate points of policy, and speak as citizens rather than as subjects.

To bring about this change, citizens must have access to a new toolkit of discursive strategies—conciliatory, confrontational, pleading, demanding, threatening—that they are able to strategically deploy. Even if these approaches do not have an immediate impact on the allocation of public resources, changes in the nature of speech can, over time, build what Gibson and Woolcock (2008) call the “capacity to engage.” Having the tools for “deliberative contestation” gives marginalized groups a more equitable shot at negotiating, asserting, and making demands that are in line with their interests and life experience. More equality in the ability to articulate demands can, with repeated interaction, help move communities towards a trajectory of better and more equitable governance. This expansion in their strategic toolkits can change not only how people are perceived within their communities, but also how they perceive themselves.

Rao and Sanyal (2010), in an analysis of transcripts of 300 village meetings from India, provide illustrative examples of how this change can work. Consider this excerpt of an interaction between three participants, the upper caste panchayat president; a poor upper caste villager, Jayaraman; and a villager, Muniraj, also poor, who is from an untouchable (Dalit) caste that has traditionally been subject to a high degree of discrimination:

Jayaraman [villager]: There are 45 families in our village. None of us have any land. We work for meager daily wages. Whatever little we get we spend on our children's
education. But it’s impossible to educate our children up to high school because we don’t have the money.... So we request the government to do something.... Our whole area is dirty. Even the water is muddy, and that’s what we drink....How many times we have requested for a road near the cremation ground and for the supply for clean water?! We can only request and apply. The rest is up to you.

*Panchayat president:* If there are 20 to 25 houses in an area, a ward member should be appointed to represent the area. That ward member should listen to your problems and must do something to help you....

*Muniraj [Dalit]:* That way [if we have a ward member], we will have the guts to enter this room [where the Gram Sabha meeting is taking place]. If the required ward members are not with us, to whom can we voice our woes? Who will represent us? .... If the ward member belongs to another community, he won’t even listen to our problems. Earlier there was a time when a backward caste person was not even allowed to sit in the same area with others! The officers and leaders who come here [to the Gram Sabha meeting] already have a pre-set plan about what to do and say. You come, sit on the chair, say something, decide among yourselves, and go away. What’s there for us to do?! You’ve enjoyed power for all these years. Why don’t you let us have a turn? .... We don’t want any problem at the communal level. For us, whether X comes or Y comes, it is the same. We vote, but what happens later? Whereas other people get water even before they ask for it, we have to ask endlessly, and even so, our demand is not fulfilled....We don’t want to fight with anyone. But at least there should be someone to listen to our problems. We’ve been without water supply for the past one month. Even the Village President knows it. He has promised to send water. But the ward member is not allowing us to take water. The water is sent to all his relatives. We cannot do anything to stop it.

*President:* In any competition, it’s a rule that one should win and the other should lose. There’s no community-based discrimination or problem. If all of you in booth no. 1 join and vote for me, I become the president. On the other hand, if everyone in the other booths votes for another person, then he’ll become the president. And then what’ll matter is what he can do for those booths that voted for him. Today, among youngsters, the level of public awareness is very high. Anyone can become a leader.... Even though
there are problems between your two groups, I try to mediate. I don't encourage communal riots.

*Muniraj:* Everyone should be treated equally. No one should be treated as inferior to others. We should also be given a chance to sit on the dais [where the leaders sit]. Why should we be denied that right? Just because I talk like this, it doesn't mean that I fight with you or disrespect you. I am simply voicing my feeling.

Caste-based divisions have deep historical roots in India, and manifest themselves in practices such as physical distancing and symbolic deference. It is noteworthy that these traditional patterns of interaction are now being openly challenged in Gram Sabha meetings, as with Muniraj’s angry complaints. While lower caste challenges are not completely new, what makes the Gram Sabha challenge different is that it comes not from the educated elite but from an ordinary villager embedded in everyday, local structures of inequality. These caste-disadvantaged, ordinary individuals now have a stake in political participation, because the Gram Sabha allows them to momentarily discard the stigma of their ascriptive identity and low economic status, and slip into their identity as citizens with equal rights in the eyes of the state. These public interactions have the potential to challenge entrenched social relations because they make overt the heretofore unseen “weapons of the weak”; expressing their dissatisfaction in private while presenting compliant demeanors in public, and dragging their feet in respond to the demands of elites.

They expose such “hidden transcripts” (Scott 1990) such as the feelings of oppression and domination felt by lower castes and provide a means to challenge them. The process of making the kinds of claims and complaints cited above may seem quite ordinary on the surface, but it is deeply significant as a vehicle through which poor, low caste individuals imbibe a sense of possessing equal recognition as citizens. The question of when such small-scale changes cascade into effective civic capacity is an open one. It may not happen immediately, and crucially depends on the community’s level of literacy and numeracy. It also depends on the extent of inequality, and the extent to which that inequality is embedded within durable social and power relationships.
3.3 Diagnosing Failure Triangles

Participatory interventions are justified as mechanisms to solve a variety of problems – poor governance, lack of social cohesion, social exclusion. However, the project literature on participatory development is rife with an inattention to diagnosis. More often participation is treated as a panacea to solve a host of difficult issues. It sounds good because it is untested, rather than because it is, potentially, the most effective solution to a well-diagnosed problem, with a careful consideration of the other policy options. Policy in this area would, thus, be well served by improving the diagnosis of problems that participatory projects are supposed to address.

In effect, each type of participatory intervention can be associated with a different diagnosis of the failures it will confront—whether it is trying to solve a bonding or bridging failure, generate an intrinsic or instrumental outcome, address a long-term development objective, or respond to a short-term crisis. Each type of intervention also employs a different definition of community—a micro-credit group is a very different civic group from a group of households mobilized to reconstruct homes after a hurricane. Not only can these groups differ in their composition, they may have different geographic and social boundaries, and differing incentives for collective action. Consequently, they may be subject to different types of civil society failures. Moreover, potential spillovers from one civic objective to another need to be thought through; will building micro-credit groups also result in the formation of groups that can fight village council corruption? Or, will starting a social fund to deal with post-earthquake reconstruction result in a community-based institution that can act as a substitute for a failed local state?

As discussed in the previous chapter, current thinking in development policy (e.g., World Development Report 2004), following modern economic theory, tells us that government intervention may be justified when markets fail, or when there are economic and social inequalities that need to be corrected. When coordination problems cause public goods to be inadequately provided, then economic theory tells us that government should step in and arrange for the provision of such goods when the benefits of doing so exceed the costs.
When the cost and benefits of a transaction are not fully reflected in the market price, causing a negative externality, taxing or regulating industries that are prone to creating such externalities may be justified. Similarly, when asymmetries in information cause goods and services to be inadequately provided, government needs to correct such asymmetries. Government intervention is also justified when there is broad agreement that certain inequalities are excessive, or when poverty traps cause groups of people to face persistent poverty and destitution.

Theory also tells us, to quote Wallace Oates (1972, p. 55), “that each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize [its] benefits and costs.” Since local needs are difficult for central governments to ascertain because of the huge information costs in obtaining them—due to heterogeneities in preferences and variations in the condition and composition of communities—decisions on such things as local public goods provision need to be decentralized. However, needs can be unlimited, and normative theories of fiscal federalism and decentralization consequently pay equal attention to the budget constraints to finance those needs via expenditure and tax assignments between federal and local jurisdictions. While we do not focus on these fundamental issues on the supply-side of decentralization in this report, they are important to keep in mind.

Justifications for government interventions are complicated by the fact that governments themselves are prone to failure due to problems of coordination, commitment, and information asymmetries—and such failures are no less prevalent locally than they are at the center. The power that is exercised via government can reflect and reproduce inequality, and the degree to which community-based bodies and local governments are embedded within structures of local inequality will be extremely heterogeneous. This makes central monitoring of local bodies very difficult. Consequently, local civic action—local participation—is seen as the most effective and sustainable corrective to local government failure; as the most effective way of dealing with corruption, giving the poor a greater say in policy decisions, and holding local governments more accountable. Table 2.1 summarizes this logic:
Table 3.1

<table>
<thead>
<tr>
<th>Type of State</th>
<th>Market Failures</th>
<th>Excessive Inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perfectly functioning State</td>
<td>Centralized Government</td>
<td>Centralized Government</td>
</tr>
<tr>
<td>States with Imperfect Local Information</td>
<td>Decentralized Government</td>
<td>Decentralized Government</td>
</tr>
<tr>
<td>Local Government Failure</td>
<td>Participation</td>
<td>Participation</td>
</tr>
</tbody>
</table>

There are, however, some omissions in this logic, which often tend to be ignored. First, civil society is subject to the same sorts of failures and inequalities as markets and states. If we account for failures and inequalities in civil society, then the policy logic becomes far more complicated and far less prescriptive. Participation is usually not a substitute for the state, but a complement to it. Civil society exists in a symbiotic relationship with the state—it both shapes and conditions the state, and is shaped and conditioned by it.

Second, the development of civic capacity is not just a local challenge; civil society matters in checking the tendency of all levels of government—central and local—towards authoritarianism. In addition, civic groups play an important role in the development of markets, by creating an enabling environment for entrepreneurship; protecting the interests of workers; and providing finance, credit, and other functions that are important for inclusive economic growth. Thus, one challenge of development is to develop civic activity at both the micro and macro levels.

Third, civil society is not an abstract concept that exists outside local forms of knowledge, social structures, meaning and belief systems, and power relations. Civil society is shaped by people, and people are products as much of their social and cultural milieus, as they are of economic and political systems. The manner in which people organize, the interests
around which they mobilize, their styles and narratives of discourse and resistance, and the objects of their resistance, are a hybrid product of local dynamics and national and global influences. In other words, people responsible for directing policy should be careful to not impose conceptions of civil society that come from, say, Western political theory; but should try to understand the meaning of terms such as “civil,” “society,” and “participation” from within indigenous frames. And indeed, policymakers should try to understand how history, and the history of interventions—whether colonial or developmental—have shaped those frames (Comaroff and Comaroff, 1999). This calls for a less prescriptive and more adaptive approach to policy.

Finally, when all three spheres—markets, governments, and civil society—are beset by failures and inequalities, which is typically the case almost everywhere, policy becomes murky and leads us back to a variant of the old balanced and unbalanced growth debates of the 1950s (Levy and Fukuyama 2010). Should development policy be sequential—say, by focusing on first building markets and industrial growth—in the expectation that better government and civic capacity will follow? Or should the strategy be focused on first developing an effective government, or an effective civic sphere? Or should it attempt to be more balanced by simultaneously improving the functioning of all three spheres? How do market, government, and civil society capacities at the macro level affect policy options at the local level? These are hard questions, and it is beyond the scope of this report to seek answers to all of them. In particular, at the local level—where every village, and every neighborhood, faces a different set of problems, and is conditioned by different social structures, geographies, climates, and levels of connectivity—answers to these questions are perhaps best drawn deductively by examining the evidence, as we do in the next chapters.

3.3.1. Local Government Failures and the Nexus of Accommodation

Applying the failure triangle framework to Table 2.1, we focus on the case—typically confronted by most communities in the developing world—where both the state and the market have failed. Local market failures—in the provision of public goods such as
schooling, health, local infrastructure; in access to credit, access to markets, and so on—are easy to identify. But what are the constituent elements of government failure at the local level? A local government typically consists of a set of leaders and a set of local bureaucrats. Leaders can emerge from a wide variety of institutional contexts—village councils, neighborhood committees, mayors and municipal councils, city administrators, chiefs and their advisors. Moreover, leaders function within various types of systems of accountability; they may be elected in regular, independently supervised elections, or in “endogenous” elections which are locally organized and supervised. Or they may be appointed by upper-level political leaders and thus be free of local accountability; or they may be hereditary appointments, as in the case of tribal chiefs, or the leaders of dominant caste groups.

Even in formally constituted democracies, the theoretical logic of democratic accountability does not necessarily map into the real-world logic of interactions between government and citizens; locally organized elections can be manipulated by local leaders to their advantage; independent elections, while much more effective and important as accountability mechanisms, can be subject to clientelism and the appropriation of public funds to pay for electoral campaigns. On the other hand, even if leaders appointed by upper levels of government are entirely upwardly accountable, the central government could be effective in requiring good local government. Or hereditary leaders selected in democratic settings, while often authoritarian, could be subject to various long-term commitments, contracts, and symbolic functions that obligate them to act in the interests of their subjects.

All local leaders are placed in the difficult position of negotiating power within the context of central government rules, regulations, and political incentives. Their degree of autonomy will depend on their bargaining power with the center. At the lowest tier of government, leaders may have limited room to maneuver, and be constantly in the position of having to beg for resources from the higher levels. On the other hand, they may have established fiefdoms that are politically important to the center, which gives them a measure of power and autonomy. The authority of local leaders and bureaucrats depends on the extent to which they control the funds and functions of government, and on their
local capacity to raise revenues. The less they depend on the center for funds, the greater their autonomy. But an additional complication is that local governments often function within the domain of local strongmen, such as large landlords or warlords, who wield considerable influence and have their own demands and interests that need to be satisfied. Local leaders have to share power, as well, with local bureaucrats, who are also subject to the institutional structures of government. Local bureaucrats are often from the lowest rung of government service. Their professional incentives are geared towards pleasing their central bosses and moving up in the hierarchy, but they often perform important functions at the local level and control an array of public resources, which gives them considerable power within the village or municipality. These local bureaucrats can range from district administrators to “street-level” officials such as extension officers and junior engineers, to employees of local governments such as janitors and bill collectors. In participatory projects, it is the street-level bureaucrats—usually known as project facilitators—who have the most proximate impact on outcomes, since they are ones who deal with communities on a day-to-day basis. They are expected to mobilize communities, build the capacity for collective action, ensure adequate representation and participation, and, where necessary, break through elite domination. They must be culturally and politically sensitive, charismatic leaders; as well as trainers, anthropologists, engineers, economists, and accountants. It is ironic that these difficult tasks, on which participation can succeed or fail, are usually entrusted to the least experienced, worst paid, and most junior staff.

These are some of the weaknesses of local government that can lead to failure—where resources would have been allocated more efficiently had the government not intervened. Weaknesses are caused by accommodations made to the center, by the manipulation of accountability mechanisms, by accommodations to local strongmen, and between local bureaucrats and politicians (Migdal 1988). Where power is concentrated with any one of these actors—say, when the local strongman also happens to be the head of the village council—this can lead to a strong local state, but one that tends to be dictatorial in its decisions. When all the actors are equally powerful, there could be a diffusion of power
and authority that makes actions unpredictable, dilutes responsibility for action, and weakens the cooperative infrastructure.

It is difficult for central governments to monitor the work of local governments because of the very imperfections in information and coordination that caused powers to be devolved in the first place. The nexus of social structures, power relations, the management of accommodations, the needs of citizens, and the quality of personnel vary greatly from jurisdiction to jurisdiction, causing communities to have a fractal degree of heterogeneity. These variations place an untenable burden of monitoring and supervision on the central government; and they can, if power is decentralized, produce an entirely new set of government failures. The constant process of accommodation among the center, local strongmen, local government leaders, and bureaucrats makes the interests of citizens often the last priority—the residual element in a hierarchy of interests that must be accommodated.

Participation has the potential to change this dynamic. It can move the actions of local governments towards the interest of citizens by adding their voice to the mix of necessary accommodations. If civic groups are sophisticated enough to understand the procedures of local governments, and nimble enough to know how to exploit the political economy of accommodation, they can become a potent political force. If the cooperative infrastructure is strong, and elite interests are not dominant, then citizens can be united, lobby effectively, and persuade local governments to listen to their points of view. Thus, they can further their interests by changing incentives within local governments.

While participatory projects are packaged and promoted on the promise of “empowerment,” or enhancing the “demand side of governance,” they often downplay the fact that both these outcomes require radical change—a confrontation with local elites and a shift, to use Migdal’s language, in the “nexus of accommodation”. If external donors and central and state governments have not completely internalized these radical goals, and if participation, instead, is a donor-driven mandate, then it is unlikely that the interventions will be implemented in a manner that is truly empowering. Rather, they will be processed
within the existing nexus of accommodations. This is unlikely to result any lasting change in outcomes—and may, conversely, lead to elite capture. Participatory interventions then become archetypes of what Hoff and Stiglitz (2001) call “shallow interventions,” which do not result in sustainable and irreversible changes in political dynamics, and therefore have a negligible impact on outcomes. In other words, in order to achieve a “deep intervention,” the state has to commit to a long-term process of engineering a more downwardly accountable cooperative infrastructure that is equity enhancing and empowering. This requires strong monitoring to avoid elite backlash, subversion, or capture; in other words, the ability to distinguish between benevolent and malevolent elite engagement with communities.

3.3.2 Participation and Political Opportunity

As discussed in Chapter 1, effective participation requires the skillful exploitation of local political opportunities (Kreisi 2007). An individual’s political opportunity set is determined by her interests, which can be material, ideological, or identity based; and also by the economic, social, political, or psychic constraints she faces. Her decision to participate, however, is largely dependent on the actions of the other members of the group to which she belongs—and the group’s willingness to mobilize and act collectively will depend on its shared opportunity set, the gains that accrue to it from acting collectively, and the costs and other constraints associated with coordinating collective activity. It is important to note that it is not just individual and collective interests that influence the set of opportunities—it is also the beliefs about those opportunities (Elster 1989). These beliefs are important—since they may cause actors to either underestimate or overestimate their capacity to effect change. Sociologists call this mix of individual and group political opportunities and beliefs the “political opportunity structure” (Kriesi 2007)

Indonesia provides an interesting example of how a village group in Biting, East Java was able to exploit political opportunities for change by developing its capacity to engage (Gibson and Woolcock 2008). An extended conflict over a leaky dam served as a flashpoint for organizing farmers and other villagers who were directly dependent on its shrinking
reservoir supply for irrigation and drinking water. Toward the beginning of the conflict, the villagers used bureaucratic channels to request repairs to the dam. When their demands fell on deaf ears, they began expressing their anger through arguments and small-scale violence among themselves, including a hoe fight between two family members that resulted in head injuries. As unrest peaked in 2001, the villagers changed their tactics and began to mobilize many hundreds of teachers, police, civil servants, rice paddy owners, and paddy workers through a broad array of social networks. This mass mobilization caught the attention of a candidate for local council, who used it as an opportunity to confront the incumbent. As hundreds of villagers blockaded a key road to the dam, the candidates sat in chairs facing the dilapidated structure until the deputy head of the council arrived on the scene and promised to make the repairs—which were completed within a year. This victory gave rise to a flurry of peaceful and fruitful engagement aimed at forcing the government to compensate farmers for lands inundated by the dam. In using the original conflict to develop their capacity to engage with local officials—and exploit the competition between them—the villagers developed new open political opportunity structures and beliefs about themselves that will have a lasting impact on local power relations.

An open political opportunity structure is one in which civic action can exploit changes in the political system—in the structure of state, in leadership, or in dominance by a particular elite—to further the interests of a particular group. Localizing development—through decentralization or a CDD project, for example—can open up political opportunities by bringing the locus of decision making closer to citizens, which increases the benefits to participation while reducing its costs. Because of the nexus of accommodation between local and central politicians, and local and central bureaucrats, however, the effectiveness of local civic mobilization can be modest. While civic mobilization can potentially change the incentives of the agents of the local state so they act more in the interests of citizens, these agents will have to balance the demands of local citizens with the demands of central authorities, and with the competing demands of other local actors. In the absence of a sharp and sustainable shift in the nexus of accommodations, therefore, an expansion of civic opportunities at the local level may have a limited impact.
Some important insights into the process of participatory democratic change are offered by Acemoglu and Robinson (2006), in their *Economic Origins of Dictatorship and Democracy*. Their core questions can be rephrased to fit our concerns as follows: Under what conditions are political opportunities for citizens maximized? How can citizens affect change in a manner that progressively empowers them? The answer depends, the authors argue, on when a particular group believes, and can convince other groups, that it has the capacity “to obtain its favored policies against the resistance” of those in power (Acemoglu and Robinson 2006, p. 21).

In order for citizens to act, they have to be persuaded that any move towards an open political opportunity structure will be durable; that old political institutions enmeshed with old economic and social arrangements will give way to more accountable structures. If change is seen as temporary, on the other hand, people will tend to use the opportunity to maximize their immediate personal gains. Citizens will only participate in a manner that challenges powerful elites if they feel they can “lock in” political power in a way that is not easily reversed (Acemoglu and Robinson 2006).

Citizens’ willingness to act is further complicated by uncertainty about decentralization, which could be re-centralized during the next political cycle, as has happened in almost every developing country. Similarly, participation in CDD projects, in the absence of durable shifts towards a more accountable state, may not lead to greater citizen mobilization on other issues, since the costs will simply not be worth the benefits. On the other hand, a genuine change in the political opportunity structure, accompanied by collective mobilization, can permanently increase the cost to elites of maintaining their domination.

Thus citizens make decisions about participation based on the likely success of a specific reform, their beliefs about how sustainable it is, and the potential for repression and backlash. Even with active participation, there will be a small number of protagonists who will lead the charge—spurred on by lower opportunity costs or by higher altruistic
preferences. There will be some bystanders who prefer to free ride and others who play it safe—waiting to see how quickly the winds change direction before they decide to act. And there will be the antagonists—those who actively oppose the civic agents because their interests are being challenged.

Elites who stand to lose under the new regime will include many local and central bureaucrats, local strongmen, and local and central politicians. Some elites, however, may become protagonists if they see a way that the change in policy could serve their own interests—there is, in fact, a risk of elite capture if gains from an intervention accrue mainly to these pro-reform elites and their supporters. A third category of elites—often better-educated citizens with high moral but low political authority such as school teachers, pastors, or imams—may help to lead the process, either because they are altruistic and see it as a way of affecting positive change, or because it gives them an opportunity to gain power and status. In this case, elite domination can facilitate the intervention, and may even be essential to its success.

Part of the challenge of introducing decentralized and participatory government into societies with “traditional” authority structures is that traditional systems function with a different theory of governance, which is generally accepted by the community as just and legitimate. In some societies, there is no recognizable conception of citizenship in the textbook sense of the term; there are, instead, only leaders and subjects. The legitimacy of local leaders is based on a gift economy, a system of mutual obligation with their subjects, where civic activity largely consists of making requests to leaders. The leaders grant those requests, if they are able to do so, and expect obedience in return. This results in an equilibrium with elite dominance and authoritarian rule, and strong inequalities in wealth, power, and social status. Development projects, on the other hand, come with “modern” notions of governance and citizenship, which are predicated on the assumptions that government and citizens represent separate and equal spheres, and separate loci of power, and that “good governance” requires leaders to be accountable to citizens. This is a notion of governance based on competition and negotiation for power rather than on mutual obligation.
Shifting from a gift-based to a competition- and negotiation-based model of governance and citizenship is a highly contentious process. During periods of what we will call “traditional equilibrium”—when social and political roles are well defined and everyone’s actions and interactions are highly predictable—there are low levels of conflict. Within this system, however, there may be few opportunities to break inequality traps and empower the poor. At best, the poor can employ Scott’s (1990) “weapons of the weak” - foot-dragging, whispered resentment, surreptitious undermining – that express the resentment of the poor without an explicit confrontation. Participatory interventions—along with other efforts to reduce inequalities, such as land reform—seek to disrupt this equilibrium by changing the local cooperative infrastructure. Replacing leadership legitimized by mutual obligation, with a relationship between leaders and citizens based on democratic accountability. But unless traditional inequalities resting on inherited wealth, status, and identity are concurrently replaced by a system in which power and status reward ability and effort, then any nascent participatory institutions will simply be subsumed and subverted by the traditional order and existing power structures.

If, on the other hand, participatory interventions are effective in breaking down durable inequalities, collective well-being could well diminish in the short run, as elites resist, object, and attempt to disrupt this challenge to their status. Some of their subjects will be left anchorless, not knowing how to navigate the new environment. Others will compete for power by using violence. The major challenge during this transition period is to channel the conflicts into venues for deliberation and debate, to achieve a negotiated transition to a new regime. If the process is effective, it will lead to a new equilibrium in which leadership is legitimated by its ability to meet the needs of citizens, and social status is based on achievement.

3.4 Implementation Challenges in Inducing Participation

3.4.1 The Role of Donors
Challenges in inducing participation do not just lie in the power dynamics within communities, they are also deeply influenced by incentives within agencies tasked with funding and implementing participatory projects. In particular, donors – both multilateral and bilateral - have been key players in the spread of participatory innovations. Donors have been responsible for transferring ideas and techniques from one region of the world to another, and for actively scaling up interventions developed in a few communities to an entire country. However, donors have tended to ignore the fact that political and social institutions, especially at the community level, are extremely influenced by context—historical trajectories, social and economic inequality, ethnic heterogeneity, symbolic public goods. Instead they tend to rely on “best practice” templates.

This results in what Evans (2004) has called “institutional monocropping”—that is, “the imposition of blueprints based on idealized versions of Anglo-American institutions, the applicability of which is presumed to transcend national circumstances and cultures.” Other critics, including Harriss (2001) and Cooke and Kothari (2001), have argued that, in participatory projects, complex and contextual concepts such as community, empowerment, and capacity for collective action are applied to large development projects on tight timelines. Consequently, project implementers, whose incentives are often poorly aligned with the needs of the project, may choose to gloss over differences within target groups that underscore local power structures, and to sidestep the difficult task of institution building in favor of more easily deliverable and measurable outcomes.

The anthropologist David Mosse’s (2005) ethnography of the Indo-British Rain-fed Farming Project (IBRFP), funded by UK’s Overseas Development Administration (ODA) and Department for International Development (DFID), is worth summarizing in some depth as an illustration of how the process of induced participation works in the context of a large scaled-up donor-driven project. Mosse studied the project over several years and was involved in it in various capacities—as a planner, social expert, soil and water conservation consultant, and advisor—as it evolved through different planning and implementation phases. He studied it from its inception in 1992 as a participatory project geared towards bringing agricultural technologies and innovations to the tribal Bhil population in central
India; to when it was seen by the development community as an “exemplary success” around 1995; to its culmination in 1998-99, by which time it was declared a “failure.”

ODA-DFID’s Indian partner organization was a fertilizer company, which Mosse found to be unusually committed to the participatory ethic. The company hired a large field staff of community organizers (COs) and trained a large number of village-level volunteers, called *jankars* (“knowledgeable persons”), who gradually emerged as crucial local mediators and brokers.

The project began with a “village entry” participatory rural appraisal (PRA), which, by its very nature as a public exercise—it is typically held in the courtyard of a village headman or other notable—is subject to a high degree of bias and reflects the effects of local power. The type of knowledge that was communicated, the tone of the discourse, the words used, all reflected the biases of the more active, articulate members of the village, who defined the community’s needs and then became crucial links for the COs in the initial trust-building phase of the project. The poorer members of the community were usually unwilling, inarticulate participants in such processes (Mosse 2005, p. 83). In response, the COs gradually changed their tactics and began approaching women and non-elites for more discreet, informal PRA-type exercises—which had repercussions for their position in relation to village elites. But matters were hardly as simple as ensuring that all points of view were represented. The Bhil villagers quickly learned to anticipate the outsider’s point of view, and more gradually, to sense project staff’s capacities for providing assistance, and began to structure their demands accordingly (Mosse 2005, p. 92). Thus this participatory project came to be seen as a patron of particular activities and constituencies. The PRA and planning stage became, in effect, a process of “mutual collusion’ in which “local knowledge” and desires were effectively domesticated by the project’s vocabulary where community perspectives were seamlessly melded in the project’s interests. So while planners continued to uphold a language of participation and empowerment, Bhil villagers viewed the project as one kind of patronage among others. The slightly better-off hoped for various forms of assistance in terms of capital investment (seeds, inputs, loans for pump sets), while
the more economically disadvantaged among the villagers came to view the project as a source of wage labor and credit.

Was there anything particularly wrong with the way this participatory project progressed? The answer depends on what specific hopes one harbors of “participation.” Mosse, rather than evaluating the project from an abstract ideal, paid attention to various specific dynamics. The COs and other field staff had to undergo a tricky process of earning the trust of community members, which also meant becoming familiar with local notables, institutional figures, and bureaucrats; and they gradually became implicated in various village hierarchies and factions, and in local networks of exchange, favors, and mutual assistance. The village-level *jankars* became more or less “empowered” over time (although their fortunes could wax and wane with those of the project), although this empowerment, as Mosse points out, arose mainly through relations with outsiders. This, he argues, is one of the generic dilemmas of participatory approaches—such projects often demand not less but more intensive agency presence, may be less cost efficient, and in fact may foster dependency and patronage (Mosse 2005, p. 228).

The process Mosse describes is typical of many participatory projects, and—if the objective is to enhance material well-being—one could envision trajectories from this point on that could achieve that result. So when did things begin to go “wrong” with this project? Two interpretations must be separated here—that of Mosse, in his evaluation of the implementation stage of the project; and that of the organizational judgments that first declared the IBRFP project a success, and then declared it a failure.

In Mosse’s view, the implementation stage brought with it entirely new organizational dynamics—prioritizing quantifiable targets, setting numerical goals, moving away from learning and experimentation. This transition created a “regime of implementation” (p. 109). Staff faced growing pressure to meet implementation targets—both those set from above and those demanded from below. The *jankars*, working closely with but junior to the CO project staff, began to “regard themselves primarily as project employees (if not private contractors), with the power to assess work and sanction payment” (Mosse 2005, p. 114).
As one senior project employee reported to Mosse, “[W]e rather skewed the potential of jankars as real agents of a more indigenous type of development. They became the delivery mechanisms, which [was a departure] from the original thinking” (Mosse 2005, p. 114). As for the villagers, “although they were now familiar with the official rhetoric of ‘people’s participation’ (janasabhagita), in common parlance ‘participation’ (bhagidari) implied simply that a contribution (of money or labor) had to be made; and the extent and nature of villager’s bhagidari (contribution) was a matter for negotiation and agreement with outsider patrons” (Mosse 2005, p. 114). By this phase, Mosse noted, “PRAs became largely symbolic. Staff now knew how to write them up; how to move swiftly to expenditure...As the logic of implementation pushed practice towards standardization, it was virtually impossible to ensure that ‘participatory planning’ involved local problem solving or even choosing between alternatives. In fact, the ‘quality’ of the ‘participatory process’ mattered less and less” (Mosse 2005, p. 116).

Let us take a step back from Mosse’s analysis, which is perhaps describing the phase-shift typically experienced by most participatory projects—from a somewhat open-ended planning phase to a more structured implementation phase. Might it be possible to conceive of this as some kind of rhythm of participatory projects, which could, therefore, have been anticipated? More damaging, according to Mosse, was the effect of this shift on the service delivery aspect of the project and the kind of demands that should have been factored in but were not. “[V]illagers themselves had little control over project processes and budgets. Rather than implementing their own ‘village development plan,’ they found that components of the plan (individual schemes and subsidies) would be delivered on an item-by-item basis—instead of in logically related bundles—by an administrative system that was unknown and unpredictable. One example of a logical bundle was a request by a group of women in a village for support for a project consisting of an interlinked package of activities—ducks, goats, rabi seeds, and a pump set (Mosse 2005, p. 263). Mosse argues that one of the key problems in the shift from the planning to the implementation phase is that once a set of practices is in place, the system generates its own priorities, activities, and goals—and these system-generated goals might be quite different from the formal goals regarding community participation and empowerment expressed in policy papers or
even project design documents. The relationship between policy and practice in participatory interventions therefore needs careful consideration.

Another problem is that—as illustrated in Mosse’s multi-sited ethnography of head offices, consultants, budget specialists, project staff, village-level COs, volunteers, and villagers—there are stratified, relatively autonomous levels of project actors with narrow points of overlap (Mosse describes this relationship as an “hourglass”). This is crucial to the question of how to scale up projects. Mosse describes a wrong turn, a transition point in the project, as “DFID-imposed disorder” caused by a “grossly simplified view of ‘up-scaling,’ ‘mainstreaming,’ ‘fast-tracking,’ and ‘replication.’” As a result, Mosse writes, “a huge burden was placed on a complex and shaky system: the project had to create a new organizational structure, to quadruple the size of its operations...fast-track its process (reduce village entry time)...create further linkages [to both the local government and the rural commercial sectors], while retaining its intense focus on participation....” (Mosse 2005, p. 185).

Most strikingly, as Mosse shows, in the entire period in which the project was first declared a success and then a failure, field activities, levels of work, and modes of engagement remained more or less the same and project actors maintained relative autonomy. This meant, according to Mosse, that the project’s “fall from grace” was not a result of a shift in design or implementation, but a result of changing policy fashions. The late 1990s saw an increased emphasis on partnerships with state structures, whereas parastatal projects such as IBRFP lost favor, since they were not seen to be “replicable models” (p. 199). What Mosse finds worrying is that with policy fashion cycles becoming shorter, the ability to gain the trust of local populations may be increasingly compromised, as projects abruptly dispense with those groups that no longer serve policy objectives.

Mosse’s account teaches us several things. First, the expectation of abrupt shifts in policy has adverse effects at every level of the project, and crucially contributes to the shallowness of the intervention. If the project is seen as ending within a very proximate period rather than contributing to sustainable change, then higher-level project officials
will spend their time trying to frame the intervention as a success, rather than actually working to lay the foundation for lasting change. Second, this expectation influences the quality and character of mobilization. Because the intervention is seen as time bound, people participate largely because of material gain. They take what they can from the resources the project brings, and say what they have to say to get access to those material benefits. Although this may create some short-term improvements in material well-being, it does not result in real empowerment—i.e., a lasting shift in power relationships and stronger mechanisms for voice and mobility. Third, even if the intervention is long lasting, participatory change takes time; therefore, a short project cycle can leave communities hanging off a cliff – where a trajectory of change has been initiated and abruptly terminated. Fourth, Mosse’s account tells us about the challenge of scaling-up. Participatory projects work well when they are given the freedom to learn by doing, to constantly experiment and innovate based on feedback from the ground. As the project expands, however, experimentation becomes more difficult, and efforts are directed more towards meeting the letter rather than the spirit of project goals. Finally, Mosse’s account highlights the crucial role that facilitators play in participatory projects.

3.4.2 The Role of Facilitators

Facilitators are at the frontline of induced participation. They are in the business of identifying the failures of local civil society, market, and government, and designing interventions to repair them; while at the same time finding ways to repair the associated bridging failures, seeking political opportunities, and mobilizing the community to exploit them. In other words, facilitators are paid to play the role that the social activist would play in an organic participatory movement—but their incentives are rarely aligned in a manner that results in truly empowered change. For example, their job requires flexibility, time, and constant engagement with experimentation, but they are instead given targets—mobilize X number of communities in Y number of days. They are poorly compensated and know the project will end in two or three years, so they are constantly looking for other work. They are often poorly monitored, so they may give false reports on the achievement of project targets.
Perhaps most concerning, facilitators working under these conditions may take shortcuts to persuade or force people to participate; and they may use messages for recruitment that are quite different from stated project goals. For example, they may try to meet their participation targets by using “moral shocks”—messages with a strong emotional impact—or try to lure people with the implicit promise of monetary benefit. For all these reasons, instead of being seen as agents of change, facilitators may be perceived as agents of the everyday—part of the existing nexus of accommodation. So the question is, can they legitimately affect radical change when they are perceived as part of the state apparatus. When change requires radical advocacy, would these facilitators have the right incentives when they are reporting upwards to people who may not permit them to advocate radical change. This raises some fundamental questions: What can facilitators accomplish? What are the spaces within which they can work for change? And more broadly, can induced participatory development really generate political and social empowerment? Many factors affect the answers to these questions, but it is clear that such interventions will not succeed without higher levels of government being actively committed to the development of active civic engagement at the local level.

3.4.3 Trajectories of Change

A major problem with donor-induced participation is that it works within what might be described as an ‘infrastructure template.’ Their institutional structure and incentives are optimally suited to projects with short timelines and linear trajectories of change with clear, unambiguous projected outcomes. For instance, when a bridge is built, the outcome is easily verified, the trajectory of change is predictable and, the impact almost immediate. This is not the case with participatory interventions which engage in the much more complex task of shifting political and social equilibria and have very different trajectories.

Unfortunately, however, most participatory projects that emerge from donor agencies are designed within the same assumed trajectory as infrastructure projects. They are also forced to work within three or five year project cycles, and are approved on the belief that
at the end of those three years various civic objectives will be reached such as better social
capital, community empowerment, improved accountability, etc. Almost all community
driven projects go further in projecting gains in outcomes such as a reduction in poverty,
improved school enrollment, improvements in sanitation and health, etc. The assumption is
that within the period of the project cycle, the intervention will activate civic capacity to the
extent that it will repair political and market failures enough to have an observable impact
on “hard” outcomes. There are three assumptions inherent in this – first that civic
engagement will be activated in the initial period of the project, second that civic capacity
will be deepened enough to repair government and market failures, and third that this
improvement in the quality of governments and markets will result in a measurable change
in outcomes.

Figure 3.1 Possible Trajectories of Local Participation

Figure 3.1 illustrates the problems with these assumptions. The project-based assumption
is illustrated by the dotted lines, where civil society and governance outcomes will improve
in a predictable linear path that is congruent with changes in measurable outcomes. The problem with this reasoning is that civic change is a highly unpredictable process. Consider the kinds of things that have to take place to make it happen. Individuals have to believe that collective mobilization is worth the effort and be willing to participate; civic groups have to solve the collective action problem and exploit political opportunities to effect change; the nexus of accommodation in government has to be disrupted by the rising cost of ignoring citizens’ interests, so that politicians and bureaucrats change their actions; and their new actions have to result in changes in outcomes. In other words, a change in outcomes has to be preceded by an improvement in civic capacity, and this improvement will then, possibly, unleash a series of changes that will change outcomes (Woolcock 2009). The reality is depicted in Figure 3.1 by the solid lines.

Predicting when change will meaningfully occur in each of these nodes is extremely difficult, because a number of factors come into play. The nature of the cooperative infrastructure; the history of civic engagement and politics; the level of development; the extent to which the state has committed to the process of change and is therefore effectively incentivizing, enforcing, and monitoring the actions of its agents; the level of literacy; information flows—in other words, everything that affects bonding and bridging civic failures. Social equilibrium is hard to change because it has evolved after years of repeated interactions within particular economic, political, and social environments.

Therefore, whether at the micro or the macro level, civic engagement often tends to be absorbed, in its early stages, within the nexus of accommodation, with the leaders co-opted by elites. Furthermore, as discussed earlier in the chapter, until citizens are convinced that the high cost of engaging, of fighting for their interests and resisting elite domination, is worth the effort, it is unlikely to happen in an effective manner. Widespread participation occurs when a tipping point is reached; when enough people are convinced of the value of participation, when they sense a fundamental change in the nature of politics and power, and when enough people have convinced enough others, resulting in a participatory cascade. Sociologists, borrowing from evolutionary biologists, describe this as a “punctuated equilibrium” (Koopmans 2007)—where long periods of stability are
punctuated by brief periods of extremely rapid change. This unpredictability in the timing of change is reinforced, at the local level, by the huge diversity in the nature of communities. Each community is likely to have a different change trajectory.

Thus, induced participation—particularly when it is packaged within in a project—is almost set up for failure due to unrealistic predictions that emerge from bureaucratic imperatives. The challenge of policy interventions is to figure out where each community is within this complex trajectory of change, and to create an enabling environment for that change to occur in a manner that improves development objectives. For induced participatory projects to have a chance of meeting their objectives, they have to attempt to bring in the spirit of experimentation, learning, and persistent engagement that characterize organic participatory change. Unfortunately, donors are bound by strict timelines; imperatives to disperse money both quickly and effectively; and internal incentives that make honest and effective monitoring and evaluation a low priority at the project level, even with all the rhetoric around the issue. This is a theme to which we will return in the final chapter of this report.

3.5 Deriving Hypotheses and Turning to the Evidence

In order to turn to the evidence we draw on, and supplement, the arguments made in the last two chapters, to derive hypotheses that will help us examine the evidence. Public spending to improve living conditions for the most disadvantaged is widely accepted as the cornerstone of any credible development strategy. There is also a sense that any serious policy shift in this direction needs to include a greater role for civil society. In line with this, many developing countries have devolved the management of key public services like health and education, decentralized the implementation of targeted anti-poverty programs and are increasingly providing local public goods via mechanisms that induce some type of community participation. At the core of these efforts is the idea that greater civic engagement can make resource allocation both more responsive and more accountable, with the greatest benefits being realized by those with the least influence and the least capacity to opt for private alternatives.
The traditional economic justification for local provision of public goods and services is that it allows sub-jurisdictions to tailor the level and quality of services and their cost to the preferences of those residing in a particular locality. It assumes a context in which governments are largely benign and citizens are mobile, essentially ‘voting with their feet’, by moving themselves and their resources to areas where regulations, taxes and services best match their preferences and needs. Seabright (1996) has shown, for example, that political decentralization increased neighborhood homogeneity, in the US context, as expected.

Arguably, most public goods and services, such as schools, drinking water, sanitation and roads, are inherently local in the sense that they serve a reasonably well defined group, a village, neighborhood or municipality, from which non-residents can be effectively excluded. In such cases, devolution should increase both efficiency and equity since it frees up a distant center from having to acquire costly information on local preferences and the supply of local public goods. Local agents may also have access to important emerging information, such as recent adverse shocks, that may be only poorly reflected in the types of data available to distant central administrators. Further, to the extent that poverty is also locationally specific in some of its salient characteristics, decentralized beneficiary identification may also increase the efficiency of resource allocation by allowing eligibility criteria to be locally determined. Citizen mobility also creates an external performance pressure on sub-jurisdictions to compete for the best talent and the most productive and profitable businesses, which curbs excessive rent-seeking by public officials and increases service quality. Menes (2003), for example, has argued that this process accounts for the decline in municipal corruption in the US at the turn of the 20th century. As railroads were developed and the frontier became accessible, the capacity of local government officials to extract rents declined.xviii

In fact, if citizen’s are mobile and governments benign, there seem to be few efficiency arguments for centralized resource allocation except when there are significant inter-community coordination problems arising from spillovers, externalities or economies of
scale that require centralized management. Rules and regulations regarding environmental pollution or vaccination programs, and defence, are good examples.

The situation is quite different for most developing countries where the main arguments for decentralization have been centered on issues of accountability. In this view, the fundamental problem with the central provision of public goods and services is bureaucratic inefficiency and rampant rent-seeking. Localizing resource allocation decisions brings ordinary citizens, who have the greatest stake in the quality of services provided as well as the greatest incentive to restrict rent-seeking, into closer proximity with relevant decision makers. This allows citizens to observe the actions of officials and providers, to use this information to induce higher levels of transparency and to generate social pressure for policy reform.xix

Concerns about corruption have amplified the accountability argument for decentralization.xv Over the past decade, the view that corruption poses a major threat to development has acquired considerable currency.xvi Corruption is seen as adding substantially to the cost of providing basic public goods and servicesxvii, dampening the redistributive objectives of anti-poverty programs,xviii and perhaps worse of all, changing the incentives that face both citizens and public officials. As reform efforts directed at legal and financial institutions at the center have produced little by way of success, the push for more local solutions has grown, with the greatest emphasis on civil society oversight and monitoring of public officials and providers.xix

This emphasis on local accountability has effectively created a new justification for the decentralization of resource allocation decisions that remains relevant even when there is no significant variation in preferences for the demand for public goods. Arguments for state and donor support to local participatory institutions are couched in terms of giving ‘voice’ to the most disadvantaged: the poor, ethnic minorities, lower castes, or women, so that demand can be created for better governance.
However, influential voices on the other side have pointed out that shifting the locus of decision making downward need not have salutary effects where social structures reflect long histories and deeply entrenched power hierarchies. In such contexts, they argue, local inequalities of wealth and power can acquire much greater significance as important resource allocation decisions shift downward and, in the extreme, could worsen local inequality and perpetuate or even reinvigorate local power relations.

Where localities are also heterogeneous in other respects, such as in their ethnic, race or tribal composition, there may be further coordination challenges and a greater potential for any redistributive project to generate or exacerbate local conflicts. Some have even argued that the language used by participatory programs is designed precisely to manage such underlying dissent but that the search for “consensus” often simply results in the subordination of minority voices or the proliferation of formal governance rules that make participation costly, particularly for those with the least capacity. In the presence of important group heterogeneity, electoral incentives could also induce political agents to allocate resources to satisfy more parochial interests, at the cost of broader investments in public goods and services.

Whether or not local governments or participatory programs can be responsive to local needs may depend to a significant degree on the resources they can access relative to their mandate and the discretion they have over the allocation of resources across diverse needs. In most developing countries, devolution of responsibility for taxation has been far more contentious than the devolution of expenditure responsibilities, particularly when local governments are elected. There are many reasons for this, including the political context under which central governments undertake decentralization. With few exceptions, however, and regardless of the type of decentralization undertaken, local governments obtain the bulk of their resources as transfers, whether formula based or discretionary and ad hoc, from central or intermediate level governments and taxation authority is rarely devolved to any substantial degree. As a result, there is an unavoidable tension between central and lower levels of governments regarding accountability and fiscal discipline at the local level. On the one hand, local officials can blame the center for their failures in
service provision by claiming that the center has assigned “unfunded mandates” to them, a situation where fiscal transfers to localities are not commensurate with the devolution of responsibilities to the local level, limiting the ability of local governments to deliver on their responsibilities. Discretionary transfers from the center are considered particularly detrimental for effective local provision of public goods and services since they not only limit the local government’s ability to plan investments and expenditures, they also leave local governments vulnerable to various types of manipulation from the center.

On the other hand, central governments can bemoan the “soft budget constraints”, at the local level, a situation where local governments, unconstrained by their revenue raising capacity, are tempted to overspend and then ask the center for a bailout via supplemental transfers from tax revenues generated elsewhere. Of course, such overspending may itself be a response to an unfunded expenditure mandate.

In principal, local governments could raise some or all of their resources directly from their constituents via taxes and fees and there are important arguments in favor of devolving revenue raising responsibilities. Some writers have even gone as far as to argue that central transfers should be contingent on such revenue raising efforts since this would force local governments to accept responsibility for service provision failures and incentivize citizen’s to monitor the performance of local officials more closely. In practice, however, this is far more difficult. Central governments also have a mandate to mitigate inter-regional disparities through appropriately targeted fiscal transfers that can include considerations of need intensity and demographic size. As Cai and Treisman (2004) have argued, when there are significant regional differences in the productivity of specific factors, whether due to location, agglomeration externalities or resources, local taxation authority can unleash a race to the bottom. As local governments compete to attract the wealthy, economically more marginal localities become weaker and more dependent on central transfers. This can worsen regional disparities in government services and exacerbate horizontal wealth inequality. The worst areas may also have the least incentive to give up rent-seeking activities.
Some have also suggested that the timelines and objectives of donor funded projects can worsen these challenges. For example, it is often argued that donor funded projects have implementation schedules under which program inputs need to be delivered relatively quickly, the criterion for success emphasizes the creation of community organizations, the rate of return on investments, and evaluation strategies which look for improvements in the income and assets of beneficiaries. This then jointly creates an incentive to select areas that are easily reached and organized and to target project benefits to households which are able to quickly absorb project funds in productive activities. This leads to a preference for better off areas and better off households within these areas.xxvii

The view that decentralization is needed to combat corruption has also been questioned. Some have argued that opportunities for theft and bribes could actually increase under decentralization.xxviii There is also a concern that devolution could simply shift the form of rent-seeking from outright theft and graft to other more pernicious forms of resource capture.xxix In the extreme, this could cause both equity and efficiency to decline even as measured levels of corruption fall. Bardhan and Mookherjee (2006) advocate a broader view instead, which includes all types of political corruption in addition to the incidence of theft and bribes.xxx

A key concern here is the possibility of “civil society failure”—that effectively organizing groups of people to act in a way that solves market and government failures is itself subject to problems of coordination, asymmetric information, and pervasive inequity, with attendant problems of elite capture, free-riding, and low capacity.

Civil society failure can be broadly thought of as a situation in which collective participation operates in such a manner that it benefits social welfare by much less that would be feasible. A group might be unable to act collectively. Or collective action could occur in a well-coordinated but dysfunctional manner that reduces the welfare of the average citizen: think of an organized fringe group that uses terror and violence to further its extremist ends at high social cost. Such failures can be broadly classified as bonding and bridging failures. Bonding failures in the civic sphere have little to do with the community’s
connection with the state or with markets; for instance, when the elite in a village capture public resources for private gain; when a community is unable to devise rules for managing common property resources in a manner that is both equitable and efficient; or when competition between the interests of different groups degenerates into persistent inter-group violence. Bridging failures occur when citizens are unable to organize themselves to correct for market and government failures that have a direct bearing on their lives; a community’s inability to hold service providers and local officials accountable for the quality of services or resource allocation decisions are bridging failures.

Thinking about local development policy as occurring at the intersection of market, government, and civil society failures leads us to question of when civic participation is likely to be the best answer to a particular set of government and market failures, and when it is not. The answers are deeply contextual, are fundamentally conditioned by social structures and historical trajectories, and are different for every community. A policy that works in one village may fail miserably in another. And since effective collective action depends on the cooperative infrastructure provided by a strong state, it is not at all clear that strong governments are created by a strong civil society; the actuality is more complex and nuanced. Similarly, while empowering civic groups may often lead to good outcomes, it is not true, in every circumstance, that civic empowerment is superior to a pure market-based strategy to achieve higher incomes, or to a strategy that strengthens the role of central bureaucrats to, say, improve social services. Keeping this in mind, the decision about whether, when, and how, to promote local participation should be made with an understanding of the tradeoffs involved in moving decisions to local communities—in a particular country, and within a particular region in a country, and at a particular time.

Thus, we are left with several open questions that are best answered by examining the evidence. When does participation work and when does it fail to achieve specific objectives? Does handing over large sums of money to community groups empower the poor, or is it captured by elites? What mechanisms are most effective in improving the capacity for collective action and building social capital? What methods work to repair civic inequality, reduce elite capture, and truly empower the poor? The next three chapters
provide a broad and comprehensive review of the evidence—although the extent of heterogeneity, and the unpredictability of trajectories, make it difficult to provide definitive answers to all these questions.

There is a shift of tone and emphasis in the next three chapters, moving from discussions of theory with insights derived from ethnographies and case-studies, to reviews of (largely) econometric evidence. In assessing the evidence, we focus on large-scale participatory projects that have been evaluated based on representative samples of target populations with good counterfactuals. While much of the literature on participation tends to use a case study approach, with in-depth glimpses into a small sample of communities that has great value for understanding processes of change, only representative sample studies of large-scale projects with good counterfactuals can generate enough data to make statistically valid judgments. In other words, we focus on studies that have a valid control group for the communities that have been targeted (or “treated”) by the intervention. Without an adequate counterfactual, there is no effective way of attributing the observed changes to the intervention rather than to changes that might have occurred outside the intervention. Generally speaking, this means that our findings derive from econometric analysis. Ideally, this econometric work should be complemented by good qualitative work, which can help to illuminate the processes that resulted in the observed impact (Rao and Woolcock, 2003). There is an unfortunate dearth of such work; however, a small number of qualitative studies are now available that have good counterfactuals and large enough samples, and we include them in our assessments.
Chapter 4: Cultivating Participation: How Important is Capture?

4.1 Introduction

4.2 Who Represents the Local and Does it Matter?
   4.2.1 Participation in Community Based Development Programs
   4.2.2 Does Participation Affect Resource Allocation Decisions

4.3 Political Incentives and Local Democracy
   4.3.1 Democratic Decentralization, Clientelism and Elite Capture
   4.3.2 Do Electoral Incentives Reduce Rent-seeking
   4.3.3 The Incentive Effects of Term Limits
   4.3.4 Malapportionment, Redistricting and Local Accountability
   4.3.5 Rewarding ‘Core’ Supporters

4.4 Corruption and Local Accountability

4.5 Conclusions
4.1. Introduction

A key assumption underlying support for participatory programs is that they increase the involvement of the poor and the marginalized in community-level decision making bodies, thereby enhancing ‘voice’, increasing social cohesion, fostering more resilient and inclusive local institutions and reducing capture and corruption. How empirically grounded are these assumptions?

To answer this, we turn to studies which have focused on the characteristics of members and leaders of local level decision making bodies and have assessed the extent to which participation influences how resources are spent and who benefits from the spending. In section 4.2 we focus on community driven development programs and other types of donor induced participation. The main questions of interest are the extent to which the poor and marginalized participate in local decision making bodies created by such programs and whether membership in turn affects how and for whose benefit resources are allocated. In section 4.3 we turn to evidence on the impact of democratic decentralization on accountability. We focus, in particular, on the disciplinary effect of periodic elections on the incentives facing local political agents and the ways in which such incentives are shaped by the political relationship between the center and the locality. Finally in section 4.4 we address the extent to which capture occurs as outright corruption, as opposed to other forms of rent-seeking, and whether the real worry should be corruption or more routine and legal forms of capture. Section 4.5 sums up the broad lessons from the evidence.

A couple of caveats are in order as we turn to the evidence in this chapter, and in the next two. The literature reviewed includes studies which focus on local decision making at various levels: elected municipal and village governments; deconcentrated bureaucracies at the municipal and lower levels; the local outposts of centrally based project implementing agencies and non-government development organizations (NGOs). At the lowest level of decision making are citizens, often organized into community groups, with the facilitation of local NGOs and project implementing agencies. The discussion clarifies, to the extent possible, what is meant by devolution and local participation in each case. There
is also a great deal of variation in both the quantity and quality of studies on specific issues. This has some ramifications for the lessons that can sensibly be drawn from the evidence. This is made clear, as far as possible, in the text.

**4.2 Who Represents the Local and does it Matter?**

Participatory anti-poverty programs, whether they are social funds of various types or programs to deliver targeted transfers to specific groups, usually proceed by building or supporting community level organizations of various types. The assumption is that such organizations provide a platform for the poor and otherwise disenfranchised to articulate their needs, whether to donors, others in their own communities or relevant government agencies. The first question therefore, in assessing the efficacy of participation, is who actually participates and whether this has a bearing on resource allocation decisions and the distribution of benefits from public spending.

**4.2.1 Participation in Community Based Development Programs**

A number of studies have found that participants in community organizations formed by CDD projects tend to be disproportionately drawn from wealthier, more educated and more politically connected households. They also tend to belong to ethnic or tribal groups which enjoy a higher status. An early study by Grootaert et al (2002), for example, found that in Bolivia and Burkina Faso wealthier households were not only more likely to be active in local associations, they also had more memberships per household. In Indonesia, also, poorer and less educated households tended to participate less, but the wealthiest also spent less time and money on community organizations, suggesting an inverted U-shape in participation.\textsuperscript{xxxi} In Senegal and Burkina Faso, Arcand and Fafchamps (2008) find a similar pattern of exclusion. Importantly, there is little evidence that COs created by donor-sponsored projects were more inclusive than other community groups. On the contrary, they find that members of externally funded COs were more likely to be older and to have more land wealth. There was also greater exclusion of some ethnic groups, such as those associated with livestock herding. An important implication of asymmetric membership
patterns is that participatory development projects could shift resource allocation towards the priorities of the local elite. At its worst, this could generate a process by which external resources directed at strengthening associations of the disadvantaged, end up weakening such associations or reducing the representation of the disadvantaged in these associations. This is indeed what Gugerty and Kremer (2006) find in a program they study in rural Kenya which provided leadership training and agricultural inputs to small self-help organizations with mainly women members. The authors generate a control group by randomizing the order in which groups entered the program. The project spent $674 per group or an average of $34 per member. The inputs provided were sufficient to cultivate at least 3.5 acres of land. Since the typical comparison group had $243 in assets before the project started, this represented a large increase in the group’s capital stock. Training was provided to three group members, while agricultural inputs (implements, seeds, fertilizer and pesticide/herbicide) were provided to the group as a whole.

Gugerty and Kremer find that the groups selected for the intervention were far more likely to get new members and that new members were likely to be more educated, more likely to have formal sector income and were also more likely to take over group leadership positions. Further, while exit rates were similar in program and comparison groups, more members left the program groups due to intra-group conflicts. Older female members, who were among the most vulnerable, were also disproportionately more likely to leave. In sum, the program appears to have unleashed a process whereby group membership and leadership moved into the hands of younger and better educated women. It also induced the entry of more men and more efforts on the part of government officials to build vertical links to the groups. Interestingly, this is in a context where the groups had democratically elected leaders. At the same time, however, the program showed unimpressive results in terms of productivity gains. The authors conjecture that a rapid increase in resources can increase exclusion.

There is also evidence of elite dominance in Indonesia’s Second Urban Poverty Project (UPP2), which provided one-time allocations to support implementation of community development plans through access to credit, mobilization of community members, and
financing of small infrastructure. Pradhan et al (2009) find that groups managing fund allocation decisions (BKM) were more likely to have members who were educated, affluent, politically connected and male, while members of groups implementing funded projects (KSM) were more likely to be less affluent, less educated and female.

In Pakistan, Mansuri (2011b) shows that community organization (CO) members are far more likely to own land than non-members in their own village. They are also far more likely to have some schooling and to belong to households who are connected to traditional village leaders and local politicians. On average, CO members had twice as much land as non-members and close to 1 additional year of schooling. However, community characteristics matter. While land inequality, or a politically connected elite, dampens participation by low caste individuals as well as those with some schooling, a larger village share of low caste households tends to reduce the exclusion of the low caste.

Given this, it is important to understand whether induced participation can build cohesive communities. One aspect of this is the extent to which such community organizations supported by participatory development projects bring together diverse groups of people who may otherwise not have an opportunity to interact with each other—thereby creating a new deliberative space. The two studies that have looked at this (Arcand and Fafchamps, 2008 and Mansuri, 2011b) find instead that community organizations tend to sort by markers of wealth and status. In both studies, households are more likely to belong to associations with others from their own ethnic group and with others with similar levels of wealth, political networks and education. In line with this, survey research in the large urban centers of Sao Paulo and Mexico City also reveals that citizens who participate in associations are likely to be highly stratified by education, gender, labor market status and so on (Houtzager et al., 2007). Some communities do better than others, however. Mansuri (2011b) finds that community organization members tend to be more diverse (in education, wealth and caste status) in villages with higher than average levels of schooling. In contrast, sorting by land intensifies in villages that are more unequal in land wealth and sorting by caste status intensifies in villages that have more low caste households.
A somewhat different picture emerges from the work of Bernard et al (2007) in Senegal and Burkina Faso. They report that, in both countries, the representation of poor households within VOs as well as their share of benefits was roughly comparable to their share of the village population and rules governing the formation of village organizations (VOs) ensured egalitarian participation. However, most VOs had delivered little to their members because they were acutely strapped for resources and had poor managerial capacity—with activities undertaken only when external donor funds became available. Since the primary objective of some VOs was to engage collectively in market oriented activities, the authors conjecture that an excessive focus on satisfying inclusion conditions may have significantly dampened the performance of such VOs.

In sum, the evidence does not provide simple answers. Context matters a great deal in the degree to which participatory programs achieve their ‘inclusion objectives’ as do the specifics of program design and implementation. Overall, though, poorer, less educated, and more marginalized groups tend to participate less, as do women of all socio-economic backgrounds. However, higher average literacy levels are almost uniformly beneficial for more pro-poor participation, while wealth inequality generally tends to worsen participation by the poor, as does remoteness of location.

The evidence also suggests very significant levels of sorting by ethnicity, wealth, proximity to power and education. There is also some evidence that an increase in external funding can displace the most vulnerable by inducing greater participation by the more educated, wealthy and young. This is consistent with the case made by several critics that short duration donor funded projects can create conditions under which program implementers have strong incentives to mobilize communities rapidly in order to disburse project funds. Since this is easier to do in relatively developed and accessible localities, programs tend to focus on them and on the relatively well placed and influential within them. It also resonates with the worry that co-financing requirements and competition for access to project funds, features which are common to many participatory projects, can encourage disproportionate participation by those in a position to contribute, or those with a greater capacity to propose viable projects (see discussion on this in Chapter 5). Thus program
design matters a good deal. The next section looks at the extent to which participation influences the allocation of budgets and in whose favor.

4.2.2 Does Participation Affect Resource Allocation Decisions?

A number of studies have examined whether participatory development programs are better able to allocate resources in accordance with the preferences of the poor. This question is all the more important if not all spending on public goods and services are equally beneficial for the poor. While investments in primary schooling, basic health facilities or safe drinking water are likely to yield larger benefits for poorer households, this is not necessarily true for investments in higher education or in hospitals. Investments in public irrigation systems, in contrast, could yield proportionately larger benefits for wealthier households who, by virtue of land ownership, are better placed to realize the productivity and income gains from improved market linkages and wealth gains from higher land values.

Rao and Ibanez (2005) look at this issue using retrospective data. They asked survey respondents in five communities that had benefitted from the Jamaica Social Investment Fund about the major problems facing the community. The overall match between the funded project and the problems identified was poor. Only in two of the five communities studied did the project match the preferences of a majority in the community and, overall, better educated and better networked people were more likely to obtain projects that matched their preferences. Despite this, they note that some 80 percent of respondents reported satisfaction with the project. They argue that this may reflect benign elite capture where the elite are also those best informed about true community needs and/or feasible projects and act altruistically to obtain these for their communities. A later case study by Dasgupta & Beard (2007) finds similar results. In this study, the authors examine the extent to which community development boards (CDBs) in Indonesia’s Urban Poverty Project (UPP) were vulnerable to capture. They find that CDBs which appeared to be captured by elite groups delivered more benefits to the poor, while the poor fared much worse in apparently more egalitarian CDBs. Based on this they argue that “elite control” over local
decision making must be distinguished from elite capture. What is perhaps more troubling in this study, apart from the small sample of communities looked at, is that communities were selected, in part, for high observed levels of social cohesion.

Others have taken this further and argued that the deliberative process itself, even when it induces no change in selected projects, creates a sense of satisfaction and legitimacy because people like to be consulted, even when the consultative process does not yield a change in resource allocation. Olken's (2007) study, also in Indonesia, is a good example. This study examines whether observed project choice reflects, in part, the underlying participatory mechanism adopted by different programs. To assess this, the project selection method was randomized across villages. In one group, project selection was done in a village meeting, while in the other, it was done through a secret ballot. The study finds no impact of the political mechanism on project choice, despite high turnout in the election and sparse attendance at the village meeting, which attracted mainly the village and supra village elite. As we discuss in chapter 5, however, capture occurs largely at the project proposal stage. In this study, the list of proposed projects was subject to an earlier process of selection about which little is known—except that village elites were in attendance.

Interestingly, the election mechanism increased satisfaction with the proposed project, even though there was no change in the project selected. Olken argues that this may indicate a preference for greater participation. Specifically, that more equitable participation has a normative aspect, creating greater satisfaction and also greater “buy-in” for the policies and choices adopted regardless of its impact on substantive outcomes. A potential problem with this interpretation is that, given the balloting process, village residents would also have needed more information *ex-ante* on the set of projects proposed in order to vote on them. The study cannot, however, separately identify the potential impact of information and voting on satisfaction. What it does indicate, though, is that a considerable level of exclusion is possible in the type of deliberative process that CDD projects typically employ. In this case, village and supra village elites dominated the initial process of selecting the menu of projects over which the rest could vote.
That said, this set of studies suggests that evidence of elite influence need not indicate malevolent intent. For one thing, the preferences of non-elite groups could change precisely as a result of community deliberation over the use of funds, particularly if they are also less informed initially about the feasibility or potential benefits of specific projects. If so, what appears to be capture could well be reflective of a more altruistic or benevolent process, with local elites taking the lead in advocating for public goods that the community most needs and acting as intermediaries between the implementing agency and the beneficiary community. Some have argued that this is indeed what often happens. The projects finally selected are often those which best serve the needs of the most disadvantaged in the community even though they were not initially proposed by them. White (2002) notes, for example, that the disproportionate number of schools and health facilities funded by social funds reflects the preferences of the ‘prime movers’ behind these projects who are often school teachers or health workers.

Platteau and Gaspart (2003), among others, take a very different position. They argue that any assessment which elicits community preferences ex-post may not reveal much about the extent of elite capture or corruption in the use of funds since poor villagers may be unable or unwilling to express reservations about the funded project, or the role of the elite, for fear of repercussions or loss of resources. They also suggest that community facilitators often play an influential role in the process of project selection and the deliberation process is likely to be heavily influenced by facilitator preferences and that it is these preferences, as much as the preferences of prime movers within the community, that are reflected in project proposals (on this see also Murphy, 1990, Giles and Stokke, 2000)

Separating out these issues is difficult in practice. It not only requires data on the projects preferred by specific groups or individuals, before and after any deliberative process, it also requires information on the facilitation and deliberation process within communities and the preferences of facilitators as well as the location of projects, proposed and selected, and the identity of beneficiaries. In practice, the data collected on preferences, process, project location or beneficiaries tends to be fairly coarse. Most studies ask questions about
the top three needs of the community or its main problems, without reference to a budget, the expected cost share for beneficiaries, or most critically, project location. Thus respondents in a survey may state that up-gradation of roads or drinking water sources in the community is a priority but it is unclear which road or drinking water source they wish to upgrade. It is rarely the case, however, that a ‘community’ inhabits an area small and cohesive enough to allow everyone to benefit equally from all infrastructure investments. In most cases, roads, drinking water schemes and irrigation channels are provided to specific neighborhoods or habitations and location determines who finally benefits. Data on the nature of the facilitation process or its role in modifying or shaping preferences is even more rare.

In line with the concerns of critics like Platteau and Gaspart (2003), recent experimental work by Humphreys et al (2009) finds that facilitator preferences significantly predict the choices of participants in consultative meetings. Humphreys et al use data from a national forum held in São Tomé and Príncipe to discuss policy issues related to the use of newly discovered oil reserves. Approximately five percent of the adult population attended small group meetings whose leaders were randomly assigned. The authors find that the age and gender of the group leader is significantly associated with outcomes. Groups led by women prioritized investment in local health clinics rather than hospitals, and preferred transportation services over better roads. They were also more likely to accept higher taxation of windfall earnings and to opt for saving rather than spending windfalls. Groups led by older adults were more likely than younger leaders to emphasize health as a national priority and to favor commercial transport over passenger transport and better roads over public transportation services. The authors also found that meetings led by women and older adults reached much higher levels of consensus.

The only completed study which has collected ex-ante preference data for public good projects is Labonne and Chase (2009). They find substantial evidence of capture by local leaders at the project proposal stage but only in more unequal villages with a less politically active population. They also find that in such villages local leaders exercise
greater influence over resource allocation at the supra-village level meetings where proposed projects are approved.

One way to assess the capture hypothesis is to see if community characteristics matter for the allocation of resources. Several studies have take this approach. Araujo et al. (2008), for example, assess the relationship between community inequality and the odds of selecting a more pro-poor excludable project in Ecuador’s social fund (FISE). They find that local inequality significantly lowers the odds that a community will select a pro-poor project. They also find that the impact of inequality on project choice is amplified in communities which have a larger fraction of indigenous households indicating that ethno-linguistic heterogeneity can further exacerbate capture by local elites.xxxiv

Other evidence also suggests that inequality can worsen access to private transfers. Galasso and Ravallion (2005), for example, find that greater land inequality significantly worsened targeting in the program they study in Bangladesh. They also find that remote and isolated villages did worse. Bardhan et al. (2008) also find that villages with greater land inequality allocate a significantly lower share of private benefits to scheduled castes and tribes, and Shankar, Gaiha, and Jha (2010) find that poor and low caste households were considerably less likely to participate in the National Rural Employment Guarantee Scheme (NREGS) program in more unequal Indian villages.

Conning and Kevane (2002) identify some of these patterns in an early review of community based targeting which focuses on the tradeoff between better information and local capture. They conclude that communities are only more effective than outside agencies in targeting programs to the poor when they are relatively egalitarian, have open and transparent systems of decision-making or have clear rules for determining who is poor. They also note that communities which have a low capacity to mobilize information and monitor disbursements are more vulnerable to corruption and capture by elites as are more heterogeneous communities, where multiple and conflicting identities can create competing incentives.
4.3. Political Incentives and Local Democracy

Theorists have written a good deal on the issue of local accountability in the context of political decentralization and the empirical literature is also large. We do not attempt to do justice to either here. What we do is to use the literature somewhat selectively to frame the questions we think are most relevant to understanding the ‘demand side’ of local governance and highlighting some empirical studies that have informed our understanding of the issues. We also confine attention, for the most part, to empirical studies which focus on developing countries.

4.3.1 Democratic Decentralization, Clientelism and Elite Capture

Several studies suggest that political elites may be just as likely as traditional elite groups to engage in rent-seeking behavior including the use public resources to woo particular constituencies in order to gain electoral advantage.

Arcand et al (2008), for example, show that in rural Senegal, sub-projects funded by Programme National d’Infrastructures Rurales (PNIR), a large CDD program, were significantly more likely to locate in the village of the Conseil Rural (CR) president. Specifically, a village which holds the presidency of the CR, the country’s smallest administrative unit, is substantially more likely (by an average of 18.5 percent) to get funds for a project. This finding is robust to the inclusion of both CR-period fixed effects and village random effects.

Similarly, using data from four Indian states, Markussen (2007) finds that villagers who belong to the political party of the Gram Panchayat (GP) leader (Pradhan) are 32 percent more likely to get Below Poverty Line (BPL) cards intended for the poor, regardless of their economic and social status. A more nuanced finding in Markussen’s study concerns the interplay between land inequality and electoral accountability. Membership in the Pradhan’s party increases the likelihood of receiving benefits only in GPs where land inequality is above a certain threshold.
Relatedly, Besley et al (2005, 2007) show that the households of Pradhans and other GP leadership are significantly more likely to be assigned BPL cards. In their study, this tendency is substantially muted in villages with higher historical literacy rates. In these villages, the landless and illiterate are also more likely to attend Gram Sabha (village participatory council) meetings. Gram Sabhas are expected to be held at least once a year and several public programs rely on these meetings to generate beneficiary lists. The benefits of higher village literacy did not extend to women, however.

In a similar vein, Bardhan and Mookherjee (2006) use data from West Bengal in India to demonstrate that poverty, land inequality and the fraction of low caste households substantially increases capture in the allocation of resources by local governments for public goods. Specifically, they find that local governments selected projects that generated less employment for the poor in villages where a larger fraction of the population was poor or low caste and where land was more unequally distributed. In comparison, they find much less evidence for capture overall in the allocation of private transfers – mainly credit and the supply of agricultural inputs – distributed by the government. Although there is a worsening of the share of the poor, even for these, in more unequal villages and in villages with a greater share of low caste households.

Camacho and Conover (2011) provide an example of how a targeting system meant to channel resources to the poor can be used by incumbent politicians to advance their own electoral agendas. They examine census based micro data from SISBEN, the Colombian government’s Census of the Poor, which was used to assign a poverty index score to each family. The SISBEN score was used to determine eligibility for a wide range of targeted programs, including unemployment benefits, housing improvement grants, food aid for the elderly, educational subsidies, and a publicly provided health insurance program. The central government designed the scoring system but allowed municipalities discretion over the administration and timing of the door-to-door interviews. The author’s find sharp discontinuities in the score, precisely at the eligibility threshold of 47 and find that in municipalities where a relatively high proportion of families had identical interview answers, an overwhelming number of those with identical answers obtained scores below
47. Further, scores calculated using the disaggregated data largely agree with the assigned scores suggesting that the manipulation occurred mainly through the recording of fake answers at the local level rather than an overwriting of the score at a later point. This evidence of local manipulation is further strengthened by their finding that this sharp discontinuity of the score density emerged only after the score algorithm was released to municipal officials and households became aware that eligibility was based on the score. In fact, 91% of the families with suspicious scores were interviewed after 1997, when the score algorithm became well-known to municipal officials. The authors also find a larger discontinuity at the poverty threshold in more competitive elections where additional votes are more valuable. Baird et al (2009) also find some evidence that re-election incentives can influence resource allocation at the local level. They find that wards and districts where elected representatives were not from the ruling party generated fewer applications for TASAF (Tanzania’s Social Action Fund) funded projects, suggesting the use of decentralized project resources to build support for the incumbent party.xxxv

4.3.2 Do Electoral Incentives Reduce Rent-seeking?

Ultimately, of course, the question of interest is whether a shift towards democracy at the local level reduces capture. There is very little good evidence on this, but what there is, suggests that local democracy has the potential to mitigate capture, though not always most efficiently. Foster and Rosenzweig (2004) develop a model of two-party democracy in which local governments need to allocate the public budget across three types of goods: a public good (roads) which differentially benefits the poor by raising wages; a club good (irrigation facilities), which differentially benefit landowners; and a neutral public good (schools). The model establishes that an increase in the share of landless households should lead to larger investments in road construction under a democratic regime relative to one which specifically favors the local elite. Using data from 250 villages in rural India the authors show that an increase in the population weight of the poor will induce resource allocations that favor the poor, i.e., increase public resources for roads and decrease resources for irrigation investments. Further the evidence suggests that public irrigation investment simply crowds out private irrigation investment so that the shift towards more
pro-poor public goods also implies a net gain in total output. Faguet’s (2004) study of Bolivian decentralization provides further evidence on this. Using data on political, institutional, administrative and governance indicators for all 311 Bolivian municipalities over the period 1987 to 1996, Faguet shows that decentralization shifted public investment towards significantly higher investments in human capital and social services. Further, the reallocation of investment appeared to be well aligned with local needs. Education investments were higher in areas with lower literacy, water and sanitation investments were higher in areas with lower water and sewerage connection rates, and investments in water management and agriculture were higher in areas with greater risk of malnutrition. Further, this alignment of investments with local needs was driven in large part by the 250 smallest and poorest municipalities. De Janvry et al (2009a) also find a shift in resource allocation with decentralization. They look at the allocation of ZAMSIF, the Zambia social fund, across districts that vary in the discretion they can exercise in the allocation of ZAMSIF resources. They find a greater diversity in funded projects in more decentralized districts along with a shift towards income generating projects as opposed to broad public goods, such as education, health, and water supply/sanitation. However, the increased investments appear to benefit the poor and there is an overall shift of resources in favor of the poorest wards.

4.3.3 The Incentive Effects of Term Limits

When is democratic decentralization most effective in limiting rent-seeking and improving development outcomes? The answer to this is not simple but studies suggest that electoral rules and the political context in which decentralization occurs matter a great deal. In this section we look at some evidence on the effects of term limits on the performance of local politicians.

Political economy agency models, such as those by Barro (1973) and Ferejohn (1986), predict that incumbent politicians will refrain from maximum rent extraction in their first term in order to get re-elected and enjoy future rents. Persuasive empirical evidence of this has emerged based on term limits of U.S. state governors. Besley and Case (1995) have
shown that state governors eligible for re-election were significantly more likely to reduce taxes and expenditures than those not facing re-election. More recently, List and Sturm (2006) have shown that even secondary policies such as environmental protection are affected by electoral rules. They find that environmental spending is higher when governors are eligible for re-election and the spending gap between eligible and final-term governors increases in states with a large pro-environmental population.

Evidence about the relationship between term limits and political incentives has also started to emerge for developing countries. Ferraz and Finan (2009) look at mayoral elections in Brazilian municipalities. Using data from the audits launched by the Brazilian central government in 2003 they examine the allocation of federal resources by local governments. Municipalities were selected by lottery for an audit each month and audit reports were made available on the internet and sent to all levels of government about two months after the audit was completed. They find that the share of total audited resources that was misappropriated was 27 percent larger in municipalities with second term mayors who did not have re-election incentives due to term-limits and effects were more pronounced in municipalities with less access to information and where the likelihood of judicial punishment was lower. Overall, their findings suggest that electoral rules that enhance political accountability play a crucial role in constraining corrupt behavior. Assuming that, in the absence of re-election incentives, first-term mayors would behave the same as second-term mayors, they estimate that re-election incentives reduced the misappropriation of resources by around R$433 million (US$160 million).

Further evidence on the impact of term limits on the performance of mayors in Brazilian municipal elections is provided by De Janvry et al (2009b). They focus on the impact of term-limits on the effectiveness of the Bolsa Escola program on student dropout rates. Bolsa Escola gave conditional cash transfers to poor mothers of school age children, if the children attended school on a regular basis. The authors find that municipalities governed by a first-term mayor eligible for re-election had an additional 2 percentage point reduction in the dropout rate which represented a 36 percent improvement in program performance compared to municipalities governed by a second-term mayor not eligible for...
re-election. Once the potential selection of children into the program is accounted for, the reduction in dropout rates is about 8 percentage points, representing a decline of 52% relative to the pre-program dropout rate of 15%. Various robustness checks validate these results. They also find some evidence for heterogeneity in program impact. Wealthier municipalities generally do better, but so do municipalities that have more open and competitive electoral practices, with less evidence of nepotism and administrative politicization.

De Janvry et al (2009b) then attempt to understand the channel through which mayoral effort translates into lower dropout rates by looking at differences in program implementation. Their findings indicate that first term mayors were somewhat more likely to rely on the registration of children through schools and to involve social councils in various ways in the implementation of the program. In contrast, second term mayors were somewhat more likely to register children in the mayor’s office and to send program coordinators to the homes of children who did not comply with the program’s attendance requirements. The authors argue that the former practices are more transparent and indicate higher levels of effort. The worry is that one could equally argue the opposite. If registration at schools induces a disproportionate selection of lower risk (and potentially better off) children as compared to registration through the mayor’s office, and if following up through program coordinators induces non compliers to openly dropout, which appears to be the case, then it is entirely likely that dropout rates would be higher for second term mayors precisely because they perform better by selecting in poorer and riskier children and enforcing the conditionality stipulated by the program. Then electoral incentives may serve to make first term mayors more likely to engage in clientelistic behavior, as argued by Khemani et al (2008) rather than to deliver higher quality public services. Disentangling this would require data on the child’s household characteristics and compliance with the program.
4.3.4 Malapportionment, Redistricting and Local Accountability

A recent literature also points to the significance of legislative malapportionment on the allocation of resources at the local level and the performance of local governments under decentralization. Malapportionment occurs when there is a discrepancy between the share of legislative seats held by a geographical unit and its population share, so that some votes count more than others in legislative decisionmaking at the center. Samuels and Snyder (2000) argue that some malapportionment may be necessary in the transition to democracy at the local level in order to appease anti-democratic elites who demand that their privileges be protected. This may be more important in rural areas with entrenched local elites and significant wealth inequality or where there is a history of ethnic or linguistic conflict. In line with this, they find that the over representation of rural districts and counties seems to be a pattern in emerging democracies. In Latin America, for example, malapportionment generally tends to favor conservative rural districts at the expense of politically progressive and more urban districts. For the United States, Ansolabare et al (2002) show that US counties which were over represented relative to their populations received relatively more transfers from the state per person before the court order redistricting in the 1960s. Post redistricting, these inequities were largely eliminated as almost $7 billion moved annually from formerly overrepresented to formerly underrepresented counties.

One implication of malapportionment is that central governments which rely on overrepresented, non-democratic localities to secure national legislative majorities may also tend to tolerate sub-national authoritarian enclaves and be unresponsive to efforts to reform local politics. Emerging democracies will then tend to undergo a period in which democracy is simultaneously strengthened at the center and undermined at the local level. Several political theorists have noted a relationship between national political and economic liberalization and the maintenance authoritarian regimes at the sub-national level (see, for example, O’Donell (1993), Fox (1994) and Snyder (1999)). However, there is very little empirical evidence from developing countries on whether legislative malapportionment helps protect authoritarian enclaves at the local level.
Faguet (2004) provides some evidence on how an effort to reduce malapportionment in the resource allocation process can help improve local accountability. Faguet argues that in Bolivia the decentralization process not only doubled the share of national tax revenues devolved to municipalities, it also required that resources were allocated strictly on a per capita basis – which limited ad hoc and clientelistic resource assignment. At the same time, a redistricting effort created 198 new municipalities (64 percent of the total), and expanded existing municipalities to include suburbs and surrounding rural areas. Together, this led to a massive shift of resources in favor of smaller and poorer districts in which the largest gainers were districts with the worst demographic indicators and the poorest infrastructure endowment. Before decentralization, 14 percent of all devolved funds were allocated to 308 municipalities, while the three main cities took 86 percent. After decentralization, these shares were reversed, to 73 and 27 percent, respectively. In addition, popular participation in local governments was formalized via Local Oversight Committees (Comité’s de Vigilancia), which were empowered to exercise oversight over municipal allocations of Popular Participation Funds and were empowered to freeze disbursements to local governments that misused funds. As discussed above, Faguet finds that this decentralization effort led to a very substantial shift in investment towards human capital and social services which was well aligned with local needs.

4.3.5 Rewarding ‘Core’ Supporters

Several scholars have also argued that politicians tend to allocate resources to reward loyal constituents and core supporters (see for example, Cox and McCubbins, 1986, Persson and Tabellini, 2000). Empirically, if this is the case, then electoral results should predict future resource allocations, but past allocations should also predict future electoral results. Several studies do confirm such a pattern. Following the 1994 elections in Brazil, for example, federal deputies allocated more resources for local public goods to those municipalities from where they had received the greatest number of votes. Looking at the allocation of public works from 1996 to 1999, Finan (2003) found that a 10 percent
increase in vote shares for a candidate in the previous election implied an expected increase of R$75,174 in public works for a municipality during the electoral cycle. Similarly, Miguel and Zaidi’s (2003) study of Ghana found that administrative districts where the ruling party won all parliamentary seats in the 1996 election received 27 percent more in school funding in 1998-1999. Case (2001) also finds that block grants provided by the Albanian social assistance program were distributed across communities in a manner consistent with the core-supporter model. Finally, Bratton and van de Walle (1997) discuss several cases in Africa where the use of state resources to reward faithful supporters is widespread. They note that by “electively distributing favors and material benefits to loyal followers who are not citizens of the polity so much as the ruler’s clients,” rulers often ensure the political stability of their regime and personal political survival.

De Janvry et al (2009a) test this hypothesis using electoral data from Zambia. They match local election results in Zambia in 1998, 2001, and 2006 with ward-level data on resource allocation under three social fund programs (CRP I and II and ZAMSIF). The authors look at whether the percentage of votes received by the majority party’s candidate for the district council influences the allocation of project resources in the ward—and, equally, whether past allocations to a ward affected the political fortunes of incumbents. On the first question, they find that in highly decentralized districts, a 10 percent increase in the majority party’s share of the vote is associated with a 32 percent increase in per capita resources in the ward. Interestingly, though, this occurred only in wards with high literacy rates. Additionally, they find that incumbents are rewarded for higher per capita budgets. Specifically, a doubling of the allocated per capita budget, in the three years preceding an election, increases an incumbent’s odds of re-election by 4 to 5 percent. This is a large effect, given that only 24 percent of the wards in subject districts received a project and that 39 percent elected a councilor from the incumbent district majority. However, this does not appear to come at the cost of the poor. They find no support for a trade-off between pro-poor program targeting and the political use of public resources, since the poorest wards were both more likely to be funded and more likely to vote for the district majority party.
In line with this, Schady (2000) finds that expenditures on projects under the Peruvian social fund, FONCODES, increased significantly before national elections over the period from 1991 to 1995. Projects were also more likely to be directed at poorer provinces, which returned a smaller share of votes for the incumbent president in the previous election. He suggests that funding decisions were apparently made on the basis of both political and poverty criteria. In Mexico, municipal-level expenditures by PROGRESA-Oportunidades, a national conditional cash-transfer program, increased the incumbent party’s share of the vote by about 4.3 percent. Rodríguez-Chamussy (2009) note that this effect was particularly strong when the PRD (Partido de la Revolución Democrática) was the incumbent party. Interestingly, however, incumbent opposition party mayors also benefitted, presumably by successfully claiming some credit for benefits delivered to their constituents. In a study of a large government-initiated anti-poverty program in Uruguay, Manacorda et al (2009) also find that beneficiaries of the program were 21 to 28 percent more likely to support the current government than non-beneficiaries.

4.4 Corruption and Local Accountability

Corruption, defined narrowly as outright theft, graft or the taking of bribes, is seen as quite distinct from other types of political rent seeking and has come to be viewed as a major threat to development. It is seen as adding substantially to the cost of providing basic public goods and services, dampening the redistributive objectives of anti-poverty programs, and perhaps worse of all, changing the incentives that face both citizens and public officials.

However, efforts to reform legal and financial institutions at the center have met with little success in most developing countries and emphasis has shifted instead to reforms that work through decentralization and greater civic engagement in the monitoring of public officials and providers. This new emphasis on fighting corruption through greater local accountability has been championed to a substantial degree by international organizations such as the World Bank and USAID.
The view that decentralization is needed to combat corruption is not unchallenged. Some have argued that opportunities for theft and bribes could actually increase under decentralization. There is also a concern that devolution could simply shift the form of rent-seeking from outright theft and graft to other, more pernicious and ostensibly legal, avenues of resource capture. In the extreme, this could cause both equity and efficiency to decline even as measured levels of corruption fall. Bardhan (2002) and Bardhan and Mookherjee (2006), in particular, have argued that too great a focus on corruption, defined narrowly, can obscure attention to the true welfare cost of rent-seeking under decentralized resource allocation, particularly where there are significant opportunities for capture by local elites. They advocate a broader view which includes all types of political corruption in addition to the incidence of theft and bribes. We review the literature on corruption with these concerns in mind.

Only a few studies have examined the relationship between decentralized resource allocation and levels of corruption more narrowly defined. A series of these are empirical papers using cross-country data. These have argued, by and large, that corruption tends to be lower in countries that are more decentralized, but only when local governments face “hard budget constraints”, i.e., rely less on fiscal transfers from the center and more on their own revenues. For example, Estache and Sinha (1995) report a positive association between expenditure decentralization and levels of infrastructure provided by local governments, but only when both revenue generation and expenditure responsibilities are decentralized. Fisman and Gatti (2002a and 2002b) find similar results. In the first paper, which uses data from US states over the period 1976-87, the authors report a positive correlation between state dependence on fiscal transfers from the center and convictions for abuse of public office. In the second, they find a negative association between expenditure decentralization and perceived corruption using cross-country data from 1980-95.

However, these studies are plagued with problems of potential reverse causality and unobserved heterogeneity across the units of analysis which makes the results difficult to interpret. Using roughly the same sample of countries over the same time-period as Fisman
and Gatti (2002b), Treisman (2007) has shown that the key result in their study is quite sensitive to the particular set of controls used. The association between expenditure decentralization and corruption (using a range of measures of both) simply disappears once an additional control, the proportion of Protestants in the population, is added. Apparently, countries with more Protestants also tend to be both less corrupt and more decentralized.

The metric of corruption used in these studies is also problematic. For the most part, country level corruption measures are either aggregated up from corruption perception surveys or are derived from country-risk analyses. Most studies which have compared perception data with data on the actual incidence of corruption have found that data on corruption perception correlates quite poorly with the actual incidence of corruption, however defined. They also find that corruption perceptions may be sensitive to the absolute level of corruption, as measured by the number of occurrences rather than just relative corruption levels. Thus perceptions of corruption will tend to be greater in larger countries. Finally, the relationship between perceptions of corruption and absolute and relative corruption levels gets weaker as levels of corruption rise. Thus the use of perception data may be more warranted in low rather than high corruption settings.

More recent cross country studies have attempted to overcome some of these problems by using a more objective metric of corruption. One example is a recent study by Fan, Lin and Treisman (2009) that examines how political decentralization affects the odds of bribe extraction by corrupt officials. They attempt to rectify the problems of perception data by combining cross-national data set on decentralization with a firm level survey conducted in 80 countries which has information on the concrete experiences of firms with graft and bribes. Their results suggest that decentralization can increase opportunities for corruption when the number of distinct tiers of public employees increase, and this is more problematic when governments are also strapped for funds. Overall, their results suggest that as the complexity of governance structures and tiers increases, as it does under decentralization, there is a danger of more uncoordinated rent-seeking and higher net levels of corruption.
By and large, however, attention has moved to within country analyses using more carefully constructed data and objective measures of corruption. This newer literature also attempts to identify causal effects by focusing on specific policy shifts, such as audits, increased monitoring, a change in access to information or variation in the political incentives of incumbents which allow for a clearer analysis of the relationship between decentralized resource allocation and corruption.\textsuperscript{11}

While this literature is not large, it has produced some important insights. For one, studies confirm substantial levels of graft and theft in decentralized programs though few are able to compare levels of corruption with and without decentralization. The literature also highlights the potential risks of incomplete and differential access to information. In particular, opportunities for corruption are greater when some individuals or communities are less well placed to benefit from information. It also underscores the manifold constraints that communities, particularly those which are poorer, more remote or more unequal, face in monitoring and sanctioning corrupt officials or service providers.

Overall, the evidence indicates that corruption tends to be higher in communities that have low education levels, low exposure to media and are more remote from the center. All of these tend to be positively correlated with poverty and inequality and the costs are larger for the poor within such communities. Perhaps more surprisingly, it is interventions from the center that appear to constrain corrupt local practices - but more so when they augment citizen “voice” at the local level by increasing information on resource flows via well publicized audits or media campaigns. There appears to be little reason, on balance, therefore, to be too sanguine about community based monitoring or information provision in the absence of a strong reform minded center, an active and independent media and highly capacitated communities.

Reinekka and Svensson (2004, 2005 and 2007) have done a series of studies which examine the extent of corruption in the allocation of public resources for education in Uganda during the 1990s. They examine a large government program which provided
grants to primary schools to cover their non-wage expenditures. The program was managed by the central government but used district offices as distribution channels. Their measure of corruption is the difference between disbursed flows from the central government to lower tiers of government and the resources actually received by final beneficiaries. The data come from a public expenditure tracking (PET) survey.

In their 2004 paper, Reinikka and Svensson show that primary schools in Uganda received only 13 percent of the grants allocated to them for non-wage expenditures. The rest was captured by local officials and politicians. Further, the allocation of the amounts that did reach schools was also quite regressive. Schools in the poorest communities fared the worst, obtaining significantly smaller shares of their entitlements. Interestingly, a benefit incidence analysis of the program, done in 1996, by the World Bank found that the poorest quintile received about as much as the richest quintile. This highlights the difficulty of using benefit incidence analysis to understand the distributional impact of public spending, when allocated expenditures rather than actual spending is used to assess incidence. Further, it highlights the potential for local capture to completely undo and even reverse the redistributive goals of anti-poverty programs.

Reinekka and Svensson (2007) examine the extent to which information on the flow of funds can restrain corruption. In response to the enormous leakage of funds found in the first PET survey, the central government initiated a newspaper campaign under which national newspapers, including their local language editions began publishing the monthly transfer of capitation grants to districts. The authors’ show that schools which were closer to newspaper outlets managed to claim a significantly larger part of their entitlement after the newspaper campaign had been initiated and that head teachers in such schools were also more knowledgeable of the rules governing the grant program as well as the timing of fund release by the central government. Reinekka and Svensson (2005) also find significant increases in enrollment and student learning outcomes following the information campaign, with much larger effects for schools that were proximate to newspaper outlets. These effects are further confirmed by Björkman (2006). Using district level data, Bjorkman finds that districts which were more exposed to the newspaper campaign not
only obtained a greater share of the budget allocated to them, they also had substantially larger improvements in student test scores.

Francken, Minten and Swinnen (2009) use a measure of corruption similar to the one used by Reinekka and Svensson (2005) to examine the impact of media on the local capture of public education funds in Madagascar. They find very little evidence of capture from the center to the district. However, the education bureaucracy at the center was closely monitored. In contrast, significant levels of capture were observed at the district level with capture increasing in the distance of the district from the center, pointing again to the importance of central monitoring for accountability at the local level. The study also finds a strong negative effect of media access on corruption, with substantially larger negative effects in more educated communities which were presumably better able to use information on budgets to monitor providers. In line with earlier findings on capture, the authors note that the misappropriation of funds was higher in districts where the program director was a member of the local elite and was larger for directors with lower levels of education.

The risk of differential information access is further highlighted in recent work by Shankar, Gaiha, and Jha (2010) who study the Indian National Rural Employment Guarantee Scheme (NREGS). The NREGS, a targeted workfare program, was launched with a nationwide effort to disseminate information via the media as well as through village level meetings organized by the local government. The program has been plagued with problems of resource misappropriation via the fudging of muster rolls, the manipulation of wages and outright bribe taking by local officials of various stripes. Using survey data the authors find that the non-poor had more and better quality information on the program and were also more likely to participate. Further, better informed participants were also more likely to obtain the full benefits of the program in terms of wages, the timing of payment and hours worked. Poorer participants were also more likely to report having paid bribes. This is particularly important given concerns about the level of corruption in this program.
Few studies have been able to assess the relative effectiveness of bottom-up anti-corruption interventions as compared to a more top down approach. The nicest study is by Olken (2007) who reports on the results of a field experiment conducted in villages supported by the well-known KDP program in Indonesia. The program builds local infrastructure using a community driven development approach. The experiment assessed the relative effectiveness of community-based versus external monitoring of KDP road construction projects by inducing random variation in the mechanism by which corruption could be detected. A subset of study villages were assigned to the bottom-up intervention in which citizens were encouraged to participate in village-level meetings where project officials documented their expenses in relation to the use of public funds for the construction of local roads, while another subset were assigned to the top-down intervention where villages were informed that road construction expenses would be closely monitored by local officials. The odds of an audit in the latter case were 100%. In the control villages the usual process of government audit was expected. The odds of an audit were about 4 percent in this case. Corruption was measured in the form of missing expenditures on materials and wages. The study finds that intensive top-down audits reduced both types of missing expenditures by about 8 percentage points while grass-roots monitoring only managed to reduce missing wage expenditures. Given the larger budget share of nonwage expenditures the overall impact of community monitoring was negligible.

This suggests that community monitoring may be constrained either by low incentives to participate in monitoring providers for those aspects of service quality where benefits are largely non-excludable or by a poor capacity to detect corruption when the activity entails technical inputs. Thus villagers may find it easier to detect missing wage payments but they may have a much harder time knowing how much of any construction input was actually used in the road. What is also quite interesting is that while the intensive top-down audit reduced corruption as measured by missing expenditures, it appears to have increased nepotism. Relatives of members of the implementation committee, including the village leader, were significantly more likely to be hired.
A number of recent studies have examined the restraining effect of election incentives on corruption in local governments. Ferraz and Finan (2007) examine whether access to information on the corrupt practices of local politicians affected voter behavior by comparing municipalities which were randomly audited before the elections with those which were audited after the elections. They find that the disclosure of audit reports had a significant impact on the re-election rates of corrupt mayors and that exposure to media was important, with larger effects in municipalities which had radio stations.

In a quite different context, Henderson and Kuncoro (2009) find that the Indonesian move towards decentralized local governance in 2001 decreased the level of corruption as measured by the reported bribes paid by firms to government line departments for activities under local control. An interesting twist in their work is the finding that the extent of reduction in corruption was greater in districts where Islamic (rather than secular) parties, whose local platforms emphasized anti-corruption policies, were elected in 2001. Given that Indonesia is overall a secular country, the authors see this evidence as pointing to the importance of corruption as a political issue in the selection of local leaders and indicative of the potential for democracy at the local level to constrain corruption.

Brollo (2009) focuses instead on the political opportunity that local government audits can provide to the central government. This study reveals that much of the observed impact on the re-election odds of incumbent mayors in Brazil occurs because the central government uses the audit reports to strategically reward and punish allies and competitors. While central transfers to municipalities where two or more instances of corruption were found were reduced, corrupt mayors in municipalities which were affiliated with the president’s political party were actually compensated with higher transfers in order to avoid future political losses due to any reputational effects. In contrast, pure reputation effects dominate only when information is released close to the election. This suggests that when localities are largely dependant on fiscal transfers from the center, as Brazilian municipalities are, the central government can use devices like audits to control political selection at the local level. It also suggests that voters may care far more about the delivery
of public goods and transfers than about the extent to which politicians, who are able to deliver these services, are corrupt.

Bobonis et al (2011) also examine whether the public disclosure of information about political corruption affects the re-elections odds and future behavior of politicians and again find that audits do little to reduce corruption, but can be quite instrumental in improving the odds of re-election. Using data on publicly released audits of municipal governments in Puerto Rico they find that audited levels of corruption are quite similar across municipalities that were audited before the previous election and those that were not. However, mayors are able to translate the reputational gain provided by a good audit into higher odds of re-election and higher levels of rent-seeking in future periods.

Unlike the studies reviewed above which focus on anti-corruption strategies that work through the political and social accountability of local officials, Litschig and Zamboni (2007) and Di Tella and Schargrodsky, (2003) focus on the impact of judicial institutions and “corruption crackdowns” on resource misappropriation and fiscal mismanagement. These studies point to the importance of mechanisms other than electoral and social accountability for improving governance when unelected public officials also handle budgets and make allocation decisions. Litschig and Zamboni (2007) exploit exogenous variation in the location of state judiciary branches to assess the impact of judicial institutions on corruption by civil servants in local governments in Brazil.\textsuperscript{lv} Using audit data to construct an estimate of offenses per civil servant in counties, with and without state judiciary branches, they find that offenses per civil servant were about 35% lower in counties with a branch of the judiciary.\textsuperscript{lv} Di Tella and Schargrodsky, (2003) study the price paid for basic inputs during a crackdown on corruption in public hospitals in the city of Buenos Aires, Argentina during 1996-97. The crackdown was done by a newly elected city government which collected and compared prices paid by all public hospitals for a set of homogenous basic inputs where quality differences should not be a concern. They find that the prices paid by hospitals for basic inputs fell by about 18% during the first six months of the crackdown, with some reversal after this but with prices remaining significantly below
the pre-crackdown phase after 9 months. The longer term effects were also larger when procurement officers were better paid.

In the end it is useful to note that the level of resource capture which should be considered problematic is somewhat fuzzy. The pursuit of a policy designed primarily to minimize corruption may make little sense if there are other, possibly conflicting, policy goals (see Mookherjee, 1997; Waller, Verdier and Gardner, 2002). The key issue, therefore, may not be whether decentralization eliminates capture but rather how large the implied efficiency and equity losses are and to what extent they attenuate the anti-poverty agendas of development projects. Olken’s (2005) study of corruption and targeting related losses in Indonesia’s subsidized rice program, the OPK (Operasi Pasar Khusus) is instructive in this regard. The OPK, allowed eligible households to purchase up to 20kg of OPK rice per month. Roughly 50 percent of rural households were eligible to participate and the implied subsidy was also significant.\textsuperscript{lv}i The results indicate that some 18\% of the rice simply went missing.\textsuperscript{lv}ii However, much of the corruption was concentrated in a small fraction of villages which were largely located in the most corrupt districts. At the same time, a large amount of OPK rice was also purchased by non-eligible households so that when both corruption and mistargeting are looked at together, between one-half and two-thirds of total program benefits were lost, making the project welfare reducing in net terms. What is perhaps most interesting is that losses due to ‘mistargeting’ far outweighed any loss due to outright corruption. The latter can account for about 20\% of the total amount lost at best. This strengthens the point that a focus on corruption defined narrowly as outright theft or bribes and graft may miss the much larger problem of resource capture through other, apparently legal, forms of rent-seeking or resource loss due to implementation problems related to poor capacity to deliver intended benefits or monitor resource use.

In sum, far from being a substitute for weak and corrupt formal institutions of accountability, local oversight over the use and management of public resources is likely to be effective only when other institutions of accountability, including those at the center, function well and communities have the capacity to effectively monitor service providers and others in charge or public resources. This is broadly supported by the available
evidence on grass-root monitoring of health workers and teachers (see Chapter 5) which suggests that community based monitoring may not be effective in the absence of relevant information, as well as the capacity to sanction lax or corrupt providers. Thus reforms which enhance judicial oversight, allow for independent audit agencies and protect and promote the right to information and a free media appear to be necessary for effective local oversight.

Grimes (2008) provides a very comprehensive review of the case study evidence on civil society engagement in reducing corruption. The case studies reinforce the view that community efforts at monitoring and sanctioning corrupt practices have serious bite only when there is a strong and engaged advocate at the center. In the absence of such conditions, civil society efforts are able to succeed in only a limited way, largely by inducing resignations through naming and shaming and through protests to raise awareness.

4.5 Conclusions

The literature on decentralization identifies a central trade-off: the advantages of local information versus the hazards of local capture. The evidence we review in this chapter indicates that the latter can outweigh the former in many cases.

The main lessons of section 4.2 are that, in the majority of cases, participants of CDD projects are drawn from among the elite and it is most often their preferences that are reflected in the resource allocation process. The extent to which this distorts the anti-poverty intent of decentralized public programs depends on the extent to which elite dominance can be construed as capture. Community characteristics, like inequalities of wealth and political power, geographic isolation and ethnic heterogeneity appear to play a decisive role in this regard. Communities which have greater wealth inequality do much worse, as do communities which are isolated or poor or where caste, race and gender disparities are important and are embedded in a hierarchical structure which valorizes particular groups.
Participatory programs attempt to deal with these concerns by using local facilitators to build community capacity. Yet we know little about the facilitation process, the training received by facilitators or the incentive structures they face. There is also little evidence, overall, of any self-correcting mechanism through which community engagement counteracts the potential capture of public resources. Instead, the bulk of the available evidence suggests that the more unequal the initial distribution of assets is, the better positioned the non-poor are to capture the benefits of external efforts to help the poor. In sum, local actors may have an informational and locational advantage but they appear to use it to the benefit of the disadvantaged only where institutions and mechanisms to ensure local accountability are robust.

The main lesson from sections 4.3 and 4.4 is that local democracy can have both favorable and unfavorable effects on the level and distribution of public resources. The outcome is quite context dependent and varies with the nature of political institutions, at both the national and the local level, with levels of voter awareness and with the distribution of wealth. The potential for resource capture by political elites again appears to be considerable, particularly where wealth inequality is a concern. The literature also indicates that democratic decentralization can lead to a greater use of public budgets to reward particular constituents for their loyalty and to improve the fortunes of political allies. The important question of course is whether the overall scope for capture is dampened under democratic decentralization and here the answer appears to be cautiously optimistic, provided political institutions and rules are deliberately designed to address perverse incentives and local inequality. Other dimensions of community capacity also matter a great deal. Again, more remote and isolated localities do worse, as do those with lower literacy levels and higher levels of poverty. Such localities also tend to be more poorly served by mass media and other sources of information and are less likely to have adequate central oversight.

It appears, overall, that the ballot box, though far from perfect, provides a clearer mechanism than more informal deliberation for sanctioning unpopular policy choices or excessive rent-seeking by traditional or political elites. It is less clear how citizen’s can
collectively sanction negligent or corrupt officials or local leaders where such venues for the exercise of citizen ‘voice’ are not available. CDD projects that induce greater accountability through electoral incentives and mandated inclusion may therefore perform better. There is as yet little evidence on this.

Overall, it appears that, far from being a substitute for weak and corrupt formal institutions of accountability, local oversight over the use and management of public resources is only effective when institutions of accountability at the center function well and communities have the capacity to effectively monitor service providers and others in charge or public resources. Ironically, this appears to increase, rather than diminish, the need for a functional and strong center and vigilant and capacitated implementing agencies. However, there is little evidence that donors can substitute for a nonfunctional central government as a higher-level accountability agent. Instead, reforms which enhance judicial oversight, allow for independent audit agencies and protect and promote the right to information and a free media appear to be necessary for effective local oversight.
Chapter 5: Does Participation Improve Development Outcomes?

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5.6 The Poverty Impact of Participatory Projects

5.7 Conclusions
5.1 Introduction

Much of the impetus for investments in participatory anti-poverty projects and decentralization efforts has come from the hope that greater civic engagement will lead to faster and more equitable development. To accomplish this, donors and governments have decentralized the targeting of anti-poverty programs, supported community based natural resource management, provided grant funded infrastructure through participatory programs, supported community and parent associations for managing schools and formed women’s health groups for improving basic maternal and child health. They have invested in community livelihood activities and in decentralization reforms that increase local voice in the allocation of budgets and in the provision of public services.

In this chapter we assess the extent to which these hopes appear to be well founded. We also try, to the extent possible, to identify the channels through which community engagement improves outcomes and the factors which limit its effectiveness. In what follows, section 5.2 reviews efforts to decentralize the identification of beneficiary households and communities for anti-poverty and social insurance programs. Section 5.3 reviews efforts to devolve the management of common pool resources and summarizes the evidence for greater resource sustainability and equity. Section 5.4 looks at the quality of local infrastructure delivered through participatory mechanisms. Section 5.5 reviews efforts to induce greater community oversight in the delivery of health and education services. We look at both improvements in access to service and improvements in service quality as reflected in outcomes like student learning or a reduction in infant mortality. In section 5.6 we turn finally to the poverty impacts of participatory projects. Section 5.7 sums up broad lessons from the evidence.

5.2 Identification of Beneficiaries for Private Transfers and Local Public Goods

Participatory social insurance and anti-poverty programs typically use a combination of targeting methods to identify beneficiary households and communities at different levels of the resource allocation process. When programs are managed and implemented by the
government, the center may allocate resources to sub-national jurisdictions, using various types of administrative criteria to satisfy broad political economy concerns, such as support to the poorest areas or the need to ensure horizontal equity. Local governments may then be required to identify the poor, or the most poorly served by public services, within their jurisdiction. Geographic and poverty targeting may also be combined with a demand-driven process at the community level to generate beneficiary lists or infrastructure projects. CDD and social fund programs usually do this through local NGOs or community activists, while elected or selected local leaders are usually responsible for beneficiary identification when programs are implemented through local governments. The precise process of beneficiary identification varies substantially in both cases and is often left quite fuzzy. One response to this has been a move towards the use of poverty monitoring tools of different types to select the eligible, even at the very local level where information gains are likely to be the largest.\textsuperscript{lix}

Participatory programs which invest in local public goods, also rely a good bit on community and household self selection.\textsuperscript{lx} This is true for all social funds, for example, which require community co-financing, with or without a competition for funds. Communities as a whole, or specific community groups, must decide whether or not to submit a proposal for a project based on the implied level of benefits and the cost of participation. The assumption for targeted social funds is that the level of benefits is too low to make participation advantageous for the relatively wealthy.

Where there is some inter-community competition for funds, implementing agencies often also apply administrative targeting criteria, such as the number of poor households served, when selecting winning projects from the applicant pool. The overall targeting performance of projects that use demand driven approaches for allocating public goods thus also depends on the capacity of eligible communities to submit adequate proposals.

Co-financing can be in the form of free or low wage labor towards project construction, but often also includes cash and material contributions. This aspect of participatory public good provision is, arguably, one of the more polarizing aspects of participatory
development. Its proponents hold that co-financing gives beneficiaries a direct stake in the public good, which is critical for ensuring sustainability. It also expands the resource base in contexts where the government’s ability to collect tax revenues is limited. Since the government or donor agency is deciding the level of provision of the good, one can view co-financing as a lump-sum tax, as long as the levy doesn’t cause poor people to be unable to afford access to the good provided. In this sense, there appear to be strong efficiency arguments for co-financing requirements in that they minimize exclusion and limit the burden on poor beneficiaries. Opponents, however, insist that it is among the most egregious of the wrongs committed by participatory projects and that it requires that the poor pay disproportionately more for the development of their communities. While private transfers also have some stipulations to contribute labor, as in the case of workfare programs, or to undertake specific behaviors, such as the vaccination of children or their enrollment in school, the benefits are largely internalized by the household in the form of income or gains from improved health and schooling. This is not the case for the provision of free labor for a non-excludable local public good, where only a fraction of the benefits can be internalized by the labor providing household. Free labor provision by community members has also been compared to forced or corvee labor (see discussion in Chapter 1).

How important such concerns are likely to be, in practice, is an empirical question. To understand a program’s targeting performance, therefore, it is important to understand the targeting strategy, as well as the outcomes, at each stage of the targeting process. Relevant issues may include the information available to intended beneficiaries about the program; whether the program relies on administrative targeting, competition, or self-selection to determine eligibility; and the extent to which program participation entails costs such as co-financing or a challenging application process. These types of program conditions may determine who applies for benefits as well as who gets approved. The resources allocated to building community capacity may also be relevant. Many community based projects have remedial mechanisms which are intended to ensure that all eligible communities can submit feasible projects. Nonetheless, there is a pervasive concern in the literature about the extent to which better off communities, i.e., those with greater capacity, political networks or wealth are more likely, in practice, to propose and win sub-projects.
A common approach to evaluating the relative efficiency of alternative targeting mechanisms has been to compare leakage and under-coverage rates, with much of the literature focusing almost exclusively on leakage and the extent to which this reflects resource capture by elites.\textsuperscript{10} While this aspect of targeting is important, and we spend a considerable amount of time on it below, an exclusive focus on the identity of beneficiaries can draw attention away from what is ultimately of the greatest interest: whether the anti-poverty objectives of targeted programs are achievable given their size and the distribution of the budget (on this point see Ravallion 2009a). In reviewing the evidence we focus, in so far as the available literature allows, on this issue, as well as on understanding the issues raised above. We also address, where possible, the ways in which the political relationship between the center and localities affects targeting strategies and outcomes.

A number of the studies reviewed examine the targeting performance of local governments in identifying beneficiary communities and households, but a good deal of the evidence comes from evaluations of Social Funds and CBD/CDD projects which take decentralized decision making to a still lower level with villages and even sub-villages making decisions about resource allocation for basic infrastructure and beneficiary selection.

5.2.1 Central vs. Local Targeting of Private Transfers

Most studies which have examined the relative targeting performance of the center vs. localities in assigning private benefits have found support for better pro-poor targeting at the local level. However the increase in targeting performance is small, with programs being mildly pro-poor on balance. There is also some evidence that the targeting of poor areas or households is substantially improved when the center provides stronger incentives for pro-poor targeting by local governments or implementing agencies, often by retaining control over key design features of the program such as eligibility thresholds. Interestingly, local co-financing requirements can worsen horizontal inequities, particularly when eligibility thresholds are also decentralized. We take up each type of evidence below.
Evidence from an Albanian economic support program (the Ndihme Ekonomika) indicates that local officials were able to target recipients better than the center could have done using proxy entitlement indicators (Alderman, 2002). The program provided social assistance to some 20 percent of the population through a block grant to communes. Local officials determined eligibility and the amount of the transfer to beneficiary households. Galasso and Ravallion (2005) find similar evidence for a decentralized poverty program in Bangladesh. The Food-for-Education (FFE) program distributed fixed food rations to selected poor households conditional on their school-aged children attending at least 85% of classes. The center was responsible for identifying eligible Union Parishads (UP), the lowest level of local government. Villages in eligible UPS were then made responsible for identifying program beneficiaries. The results indicate that the program was mildly pro-poor, in that somewhat more poor than non-poor households received the program. Interestingly, however, while the size of the targeting differential was small, almost all of it was due to the targeting of beneficiaries within villages, rather than the center's success in allocating the program across UPS or villages.

These findings are broadly supported by a series of other studies. Coady (2001), for example, finds some support for the center's ability to target eligible communities but finds, in line with other studies, that the center is far less able to identify poor households within targeted poor communities. He studies a large Mexican cash transfer program, Progresa, which selected poor households on the basis of census data without any community involvement.

The center's role in providing incentives for more pro-poor targeting by local governments is demonstrated by Ravallion (2000) and Jalan and Ravallion (2003) in their study of the Trabajar 2 program in Argentina. This World Bank-supported program, introduced in 1997, expanded an earlier workfare program, Trabajar 1, in order to provide an additional period of short-term work to poor households, and to locate socially useful projects in poor areas. Under Trabajar 2, the central government allocated funds to the provinces, making an effort to provide more program funding to those that were poorer. Provincial governments then allocated funds to projects within the provinces. Sub-projects were
proposed by local governments and NGOs, which bore their non-wage costs. The results also show that self-targeting in the program worked well, with participants overwhelmingly drawn from among the poorest households. The studies also find some improvement in reaching poorer areas within provinces. About a third of the overall improvement came from better targeting of provinces, and the rest from better targeting of poor areas within provinces. However, a more recent assessment of the targeting performance of this program (Ronconi, 2009) finds greater leakage and smaller income effects. It also finds some evidence that non-targeted beneficiaries were more politically connected.

A number of papers use data from rural India to examine whether participation in the mandatory village meetings (the Gram Sabhas (GS)), called by elected local governments (the Gram Panchayat (GP)) to discuss resource allocation decisions in the village, improved the allocation of a central transfer program. This program provides an array of government schemes, ranging from subsidized food through the public distribution system to housing schemes and free hospitalization to poor households. Eligible households are identified by the GP, in collaboration with state government officials, via a census, and are provided a Below Poverty Line (BPL) card. The list of BPL households, as well as the subsequent selection of beneficiaries for specific schemes, also needs to be ratified in public GS meetings. In practice, however, not all villages hold GS meetings and there is a perception of significant mistargeting in this program as per the Indian Planning Commission.

Besley et al (2005a, 2007) find that villages which hold a GS meeting do better at targeting BPL cards to the most disadvantaged. Those without any formal schooling, for example, fare substantially better in villages that hold GS meetings. However, not all villages hold such meetings, and of those that do, only about a fifth discuss beneficiary selection for public programs. Consequently, most local politicians in their sample believed (87 percent of the 540 surveyed) that they, rather than the Gram Sabha, were responsible for benefit allocation decisions. Bardhan et al. (2008) also find that villages which had greater Gram Sabha participation rates were more pro-poor in their allocation of benefits. While they are careful to point out that this does not provide evidence of a causal impact of village
meetings on targeting, they argue that it is consistent with the hypothesis that village meetings ‘formed a channel of accountability of GPs to poor and low caste groups.’ In their 2007 paper, Besley et al also find support for the disciplinary effect of the GS on capture: the odds of a politician’s household receiving a BPL card were lower in villages where a GS was held.

These results are suggestive since the design of the study does not allow the authors to determine why some villages hold meetings while others do not. That said, several studies using data from India have tried to identify determinants of a GS meeting, participation in such meetings and household characteristics associated with participation. Bardhan et al (2008), for example, find that GS participation rates were higher in villages where the proportion of landless and scheduled caste households was lower, and Besley et al (2007) find higher participation rates for the landless and low caste in villages with a higher average level of education. Kumar (2007) also looks at the effect of community participation on the targeting of BPL cards in India. Her data come from the state of Madhya Pradesh (MP) where a participatory development project, the District Poverty Initiatives Project (DPIP), was initiated in 2001. Kumar assesses the extent to which DPIP, which aims to build political awareness and confidence among the disadvantaged, affects the allocation of BPL cards to eligible households. The results indicate that the targeting of BPL cards is indeed more pro-poor in DPIP villages, where a greater fraction of BPL card holders are landless and belong to the lower castes.¹⁵

The relationship between central and local targeting is examined by Ravallion (2009b) using data from the implementation of Di Bao, a decentralized urban antipoverty program in China. The program aims to provide all urban households with a transfer payment sufficient to bring their incomes up to a predetermined poverty line. The center set the guidelines and provided about 60% of the program’s costs, on average, with some effort to set higher central cost shares in poorer provinces.¹⁶ However, municipalities were allowed to set the eligibility threshold for benefits and to identify beneficiaries. The question of interest is whether poorer municipalities would have incentives under these conditions to understate their poverty problems by setting lower thresholds. The paper examines the
evidence for the existence and size of this effect and its implication for geographic inequities. The analysis shows that poorer cities did indeed set lower poverty lines and thus had lower participation rates. As a result, equally poor families ended up with very different levels of access to the program, with the poor in the poorest cities typically faring the worst. This greatly diminished the program's ability to reach the poor.

Figure 5.1: Richer municipalities in China set higher poverty lines for determining eligibility to their main anti-poverty program, Di Bao.


An important dimension of inducing greater civic engagement in the identification of beneficiaries is that local perceptions of need may not coincide with the ways in which program eligibility is determined at the center. If so, there is also the possibility that this divergence in perceptions may account for some of the perceived leakage in transfer programs when such programs are assessed using means tests or other information that is
observable by external agents. The literature in this area is quite sparse but the evidence that does exist suggests that local determination of need may take into account variables not observed by the center and that this could well produce a divergence in notions of eligibility between the center and localities.

Harragin (2004), in a case study of famine relief efforts in Southern Sudan, finds that local notions of how food should be distributed differed from those of aid workers, resulting in a poorly designed project. Ethnographic and case study evidence supports the view that the mechanisms used to identify beneficiaries is crucial in determining how pro-poor decentralized targeting will be, especially when community members have unequal access to project implementers. A recent study by Alatas et al (2009) is important in this respect. They report on a field experiment designed to understand how community methods fare relative to the proxy means test (PMT) in targeting resources to the poor. PMT information was collected for all households in all sample villages but its use in assigning eligibility was varied randomly. In one third of sample villages, only the PMT was used to assign eligibility; in another third, beneficiaries were selected via a community ranking exercise; and in the final third, the PMT was used to determine eligibility among those identified by the community. Overall, the authors find very little support for the benefits of community targeting over the PMT when compared to poverty status using per capita expenditures. This is somewhat surprising given the substantial leakage and exclusion that can occur under even the best designed PMT. One would expect that in very small communities, like the ones the authors work with, access to relevant information on recent shocks might at least improve coverage of the eligible based on per capita consumption. Interestingly, though, they also find no evidence that meetings which are confined to the village elite produce worse targeting outcomes than meetings which include a more representative group. Further, households more closely connected to elites are also not more likely to benefit when meetings are confined to elites. However, despite poorer targeting outcomes, they find that community targeting resulted in higher satisfaction levels.
Alatas et al use data on poverty perceptions to understand these results. They check the correlation of a household’s subjective ranking of itself and others against rankings from the community targeting exercise and the PMT and find a higher correlation of self perception with the rankings obtained under community targeting. They use this to argue that, taken together, their results suggest that communities employ a different concept of poverty than is captured in per capita expenditures and this explains the ostensibly worse performance of community targeting. Further, they argue that since communities use different criteria to ascribe poverty status, it is understandable that a strategy which valorizes their preferences yields greater satisfaction levels. Gugerty and Kremer (2006) also find that the women’s groups they study in Kenya reported more satisfaction with group leadership, but there was little improvement in objective measures of group activity and they did not have better attendance rates than the comparison groups.

While these results are interesting, it is somewhat difficult to know how to assess external validity in these studies. In the Alatas et al study, for example, the treatment provided a one-time transfer that was little less than a third of the monthly transfer received by eligible households under the Government of Indonesia’s main transfer program (the Bantuan Langsung Tunai, or BLT). This in itself could seriously limit gains from capture. Equally importantly, village elites as well as government administrators, aware that this was a small study and distinct from the BLT, may have found it quite opportune to demonstrate transparency. Beyond this, the careful design of the community based targeting meeting, along with the very small and relatively homogeneous sub-villages or neighborhoods that were selected for the study, may also account for some the results. Much of the evidence we have from studies of large scale transfer programs, including those in Indonesia, points to very substantial heterogeneity in the manner in which community input is solicited and substantial capture of funds (see Chapter 4).

5.2.2 Central vs. Local Targeting of Public Goods

Several studies of social funds have also found pro-poor geographic targeting by the center in allocating local public goods. Some, however, find weaker central capacity to target the
poor within eligible areas. Early work by Chase and Sherburne-Benz (2001) and Pradhan and Rawlings (2002), for example, found that investments made under the Zambia Social Fund (ZAMSIF) and the Nicaragua social fund, respectively, were generally well targeted to both poor communities and poor households. In the Zambia case, however, this was true only of rural communities while richer than average communities and households were selected into the project in urban areas. An early review of social fund projects done by the World Bank’s, Independent Evaluation Group’s (2002) also affirms this view. Araujo et al. (2008) also find that geographic targeting appears to have worked well in Ecuador’s social fund (FISE) at the level of community targeting, with poorer communities more likely to be selected for receiving sub-project funds.

In contrast, Paxson and Schady (2002) who assess poverty targeting in the Peruvian social fund Foncodes using district-level data on expenditures and poverty find that the fund, which emphasized geographic targeting, successfully reached the poorest districts but not the poorest households in those districts—better-off households were slightly more likely than poor households to benefit. Chase (2002) finds similar results using propensity score matching techniques to compare targeted communities in the Armenia Social Fund with communities that had not received projects but were in the pipeline for them. Chase finds that while the social fund was successful in targeting communities with the poorest infrastructure, these communities were not always among the poorest areas and the fund was slightly regressive in targeting poor households in rural areas.

The relationship between decentralization and pro-poor targeting has been explored by De Janvry et al. (2009) using data from three phases of ZAMSIF, a social fund in Zambia. In the third phase, districts were grouped into three categories based on administrative capacity. In those with the lowest capacity, targeting remained fully centralized, as in the first phase; while districts deemed to have significant capacity were given progressively more control over resources, culminating in full decentralization of decisionmaking for some. Resource decentralization did not affect the allocation of funds across districts but only a district’s capacity to allocate resources across its wards. The study focuses on within district allocations under centralized and decentralized regimes. Using two measures of welfare,
school enrollment and an index of housing conditions, the authors find that the center’s targeting of districts was not progressive, and was even somewhat regressive in some phases. However, the within district targeting of wards became more progressive over time in all districts and districts with more discretion became significantly more progressive over time. A potential caveat regarding these results is that the districts which had greater discretion over resource allocation decisions, were also the ones that had higher managerial capacity. It is unclear, therefore, whether more progressive targeting in these districts is due to greater decentralization or higher capacity. Interestingly, when the authors disaggregate wards by literacy levels, they find that the within district effects in the higher capacity districts are driven almost entirely by wards with a high literacy level.

Baird et al (2009) provides another lens on this. They focus on the process by which sub-projects were allocated to wards within districts in Tanzania’s Social Action Fund (TASAF). Using administrative data on project submission and approval, they find that the demand driven application process was strongly regressive with many more applications originating from wealthier and more literate districts. Further, there is little evidence of any pro-poor targeting of wards within districts. Instead, they find that politically more active and more networked wards are more likely to benefit—but only when they also come from the party that was in power. In fact, wards where the ward and district representatives are both from the opposition party are significantly less likely to apply. Interestingly, however, the strongly pro-poor allocation of district level budgets, from the center, manages to undo much of the regressivity in applications, so that the program is mildly pro-poor overall, though the poverty reduction objectives of the center are considerably attenuated.

Labonne and Chase’s (2009) work on the KALAHI-CIDDS, in the Phillipines also provides a nice example of the tension between pro-poor targeting and a competitive demand driven process of sub-project elicitation. In the KALAHI-CIDDS program, as in other CDD and social fund projects, facilitators assist communities in identifying priorities and in preparing and submitting proposals. A sub-set of proposed projects is finally funded after review in a municipal level meeting. In their study respondents were asked to name the top
three pressing issues in the village before any project activities got underway. Using this data, combined with administrative data on projects proposed and accepted, Labonne and Chase are able to look at the extent to which the preferences of specific groups matter at both the project proposal and acceptance stage. They also find that the competitive sub-project proposal and approval process led to fewer applications from poorer and less politically connected villages. Further, they find that the village leader’s preferences, on both project type and location, appears to be influential in determining which projects are put forward. However, the leader’s preference is much less likely to sway the outcome at the municipal level. In fact, like TASAF, municipal allocation rules undo some of the regressivity in proposed projects. Given the initial bias in proposed projects, though, this has limited success and funded proposals remain well aligned with the village leader’s preferences. Further, they find, as do other studies, that the influence of the village leader is much greater in villages that are more unequal. Moreover, controlling for poverty, more unequal villages are also more likely to have their projects approved, indicating that local leaders in more unequal villages may also exercise greater influence over the inter-village approval process.

The Di Bao program suggests that the poorest communities may under-participate or self-select out of programs that require them to foot part of the bill for private benefits or local public goods. One could argue that this may also account for some of the lack of applications from poorer districts and wards in the TASAF program. A key similarity between the two programs is that eligibility criteria are decentralized and a portion of the funds come from the center which progressively targets poorer localities (districts in TASAF and municipalities in Di Bao). Not surprisingly then, TASAF replays the Di Bao story at the ward and district level. Under TASAF, participation by poorer districts are depressed at the application stage, while in Di Bao municipalities have an incentive to depress their participation rates in the program in the face of budget constraints. The net effect, in both cases, is that despite progressive targeting from the center, the overall poverty impact of the program is attenuated. Chase (2002) also argues that mandatory community contributions in the Armenia Social Fund may have led to a selection bias against the poorest communities, which are often unwilling or unable to contribute.
In the TASAF and ZAMSIF studies, low community capacity also appears to a deterrent to participation, and in the TASAF and KALAHI-CIDDS cases, capture of program benefits by the relatively well off appears to be important. While Ravallion (2009b) finds that in the Di Bao program wealthier districts are able to target their own (relatively) poor better than poorer districts, this does not appear to be the case with TASAF or KALAHI-CIDSS.

5.3 Sustainable Management of Common Pool Resources

Over the past two decades, local institutions for resource governance have increased substantially, at least in numbers, as national governments have created new institutional arrangements to engage local populations in the governance of natural resources (Dietz et al. 2003). Recent estimates place the share of the world’s natural forests, officially managed with some form of popular participation, at round 12 per cent (see, for example, Sunderlin et al. 2008). This is likely a substantial underestimate since it excludes forests that are ostensibly managed by the State but where local communities and private individuals are the de facto managers.

This expansion has been accompanied by a new, more enfranchising, view of decentralized natural resource management which represents a major shift from the past. Historically, popular participation in the management of natural resources was closely associated with colonial efforts to extend control over local resources. In the case of forests, this was precipitated by industrialization and increasing prices for timber and other forest products. In the case of irrigation waters, the state increased its presence when greater investments were made in irrigation infrastructure which also created greater management needs. As a consequence, many newly independent post colonial nations chose to re-centralize and consolidate power when they assumed control. Decentralization efforts around natural resource management gained momentum in development policy circles only in the 1970s, largely under outside pressure by international aid organizations and donors, motivated by concerns about the accountability of central governments, on the one hand, and concerns about resource depletion and climate change, on the other. By the 1980s, decentralized natural resource management had come to be associated with the
broader project of poverty reduction and the building of democratic local institutions (Ribot et al 2009).

The push for localizing natural resource management has thus paralleled the broader move towards participatory development over the past two decades. A large literature, based largely on case studies, has been extremely influential in this process. It has established the pervasive presence of local institutions in the management of natural resources, with or without state support, and demonstrated the viability of community management as an alternative to either privatization or management by a centralized state bureaucracy.

In practice, the local management of common pool resources takes many institutional forms and there is often a wide divergence between formal and de facto community control as well as the types of decision making transferred to local governments or user communities. The extent and type of central government involvement also varies a great deal with the value placed on the resource. The scale of national and international interest in a common pool resource also depends on the size of the externality it creates. With forests, the interests of the global community can also be relevant and can determine the form of management as well as the allocation of benefits. In the case of irrigation water or pastures, on the other hand, the main concerns are likely to be capture by insiders and local incentives and capacity to maintain the resource base.

It is important also, to distinguish community based natural resource management (CBNRM) and decentralization. CBNRM, like CDD, refers to the direct or indirect involvement of local communities at a relatively small scale to shape the use, distribution, and management of resources. Democratic decentralization, where local representative authorities receive powers in the name of local citizens, can therefore be counted as a possible manifestation of CBNRM, but the devolution of powers to user groups, chiefs, NGOs, private corporations, or private individuals is not decentralization. Likewise, transfers to local line ministries, i.e. deconcentration would not be considered CBNRM.
We keep these distinctions in mind as we review the literature. It is a selective review, focused on the following questions: When does community engagement in resource management enhance resource sustainability, i.e., forest regeneration, increased forest cover, more sustainable fish and livestock harvesting, better water storage and use systems; Is local management more inclusive and more equitable than central management or an unmanaged commons? In each case, to what extent is success shaped/constrained by pre-existing community characteristics? Can local management systems be designed to overcome adverse local characteristics? That is, can the right type and level of participation be induced by design? How dependent is success on the role played by the central state?

It is important to also keep in mind that the literature on community involvement in the management of natural resources, though large and multi-disciplinary, is largely case study based. While well done case studies can add greatly to our understanding of processes, they are often less helpful in establishing causal relationships between the structural features of communities, the institutions of governance established within them and their impact on measures of system performance. The few research papers that use large scale datasets are therefore highlighted but are also placed in the context of the case-study evidence.

5.3.1 Local Management and Resource Sustainability

Much of the literature on CBNRM and decentralized resource management has focused on the conditions under which the commons can be better governed –i.e., on the conditions under which community participation leads to greater resource sustainability (see, for example, Wade (1984), Ostrom (1990), Baland and Platteau (1996)). This is large part driven by Hardin’s concerns about the fate of an unregulated commons. In response to this a large number of case studies (see Agrawal and Benson, 2010, for a review) have attempted to demonstrate the viability of community management of natural resources with or without state assistance. In contrast, the verdict on government initiated institutions for community resource management has been more bleak. Morrow and Hull’s (1996) study of the Yanesha Forestry Cooperative in Peru 1996 is one example.
However several recent studies which use large scale data sets to examine the impact of government initiated institutions of community forest management show that it may be possible for governments to successfully induce natural resource management on a large scale. A key point made by all of these studies is that there is considerable selection in community management of natural resources because community takeover is usually voluntary. Case studies cannot, by design, deal with such selection, nor can they deal adequately with spillover effects which can also bias results considerably.

The first of these is by Edmonds (2002) which uses data from Nepal to look at the impact of a government initiated program which transferred the management of forests to local user groups. The outcome of interest is the level of extraction of wood for fuel. The evidence suggests that there is a significant improvement in forest conservation (in the form of reduced wood extraction) in areas which have forest user groups. The second is a study by Somanathan et al (2005) which assesses the impact of local forest councils (Van Panchayats or VPs) on forest degradation in the Indian state of Uttaranchal. Unlike Edmonds, they use satellite-based measures of forest quality (principally predictors of canopy cover), over a large geographical region which included VP and non-VP forests in Uttaranchal. This avoids entirely the problem of using community reported measures of local forest quality. They are also able to assess the long-run impact of decentralized management by village councils on forest stocks. This is also the only study which compares the cost of state and community management. The results indicate that broadleaved forests, which are of much greater relevance for local use, improved significantly with VP management as compared to unmanaged broadleaf forests but there was no improvement in pine forests. However, VP managed forests did no worse than comparable state-managed forests, both broadleaved and pine. At the same time, community management was far more cost effective than state management. Their calculations suggest that transferring state forests to community management would generate annual savings equal to the value of the entire annual production of firewood from state forests. A more recent study by Baland et al (2010) also assesses the impact of Van Panchayats on forest degradation in Uttaranchal. This study uses a wider set of
measures of forest quality and again finds a positive effect of VPs, but only on wood fuel and fodder extraction. Moreover they show that this improvement is not at the cost of neighboring non-VP forest parcels. There is no impact on broader improvements in forest quality, such as canopy cover or forest regeneration, however, indicating that VPs have had little impact on tree-cutting or timber extraction which may be much greater sources of forest degradation. Interestingly, though, their findings suggest that community management is often a response to the degradation of local forests. If so, then any simple comparison of community managed forests with those managed by the State, or unmanaged, will tend to show no impact or, worse, may indicate that community management increases degradation, as in Agrawal and Chhatre (2006).

While these studies abstract from issues of local heterogeneity, the impact of inequality on collective action has been at the center of a number of theoretical and empirical studies of community/user management of irrigation systems and fisheries. It has also been an important focus in the case study literature on common pool resource management. Bardhan (2000), for example, finds that inequality has a negative effect on irrigation maintenance in South India, while Ostrom, Lam, and Lee (1994) and Ostrom (1990) show that farmer-managed irrigation schemes have more equitable water distribution. Dayton-Johnson (2000) develops a model of cooperation in small irrigation systems and tests the model with data from a survey of Mexican irrigation societies. He finds that social heterogeneity and landholding inequality is consistently and significantly associated with lower levels of maintenance. He also finds that a proportional sharing rule, based on landholding, decreases system maintenance, but in a non-monotonic way. Dayton-Johnson and Bardhan (2002) attempt to reconcile views from the field study literature with Olson's (1965) view that inequality should be good for collective action. The study pulls together data from a number of irrigation systems including three large scale studies from Nepal, southern India, and central Mexico. Overall, the findings suggest that heterogeneity weakens a group's ability to use social norms to enforce collective agreements and heterogeneity, however defined, has a generally negative impact on cooperation. Moreover, even after controlling for social heterogeneity, inequality in the distribution of wealth continues to exercise a significant and largely negative effect. They conclude based on this
that while "Olson effects" are theoretically plausible under certain conditions, they do not seem to be operative in the irrigation systems they examine. However, they find some evidence for a U shaped relationship between inequality and collection action, with conservation possible only when inequality is very low or very high, but not in between. In a similar vein, Bardhan and Ghatak (2007) show that when private inputs, like land, are complementary in production with collective inputs, such as irrigation water, inequality in the ownership of private inputs worsens efficiency as long as there are significant externalities.

A number of studies have made the point, however, that adequate local discretion can overcome problems created by inequalities among resource users. Adhikari, B. and J. C. Lovett (2006) use data from forest user groups in Nepal to argue that successful collective action can be achieved even when there are inequalities among resource users provided that communities can exercise discretion in creating institutions for resource management. A number of other case studies of forestry management highlight the same point. Hobley (1996) for example, finds that in some states in India, as well as in Nepal, a great deal of forest conservation and regeneration has been achieved under community management. These are also cases where there has been substantial local discretion and user communities have had clear incentives to manage and preserve the resource. On the other hand, in Africa, with the exception of the Cameroons, Tanzania and Malawi, accounts of failure far outnumber those of success. Ribot et al (2010) who review a large number of case studies, blame this on weak local governments and poorly thought out donor programs. They note that donor supported projects often fail to empower representative and downwardly accountable local bodies, relying instead on disenfranchising colonial practices oriented towards extraction and control (see also Ribot, 2006; Ribot, Chhatre and Lankina, 2008). They argue that in much of Africa, the process of devolving responsibilities to communities has been mainly about maintaining opportunities for rent seeking or ensuring resource sustainability. The process thus benefits higher level national groups or international interests, while the costs are borne mainly by local inhabitants. Wood 1999 also argues that in the more backward state of Bihar in India, larger farmers routinely negotiate preferential access to irrigation systems by simply paying bribes to local officials.
Several studies further confirm how decentralization can create perverse outcomes for the poorest and most vulnerable groups at the local level if local structures are not accountable to communities. In India, Kumar (2002) reports that the joint management of Sal (*Shorea robusta*) forests has, if anything, deepened poverty because, despite community participation in the management of these forests, the emphasis has remained on high forests and timber production, which originated under colonial rule as an aspect of ‘scientific forestry’. As the forest canopy closes, however, non-wood forest products, which are of particular importance for the poor decline, deepening poverty. In Tanzania, Lund and Treue (2008), find that the taxation and licensing system for the production of timber and charcoal which was introduced under decentralized forest management has created new entry barriers for the poorest producers making them more dependent on town-based traders and village leaders.

Even when rules regarding access and fees can be changed by the village assemblies, this is rarely done in practice. One reason for this is that the poor, who rely the most on the forest, are often also a minority group whose interests do not coincide with those of the village leaders or the village majority. Baird (2006) highlights a different problem. In Laos, the central government provided incentives to provinces for expanding aquaculture ponds but not fish sanctuaries. As a result, the province met the central government’s quota by reporting fish sanctuaries as aquaculture ponds. Similarly, in India, irrigation reports provided by local level officials to higher levels often inflate the actual areas covered by irrigation, in order to “meet” targets (Wood 1999).

The upshot is that the choice of local institutions and the rules regulating such institutions are set by higher-level institutions which reflect a multitude of values and interests ranging from concerns with resource sustainability, biodiversity or carbon storage to gaining strategic political advantage or enhancing opportunities for rent-seeking. Their choices are therefore influenced by national elites as well as a host of international interests including bilateral and multilateral donors (Blaikie 2006; Ferguson 1996; Ribot *et al.* 2008). Due to this, policies originally designed to favour elites under colonial structures are often
maintained even when countries officially promote popular participation in natural resource management. Mustalahti and Lund (forthcoming), for example, find that despite official policies which supported community participation in forestry in Mozambique, Laos and Tanzania, local communities were systematically prevented from sharing in the returns from commercially valuable forest resources. A number of other studies have voiced similar concerns regarding the disproportionate advantages obtained by the rich, powerful, and well-connected (see, for example, Larson and Ribot, 2007, Lund and Treue, 2008 and Ribot, 1998).

Several studies also note that CBNRM is not, in the main, a process of handing over decision making power to preexisting local institutions which have experience in managing the relevant local natural resource but of creating the necessary institutional structures at the local level, to which specific responsibilities can then be devolved. While these new institutions may be based on historical forms, this implies a much greater involvement of the state in resource governance arrangements. Thus, even where communities and local groups have long-standing rights to manage local resources, such rights require at least the implicit if not explicit sanction of the state. For resources that are deemed valuable – such as timber and fish – local rights exist typically as a result of explicit actions by government and state agencies (Agarwal, 2010, Ribot et al, 2009). Significantly, Agarwal (2010) notes that of the 400 million hectares of tropical forests currently under formal community control, more than half were transferred to community management in the past quarter century. Similarly, Fujiie et al (2005) who look at the creation of irrigation association groups in the Phillipines, which were formed as part of the broader decentralization process, find that only 20% of the irrigation association groups included in their study had communal irrigation systems in existence prior to National Irrigation Authority involvement (on this see also Mosse, 2006, on India and Wilder and Lankao, 2006, on Mexico).

Thus while the de facto use and management of natural resources by local communities is ubiquitous, in practice, the impact of local management is largely determined by the form of state intervention in the sector, much as it does for other programs or reform processes.
which induce greater local participation. Thus, the impact of participation on natural resource management, equity or local livelihoods depends upon a number of factors. These include the actual distribution of responsibilities and resources between the center and the locality, as well as the mandate that local citizens have to protect, improve, monitor, and benefit from the natural resource.

Two case studies from Tanzania and Senegal are illustrative. In Tanzania, Lund (2007) reports that a new requirement that elected forest committee members provide oral accounts of all forest related incomes and expenditures at quarterly village assemblies led to greater equity in the distribution of forest related incomes. However, as Ribot et al (2009) note, such simple changes in rules, though powerful, may work only when there is clear support from higher tiers of government and there are commensurate mechanisms to sanction local leaders. They note that in the Tanzanian case, this was provided by the presence of a watchful donor along with support from both the district council and the forest office. In Senegal, in contrast, Ribot (2009) finds no such beneficial effect of information requirements and concludes that, without credible sanctions, community members have no ability or capacity to monitor corrupt officials who know that allegations of misappropriation can be denied or ignored with impunity.

This suggests that successful collective action requires the establishment of clear and credible systems of accountability, and that such rules may not be forthcoming in unequal communities creating a space for central effort in setting the rules of the game. Bardhan and Dayton-Johnson’s (2002) analysis provides an important insight. They note that heterogeneity affects not just the extent of cooperation, given a set of rules, but the type of rules chosen. Further, not all rules are equally conducive to good performance or equity and unequal communities are less likely to pick effective and equitable rules.

Ribot 2004 notes that when there are important externalities, it is all the more important that standards and rules are set at a higher level. For example, if conversion is forbidden as a pre-condition for local control of the forests, incentives may need to be put in place which appropriately link conservation with livelihoods. In the absence of such incentives, there is
no inherent reason to believe that local people will not sell off or convert forests if those are the most-lucrative options.lxxx

5.3.2 Is local management more equitable?

Numerous studies have estimated the reliance of the poor on natural resources. Jodha's (1986, 2001), estimates, using various studies, suggest that between 15-25% of the incomes of the rural poor in India come from natural resources. Beck and Nesmith (2001) survey a large number of studies for India and West Africa which suggest similar numbers, with higher levels of reliance among the landless poor. Gregerson et. al. (1989) estimate that over a third of the world's population relies on local forests to meet basic household needs. Studies also indicate that, while the relatively better off usually get a larger absolute income from common pool resources, indicating perhaps some scope for redistribution, the poor are far more dependent on such resources (Campbell et al. 2002; Cavendish 2000; Fisher 2004; Lund and Treue 2008, Narain et al., 2005, 2008).lxxxi In many cases, the products they derive, whether fuel, water, fodder or food have few affordable market alternatives and thus also constitute an important safety net (Pattanayak and Sills 2001; McSweeney 2005).

Due to this, several writers have argued that poorer members of a community may have higher incentives to maintain resources like forests or pastures, given the right set of incentives, since the risk adjusted return to doing so may be higher for them, but this also implies that the poor could be hit the hardest by any restriction on use. Beck and Nesmith's (1999, 2000) review suggests that a process of progressive exclusion of the poor from natural resource based livelihood sources may indeed be underway even where conservation has been successful, such as in India and Tanzania. They caution that unless management regimes are specifically designed to include poor people, CBNRM may end up as little more than donor supported control by elites. Dasgupta (1995) illustrates how this cycle can lead to an environmental poverty trap, trapping generations in worsening poverty. Nerlove (1991) illustrates this for forests, showing that increasing rates of deforestation may lead to greater population growth and even faster rates of deforestation.
Common pool resources also vary a good deal in their potential livelihood impact and in the number of distinct actors at various levels who have a stake in their use, conservation and regeneration. Forests, for example, can generate tremendous value at the local and the national level, but forest preservation and regeneration often yields large positive externalities at the global level. In contrast, small irrigation schemes have returns that are plausibly confined to a limited number of local actors. Communities that live in or in proximity to specific natural resources can therefore face very different incentives to engage, individually or collectively, in efforts to preserve or restore the resource base.

The question of who actually benefits from forest land is an important case in point. A common issue highlighted in the literature is that local governments or community user groups are often given management rights over forests that have few livelihood improvement opportunities, while productive forests are either controlled by private interests or the central state. Even in countries like Tanzania, where there is significant decentralized forest management, the majority of joint forest management agreements have been made in relation to the ‘montane’ rainforests of Tanzania, where national and international biodiversity values prohibit any utilisation. Where productive forests are under joint management, whether by village councils or community based groups, they either yield low value non-timber forest products for subsistence use (Meshack et al., 2006, Topp-Jørgensen et al., 2005) or are degraded or low-value, with little by way of immediate livelihood opportunities, at least in the short run (Lund, 2007, Mustalahti and Lund, forthcoming). The result is that local communities are often required to bear the, largely unfunded, costs of management, with little by way of returns.

There are also issues about who constitutes the ‘community’. One interesting example is the case of people who live on the borders of forests. On the one hand, their location can make them more prone to crop damage and livestock losses from protected forest wildlife. On the other, they can be restricted in expanding their farmland if the forest border becomes ‘hard’ (Lund and Treue, 2008). Similar issues can arise for pastoralist and agro-
pastoralist groups. Such groups are often not represented in community user groups or local councils.

On the other hand, communities and local governments can obtain significant indirect benefits if more effective management of the CPR increases public revenues for local investment. Ribot et al (2009) argue that such benefits can provide the right incentives for conservation when management of the forest itself is unlikely to be a lucrative venture. They argue that this is one of the most prominent outcomes of decentralized forest management in Africa. For example, in Uganda, local governments are legally entitled to get 40% of the revenues from the management of National Forest Reserves (Muhereza, 2006; Turyahambwe, 2007) even though they are effectively sidelined as far as the management of these reserves goes. Similarly, revenues have increased substantially for rural communities in Cameroon and Tanzania in community forestry areas (Lund, 2007; Oyono and Nzuzi, 2006; Oyono and Efoua, 2006). Such revenues are used to cover the direct costs of forest management, but also fund public infrastructure and services like roads, schools and health clinics, which indirectly contribute to improved livelihoods (Ribot et al 2009) or can be used for the provision of micro loans, as in Nepal (Pokharel, 2009).

5.4 Participation and Infrastructure Quality

Local governments are often charged with infrastructure investments, ranging from roads and sanitation to schools, health facilities and irrigation systems. Community investment funds also allocate substantial resources for infrastructure projects. In each case, the expectation is that devolving responsibility to the local level will produce projects that are not only better aligned with the preferences and needs of users, but are also of higher quality and are more likely to be well maintained.

Ideally, participatory programs are expected to work with communities to ensure design feasibility and adequacy of scale etc and to monitor the project over the construction cycle. Competition in the project selection process is also intended to weed out bad projects and to encourage communities put in the requisite effort to align the proposed project with
program objectives. Most programs also require some form of co-financing, to increase project ‘ownership’, and many require upfront community commitment of resources for project maintenance. Participatory projects also tend to restrict the menu of feasible sub-projects, either overtly or de facto, to a small set of public goods, typically roads, culverts and drainage systems, drinking water and sanitation facilities and schools and clinics. While this appears to be quite contradictory to a ‘demand driven’ process of project selection, in practice, it may serve to restrict choice to a small set of public goods that communities are better able to maintain or where the opportunities for capture are limited.

How successful are these efforts? Does local provision create infrastructure that is better designed, better constructed and well maintained? Are projects of better quality as compared to similar types of infrastructure created by central line departments. Does this imply an absence of capture? How important are community characteristics like wealth inequality, ethnic heterogeneity, remoteness, low levels of education or poverty? Can the right incentives, like inter-jurisdictional competition for funds, or the right investments, like community capacity building, mitigate the impact of potentially negative community characteristics? Specifically, can local provision create ‘good’ projects in ‘bad’ communities and do the poor gain from these? These are the questions we explore in this section.

5.4.1 Bottom-up versus Top-down

Given the resources allocated to social funds of various types, there are surprisingly few studies which have looked at the relative performance of sub-projects built by local governments or community groups as compared to central line departments. Even fewer simultaneously address the question of infrastructure quality and the distribution of benefits, though it is far from clear that benefits from well designed and constructed projects are also more equitably distributed, at least as compared to the alternative of central delivery.
The first study to carefully assess this question used data from Northern Pakistan, where the Agha Khan Rural Support Program (AKRSP) has promoted participatory rural development for over 30 years (Khwaja, 2004, 2009). This study compares infrastructure projects provided by the community, with AKRSP support, with similar projects provided by government line departments and yields three rather interesting findings. First, community engagement, with AKRSP facilitation, substantially improves project maintenance, which is the main outcome of interest, but only when participation is confined to the non-technical aspects of the project. When communities get involved in technical project decisions, participation is detrimental. The intuition behind this claim is that decisions requiring local information are more likely to be sensitive to the community’s investment, whereas those that require technical information should be more responsive to the external agency’s investment. Second, communities are less well able to maintain projects which are technically complex or new, rather than refurbished or expanded pre-existing projects, where the community has some prior experience. Third, project characteristics, which include community participation with NGO support, far outweigh community characteristics in determining whether or not projects are well maintained.

Mansuri (2011a) uses new data from the three largest provinces of Pakistan to provide further insights on this. The study combines administrative, census and survey data from 80 villages and some 230 infrastructure projects, of which about one-half were constructed by government line departments. The rest were built by the community with support from the National Rural Support Program (NRSP). Two aspects of project quality: design and construction and current condition and maintenance are assessed. The former provides evidence of capture, in the narrow sense of theft and corruption in construction, while the latter reflects a communities’ capacity for coordination and is therefore more comparable with Khwaja’s work.

Compared to the Northern areas, the rest of Pakistan is characterized by far greater levels of local inequality and ethnic heterogeneity. In particular, land ownership, which is almost entirely hereditary, is extremely skewed, with the top 5% of landowners owning more than
40% of all land. The caste (zaat) structure is also quite hierarchical. Given this, the findings are encouraging. Participatory projects appear to be better designed and constructed than comparable projects delivered by government line departments and the effects are economically large. This suggests that the scope for outright rent-seeking through the diversion of project funds is considerably muted when infrastructure is provided with community engagement. They are also better maintained, in line with the evidence provided by Khwaja (2009). That said, project quality alone can tell us only so much about capture. If project benefits are effectively privatized at the local level, there may be little incentive to engage in the type of rent-seeking that could lower project construction quality. The results here are less encouraging. Benefits from the participatory project are no better distributed than benefits from the relevant government project and the share of the landless, the poor and the low caste is far below their population share in both cases. Perhaps, not surprisingly, investment in the most excludable schemes, irrigation water courses, tends to be the least pro-poor as compared to roads, drinking water or schools. Finally, beneficiaries are far more likely to be members of a community organization (CO) and Mansuri (2011b) finds (see discussion in chapter 4) that CO members are far more likely to be drawn from among those with land wealth, education and political networks. Khwaja (2009) focuses on the impact of the distribution of project benefits on project maintenance and finds that inequality in the incidence of project benefits (across both participatory and government provided projects) has a U-shaped effect on maintenance, similar to the effect of land ownership inequality. Increasing inequality in the distribution of project returns, first decreases maintenance but then increases it as the level of inequality rises. Caste heterogeneity also has a detrimental effect on project maintenance. This relationship between inequality and project maintenance is therefore similar to the tradeoff between resource sustainability and inequality in the literature on common pool resources. As Khwaja notes, under perfect inequality, the project is effectively privatized and maintenance no longer requires any coordination.
5.4.2 Can ‘Good’ Programs’ Compensate for ‘Bad’ Communities?

If the challenge to collective action posed by local inequality, ethnic divides and exclusionary practices of various types can be overcome by inducing participation through a well implemented program, project quality should be relatively independent of community characteristics. Khwaja (2009) provides an optimistic assessment of this. Project characteristics, which include the participatory delivery mechanism facilitated by AKRSP, significantly outweigh community characteristics, suggesting that well designed participatory efforts can, to a large degree, overcome the negative effects of wealth inequality and community heterogeneity. The study also finds that the quality of local leadership matters. Projects are better maintained in communities which have more educated leaders and where leaders are actively engaged in community affairs.

In contrast, Mansuri (2011a) finds that controlling for participation, i.e., NRSP facilitation, other project characteristics, such as complexity have no effect on project maintenance. However, projects are far better maintained in communities that have higher than average levels of schooling. This is very much in line with the discussion below on the importance of community capacity. This may be due to NRSP’s approach to project maintenance. Maintenance costs are built into project costs at the proposal stage and although the community is entirely responsible for project maintenance post construction, NRSP continues to provide technical assistance as needed. However, project construction quality worsens significantly as project complexity increases and projects are built on older pre-existing (usually government provided) projects. It also worsens significantly in villages that are more unequal. Moreover, project design characteristics have about as much effect on construction quality as village inequality. Thus while participation appears to dampen opportunities for rent-seeking, greater effort is required to ensure high quality projects in more unequal communities.

A number of large participatory development programs use some form of inter-jurisdictional competition to improve community incentives to allocate funds in a more transparent and equitable manner. Grant funds from the central government can also
induce competition across localities if they are tied to the achievement of specific outcomes, reform processes etc. Chavis (2009) is perhaps the only study that has looked at the impact of competition on the quality of infrastructure sub-projects. The study uses administrative data from the Indonesian Kecamatan Development Project (KDP), funded by World Bank, which like other CDD programs, involves communities in the allocation of funds for the construction of local public goods. In the KDP, each funded sub-district (Kecamatan) gets a block grant, based on population, which is allocated at the village level by a competitive process of project selection, managed by an inter-village council with representation from each village. Since, controlling for population, Kecamats vary in the number of villages they have, those with more villages should face a greater competition for funds. The author proposes that this competitive pressure is plausibly exogenous, and that it changes the process by which the block grant is allocated — inducing greater compliance with KDP rules and thus higher quality projects — in more competitive sub-districts. This hypothesis is checked using administrative data on over 3000 road project proposals from a single year of KDP. The study finds that in more competitive Kecamats, the set of projects submitted and funded, had larger community contributions, a more pro-poor allocation of project benefits and lower unit costs. A potential limitation of using reported unit costs and distribution of beneficiaries at the time of proposal submission and approval is that there is no independent data against which these claims can be checked. The study attempts to overcome this problem by using corroborative evidence, from an earlier study by Olken (2007), which showed a considerable amount of over-invoicing of labor and materials in the stated costs of KDP road projects. Using data from this study, the author confirms that there is also less theft in road projects in more competitive Kecamats, which bolsters the finding on lower reported unit road costs in project proposals.

5.4.3 Community Capacity and Project Quality

Several of the studies reviewed in the previous sections point to the relevance of building community capacity for project quality and maintenance. We turn in this section to studies which suggest that, in practice, community capacity is often the key constraint on project
quality. Katz and Sara (1997), for example, cite inadequate technical support from project implementers as one of the key reasons for the failure of water projects in their global review. They note that, in the absence of community supervision or management, projects were constructed by private contractors who generally did a poor job. However, community members were unable to make an informed choice about project type, monitor the work of contractors or maintain projects without adequate training. Isham and Kahkonen (1999, 2002) make similar points in their analysis of water projects in Indonesia, India and Sri Lanka. They find that communities often required considerable support in understanding the technical aspects of projects. Similar concerns are raised by Newman et al (2002) in their evaluation of the Bolivian Social Fund. They find that water projects improved water quality and access to water only when community-level training was also provided. They also attribute the significant reduction in under-five mortality associated with the provision of health clinics to the fact that investments in health went beyond providing infrastructure to providing other necessary technical inputs. In contrast they claim that education projects led to little change in education outcomes because no resources were provided beyond the building of schools. In a more recent study, Leino (2007) provides further support for this from a field experiment in Kenya. This study, which allocated funds for maintenance to a random subset of water management committees, finds that water projects were better maintained when water management committees were given funds for carrying out regular maintenance activities.

Very few studies have attempted to assess the long term sustainability of participatory infrastructure projects. Kleemeier (2000) is an exception. She looks at the Malawi rural piped scheme program. The schemes were between 3 and 26 years old. Only one-half were performing well. The rest were performing poorly or had failed entirely. Moreover, the schemes that were in good working condition were either small or were new. Kleemeier notes that this is not so much an indictment of the participatory process as it is of the lack of attention by implementers to the weak link between communities and external agencies who have the requisite technical capacity. Community groups were quite capable of making small repairs necessary to keep water flowing but they were unable to undertake more substantive preventative maintenance and repairs. In the end, she notes that the Water
Department had to send in government-employed Monitoring Assistants and Supervisors to ensure that preventive maintenance was done. Kleemeier also notes that CARE, a large international NG0, was confronted with much the same situation in Indonesia. While communities were supported in the construction of projects, there was little support for post construction activities. They note that while small and simple schemes can survive this neglect, larger schemes which require external technical inputs cannot. In an early paper on the topic, Uphoff et al (1998) also note that local organizations can be effective only if they have adequate links with political and administrative centers.

5.5 Community Engagement in Public Service Delivery

Much of the effort to improve accountability in the allocation of resources for public services has focused on expanding citizen oversight and engagement. These efforts have taken a number of forms, ranging from the decentralization of service delivery to local governments and contracts with private providers and NGOs, to programs that induce greater community participation in service provision and quality by transferring resources directly to community organizations.

In reviewing the evidence on decentralizing education and health service delivery to municipal governments and community organizations we focus on service quality, as measured by learning, school retention or infant and maternal mortality as well as access to services. As Bardhan and Mookherjee (2003) caution, the distributional and welfare consequences of decentralized delivery are likely to be as important as the impact on service quality. In essence, if local governments or participatory programs are beholden to local elites they may over provide some services, and undercharge for services provided, leaving the poor to bear a disproportionate cost of service provision.

5.5.1 School Based Management and Education Decentralization

The decentralization of education takes many forms in practice, both in the identity of those to whom decision making power is transferred and the extent to which resources and
authority are devolved. In the discussion below we divide the literature broadly into decentralization efforts directed at schools, generally referred to as School Based Management (SBM) and the decentralization of education services to local governments.

School based management (SBM) is a form of decentralization in which decision-making is devolved, either from a central line ministry or a lower tier government, whether provincial or municipal, to the school or community. As with the devolution of authority in other domains, increased school and community discretion is expected to improve school quality, as measured by student performance and the use of the school budget, and enhance satisfaction with the quality of service provision. SBM typically involves setting up a school management committee or council, which includes the school principal, teachers and members of the school community, in particular parents but also local leaders and other community members. School committees are usually tasked with monitoring school performance and providing oversight on the use of resources. Less frequently, such committees can also be granted authority over teacher hiring and firing, decisions about the curriculum and the allocation of school budgets.

While many developing countries have adopted SBM programs over the past two decades, often as part of a larger effort to decentralize resource allocation and service delivery, there is a great deal of variation in practice, in the extent to which resources as well as decision making authority is transferred, as well as the agents to whom authority is transferred. There is also a great deal of variation in the extent to which community/parent engagement is mandated and the form it takes, as well as the type of oversight provided by local and higher level governments. Barrera-Osorio et al. (2009) categorize SBM approaches along two dimensions: who has the power to make decisions and the degree of decision-making devolved to the school level. They note that “with so many possible combinations of these two dimensions, almost every SBM reform is unique.” (pg. 4). Bruns, Filmer and Patrinos (2011) divide SBM programs into three broad groups, strong versions, where school councils have significant authority over both staffing and school budgets; intermediate versions where school councils have some say in curriculum, but very limited authority over resources or staffing decisions and weak versions where school councils are
largely advisory in nature. They also provide a useful framework for understanding the channels through which SBM can enhance accountability, highlighting four facets: increasing choice and participation, giving citizens a stronger voice, making information about school performance widely available, and strengthening the rewards to schools for delivering effective services to the poor and penalizing those who fail to deliver.\textsuperscript{xcv} We focus below on evidence for the second channel in so far as studies can unpack multi-faceted interventions to identify the impact of a specific component.

In all cases, however, the decentralization of education is expected to induce greater efficiency in the use of education budgets and better performance incentives for local officials and school staff. In the end, the expectation is that decentralization can deliver improvements in a range of schooling outcomes, from enrollment and retention to better student performance on standardized tests, and can do so in a more cost effective manner. As with all decentralization efforts, however, there is the usual set of risks. Programs can be captured, with resources flowing to better off locations or schools, or being siphoned off for private use. Local agents may also lack the capacity to manage funds or make effective decisions regarding resource allocation, staffing or curriculum. Theory would also predict that both types of problems will tend to be worse in communities that are poorer, more unequal or where citizens are more alienated from the political process. Caldwell (2005) notes that, as with broader decentralization efforts, school-based management has been supported by governments with very different objectives. Governments of the left have initiated school management reforms as part of larger efforts to increase community empowerment, while governments of the right have often justified SBM on the basis of greater freedom or more choice which has also been interpreted as an effort to “create a market among schools in systems of public education”. SBM has often been politically contentious as a result with little agreement on what the expected outcomes should be. In recent times, however, the consensus view is that the primary purpose of school-based management is the improvement of educational outcomes. Robust evidence on the effects of SBM on educational outcomes has started to emerge only recently, and this is not coincidental. According to Caldwell, early studies were marred by the lack of a clear objective for SBM as well as by data. In contrast, what he calls ‘third generation’ studies,
starting in the late 1990’s, have looked at programs in which improvement in learning outcomes was a central objective and adequate data was available to assess impact.

As we move to the evidence, it is useful to point out at the outset that few, if any, studies are able to identify the source of observed variation in the extent or quality of community engagement or how it influences school management. Studies that do attempt to separate out community participation from other aspects of decentralization, such as school autonomy, tend to assume that the level of community or parent participation, usually self-reported, is independent of unobserved community or student characteristics that could influence student outcomes. Similar assumptions are made about reported levels of school autonomy. Gunnarrson et al’s (2009) study makes an important point in this regard. They find that levels of reported school autonomy and parental participation are not only poorly correlated with each other, but that both vary more within countries rather than between them.xcvii

A smaller literature looks at the impact of decentralizing education to local governments. A general concern with studies which look at the impact of decentralization is that the scope, timing and extent of decentralization usually depend on a number of political economy considerations which are neither evident ex-post nor malleable ex-ante. As such, strong assumptions about the plausible exogeneity of the timing or extent of decentralization are often required. The extent to which the results of such studies are credible, then depends in part on the extent to which panel data, along with some feature of the decentralization, can be used to construct a credible counterfactual against which outcomes under decentralization can be compared.

In the following, we review the literature selectively, focusing as much as is possible, on programs that aim to empower community associations or decentralization efforts that transfer school management to local governments. Overall, the evidence suggests that decentralization in any form improves school access. There is also some evidence that student retention rates and attendance improves and grade repetition is reduced. There is little evidence, however, of any improvement in learning outcomes. A potential caveat is
that most evaluations do not have data over the time periods typically associated with improvements in learning outcomes. As Bruns et al (2011) point out, much of the evidence from developed countries indicates that it can take up to 8 years to see an impact on student learning. This is consistent with a basic concern highlighted in Chapter 2. Reform processes that attempt to change structures of authority and power may require longer time spans to realize gains than the timeline of impact studies allow. It may also be easier to see gains in some dimensions rather than others. Things may also worsen before they improve. Some studies do show a worsening in student quality at school entry as children from less privileged backgrounds enter schools for the first time. This may account, to an extent, for the negligible improvement in learning, even though there is an improvement in attendance and school retention. At the same time, as we show below, results for learning outcomes are mixed, even in studies with longer time frames.

5.5.1.1 **Social Fund Supported School Infrastructure Investments**

Social funds have invested considerable resources in upgrading school infrastructure, but there are only a few studies that have looked at the impacts of such investments on schooling outcomes. The few that have, find an improvement in school access. None have looked at learning outcomes. Paxson and Schady (2002), for example, find that the Peruvian Social Fund (FONCODES) increased school attendance, particularly for younger children. Chase (2002) and Chase and Sherburne-Benz (2001) find similar results for the Armenia Social Fund (ASIF) and the Zambia Social Fund (ZAMSIF), respectively. Chase and Sherburne-Benz also find that children were in more appropriate grades. Interestingly, household expenditure on schooling was also higher in communities that had used ZAMSIF funds to rehabilitate schools, likely due to the higher fees charged by PTAs in such schools. While increased spending need not be welfare enhancing for poor households, the authors argue that seen together with improved attendance rates and grade appropriate placement of children, it is indicative of the unmet demand for schooling in these communities.
5.5.1.2 School Based Management

Several countries have implemented strong versions of SBM. An early program is the *Educación con Participación de la Comunidad* (Education with Community Participation, or EDUCO) program in El Salvador. In EDUCO, all schooling costs (tuition, uniforms, textbooks, etc.) were born by the state, while parents were expected to contribute to the school through time and labor. In particular, each school had an Association for Community Education (ACE) with elected parent members. The ACEs managed the school budget, could hire and fire teachers, and monitor teacher performance (Sawada and Ragatz 2005). One-half of all rural students in grades 1-9 were enrolled in an EDUCO school by 2001 (Di Gropello, 2006). Jimenez and Sawada (1999, 2003) find that students in EDUCO schools had higher attendance and lower dropout rates as compared to students in traditional schools. Attending an EDUCO school raised the odds of school retention by about 64 percent compared with a non-EDUCO school. Since the decision to enroll in an EDUCO school is endogenous, the authors use the availability of EDUCO at the municipality level as an instrument for a school being in the EDUCO program. The authors also attempt to isolate the channel through which the EDUCO effect is realized by added a community participation variable to the estimation. This yields a positive and significant effect leading the authors to conclude that the EDUCO effect worked mainly through community participation. These results are interesting but the empirical strategy is less convincing. In practice, any number of municipal characteristics could influence a municipality's eligibility for the EDUCO program and thus the odds of a school entering the program. Similarly, any number of community characteristics could affect the odds of a school selecting into the program as well as the observed dropout effects.

Jimenez and Sawada (1999) and Sawada (1999) also find positive changes in teacher attitudes and behavior, particularly teacher absenteeism. In a more recent study, Sawada and Ragatz (2005) use propensity score matching to identify the impact of EDUCO on a range of outcomes. This study also suggests lower teacher absenteeism. Community associations and parents also report much greater influence over administrative processes, including teacher hiring and firing. There is some evidence also on student test scores but it
is limited. The authors note that EDUCO schools tend to be located in poorer, more remote and more rural communities which could explain the lower comparative test scores.

A similar school autonomy reform in Nicaragua allowed school councils to hire and fire the school principal and make decisions about school facility maintenance and student learning. In an early study, King and Özler (1998) looked at the impact of this program on student test scores. They use matching methods to find comparable non-autonomous public and private schools. The study finds no impact of the reform on student learning, on average. However students performed better in schools that reported exercising greater *de facto* autonomy. The results though interesting are difficult to interpret since the study cannot identify why some schools exercised greater autonomy. A subsequent study (King, Özler, and Rawlings, 1999) made an attempt at understanding which aspects of community decision making were responsible for the improved learning results. This study found that the school council’s autonomy over staffing decisions had the greatest impact on student learning.

In contrast Eskeland and Filmer (2007) who assess the decentralization of education in Argentina, find positive impacts of school autonomy but not of parental participation. They theorize that while greater school autonomy increases the ability of school officials to extract rents, greater participation by parents in schools can channel this discretionary power towards improved learning. The expectation therefore is that community and parental engagement in schools can constrain rent-seeking by local officials or school administrators. The question is whether communities have the capacity, ability or incentive to play this monitoring role, particularly in poorer and less developed areas which may be most in need of education reform. Interestingly, they find that, consistent with their model, school autonomy has a larger impact on learning in communities that have higher levels of participation. While it is unclear that participation is well identified in this study, the results are broadly corroborated by a randomized experiment in Kenya which, among other things, increased community monitoring of teachers through local school committees. Duflo, Dupas, and Kremer (2007) who report on this experiment find that giving oversight power to community members, in their case through local school committees.
committees, improved teacher attendance and student performance. Gunnarson et al’s (2009) study casts further light on why the learning impacts of school autonomy and community participation are so mixed. They use data from 8 Latin-American countries to argue that local managerial effort, at the level of the school as well as the community, is likely to be endogenous. Their results demonstrate that correcting for the endogeneity of school autonomy and parental participation can completely reverse the positive and significant impacts of school autonomy. However, they find that in the case of their sample countries, the positive impact of community participation remains positive and is only strengthened when the endogeneity of participation is addressed.

Chaudhury and Parajuli (2010) study a similar SBM program in Nepal which transferred school management to the community. School management committees, composed of parents as well as ‘influential local citizens’ were given the authority to repost government teachers, hire and fire community-recruited teachers and index teacher salaries to school performance. They were also given untied block grants to invest in school improvement. Exogenous variation in program participation, which was voluntary, was randomly induced in some communities through an advocacy group which persuaded treatment communities to participate in the program. Two years into the program, results show an increase in school access but no impact on learning.

A number of SBM programs are of the weaker variety in that community groups have a more consultative role with very limited discretion over budgets or over teacher hiring and firing decisions. One such program is the Programa Escuelas de Calidad (Quality Schools Program, or PEC) in Mexico. This program provides five-year grants of up to $15,000 to schools which commit to investing in education quality. In exchange for PEC grants, schools need to prepare an education improvement plan in collaboration with parent associations. For the first years of the grant period, all investments must be made in upgrading school facilities and in providing learning materials. The last installment of the fund can be used in part for teacher training and development. Participation in PEC is voluntary, but the program targets disadvantaged urban schools. Skoufias and Shapiro (2007) find significant improvements in dropout, grade repetition and failure rates using two years of nationally
representative panel data. Dropout rates decreased by 0.24 points, failure rates by 0.24 points, and repetition rates by 0.31 points. Murnane, Willet, and Cardenas (2006) use longitudinal data from all seven years of PEC as compared to the two years of data used by Skoufias and Shapiro. This allows them to look at trends in the relevant outcomes in PEC and non-PEC schools in the years before participating in the program. Using only schools that entered PEC in the program's second year of operation, which had similar trends to non-PEC schools, they find that PEC decreased dropout rates by about 6 percent over 3 years of participation. However they find no effects on grade repetition rates. Importantly, they find the largest effects in states that were relatively more developed.

A similar SBM program in the Philippines funded infrastructure along with teacher training, curriculum development and the provision of textbooks. This program also required schools to develop a five-year school improvement plan in partnership with the community. Khattri, Ling, and Jha (2010) evaluated this program using retrospective administrative data along with propensity score matching to identify counterfactual schools. They find positive but modest effects of on learning.

The Apoyo a la Gestión Escolar or School Management Support (AGEs) program in Mexico also provided Parent Associations (PAs) with resources which could be used to rehabilitate and upgrade school infrastructure. The funds were subject to being audited annually on a random basis. Gertler, Patrinos, and Rubio-Codina (2007) who evaluate this program again find substantial positive effects of giving PAs more management responsibilities. Their results indicate a reduction in both grade failure and grade repetition of about 4 percentage points in AGEs beneficiary schools. Given a mean failure rate of 10 percent and a mean repetition rate of 9.6 percent at baseline, these values imply about a 4 percent decrease, respectively, in the proportion of students failing and the proportion repeating a grade. The effects are larger for schools that had received benefits for more than one year.

A couple of recent studies, both in India, study interventions designed to induce community monitoring of school based committees through the provision of information on the
performance of the committee, its obligations and prevailing levels of student learning. Banerjee et al. (2008) report on a randomized evaluation which had three intervention arms. The first intervention provided information to villagers about the role of an existing institution, the Village Education Committee (VEC). Baseline data indicated very little awareness of the existence of the VEC even among its own members, leave alone the village. The second intervention added to the first by also providing information on student test scores and on how to evaluate a child’s learning level. The third intervention arm supplemented interventions 1 and 2 by teaching volunteers in the village a simple technique for teaching children how to read. Each intervention arm was implemented in 65 villages, and a fourth group of 85 villages formed the control group. The authors find virtually no impact of the first and second arms of this information campaign. Even VEC members themselves were not significantly more likely to be aware they were in the VEC following the interventions. What effects they do observe appear to be due to a fall in awareness in the control group. In terms of children’s learning, the first two interventions had no effect. However, they do find some effect of the third intervention. In villages that received intervention 3 children were 1.7 percent more likely to read at least letters and were 1.8 percent more likely to read words or paragraphs. The authors note that this small increase should be viewed with more optimism, taking into account the small number of children who attended the after school reading program.

Pandey et al (2008a and 2008b) present findings from a study which also provided information to communities about their roles and responsibilities in school management. This study covers three Indian states, Karnataka (KA), Madhya Pradesh (MP) and Uttar Pradesh (UP). At baseline, the authors found significant differences in test scores across states. There were also significant differences in teacher absence and in parental awareness of the village education committees – with Karnataka scoring much higher than either UP or MP and UP scoring by far the worst. In UP, they find, in line with Banerjee et al, that only 8 percent of parents knew about the VEC and only 2 percent could name the committee chair, as compared to 63 and 44 percent, respectively, in Karnataka. Compared to the information campaign done by Banerjee et al, this information campaign was more intense and prolonged. The empirical analysis was done separately for each state. Pandey
et al find significant gains in behavior among both teachers and parents, though with important differences across states. Children were also more likely to get benefits from government entitlement programs like cash stipends, uniforms and mid-day meals. However, in MP and UP these were provided mainly to high caste students. The study also finds a significant change in teacher attendance and teaching time, in MP and UP. Baseline values for these were extremely high in Karnataka and the study finds no further gains. Impacts on student learning are weaker and perhaps less carefully analyzed, but very much in line with Banerjee et al, and the bulk of the literature on activating community engagement in schools. Given the rather short time lines of both studies, the absence of a learning effect is not surprising. As we note above, even in developed countries, learning effects arise only after some 8 year on average.

5.5.1.3 Decentralization of Schooling to Local Governments

Decentralization of schooling to municipal governments has also had little impact on student learning, on average, though there is some evidence of improvement in learning outcomes in wealthier and administratively more capable localities. Madeira (2007), for example, finds that school decentralization in the state of Sao Paolo in Brazil increased dropout and failure across all primary school grades. So much so that that decentralization actually widened the gap between ‘good’ and ‘bad’ schools ranked by their initial dropout rates. These negative effects occurred despite an increase in school resources and a reduction in class size and student teacher ratios. Importantly, these negative effects were significantly larger for schools in poorer, more rural and more unequal communities and they worsened with the number of years the school was decentralized. Similar results emerge from a study by Galiani et al. (2004), who assess the impact of the decentralization of secondary schools in Argentina on student test scores. Their results support an increase in average test scores in schools that were decentralized. However, they find that all of the increase was concentrated in wealthier schools which were located in municipalities and provinces that had greater administrative capacity. Decentralization actually decreased scores for schools in poorer areas and in municipalities which were located in provinces which had run fiscal deficits prior to decentralization.
Kosec (2010) provides a nice example of how preferences over public spending can differ systematically across localities which vary in initial wealth, making decentralized resource allocation more efficient, but only when wealth inequality is not too great. The study focuses on investment in public pre-primary education across municipalities in Brazil following legal changes that increased resources for education. The author shows that poorer municipalities used significantly more resources to enhance the availability of public pre-primary education which then had a substantial payoff in student learning. In contrast, wealthier municipalities used the funds largely to enhance the quality of primary education. However, investments in public pre-primary education were lower in municipalities that were more unequal, suggesting that polarization can undermine the influence of the poor on public policy.

Madeira (2007) attributes some of the perverse learning effects in Brazil to the democratization of schooling which expanded school access for less well prepared students, especially in grades one and two. These concerns are carefully explored by Rodriguez (2006) who assesses the impact of school decentralization in Colombia using a strategy that compares the performance of students in public and private schools on standardized tests. This study finds that once the change in the composition of children in public schools, due to decentralization, is taken care of, the average performance of public school students improved significantly on standardized tests, as compared to students in private schools.

5.5.2 Community Engagement in Delivering Primary Health Care Services

Much has been written about the benefits of using community based strategies to bring basic health services to poorer and more remote areas which either have no access to government health services or where services are of poor quality. Many developing countries have experimented with community based health care models. Often cited examples of success include Jamaica or Costa Rica, where despite fairly stagnant economic
conditions, community level health education programs and community based service provision are believed to have led to a major reduction in mortality.

In practice, as is usually the case, community based health service provision encompasses a wide range of programs, though there are some common features. Most programs provide trained health care providers who work at the community level and activate communities in some fashion, usually through women’s groups, with a focus on maternal and child care and household health behaviors. Most also rely in some fashion on community volunteers or facilitators to build trust, mobilize local resources, coordinate group activities or complement services provided by trained staff. Evidence on the health impacts of such interventions has been building over the past few years with a number of new randomized control trials. Most are small scale interventions but some work directly with existing government health delivery systems or test mechanisms that can be scaled up through existing health delivery systems.

This small but growing literature by and large confirms the potentially beneficial impact of community based health programs, particularly for maternal and child health. A potential caveat is that the role of community engagement per se is often difficult to isolate since most programs undertake a bundle of activities of which community engagement is one piece.

Only a couple of evaluations have been able to separate out the role of community engagement from other bundled interventions. These find that community volunteers and health groups can positively impact both health behaviors and health outcomes but only when they are complementary to other inputs like trained health professionals and improved health services. This echoes the findings for the strengthening of parent-teacher associations and school management committees in the previous section. There is also some evidence on the efficacy of transferring the management of community based health programs to local governments and the role of public-private partnerships in the delivery of health services. Though studies are few in number, the findings suggest positive, significant and economically large, effects of decentralizing health service delivery to local
governments. In contrast, the findings on public-private partnerships in the delivery of health services are more mixed.

The available literature on community based health delivery can be grouped into four categories: community engagement in the allocation of resources for health related investments, community engagement in providing health related services and information, community monitoring of health care providers and decentralization of basic health services to local governments or NGOs. We take up each of these below.

5.5.2.1 Community Engagement in Resource Allocation

Communities often choose to allocate resources from social funds or CDD projects to upgrading or building primary health care facilities. Yet there are few evaluations which have anything to say about the impact of such investments on health behaviors or outcomes. Among the few that do, is an early study of social funds by Chase and Sherburne-Benz (2001) which found an increase in the use of primary care services in communities that invested in a health facility constructed by ZAMSIF, the Zambia Social Fund. Under ZAMSIF, social investment funds were provided to communities for investment in small infrastructure projects like the rehabilitation of community health posts. Specifically, the study finds that social fund beneficiaries were more likely to go first to a health post rather than a hospital when they sought treatment. They were also significantly more likely to report an illness, but were no more likely than controls to actually seek treatment. The study also finds somewhat more limited evidence that the vaccination prevalence rate rose in areas with rehabilitated health posts. Arcand et al (2008) also find an increase in the use of basic health services, and access to clean drinking water, in communities that got the Program national d'infrastructures rurales (PNIR) in Senegal. The size of the effect is large—access to basic health services rose by 24 percentage points and access to clean drinking water by 22 percentage points—and is accompanied by positive nutritional impacts for children which are substantially larger for children from poorer households. The channel through which improvements occur is not too clear, however, as we discuss in section 5.6 below.
Community Engagement in the Provision of Health Care Services

A number of randomized control trials have attempted to assess the effectiveness of demand-side interventions in primary health care. An interesting randomized pilot study from Ghana (Binka et al, 2007), the Community Health and Family Planning Project (Navrongo CHFP), casts some empirical light on the added benefits of engaging community volunteers in the provision of health services. One arm of the CHFP tested the impact of adding community-based volunteer provided health services to the basic set of clinical services, along with revolving funds and user fees to ensure organizational sustainability. Trained supervisors from the community recruited community health volunteers, organized community supervision of their work and managed essential health resources. This work was sustained through user fees and revolving accounts. The second arm deployed trained nurses as ‘Community Health Officers’ to village locations. A third arm, engaged the community in ensuring that the trained nurses would be available in the community, and the fourth was held as control. In the third arm, community members helped by constructing housing for nurses using volunteer labor. This ensured that nurses could reside in the village. They also provided other community backstopping and support for resident nurse-provided services. The findings of the study suggest that over an 8 year period posting nurses to community locations reduced childhood mortality rates substantially as compared to control areas. In contrast, volunteer services had no impact on child survival. However, where volunteers worked alongside trained nurses, outcomes were superior to the first two interventions. The authors interpret this as reflective of the limited ability of volunteers alone to change entrenched behaviors like seeking traditional healers. They find that community based nurses working in concert with chiefs, village elders and community volunteers helped develop various types of social insurance mechanisms, such as deferred payment. This allowed formal care to substitute for traditional care, reducing the delay in health seeking which tends to precipitate childhood mortality. This combined model is apparently being scaled up country wide in Ghana.\textsuperscript{cix}
Linnemayr and Alderman (2008) evaluate a somewhat different intervention in Senegal which focused on the provision of nutrition related information to mothers of young children through a community based mechanism. The nutrition intervention was undertaken as a pilot program within the *Programme de Renforcement de la Nutrition* in Senegal. The program included a monthly community level meeting on nutritional practices, targeted at mothers, along with cooking workshops. In addition, the program provided vitamin and iron supplements, bednets and deworming. The pilot was randomized across 212 villages in three poor rural regions – but there was considerable deviation from assigned status. To deal with this, the study reports estimates of impact using assigned treatment status, i.e. 'intent to treat', as well as actual treatment status. The assigned status is used in the latter case as an instrument as well as an input into the propensity score in a matching approach.

The results indicate significant improvements in health care practices in program villages. However, there is no corresponding effect on child growth measures, at least in the full sample of children. The one exception is children whose mothers benefit from the intervention during their pregnancy. For this group of children there are significant improvements in nutritional status as compared to their older peers. Due to the bundled nature of the intervention, the role of the monthly community meeting as opposed to the provision of other inputs, such as bednets, deworming and vitamin supplements etc, which could independently affect health outcomes, remains unclear.

A number of studies assess the role of community facilitators in motivating better health practices. Manandhar et al. (2004) report on one such study done in a district in Nepal. Their sample consists of 12 pairs of village development committees (VDCs), of which one is randomly assigned to treatment. The study collected baseline data on almost 29 thousand eligible women from some 28 thousand households. Follow up data was collected 2 years after the intervention. In each intervention cluster, a local facilitator was recruited either by nomination from the local community or by word of mouth or an advertisement. The facilitator conducted a women's group meeting once a month in every ward (level below village development committee). A total of 10 group meetings were held by each
facilitator. A number of issues were discussed in the meetings, including the identification and prioritization of health issues related to pregnancy and childbirth and potential solutions, including, community generated funds, stretcher schemes, home visits by group members, etc. The role of the facilitator was to activate and support the women’s groups, not to provide health support. In conjunction with this, health service strengthening was done in both control and intervention clusters. This included the provision of supplies at local health facilities, community health worker training and newborn care kits.

Over the two year trial period, Manandhar et al. find a 30% reduction in the neonatal mortality rate in intervention clusters with no difference in stillbirth rates. Maternal mortality also declined by 80% (2 maternal deaths vs. 11 in control clusters). There were also significant improvements in health behaviors, such as antenatal care, the use of supplements, births in health facilities with trained attendants and the greater use of clean kits. Birth attendants were also more likely to wash their hands. Maternal and child illness was also more likely to be treated at a health facility. Moreover, 95% of the groups remained active after the trial period was over. Interestingly, these results were achieved with only 37% of newly pregnant women ever attending the women’s groups (only 8% of married women).

Tripathy et. al (2010) conducted a similar trial in Jharkhand and Orissa, two of the poorest states in India, which have higher rates of neonatal and maternal mortality than the national average. In treatment villages, local facilitators were trained to support women’s groups, who met about 20 times in all. Health committees were formed in both intervention and control clusters, to discuss health entitlements from service providers, particularly for mothers and newborns. This study also witnessed a 45% reduction in early neonatal deaths (0-6 days) in intervention clusters, relative to controls. By year 3 of the trial there was also a 57% reduction in moderate depression among mothers in intervention clusters. There were no significant differences in health care seeking behavior, but there were significant improvements in home care practices in the intervention clusters. Specifically, the use of safe kits, hand washing by birth attendants, the boiling of threads used to tie the cord etc. More infants were also exclusively breast-fed at 6 weeks in
the intervention cluster. The cost per life-year saved was about $33 ($48 with health-service strengthening activities). While the availability of delivery kits increased in both control and intervention clusters, women’s groups generated more uptake of the kits in intervention areas.

5.5.2.3 Community Monitoring of Health Care Providers

Perhaps the best known assessment of the efficacy of community monitoring in improving health service delivery is a randomized citizen’s report card project in Uganda (Bjorkman and Svensson, 2007). The main objective of the project was to improve the quality of basic health services by improving community capacity to monitor service providers. The report card intervention was randomly assigned to one-half of 50 rural communities across nine districts. The information collected in the health citizen report cards was disseminated together with practical information on how to best use this information in meetings between users and providers.

The authors find large and significant improvements in a number of treatment practices, from staff absenteeism to waiting time and the quality of preventive care. Consistent with this, they find a 16% increase in the utilization of health facilities along with greater community satisfaction with service providers. Some health outcomes also improved substantially. In particular, the under 5 mortality rate fell by 33% and vaccination prevalence rates increased as did infant weight. During this period, there was no increase in government funding or investment in health facilities or services.

Given the size of the effect this study finds on under 5 mortality, understanding the precise channel through which change occurred, as well as the role of community monitoring, is clearly of much value. The intervention, as implemented, suggests three competing channels through which service quality changes could have come about: greater community monitoring (a demand side channel), provision of information to providers regarding their performance relative to expectations (a supply side channel) and bringing the community and the provider together (which could increase both the efficacy of
information and community willingness to monitor). The authors attempt to test for the relevance of the demand versus supply side channels by replacing treatment indicators with measures of staff and community engagement as explanatory variables. They find that the coefficients on community engagement are positive and statistically significant and are also larger than the coefficients on treatment indicators. In contrast, the coefficients on staff engagement are not significant, or have the opposite sign. The authors posit that these results are more supportive of the demand driven explanation. While this is encouraging, the results are at best suggestive since it is unclear precisely what the community or staff engagement variables are capturing.

An interesting descriptive study casts valuable light on potential hurdles in scaling up community engagement in service delivery. Uzochukwu, Akpala et al. (2004) report on the Bamako Initiative program (BI) in Nigeria which aimed to strengthen primary health care through greater community engagement. The program constituted village and district level health committees (VHCs and DHCs) and gave them substantial authority. Their mandate was to supervise the activities of traditional birth attendants (TBAs); select, supervise and pay village health workers (VHWs); manage revenues and profits from drug sales; set the remuneration of health workers; and make decisions about the level of user fees and rules for exemption. The authors find that the committees, despite very broad based participation and awareness of functions, focused largely on ancillary functions like the provision of health education and a waste disposal system. They remained entirely outside all important decision making processes such as the hiring and payment of staff, the setting of user fees or oversight over budgets. There was also some disconnect between reports from health facility heads and community members about the extent of community involvement. The former claimed far greater community engagement in planning and management decisions than did the latter. Unfortunately, few if any empirical studies collect this sort of qualitative data which could help elucidate both the channels through which participation works to improve outcomes and the potential constraints that could limit effective community engagement. Moreover, there is no careful empirical study of the Bamako program that could bring these participation results together with results related to service quality and health outcomes.
5.5.2.4 Decentralization of Basic Health Services to Local Governments or NGOs

The decentralization of basic health care services to local governments appears to have been quite successful overall. The evidence suggests substantial gains in a number of child health outcomes as well as in a wider range of health behaviors. Some studies also find improvements in labor market outcomes and decreased fertility. In contrast, the devolution of health service provision to NGOs appears to have been less successful, overall, though there are some positive gains. In particular, when programs are devolved to NGOs, improvements in health tend to be confined to outcomes specifically targeted by the program. There are also some perverse effects of the imposition of user fees.

Much of the evidence on the benefits of decentralized delivery of basic health services comes from a set of studies that look at Brazil’s family health program, the Programa Saúde da Família (PSF). The PSF was first rolled out in Brazil in 1994 as a small pilot initiative covering a few areas. By 2006, however, it had expanded into a nationwide program and by 2009, more than 90 percent of Brazilian municipalities were covered by the program. The PSF is managed by municipal governments with supervision from the Brazilian Ministry of Health. PSF teams, which usually consist of a doctor, a nurse, an assistant nurse and six community health workers, as well as a dental and social work professional in some cases, are responsible for monitoring the health status of about 3000-4500 individuals or 1000 households. Teams make home visits and perform community-based health promotion activities. All services are delivered free of charge to ensure access for the most disadvantaged. Studies which have assessed this program find positive and economically large effects on health outcomes, particularly for neonates, as well as positive effects on other health behaviors. They also find substantial gains in child school attendance, adult labor supply and employment and a decline in fertility.

The first study which looks at Brazil’s PSF program uses the differential adoption and expansion rates of the PSF as a quasi-experiment to assess the relationship between changes in PSF coverage over time and changes in health outcomes that are most likely to
be sensitive to primary care (Macinko, Souza et al., 2007). The data cover a period of 6 years, from 1999 to 2004 and include 557 Brazilian micro-regions in 27 states. Each micro region includes several municipalities.

This study finds a significant reduction in post neonatal mortality and deaths from diarrheal diseases. In exploring the mechanisms through which PSF might work, the authors note that areas with greater PSF coverage also have higher prevalence rates of behaviors stressed by community health workers such as breastfeeding, use of oral rehydration therapy, child immunizations etc. An interesting contribution of this paper is a back of the envelope estimation of per capita program costs which amount to about $US 30 per capita. A related study also found high levels of satisfaction with PSF among users, with over 75% reporting that child health services were of good quality. The presence of the program in a given municipality is also associated with better perceived health (see also Macinko et al 2006).

A potential limitation of the study done by Macinko, Souza et al. is that variation in the timing or rate of PSF adoption could be endogenous. It could depend, for example, on the performance of health services, health conditions within a municipality, or the quality of governance. If so, well governed municipalities could decentralize health services early or municipalities with the worst outcomes could decentralize first. In either case, estimated impacts would be biased and the direction of the bias is not clear.

In a more recent study, Rocha and Soares (2009) also use the differential adoption and expansion rates of the PSF as a quasi-experiment. However analysis is done at the municipality level using a municipal panel from 1995 to 2003. The panel also contains richer data including information on a range of demographic and socio-economic characteristics in addition to program coverage and mortality. Difference-in-difference estimates again suggest a substantial decline in mortality and impacts are largest for mortality before age 1. Municipalities which have been in the program for three years, for example, reduce infant mortality by 1.5 more infants per 1,000 as compared to otherwise identical municipalities which have not adopted PSF. Taking average infant
mortality Brazil in 1993 (27 per 1,000), this corresponds to a 5.6% reduction in the infant mortality rate. For a municipality eight years into the program, there is a reduction of 5.4 per 1,000 in infant mortality, corresponding to a 20 percent decline relative to the 1993 national average.\textsuperscript{cxvii} Importantly, the gains are largest for municipalities in the two poorest regions, which are also those with lower provision of several public goods – the North and the Northeast.\textsuperscript{cxviii} They are also larger in less urbanized municipalities and those with less access to treated water and poorer sanitation systems. In terms of causes of death the largest impacts of the program on infant mortality are associated with mortality due to peri-natal period conditions, infectious diseases, and respiratory diseases. These three causes of death include problems associated with complications during pregnancy, diarrhea and other intestinal diseases, influenza, asthma, and bronchitis. The authors argue that these are precisely the sorts of conditions for which the presence of a community based health program would be most effective. Finally, the authors also look at the effects of PSF on household behavior using several rounds of census data. They find no effects on child labor supply but school enrollment increases by 4.5%, some eight years after PSF exposure. With similar levels of exposure, adult labor supply increases by 6.8 percentage points, employment by 11 percentage points and fertility declines.

The other case where there is very robust evidence of improvements in infant mortality is Pakistan’s Lady Health Worker Program (LHW), formally known as the National Program for Family Planning and Primary Health Care. This program was first introduced by the Government of Pakistan in 1994. LHWs are typically young women, who have at least 8 years of schooling and are resident in the community they serve. They are provided some 15 months of training to deliver care in community settings. They make home visits and are also expected to be available in their residence, which is known as a ‘health home’. Each LHW is responsible for a population of about 1000–1500, which amounts to about 175 or so households. LHWs provide antenatal care, contraceptive advice, growth monitoring, and immunization services. Although the LHW program is a federal program, LHWs report to Basic Health Units (BHUs) and Rural Health Centers (RHCs) which are managed by provincial and district governments.
In a recent study, Bhutta et al (2011), present the results of a randomized cluster trial under which LHWs in treatment villages were given additional training in group counseling, in the promotion of specific health behaviors, establishing linkages with traditional birth attendants and the recognition of urgent care cases and their referral to BHUs, RHCs and hospitals. In addition, volunteer based community health committees (CHCs) were created in treatment villages with the aim of promoting maternal and newborn care in the village. CHCs were expected to do advocacy work with community elders and local political leaders, organize an emergency fund for transporting the sick to an appropriate facility and facilitating LHWs in conducting group education sessions.

The study finds a 15-20 percent reduction in perinatal and newborn mortality in the intervention area. It also finds an improvement in 16 household behaviors related to maternal and early newborn care, with gains rising over time. The biggest improvements were in antenatal care and facility (instead of at home) births.

The authors point out that these gains occurred despite implementation through the government health system rather than by workers employed directly by the research team, and in a difficult to reach and underdeveloped area. While LHWs were unable to complete the full set of activities they were expected to engage in, they still managed to successfully deliver a package of preventive and promotive health care at the community level. However, they stress that in order to be effective, community health workers and programs need close oversight.

This study again points to the importance of carefully assessing the additional gain from organizing volunteer based CHCs. Given that the largest gains were in facility births, the role of the CHCs in organizing transport may have been key but this is not clear from the study as it is designed. The study also cannot separately access the role of the additional training provided to LHWs from the effect of setting up CHCs.
Jokhio, Winter and Cheng (2005) report on an earlier cluster-randomized trial in rural Pakistan which trained traditional birth attendants (TBAs) in antenatal and newborn care. TBAs were also provided with clean delivery kits from primary health care centers and linked up to government hired Lady Health Workers. Concurrently, outreach clinics were established in intervention clusters (two clinics each in three clusters) where obstetricians conducted 8 outreach sessions during the 6 month trial. The study finds a reduction in neonatal mortality between treatment and control clusters of 30%, which is identical to the outcome in Nepal’s experiment with women’s groups and larger than the results from the LHW trial above. However, the sample consists of only seven clusters, including both treatment and control areas. It also fails to distinguish the impact of training birth attendants, and hence utilizing existing structures, versus the impact of outreach clinics. In practice, however, 91% of the women in the intervention group received care from traditional birth attendants while only 16% visited outreach clinics.

The Projahnmo project in Bangladesh (Baqui et al, 2008) tested a model similar to the LHW program with one difference. They had two treatment arms in order to test the efficacy of a home based care model against a community based care model. In both intervention arms, male and female community mobilizers held group meetings on birth and newborn care preparedness. Community resource people were enlisted to encourage women to attend these meetings and seek antenatal care. In the home care intervention, one community health worker (CHW) was recruited (by an NGO) per 4 villages with a population of about 4000 individuals. The CHW was trained for 6 weeks in behavior change communication and the clinical assessment and management of illnesses in neonates. The CHW was responsible for tracking pregnancies during routine surveillance activities, making scheduled ante and postnatal home-visits, diagnosing illnesses for referral and administering penicillin to neonates who could not be taken to health facilities for treatment. In the community-care arm of the intervention, only group meetings with mobilizers and resource people were held, and no CHW home visits were made. However, female volunteers (including traditional birth attendants) were recruited to identify pregnant women, encourage them to attend meetings held by mobilizers and receive
routine antenatal care and early postnatal care (the volunteers were responsible for a population of about 18000).

This study also finds very significant improvements in neonatal mortality, but only in the home care arm which saw a 30% decline in neonatal mortality over the last 6 months of the 30 month trial (relative to the control arm). There was also a significant and sizeable improvement in the home-care clusters in use of supplements during pregnancy, the use of clean equipment, and newborn care practices. Health behaviors also improved significantly in the community care arm but were not large. Each community health worker in this trial was responsible for a population of 4000 which is similar to the primary health-care worker to population ratio in Bangladesh’s health care system, suggesting an easy route for scaling up existing health infrastructure.

Two studies have looked at the impact of devolving primary health care provision to NGOs. Kremer, Bloom et al. (2006) evaluate the effects of a pilot program under which the Cambodian Ministry of Health contracted with NGOs to run public health facilities in 12 districts. The pilot was randomized and two types of contracting arrangements were allowed. In some districts, contracted NGOs were expected to work within the existing government system for the procurement of drugs, equipment, and supplies and to use Ministry of Health personnel. They could request transfers of personnel but not hire or fire staff and their operating expenses were also financed through the government budget. In others, NGOs had full management authority. They could hire and fire staff, bring in health workers from other parts of the country and procure drugs, supplies, and equipment from any source. Staff members from the Health Ministry were allowed to join the NGO by taking a leave of absence from the civil service. If fired by the NGO, staff members were allowed to return to government service in another district. The former are referred to as ‘contracting in’ districts’ while the latter are referred to as ‘contracting out’ districts. The study finds that both contracting out and contracting in had significant and positive effects on most measures of health center management, including the health center’s hours of service, staff presence during unannounced visits, and availability of equipment, supplies and vaccines. The authors also look at impact on the specific health outcomes that were
targeted by the program. This reveals that both contracting in and out had positive and significant effects on the use of public health facilities for curative care consultations, as well as on antenatal care, vitamin A distribution to children, and child immunization. In contrast, there was less systematic improvement in non-targeted outcomes, like the treatment of diarrhea and knowledge about HIV risk factors.

Yoong (2007) studies a program that transferred control over some aspects of hospital management to a local NGO– the Rogi Kalyan Samiti (RKS) or Patient Welfare Committee in the state of Madhya Pradesh, India. The study uses the time-varying implementation of this transfer of authority to identify its impact on child immunization rates. Transfer of control is identified as the date at which the RKS becomes active, as reflected in the date at which it started to collect revenue. RKS activity is aggregated at the district level and then districts are grouped into high and low exposure districts where exposure is measured as the number of years in a high exposure district. The estimation includes district and cohort fixed effects as well as controls for maternal demographics and child-level characteristics. Using difference-in-difference estimates, the study finds that children aged 0-3 received significantly less appropriate vaccines per year of exposure after a hospital was transferred to the NGO. Interestingly, however, the reduction in immunization rates was confined to the relatively better off with no negative effect for the poor, who were exempt from the user-fees charged by the NGO. The author concludes that this, plus the absence of any effect due to other profit-seeking behavior, such as a focus on high-margin services, indicates that it was in fact user fees that worsened vaccination prevalence rates among the relatively better off. Note that vaccination is not a health behavior which is generally a candidate for decentralization given potentially strong inter-personal and inter-jurisdictional externalities.

5.6 The Poverty Impact of Participatory Projects

Evidence on the poverty impacts of participatory development projects and decentralization reforms is scarce. This section draws some lessons from available studies with some important qualifiers: the number of studies are few, they refer to fairly disparate
interventions, and outcomes are typically assessed within a relatively short time span. As we discuss in chapter 2, however, some outcomes, like changes in income or assets, may well be realized over much longer time periods. It is also unclear that most projects operate at a scale that could plausibly affect poverty levels more broadly or even effect a permanent change in the income or assets of participating households. Finally, it is important to note that the review does not include studies which either used extremely poor data or an evaluation strategy that was flawed in a fundamental way. Unhappily, many of these studies find (often, implausibly) large positive income effects.

A more general point, common to most of the literature in this field, is that participatory projects provide a bundle of interventions of which the encouragement or facilitation of participation is one. In particular, most provide resources for local public goods, productivity enhancing investments or private transfers and many provide all three, often bundled with some form of microcredit. All of these inject resources into communities and could thus have an independent effect on income. Not surprisingly, there are no studies that can isolate the impact of participation, per se, on income or assets.

Given these qualifiers, the literature we review below provides a mixed picture at best. There is some evidence for improvements in assets or income but the impact is either short lived, or affects only specific sub-groups, who are not necessarily among the poorest. There are also concerns about evaluation strategies in the case of some studies. These are pointed out briefly in the discussion.

Six studies report positive impacts of participatory development projects on income. Of these, two focus explicitly on expanding livelihood opportunities and we discuss them separately. Among the rest, two studies, one of a CDD project in Senegal and the other of a CDD project in India, have credible evaluation designs. In each case, however, income impacts only surface for specific sub-samples and under fairly strong assumptions which are less defensible.
The Program national d'infrastructures rurales (PNIR) in Senegal was implemented in 90 of the poorest Communautés Rurales (CR). Its main objective was to support the decentralization and fiscal reform process in the country by providing resources for rural infrastructure investments which were to be allocated using a participatory mechanism. At the village level, the program set up a community development committee, Comité de concertation et de gestion (CCG), with mandated inclusion of women and other marginalized groups. Arcand et al (2008) evaluate this program using a quasi-experimental evaluation approach. Eligibility for PNIR was based on an index of access to basic services at the CR level. This allows the authors to choose control CRs using the same set of indicators and regional controls. A simple comparison of PNIR villages with control villages, regardless of whether a PNIR village had obtained or completed any project, yields no improvement in household poverty, as measured by consumption expenditures, though there are significant improvements in the nutritional status of children, with larger gains for poorer households. This comparison comes closest perhaps to a test of the impact of participation per se on income. Access to clean drinking water and basic health services also improved significantly, when comparing PNIR villages with control villages, with odds of availability rising by 22 and 24 percentage points, respectively. It is somewhat unclear what is driving these improvements, however. When the study confines attention to program villages and compares outcomes for households in villages with completed projects against those in villages without completed projects, instead, there are large and significant impacts on consumption, particularly of the poor, but no impact on child nutrition. This suggests that nutritional gains do not vary due to investments in local public goods, whereas income and consumption do. The latter results are less robust, however, since it is unclear what determines the odds of an eligible village actually getting a project. It is also interesting to note that poverty is reduced only in villages which invested in income generating agricultural projects, and curiously in schools, rather than in drinking water or public health facilities where the authors find large improvements in access as compared to non-PNIR villages.

The District Poverty Initiative Program (DPIP) started in 2001 in the state of Andhra Pradesh in India. Its objective was to use women’s self help groups (SHGs), which had been
organized in AP under earlier development projects, to promote economic and social empowerment.\textsuperscript{cxxxi} The bulk of DPIP support was directed at building the capacity of self-help groups and providing them a one-time grant to promote micro credit and savings through a “community investment fund” (CIF). \textsuperscript{cxxxi} The prior presence of women’s SHGs was an important factor in the selection of the first DPIP districts.

DPIP in Andhra Pradesh is evaluated by Deininger and Liu (2009b) who also find mixed results. The authors use two rounds of data from 2004 and 2006 collected from 3 districts in the state to evaluate program impacts.\textsuperscript{cxxiii} Since all the municipalities (mandals) in their sample benefit from DPIP, they construct a counterfactual using years in the program. Specifically, control mandals are those which entered the program some 2.5 years later and so have fewer years of exposure to the program. The sample includes 41 program and 10 controls mandals, selected through propensity score matching (PSM) to eliminate bias due to initial selection.\textsuperscript{cxxiv} The authors assess program impact on household consumption, nutritional intake and non-financial assets. Using the full sample of matched households the paper finds no change in consumption or nutrition, though there is a significant (16%) improvement in non-financial assets. Focusing only on SHG participants in the old and new DPIP districts, the authors find an 11 percentage point increase in consumption, a 10-12 percentage point increase in nutrition and a 23 percentage point increase in non-financial assets. However, confining attention to SHG members is valid only in so far as SHG membership was driven by the same factors in the old and new DPIP districts. Given the widespread prevalence of SHGs in the old DPIP districts, prior to the program, as compared to the program supported creation of SHGs in the new districts, the validity of this assumption is not apparent. That said, the results suggest program benefits were confined largely to members, which seems sensible given that project benefits were mainly in the form of transfers to organized SHGs and no public goods were created by the project. Further, disaggregating by poverty status, the authors find that benefits were entirely concentrated among the poor, with the greatest benefits going to the poorest.

Two recent studies have used randomized designs to study community driven development programs that provide support to individuals to establish or expand micro
enterprises. Many CDD programs are moving in this direction as part of their focus on employment and livelihoods, more generally. Community based livelihood projects tend to encompass a fairly large array of productive activities, from crop production, including high-valued horticulture, and non-traditional agricultural activities such as aquaculture and medicinal plants, livestock, agro-forestry, fishing, and fish farming. Most also support post-production activities which can include agro-processing enterprises as well as rural marketing services. Usually, projects provide some type of grant to eligible members or groups for productive investments that can be either individual or collective. There is usually also a training component which may include training in project formulation, technical aspects of an enterprise, or business management and marketing basics. Many have innovative multi-sectoral programs which could benefit greatly from more careful evaluations and add much to our knowledge of the effectiveness of participatory anti-poverty programs.

The first by Blattman, Fiala and Martinez (2011) assesses the Youth Opportunities Program, implemented under the Northern Uganda Social Action Fund (NUSAF) which provided substantial grants (worth close to 1.5 years of salary) to young adults. Grants were allocated among applicants by a lottery. Their findings suggest large positive effects from the intervention. First, they find that about 60 percent of the grant was invested in vocational training or productive assets, with a substantial chunk of the rest used for working capital, in addition to saving and consumption. There also find a substantial increase in reported work hours and a 50 percent increase in net income. However, they note that, given the interest rates facing young adults, these investments would likely not have been undertaken in the absence of grant funding. This underscores the need to expand access to capital markets for the poor and for the young who lack assets as well as employment experience.

The second study, by Gine and Mansuri (2011), assesses a program to provide business training and micro loans to members of rural community organizations (COs) established by the National Rural Support Program (NRSP) with funding obtained by the Pakistan Poverty Alleviation Fund (PPAF). Unlike Blattman et al, many CO members already had
some experience with microcredit loans from NRSP. The base loan size was about Rs. 20,000, which is about 6-7 months of daily wage labor earnings for one household member. Community organizations were randomized into two groups of which one was offered the opportunity to obtain 8 days of business training at no cost. Members were allowed to select into business training and some two-thirds of those offered training took it up. Both groups were also offered the opportunity to apply for a loan that was about five times the size of the standard loan. Access to the loan was randomized through a lottery with a 50 percent odd of winning. This study finds that business training reduces business failure and it is the best businesses that survive. It also raises consumption and income and improves business practices. However, these gains are confined largely to men and are far more modest than the gains reported in Blattman et al. The increase in income is about 12 percent. Interestingly, uptake of the loan was quite modest with less than a third of eligible members applying and there is no additional income gain for lottery winners. However, default rates fall for men who get business training with the largest gains among men who have a high probability of default in the absence of training. The gain for women is confined largely to an improvement in their ability to repay debt.

Blattman et al also find an increase in group participation and social standing among grant recipients and a very substantial decrease in aggression levels, particularly among the most aggressive. Xine and Mansuri also finds an increase in group cohesion and trust but again the size of the effects are a good bit smaller.

Two other studies also assess community livelihood projects, one from Africa and one from Latin America, and both also find substantial positive income effects. The first evaluates the Fadama II project in Nigeria (Nkonya et al. 2008) and the second assesses the PRODECO project in southern Paraguay (Alwang, Gacitua-Mario and Centurion, 2008). Unfortunately, both have extremely poor evaluation designs and use very poor quality data.

Fadama II creates user groups (FUGs) and community Associations (FCAs), as in the practice in CDD projects. However, an FUG is comprised of individuals who have a common economic interest and is therefore an economic interest group. FCAs are associations of
FUGs operating in a given area. Each FCA designs and oversees the implementation of a Local Development Plan. The major productive sectors that Fadama II supports include crops, livestock, agro-forestry, fishing, and fish farming. Supported postproduction activities include agro-processing enterprises and rural marketing services. The study by Nkonya et al finds a very large increase in the real incomes of Fadama II beneficiaries. According to study estimates, incomes rose by 58.5 percent within a couple of years of program implementation. However, the study suffers from several important limitations. The authors use data from a survey conducted in 2006, one year after the initiation of Fadama II. The survey collected data from three types of households: FUG and non-FUG members in Fadama communities and households in non-Fadama communities in the same state but outside the Fadama Local Government Areas (LGAs). The authors use this survey to find an appropriate set of counterfactual communities and households using PSM techniques. However, it is not clear how this can solve the problem of selection into Fadama II, particularly since some 2/3rds of Fadama II districts were also in Fadama I which started in the early 1990’s. The results are also poorly explained in the study. The comparison of income from crop production is instructive here. The authors report that income from crop production increased for FUG members from 46.5 percent of income to 56.8 percent one year after the project. Similar changes for non-FUG members within Fadama LGAs were from 53.8 to 56.5 percent and for non-FUG members outside Fadama LGAs from 46.9 to 60.2 percent. This suggests the biggest gains for non-FUG members outside the Fadama LGAs, but the authors do not comment on this. Second the authors show very large impacts on productive assets (such as water and irrigation equipment) which could be under individual or group ownership. They find that relative to the change in value among all non-beneficiaries (i.e., comparing FUG members to all non-members) the value of group owned productive assets increased by about 600 percent, and the value of individually owned productive assets increased by about 50 percent. But this is not particularly surprising given that the project invests in community infrastructure. This appears to be more of an accounting exercise. Finally, the assessment of a change in household income relies on recall data to build the difference-in-difference estimate. It is well known, however, that recall data on income and assets is generally quite unreliable.
The other project is PRODECO which supports group-based income generating activities in the southern departments of Itapua, Misiones and Neembucu in Paraguay. Its main objectives are to empower marginalized groups and to strengthen local government capacity to identify, design, implement and monitor community development projects. PRODECO provides grants to eligible groups for productive investments. Groups are formed in targeted communities by development agents which can be NGOS or public sector employees. Once the income-generating activity is identified, groups are trained in project formulation, technical skills related to the project, and business management and marketing basics. Approved projects can get funds up to $30,000.

The study by Alwang et al. again finds quite significant poverty impacts, though much smaller in size than the Fadama evaluation. Again, the design of the evaluation is quite unclear. Survey data was collected on participant and non-participant households. However, the authors do not specify how this sample was created. The authors then use a matching technique as well as an IV strategy to deal with selection. There is no discussion of the matching variables or when they were measured. The district level instrument is a measure of political participation through voting. It is entirely unclear how this can deal with selection at the household level. The second instrument is the ownership of a refrigerator. This ostensibly exploits the targeting criteria of the project but since the data comes years after the project is implemented, it is unclear why household assets years after the program was implemented should satisfy the exclusion restriction. Moreover, their data suggests that program participants are in fact more likely to own a refrigerator. The evaluation also tells us nothing about the participatory process through which projects are identified, approved and ultimately run, since these are collectively owned assets.

We turn next to studies which have found less salubrious results. Park and Wang (2009) who evaluate China’s ‘flagship’ community-based poverty alleviation program, also initiated in 2001, find no impact of the project on mean income or consumption growth. The program financed investments in infrastructure projects in ‘poor’ villages. The projects were to be selected through a participatory mechanism. Park and Wang find
substantial positive effects on income and consumption but only for the rich. Per capita household income increases for the rich by 6.6 (9.6) percent and per capita consumption increases by 8.8 (11.4) percent using the full (restricted) sample. Consistent with this, the program also had a significant negative effect on the migration likelihood of rich households, reducing the odds of migration by 5.2 (4.7) percent in the full (restricted) sample. There was, in contrast, a near-zero effect on the migration odds of the poor. The study uses panel data on some 666 eligible villages and 5500 households, surveyed in 2001 and 2004. The identification strategy relies on the gradual phasing in of planned investments, within designated poor villages. Hence the main concern for identification is not with the potential bias due to village selection but the bias induced by the timing of program investments. The authors use propensity score matching, with time invariant variables or variables measured before the start of the program to deal with this problem.

The larger gains for the wealthy in the restricted sample suggest, as the authors note that the program was more likely to be captured by the wealthy in villages that had a greater fraction of poorer households. The implied transfer of wealth to the relatively better off is considerable given estimates by the authors which suggest that in 2004 the central government allocated some 32.7 billion yuan (about $4 billion), more than 5 percent of the central government budget, to poverty investment programs.

An evaluation of the World Bank funded Southwest China Poverty Reduction Project (SWP) adds an important cautionary note about the long run effects of programs. Chen, Mu and Ravallion (2008) look at the longer run impact of the SWP which was introduced in 1995 in the counties of Guangxi, Guizhou and Yunnan with the explicit goal of achieving a large and sustainable reduction in poverty in the poorest villages in these counties. As with other participatory programs, the SWP also included a bundle of interventions along with community-based participation in the selection of beneficiaries and activities. Within selected villages, it was expected that virtually all households would benefit from infrastructure investments, such as improved rural roads, power lines and piped water supply. Broad based benefits were also expected from improved social services, including
upgrading village schools and health clinics, and training of teachers and village health-care workers. Those with school-aged children also received tuition subsidies as a conditional cash transfer. Finally, individual loans were available for investments in a wide range of productive activities ranging from investments in yield improvement and animal husbandry to non-farm enterprises. This last component was the single largest accounting for over 60% of all disbursements. The central result of the study is that there were sizeable and statistically significant improvements in mean household income in participating villages, during the project cycle, but four years after the project had ended, these gains had largely disappeared. The only group that was able to sustain income gains were initially poor but relatively well educated households who might most plausibly have been genuinely credit constrained due to poverty. Given the numerous interventions bundled in this program the authors cannot and do not attempt to isolate the effects of community participation overall, but given the observed heterogeneity in long term gains they do attempt to infer the potential impact of using participatory practices to identify beneficiaries for loans. They conclude that the poor overall performance of the project may well be due to its participatory beneficiary selection process which apparently favored the better educated overall, but, perhaps due to program capture, failed to provide enough opportunities for the educated poor.

The authors also point to an important broader concern with the assessment of the long-term impacts of programs that are geographically-placed, even when program assignment is random. Additional funding from participatory programs could simply displace local government spending in project areas or governments could increase funding in non project areas. There is some evidence for this in their study areas. Comparison villages appear to catch up with project villages. School enrollment is one example. Early gains in project villages disappear as enrollment in control villages rises. The authors note that this may account, in part, for the smaller long term impacts they observe, but the size of the bias introduced by this process does not indicate that this could fully account for the absence of an average income impact over the longer term.
Fearon et al (2010) provide an assessment of the poverty impact of a community-driven reconstruction (CDR) project implemented by the International Rescue Committee (IRC) in post-conflict northern Liberia. This study, which is very carefully done, also finds no impact of the project on livelihoods or access to public goods or services. There is also no evidence that the CDR program decreased time needed to walk to key services for households living in treatment communities. However, they do find that school age children and young adults in IRC treatment communities had higher attendance rates and there was a significant increase in female employment. Gugerty and Kremer (2006) provide another, more cautionary, lens regarding the capture of benefits in projects that provide substantial grant funds to expand livelihood opportunities through participatory mechanisms. They study a project that provided agricultural inputs as well as training in leadership and agricultural practices to women’s groups in Western Kenya with the objective of building social capital and enhancing productivity. The study uses the randomized phasing in of the program to generate comparable control groups which received program funding two years later. The project spent $674 per group, or an average of $34 per member, over one-half of this was for agricultural inputs and was sufficient to cultivate at least 3.5 acres of land. This represents a large increase in the group’s capital stock, since the typical comparison group had $243 in assets before the project started. The program’s impact on group composition and leadership is discussed in Chapter 6. What is significant to note here is that despite this large injection of funds, the gains in productivity were quite unimpressive, at least over the duration covered by this assessment. Funds also appear to have been disproportionately appropriated by wealthier and more educated women and men through a change in the composition of self help groups.

The longer term sustainability of such efforts is also underscored in a qualitative study done by Marcus (2002). The study includes a desk review of three social funds in addition to qualitative data from beneficiary communities. The projects reviewed were implemented by Save the Children in Mali, Tajikistan and Mongolia. The review finds that, on balance, project investments were not sustainable, particularly for the poorest, once targeted assistance in the form of school fees and food subsidies was phased out.
5.7 Conclusions

We focus in this chapter on the impact of induced participation on development outcomes. The outcomes of interest for us are those which are usually targeted by participatory programs and over which municipal and district governments also tend to have some purview. These include small infrastructure projects, basic health services, primary schools, common pool resources and targeted interventions which aim to expand the livelihoods of the poor or provide social insurance.

In reviewing the literature, we have attempted to draw some broad lessons. We briefly summarize these here. In section 5.2 we focus on the efficacy of decentralized beneficiary and project identification. The literature on decentralized targeting identifies a central trade-off: the advantages of local information versus the hazards of local capture. The evidence appears on balance to indicate that the latter can overwhelm the former in many cases.

First, pre-existing community characteristics, like inequalities of wealth and political power and ethnic heterogeneity appear to play a decisive role in shifting the balance between information and capture. Communities which have greater wealth inequality do much worse, as do communities where caste, race and gender disparities are important and where ethnic heterogeneity is substantial, particularly if it is also embedded in a hierarchical structure which valorizes particular ethnic groups.

Project design and implementation rules also play a critical role. In the context of local public goods, the process by which proposals for sub-projects are elicited and approved is a case in point. The evidence indicates that demand driven competitive application processes can exclude the weakest communities and exacerbate horizontal inequities. More surprisingly, the evidence indicates that co-financing requirements, which have become the *sine qua non* of participatory projects can, under some conditions, exacerbate the exclusion of the poorest households and communities and attenuate the impacts of anti-poverty programs.
In sum, these features are double edged. Community contributions and a demand driven competitive project approval process are expected to generate higher quality projects that are better aligned with community needs. They are also expected to enhance the sustainability of community infrastructure by giving beneficiaries a real stake in maintaining local public goods. At the same time, if the most disadvantaged among the eligible have the least capacity to propose viable projects, whether due to technical, informational or financial constraints, and are thus more likely to opt out of the process altogether, not only are the intended anti-poverty impacts of the program attenuated, but cross community inequities in capacity and resources could increase.

Outcomes also vary significantly by the political relationship between the center and localities and the political incentives of local politicians under democratic decentralization. This can imply a significant divergence between the objectives of the center and of localities in the implementation of anti-poverty programs.

In sections 5.3 and 5.4 we move to community management of common pool resources and community engagement in the creation and maintenance of small scale infrastructure. Much of this literature focuses on the sustainability of the resource and the quality and maintenance of the infrastructure scheme. In section 5.3 we focus on two questions: the evidence for greater resource sustainability under decentralized or community management and the evidence for more inclusive management and greater equity in the distribution of benefits. In section 5.4, the question of sustainability centers around construction quality and the maintenance of infrastructure projects, with similar equity concerns. In reviewing the evidence we keep in mind three additional questions: the extent to which resource or infrastructure sustainability is impacted by community characteristics like wealth inequality, ethnic heterogeneity or management experience; the extent to which local management systems overcome adverse local characteristics, i.e., whether the right type and level of participation can be induced by design; and finally how dependent success is on the role played by the central state.
On balance, the evidence suggests that greater community involvement tends to improve resource sustainability and infrastructure quality. However, four general concerns permeate the literature. The first is that inequality tends to worsen both efficiency and equity, and there can be important tradeoffs between resource sustainability and equity. Second, the transfer of management responsibilities for a resource or an infrastructure scheme is not, in the main, an issue of handing over control to a cohesive organic entity with the requisite capacity—it often requires the creation of new local management capacity. In the absence of deliberate efforts to create such capacity, and/or provide resources, technical and financial, for ongoing maintenance and management needs, investments in infrastructure are largely wasted and natural resources are poorly managed. The third is that clear mechanisms for downward accountability are central. The literature is rife with cases where decentralization is more a mechanism for tightening central control and creating larger incentives for upward accountability than it is a mechanism for greater local discretion. The absence of robust mechanisms for downward accountability tend to go hand in hand with complex reporting and planning requirements which are usually beyond the capacity of local actors and become a tool for retaining control and assigning patronage. Most are a holdover from past rules designed to extract resources from local communities rather than to benefit them. Finally, communities need to benefit from the resources they manage. For natural resources which create substantial externalities, this benefit should be commensurate with the size of the externality created by the resource and should at least compensate communities for the alternative uses to which they could put the resource for immediate gain. These concerns imply considerable engagement of higher tier governments or implementing agencies in building local capacity, in monitoring outcomes and in setting the broad parameters under which management is devolved—with a view to enhancing downward rather than upward accountability while leaving sufficient discretion at the local level.

In section 5.5, we assess the extent to which decentralizing the delivery of education and health has improved service access for the poor and other disadvantaged groups and led to improvements in service quality. Our interest, for the purpose of this review is on the effectiveness of demand side channels. However, efforts to engage communities in
improving basic health services or primary schools usually also involve a substantial injection of funds for other activities, such as trained health personnel, the upgrading of facilities, the provision of stipends, uniforms and school meals etc. Unpacking the impact of community engagement in such multi-faceted interventions, is usually quite difficult and most studies don’t even try. However, a few relatively recent randomized evaluations of community based health programs suggest that while greater volunteer efforts by communities to provide health information etc have no effect, encouraging community participation can be quite beneficial in a context where projects also provide community based trained health personnel or make investments in upgrading health facilities.

This suggests that at least some of the positive effects observed for other community based health programs could derive at least in part from activating community participation. Overall, the effects are positive-with substantial reductions in maternal, and particularly, infant mortality, as well as in the use of facilities and behavior modification. Importantly, successful programs are often located within larger government health delivery systems. This is encouraging given that it appears to be central for scaling up such programs. The evidence also suggests that the most successful programs are those which are implemented by local governments which have some discretion and are downwardly accountable. On the other hand, devolving programs to NGOs works less well, on average. Finally, interventions that provide information to households and communities about the quality of services in their community as well as government standards of service tend to improve outcomes even when no additional resources are expended.

Community engagement in education has had somewhat similar impacts though far more muted, primarily because impacts on learning tend to be weak. Overall, studies report an increase in school access as well as an improvement in retention rates, in attendance and in grade repetition. A potential caveat is that most evaluations do not have data over the time periods typically associated with improvements in learning outcomes. This is consistent with a basic concern highlighted in Chapter 2. Reform processes that attempt to change structures of authority and power may require longer time spans to realize gains than the timeline of impact studies allow. It may also be easier to see gains in some dimensions
rather than others. Things may also worsen before they improve. Some studies do show a
worsening in student quality at school entry as children from less privileged backgrounds
enter schools for the first time. This may account, to an extent, for the negligible
improvements in learning, even though there is an improvement in attendance and school
retention. At the same time, results for learning outcomes are mixed, even in studies with
longer time frames. The effects are often also weaker when school management is
decentralized to local governments. This is in part because of greater school access for less
prepared students as well as a decline in school dropout rates, but studies also show the
largest gains in the wealthiest areas with many schooling outcomes deteriorating in poorer,
more remote and more unequal localities.

In section 5.6 we turn finally to the poverty impacts of participatory projects. Here the
results are perhaps the most mixed. Few studies of participatory anti-poverty programs
find any poverty impacts and the ones that do find a positive change for wealthier or more
educated households. Effects also appear to be short lived. However, we know much less
about the impact of community based livelihood projects and here studies seem to show
positive and economically significant gains within relatively short time periods. This is
clearly an area where more work is needed.
Chapter 6: Building Civil Society

6.1 Introduction

6.2 Participatory Decision Making and Social Cohesion

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   6.3.1 The Effect Of Reservations And Inclusion Mandates On Women
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6.5 Participatory Councils and Deliberative Spaces

6.6 Conclusions
6.1. Introduction

Participatory development projects often list “building social capital”, and hearing the “voices of the poor” as key objectives. One of the aims of our report has been to place such concepts within an analytical framework that provides a clearer sense of the challenges of inducing them in communities. We have argued in Chapters 1 and 2 that it might be helpful to see these goals as attempts to repair civil society failures. This chapter focuses on reviewing the evidence to assess how effective participatory development projects have been achieving these goals: At building the capacity for collective action, and social cohesion, in times of peace, as well as in post-conflict situations; in address social inequalities at the community level; and at creating participatory forums where collective decisions can be made in deliberative manner.

There are several factors that matter here. First, the aggregation of preferences: Members of a community have diverse points of view, and in order to communicate those views to the state, the village or municipality would need to determine how those diverse views can be presented in a unified manner. Elections are one way of aggregating preferences by tallying people's votes. Another way is deliberation – by have members of the communities arrive at a consensus point of view via discussion. Economic, social and political inequality can play an important role in the selection of leaders, and in the representation of interests. Thus, reducing elite capture and poverty, and improving the voice and agency of disadvantaged groups are an important challenge. A particular concern is whether participation is effective in post-conflict settings, particularly in situations of civic disharmony. We ask several questions: How do deliberative processes actually work in developing countries? Is deliberation equitable, is it sustainable, under what conditions does it build the capacity to engage? Can local inequalities in power and social structure be remedied by mandating the inclusion of women and discriminated minorities in leadership positions? Does participation build ‘social capital’? Can inducing participation improve a community’s capacity to address disputes and improve cohesion in post-conflict settings? Is there evidence that induced participation enhances social cohesion and the ‘voice’ of marginalized groups in local decisionmaking bodies?
6.2 Participatory Decision Making and Social Cohesion

A possible explanation for the asymmetric membership patterns observed in participatory bodies may be that the most well endowed, whether in wealth or ability, may be the only ones who possess the requisite resources, capabilities and leisure to represent their communities’ interests. Further, some argue that educated community members may be best placed to articulate community demands with external actors and facilitate the application procedures which projects require. There is also an argument that the more educated are more altruistic as leaders and thus less likely to engage in resource misappropriation of all types. In contrast, the most disadvantaged may be least able to spare either the time or the resources needed and may also be least equipped to deal with the technical demands of decisionmaking.

In this case, induced participation may help to build social cohesion and strengthen democratic values and practices—even in communities where there are important social cleavages, whether due to inequality, ethnic heterogeneity or conflict.

This turns out to be a particularly difficult hypothesis to test empirically. The first problem is one of selecting appropriate control communities. Matching on the relevant social variables (like trust, cooperation, the density of social networks, political participation etc) is rarely an option. Instead most studies match on the usual set of socio-demographic variables available in national income statistics and expenditure surveys. This is all the more problematic if, as is often the case, participatory programs rely on community “willingness” or “readiness” to participate instead of clear eligibility criteria. While this may be entirely sensible from a programmatic perspective it makes causal inference challenging since outcomes of interest, such as greater political awareness, may be precisely why a community was selected in the first place rather than an outcome of the program. Specifically, if more politically active and aware villages attract participatory projects, as the evidence in Chapter 4 shows, then we would indeed observe greater political awareness and activism in these villages but it may have little to do with the program itself.
The second is a measurement problem. The measurement of social outcomes is empirically challenging for two reasons: (i) local facilitators spend considerable time with community members elucidating the benefits of program participation, community collective action, self-help, contributions to development projects etc; (ii) projects usually provide resources for local public goods, private transfers, microcredit and skill training in addition to community mobilization. On the one hand, this makes it difficult to isolate the impact of participation (as opposed to an injection of funds) on social outcomes, on the other, exposure to participatory messaging may make members of program communities more likely to indicate a greater willingness to cooperate, or to report higher levels of trust and support for democracy regardless of any substantive change in attitudes or practices. Isolating the impact of ‘participation’ on preferences, trust, networks or cooperation is likely to be difficult even in the best-designed evaluation. Self-reported retrospective accounts of change are perhaps the least reliable in this context.

Given these challenges, the available literature is not promising on the whole, with one important exception: a recent study by Fearon, Humphreys and Weinstein (2010). This is the only completed study, to date, which has used a behavioral game to augment and validate survey based findings on the impact of participation on social cohesion and cooperation and the findings are encouraging. The authors evaluate a community reconstruction project (CDR) implemented by the International Rescue Committee (IRC) in northern Liberia. Program villages were selected through a public lottery. Survey results indicate a reduction in social tension and an increase in trust in local leadership. There is also an increase in participation by marginalized groups in community decision making activities. Results from the community wide public goods game—implemented to elicit corroborative evidence on community willingness to contribute to collective activities, mainly local public goods—supports these findings. Overall, there is an average gain of 6.5 percentage points in the share of available funds earned by the community in program villages. This is in a context where the base level of contributions is high (nearly two thirds contributed the maximum amount and only 10% kept the endowment in its entirety). Importantly, much of this improvement in social cooperation persisted after the program ended. It is useful to note, that, in contrast, the evidence does not support any increase in
broader collective action or in democratic values or practices in program villages. There is also no change in the attitudes of traditional leaders towards community decisionmaking.

We review four other four studies below because they provide some interesting insights, though the evaluation design is flawed in each case. Chase et al (2006), use data from an evaluation of the Thailand Social Fund to ask two questions: do CDD projects select villages with specific characteristics, and do projects in turn have an impact on levels of social capital in the selected villages. Using a combination of household survey and qualitative data, they find that CDD operations tend to provide funding to villages with particular social capital characteristics (e.g., greater norms of self-sacrifice, higher levels of trust among neighbors). This suggests initial selection. A comparison of measures of social capital between treatment and control villages finds that treatment villages do significantly better on about 19 percent of the social capital measures listed in the study, including vertical linkages with government and other service providers; cooperative activity, perceptions of government accountability, and some measures of empowerment. Labonne and Chase (2008) study the KALAHI-CIDSS, a large CDD program in the Philippines, using data from 135 villages in 16 municipalities. The authors assess the program’s impact on social capital indicators, such as participation in local governance activities, village group membership and relationships between local officials and citizens. They find that trust toward local officials increased in villages that received funding, but ironically, the proportion of households that requested services decreased.

Two recent studies have used data from the District Poverty Initiatives Project (DPIP) in India to measure changes in social capital and political empowerment. The DPIP supported the formation of women’s self-help groups (SHGs) to promote economic and social empowerment. The first is a study of the DPIP in Andhra Pradesh (Deininger and Liu, 2008). This study uses recall data to measure changes in social capital and political participation across treatment and control groups over a four year period (2000-2004). The results indicate a significant increase in the level of social capital and political participation in DPIP areas - with identical effects across participants and non-participants within DPIP areas. The authors interpret this as evidence that the program had large
positive social externalities. However, the design of the evaluation does not allow for a clean test of this since it is unclear that control communities are comparable on the relevant measures of social cohesion or social capital at baseline. The measures of social cohesion used are also closely linked to the rhetoric of participatory projects. The second is a study by Kumar (2007) in Madhya Pradesh. This study asks if participation in DPIP, which runs parallel to and outside the local government structure, helps poor and lower-caste households to engage effectively with the participatory processes organized by local governments. Kumar finds a significant impact on political participation by poor rural women in program areas. Households in program villages not only had greater political awareness and better knowledge of other government programs, they were also more likely to participate in village affairs, to know about GS meetings and to participate in them. They were also more active participants, being more likely to report speaking, voting or objecting to a decision. As with the study by Deininger and Liu, however, this paper’s evaluation strategy is problematic. The study cannot identify why some villages in MP are selected into DPIP while others are not.

There is also a fair bit of suggestive evidence that localities where civic institutions are more vibrant have better outcomes. However, few, if any, studies are able to identify a causal link from participation in a CDD program or decentralization to the quality of civic institutions. Olken (2005), for example, finds that villages which had more social organizations, such as community-self help groups, religious study groups, and women’s organizations, were less likely to experience both outright corruption in the form of missing rice and less leakage to village elites. Camacho and Conover (2008) find that leakage in targeted programs in Colombia was smaller in municipalities where there was better monitoring via community organizations. Galasso and Ravallion (2005) find that villages where Grameen Bank was present received larger program resources from the center and these resources were also better targeted to the poor. Arcand et al (2008) examine the extent to which participatory governance bodies, such as the Conseil de Concertation et de Gestion (CCG) in Senegal are able to compete with local elected leaders from the Conseil Rural (CR) in attracting project funds to their own communities. The CCG which was parallel to the CR was designed as a parallel participatory institution by the CDD
project to ensure the representation of vulnerable and marginalized groups that were less likely to be represented in the CR through the electoral process. The authors indeed find that villages with more CCG members, who were not in the CR, were more likely to receive a project, suggesting that while political elites may direct projects to their own villages, villagers who engage in participatory governance structures can enhance resource flows to their communities.

There is also a substantial, largely qualitative, literature on the impact of deliberative forums, supported as part of local decentralization, on social cohesion and the capacity to engage. This literature is reviewed in section 6.5 below.

6.3 Representation Quotas and Inclusion Mandates

In this section we focus on how reservations and quotas in local councils, and inclusion mandates are used to address specific types of social exclusion, and make democratic institutions (and political incentives) more responsive to those who would otherwise have little voice. Much of the section is based on the literature on mandated representation in Indian village governments, known as gram panchayats (GPs), which looks at whether leaders from disadvantaged groups have incentives to align their actions with the interests of their particular group, or with those of the general public. The section considers the effect of reservations and inclusion mandates on women, and on disadvantaged groups such as scheduled castes, scheduled tribes, other backward castes (SC, ST, and OBC), and how these instruments change their participatory behavior and the behavior of political leaders.

6.3.1 The Effect Of Reservations And Inclusion Mandates On Women

Women are systematically excluded from collective bodies, and from positions of power, in many parts of the world. Agarwal (2001) looking at what she calls “participatory exclusions” in community forestry groups in India and Nepal finds that in groups with decision-making authority, less than 10% of the members are women, even though women
are required to do much of the work involved in forest management. This has several implications. It affects the decisions made by these groups and, thus, has distributional consequences. It also affects the efficiency of institutions – particularly the efficiency of forest management by excluding information and skills that women may have. Finally, it can have a reinforcing impact on discrimination against women.

On the basis of fieldwork conducted over two years, Agarwal finds that participatory exclusions occur for a variety of reasons. Social norms exclude women from participating in public spaces, and gendered norms of “acceptable” behaviors restrict women’s attendance at public gatherings. Women find men’s behavior “aggressive”, and there are restrictions on their visibility and mobility. Women also face negative stereotypes about their ability to contribute effectively to proceedings that have public implications, and face norms that relegate them to work on women-specific tasks. Finally many groups have exclusionary rules, such as allowing only one person per household to belong to a forestry group, which effectively exclude women.

To get around social restrictions of this kind, an Indian constitutional amendment mandated that one third all seats in village councils should be reserved for women candidates, and a third of all presidencies of these councils should also be reserved for women. Most states allocate the reservations status of council seats and presidencies on a randomly allocated rotation. A series of studies has exploited this random allocation to study the impact of women’s reservations on a variety of outcomes.

Chattopadhyay and Duflo (2004b) analyzing survey data from 265 village councils in the Indian states of West Bengal and Rajasthan find that, in West Bengal, the percentage of women among participants in the village council is significantly higher when the president is a woman (increasing from 6.9 to 9.8 percent). Since reservation does not affect the percentage of eligible voters attending the village council, this corresponds to a net increase in the participation of women, and a decline in the participation of men. Furthermore, women presidents in reserved villages are twice as likely to have addressed a request or complaint to the GP in the last six months—a significant difference. In Rajasthan,
however, the fact that the president is a woman has no effect on women's participation in the village council or on the incidence of women's complaints.

The authors also look at the effect of reservations on the provision of public goods. In both West Bengal and Rajasthan, the provision of public goods is affected by the gender of the president. There are significantly more investments in drinking water in GPs where the president is a woman in both states. In West Bengal, GPs are less likely to have set up informal schools when the presidency is reserved for a woman. The effects of reservation on the quality of roads are contradictory in Rajasthan and West Bengal: In West Bengal, roads are significantly better in GPs reserved for women, but in Rajasthan, they are worse. The results show that in both states, on average, the provision of public goods in reserved constituencies is indeed more closely aligned to the preferences of women than to those of men. Women invest less in public goods that are more closely linked to men’s concerns: education in West Bengal and roads in Rajasthan.

Building on these findings, Duflo and Topalova (2004) look at the effects of political reservation for women with data from a larger geographical area (11 states). They present evidence on three aspects of women’s performance in office (as measured by the quality and quantity of various public goods provided and the likelihood of taking bribes), and on perceptions of their performance by the voters in India’s village councils. Consistent with the results in Chattopadhyay and Duflo (2004b), the authors find that reservation for women leads to more investment in drinking water infrastructure. There are significantly more public drinking water taps and hand pumps when the leadership of the GP is reserved for a woman, and there is also weak evidence that the drinking water facilities are in better repair. Overall, the average effect of reservation on the availability of public goods in a village is positive and statistically significant. The average effect of the reservation on the quality of public goods is positive as well, but not significant. In summary, women leaders do a better job at delivering drinking water infrastructure, and at least as good a job delivering the other public goods.
Furthermore, respondents (both men and women) are less likely to report having to pay a bribe to obtain a service when the GP presidency is reserved for women. However, respondents are also 2 percent less likely to declare that they are satisfied with the public goods they are receiving in villages with female presidents. Interestingly, respondents are also significantly less satisfied with the quality of the public health services in villages with women presidents, despite the fact that health services were centrally administered and not under the jurisdiction of panchayats in any of the 11 states during the study period.

The effect of women’s reservation on public perceptions of female leaders is the focus of Beamen et al (2008) – also in the state of West Bengal. The authors compare villager attitudes towards hypothetical, and actual, women leaders across councils which have been reserved for women once, twice, or never. Random allocation of reservation implies that a difference in voter attitudes across reserved and unreserved villages captures the causal effect of mandated reservations. An important innovation of this study is the collection and use of detailed survey and experimental data on voters’ taste for female leaders, and their perceptions of gender roles and the effectiveness of female leaders. The authors examine explicit and implicit measures of voters’ tastes. Explicit tastes are captured by voters’ stated feelings towards the general idea of male and female leaders, and implicit tastes by Implicit Association Tests (IATs). Finally, to examine voter perceptions of leader effectiveness, they asked villagers to evaluate the effectiveness of hypothetical female and male leaders described through vignettes and recorded speeches, in which the leader’s gender is experimentally manipulated.

The results show that in villages that have never experienced political reservation, villagers, particularly men, dislike the idea of female leaders. On a scale of 1 to 10, the average man rates his feeling towards female leaders’ one whole point below his feelings towards male leaders. IAT measures show that men are significantly more likely to associate male leaders as “good” relative to female leaders. They also perceive female leaders as less effective than male leaders. The average male villager ranked the same speech and vignette describing a leader’s decision 0.05 standard deviations lower when the leader’s gender was experimentally manipulated to be female. Female villagers’ evaluation
of hypothetical female leaders, while less negative, is not statistically different from that of male villagers.’ Mandated exposure to a female leader does not affect villagers’ stated taste for male leaders. Neither the “feeling” rating of leaders nor the taste-IAT show increased approval of female leaders in villages reserved for a female leader. However, among male villagers it weakens the stereotype (as measured by the occupation-IAT) that men are associated with leadership activities and women with domestic activities. It also radically alters perceptions of female leader effectiveness among male villagers. In the speech and vignette experiments, the authors find that male villagers who have been required to have a female leader consider hypothetical female and male leaders equally effective. This reduction in bias is absent among female villagers. They provide evidence suggesting that a likely reason for this difference is the lower levels of political knowledge and exposure to local politics among women. Consistent with the experimental data, they find that prior exposure improves villagers’ evaluation of their actual leader along multiple dimensions.

Bhavnani (2009) assesses the long-term impact women’s reservations in municipal councils in Mumbai, by examining the relative change in political power in councils that had previously been reserved for women. Specifically, he tests for the continuing effects of the 1997 reservations on various aspects of the 2002 elections. His main finding is that 21.6 percent of wards that had been reserved for women in 1997 but were open to both genders in 2002 (treatment wards) were won by women, while only 3.7 percent of wards that were open in 1997 and 2002 (control wards) were won by women. Women’s chances of winning ward elections were more than quintupled by the 1997 reservations. The author also examines the mechanisms through which the electoral chances for women might have increased in the previously reserved constituencies. He finds that this increase is explained both by an incumbency effect—the incumbent woman running in the unreserved constituency—and by an increase in the number of woman candidates running in the previously reserved constituency.

Some studies show that reservations on behalf of women have not always led to positive effects. Bardhan et al (2008) look at the effect of political reservation for women running for local office on the provision of government services and local public goods to households in West Bengal. The authors find that women in reserved positions are no more
effective than officials in unreserved positions at getting benefits to their villages. However, they appear to be worse at targeting targeted benefits to landless households and housing benefits to disadvantaged castes, and performed worse in generating revenues.

The impact of women’s reservation along two directions—selection of women presidents and actions of women presidents—is explored by Ban and Rao (2009), using community level and household survey data, and surveys of village presidents in four southern Indian states. First, the authors look at the effect of reservation on women’s political participation. They find no significant effect on participation in the public village meetings, nor on the existence of women’s organizations in the community. Second, the authors look at the effect on public goods provision. Relative to unreserved GPs, panchayats reserved for women invested significantly more in education-related activities. However, on the vast majority of activities, reserved presidents behave no differently than unreserved presidents. Moreover, unlike the work of Chattopadhaya and Duflo, there is no evidence that women presidents act in accordance with women’s preferences. Women presidents are also significantly less likely to meet with higher-level officials than unreserved presidents.

However, Ban and Rao (2009) find considerable heterogeneity in their results. In particular, women presidents in reserved GPs are unambiguously more effective when they are more experienced. Furthermore, women in reserved GPs perform worse when most of the land in the village is owned by upper castes. This suggests that caste structures may be correlated with structures of patriarchy making the job of women particularly difficult when they are confronted with entrenched hierarchies. They also find that women presidents in reserved GPs perform best in states where reservations have been in place the longest indicating the salience of the maturity of the reservations system. This effect in conjunction with the positive effect of the president’s political experience together point towards a hopeful future. As women acquire more experience via the reservations system, and as the system continuous to mature, women will become more effective leaders.
Outside the Indian case, the question of whether incentives for female participation can improve the maintenance of infrastructure is examined by Leino (2007) in a field experiment in Kenya. The intervention aimed to increase women's participation in the maintenance of water sources by encouraging them to attend community meetings where water management committees were elected. Once elected, the water management committees were trained by a facilitating NGO to manage maintenance tasks for water schemes. The meetings were held at a time convenient for women, and at each meeting, NGO facilitators emphasized the importance of women's participation. The participation intervention was successful in increasing the number of women members of water management committees. It also enhanced the number of women occupying leadership positions in the committee, and more than doubled the odds that a woman would be a committee chair. This effect appears to have persisted through the three-year period of the study. Importantly, however, the increase in female leadership on the water management committees had no impact on the quality of infrastructure maintenance as compared to control communities. Thus, there is little evidence of any efficiency gain due to greater female participation—although, as the author notes, the more interesting argument may be that increased inclusion can be achieved with no apparent efficiency cost.

6.3.2 Effect Of Reservations And Inclusion Mandates on Disadvantaged Castes

In another paper Chattopadhyay and Duflo (2004a) examine how the type and location of public goods differs between unreserved gram panchayats (GPs) and GPs where presidencies were reserved for historically disadvantaged Scheduled Castes (SCs) in West Bengal. The author's state that identification of the caste reservations effect is based on the random assignment of SC-reserved GPs. The public goods studied are investments in drinking water facilities, irrigation facilities, roads, and education centers. The investments are measured using a participatory survey in which a representative group of villagers is shown a village map with the entire available infrastructure, and then asked whether each of these had been built or repaired since the last election. The authors find that SC presidents do not significantly change the types of investments in public goods, relative to presidents of unreserved GPs. The second question relates to the location of the public
goods. The authors collect information on whether a public good is located in a SC hamlet, a neighborhood where upper castes live, or a common area. Using this information, they find that SC hamlets in SC-reserved GPs receive 14 percent more investment in public goods, relative to SC hamlets in unreserved GPs.

The extent to which reservations in favor of disadvantaged castes and tribes improve living conditions for the poorest is assessed in Chin and Prakash (2009). By using panel data from 16 Indian states over the period 1960-1992, the authors examine the effect of state-level reservations for SCs and STs on state-level measures of *overall* poverty. The main question of interest is whether minority political representation is, on balance, welfare enhancing for all of the poor. The authors find that reservations for SCs have reduced overall poverty—i.e., that benefits to minority groups do not appear to have come at a cost to poor or near-poor non-minorities. Reservation policies for other disadvantaged tribal groups known as Scheduled Tribes (STs), however have been more effective in reducing poverty in rural than in urban areas, suggesting some caution in generalizing in the absence of more empirical work.

The effect of SC and ST reservations on the distribution of low-spillover and high-spillover goods within and between villages (at the GP level) is examined by Besley et al (2004), using data from four southern states. Access to low-spillover (household-level) public goods is measured through a household survey, in which access is defined as having had a house or toilet built under a government scheme, or having received a private water or electricity connection via a government scheme, since the last GP election. Access to “high-spillover” public goods (which are easily accessed across groups and neighborhoods) is measured using data on GP activity from an independent audit of village facilities. An index constructed from these data measures whether the GP undertook any construction or improvement activity on within-village roads, drains, streetlights, and water sources since the last GP election.

Using a household-level regression with village fixed effects, the authors find that low-spillover public goods (where access is more easily restricted to particular groups and
neighborhoods) are targeted more towards SC/ST households. On average, an SC/ST household is 6 percent more likely to receive such a public good than a non-SC/ST household. Further, the extent of such targeting is enhanced by living in a reserved GP. Relative to living in a non-reserved GP, living in a reserved GP increases a SC/ST household’s likelihood of getting such a low-spillover public good by 7 percent. Next, the authors (Besley et al 2004) consider the village-level incidence of high-spillover public goods, as measured by the GP activity index. They find that this index is, on average, 0.04 points higher in the president’s own village. Thus, for high-spillover public goods, residential proximity to the elected representative matters. In contrast, for low-spillover public goods, sharing the politician’s group identity matters the most. Further evidence on the accountability of SC/ST leaders is presented by Besley, Pande and Rao (2005), who show that reservations makes it more likely that SC/ST households will have a Below Poverty Line (BPL) card which provides access to targeted benefits. This finding points to SC/ST leaders favoring members of their own group.

Bardhan et al (2008) examine the impact of political reservations for SCs/STs in local government elections on the provision of government services and local public goods to female-headed, SC/ST, and landless households. They use data from a household survey conducted between 2003 and 2005 in 89 villages in 57 GPs spread throughout 15 districts in West Bengal. Using a stratified random sample of 20 households per village, the survey collects current and retrospective information on family composition and characteristics, land and asset holdings, income, credit, political awareness, and participation. Additionally, the survey collects information on benefits received by households from the GP, and other credit schemes, agricultural kits, and employment programs. Based on this retrospective information, the authors constructed a panel dataset spanning 1978 to 2004. Acknowledging potential recall problems, the authors also report results using a shorter panel from 1998-2004.

They find that in the case of reservations, SC/ST leaders are better than non-SC/STs at getting more benefits to their villages and at allocating more benefits towards the SC/ST population. In particular, reservations improved targeting of credit programs, principally
by increasing the flow of credit into villages with a reserved president position by 30 to 40 percent. The effect on targeting of agricultural kits was negligible. On the other hand, reservations seem to worsen targeting employment benefits to the landless population.

In contrast to the literature presented above, which details the mostly positive impacts of inclusion mandates, other studies have found that reservation mandates have a mixed impact in terms of giving groups more voice or aligning the interests of caste leaders with the preferences of their groups.

Palaniswamy and Krishnan (2008) identify the effects of SC/ST political reservation, in the state of Karnataka, by exploiting the random allocation of these reservations, conditional on village population size and proportion of the SC/ST population in the village. In looking at the within-village council distribution of grants, they find that villages represented in the village council by SC/ST members attract fewer resources. They also examine the effects of a village being represented in the GP council by the politically dominant caste arguing that reservations for other backward castes (OBCs) allow some politically dominant castes (Vokkaligas and Lingayats) to run in these reserved constituencies, as they are considered to fall in the OBC category. They find that such villages are likely to get more resources suggesting that elite capture may persist despite the presence of reservations. Similarly Dunning and Nilenkani (2010) examine primary data, also from Karnataka with a regression discontinuity design to compare otherwise similar village councils to examine the impact of caste reservations. They also find very weak policy and redistributive effects of reservations.

To demonstrate that reservations for disadvantaged castes can have adverse village-level outcomes in terms of electing lower-quality politicians and attracting fewer local public resources, Munshi and Rosenzweig (2009) analyze survey data on Indian local governments at the ward level over multiple terms. The caste system, the authors contend, serves as a commitment enforcing device. A leader elected with the support of his/her caste is more likely to make decisions that reflect the preferences of the caste, fearing social sanctions otherwise. Hence a large enough caste will be able to elect its most able leader
and to ensure that he/she will implement a policy that does not deviate from that preferred by the median member of the caste. Political reservations for disadvantaged castes make it less likely that a leader will be elected from a numerically dominant caste; hence the negative outcomes that arise are due to the lack of social sanctions. The authors run a ward-level regression with the main explanatory variable being the existence of a numerically dominant caste. The dependent variables are the characteristics of the elected ward leader and the ward-level provision of public goods. As the authors observe the same ward over multiple electoral terms, they are able to isolate within-ward variation in the population of a numerically dominant caste. The results show that the existence of a dominant caste results in the election of a wealthier leader, as well as a leader who is more likely to be in an occupation involving independent decisionmaking (farm operator, businessman, or professional). In addition, the presence of a dominant caste in the ward appears to increase the overall level of local public resources the ward receives by about 16 percent (Munshi and Rosenzweig 2009).

Thus, mandates seem to improve the representation of women and excluded groups in leadership positions, and to be an effective way of engendering greater inclusion in local councils. However, these effects do seem to depend on the context and, in particular, are affected by the maturity of the reservations system and the strength of existing structures of patriarchy, and the power of dominant caste groups. The evidence also hints at the possibility that reservation rules are sometimes not properly enforced but captured by existing male-dominated structures of power. It should be noted, however, that the vast majority of the evidence derives from the case of Indian village democracies which may not necessarily translate to non-democratic settings.

6.4 Community Driven Reconstruction and in Post-Conflict Settings

The active involvement of citizens in public life has also come to be viewed as an important mechanism for managing or mitigating conflict at all levels and participatory development projects are seen as an important mechanism for reengaging citizens in public life. In the aftermath of widespread conflict, this usually takes the form of reconstruction projects
where the basic argument is that broad-based involvement in reconstruction planning can play an important role in rebuilding citizenship and trust in government institutions in a context where state society relations are quite frayed (Cliffe, Guggenheim et al., 2003; World Bank, 2011). In line with this, community-driven reconstruction (CDR) projects have been implemented in a number of conflict affected countries over the past decade.

The conflict reducing role of participatory development goes beyond post-conflict conditions, however. CDD projects are usually implemented in contexts where formal governance institutions are weak and access to judicial institutions, courts or the local police, is largely limited to those with wealth and political power. In such settings, ordinary conflicts over property rights, the use of natural resources, or violence, whether domestic or communal, must often be arbitrated within the community itself, often through informal justice institutions. The impartiality of such informal mechanisms may also be limited for more marginalized groups within a community.

In such environments, participatory projects could change the conditions under which disputes emerge and dispute resolution occurs. On the one hand, the new informal institutional structures created by such projects could empower marginalized groups to demand more even and effective judicial services, from both formal or informal providers. On the other, they could introduce new struggles over the allocation of project resources and the distribution of power within localities, which could exacerbate local conflicts. This section reviews the available evidence on Community Driven Reconstruction projects.

While there is, as yet, little reliable evidence on the relative effectiveness of CDR projects as a means of delivering development aid or (re)building civil society under conditions of conflict, there are some important insights that can be gleaned from recent evaluations, both qualitative and quantitative. The evidence overall for CDR in a post conflict settings is not encouraging, though there are some positive findings.

Some of the concerns are summarized in a review done by Strand et al (2003) of 14 World Bank funded CDR projects. They find that while CDR projects may provide a fast-track
disbursement tool, the poor and marginalized find it even harder to access CDR provided resources in conflict areas. Governments often also have an incentive to provide CDR resources selectively to increase their own political support and may be reluctant to extend the program to areas that are of less electoral interest. This can make the scaling up of CDR projects particularly difficult. Further, they find that community-level trust and reconciliation building is only effective if it is linked to a comparable process at a national level. The authors thus conclude that CDR projects should be viewed not just as a humanitarian effort but also as a potential political tool. An adequate understanding of existing political and social relations, and reconciliation structures on the ground, as well as the establishment of community capacity, are thus, the authors argue, necessary preconditions for the equitable distribution of resources in such projects. In contrast, Pearce (2007), who studied civil society participation in Columbia and Guatemala, argues that civil society organizations (CSOs) can play a prominent role in building citizenship by confronting violent actors in all the spaces and levels of socialization. By restoring plurality and opening ‘invisibly sealed boundaries’, CSOs can curb violence by encouraging victims to understand violence as a social and political problem that needs to be collectively addressed.

Given expectations from CDR projects, a key metric of success for such projects is thus the extent to which they can improve state society relations and build social cohesion and citizenship. This set of objectives can be quite difficult to evaluate as the studies reviewed below illustrate. A second an perhaps equally important measure of success is the extent to which resources flow to activities and groups most targeted by such programs. Typically CDR programs target those who are most likely to be victimized by violence, but can also include those most susceptible to engaging in violent activities.

Both metrics of success are assessed in the studies reviewed below. Barron et al, 2009 evaluate a CDR project in Aceh, Indonesia (BRA-KDP) which built on the national KDP program by targeting resources to victims of the conflict. Program targeting worked well in BRA-KDP at the center, in so far as conflict affected communities were successfully selected into the program. However, targeting within communities was quite poor, with
conflict victims generally faring no better than non-conflict victims, despite the explicit intended targeting of conflict victims. Further, conflict victims were more likely to report that their preferred projects were not selected for implementation. Project funds were used also for providing private transfers to beneficiaries rather than investments in public goods. Nor surprisingly, survey responses reveal income gains in program communities, particularly since the survey was done while the program was still disbursing funds. On the other hand, the study finds little evidence for any improvement in social cohesion or trust in governmental institutions. In fact, there is evidence that BRA-KDP is associated with less acceptance of ex-combatants by conflict victims in project areas, though there is no evidence of a greater tendency for tensions to escalate into violence. This could be because ex-combatants received some of the funds that were meant for civilian conflict victims, though that is not clear.

In contrast, an ongoing evaluation of a CDR program in Afghanistan provides somewhat more positive, though preliminary, evidence on the impact of a national CDR project, the National Support Program (NSP), on political attitudes and social cohesion (Beath et al, 2010). The results from a first follow up suggest significant shifts in political attitudes (trust in government and in local leaders, women’s role in the community and women as leaders etc) and in social cohesion. A potential caveat here is that self-reports of political attitudes, such as trust in government or greater community cooperation can be difficult to interpret in the absence of corroborating evidence in real outcomes. Here study results are less clear. There is little evidence that village elites are less likely to exercise influence in village development councils, as compared to control communities, or that there is any change in the types of households that benefit from government programs. As discussed in earlier chapters, communities which have CDD projects routinely report greater social cohesion and levels of satisfaction and self reports are generally more positive when questions are posed in language that more closely evokes the project objectives language used by facilitators.

As we said earlier in this chapter, a potential solution to this problem is to complement survey data with behavioral games which provide clearer measures of political practice.
and cooperation. The Fearon, Humphreys and Weinstein (2010)\textsuperscript{div} cited earlier, suggests that there is a greater propensity to contribute in program villages with much of the effect coming from contributions by ex-combatants.\textsuperscript{clv} Survey evidence also suggests that individuals in CDR communities report less social tension and exhibit greater acceptance of previously marginalized groups. There is no evidence, however, of any improvement in the material well-being of households in CDR communities, though there is some improvement in local public goods. It is important to note though, that the authors of the study do not see this as unmixed evidence of the benefits of CDR in a conflict environment. In fact they make the point that conflict usually occurs at levels that are higher than the ‘community’ that such programs target. As such, it is entirely possible that strengthening cohesion at this level could worsen conflict across communities. Note that the project had no discernible effect on participants’ belief in broader democratic principles or other measures of citizenship. Further, there is also little impact on measures of social inclusion of refugees or new migrants into the community, but respondents in treated communities report greater trust in their leaders. This finding is broadly consistent with Gugerty and Kremer (2006) who, in a quite different context, also find greater confidence in group leadership which is not accompanied by an improvement in any objective measure of group strength or cohesion. However, in their study, there are potentially negative consequences for the most marginalized groups. This does not appear to be the case in the Liberia study, where levels of social tensions, which are quite low overall, are significantly lower in treatment communities. There is also a smaller chance of an escalation of such tension as there is into open conflict.

While there is no work as yet which looks at the impact of CDR programs at this more macro level, Bellows and Miguel (2006) estimate the effects of the Sierra Leone civil war (1991-2002) using unique nationally representative household data on conflict experiences, postwar economic outcomes, and local politics and collective action. The authors find strong evidence that individuals whose households had been subjected to more intense violence were much more likely to attend community meetings, to vote, and to contribute to local public goods, as well as being more cognizant of local political dynamics. Several tests indicate selection into victimization is not driving the results.\textsuperscript{clvi}
The relationship between conflict intensity and postwar outcomes is weaker at more aggregate levels, however, suggesting that the war’s primary impact was on individual preferences rather than on institutions or local social norms.

Thus the use of community driven reconstruction in post-conflict settings is deeply affected by the context. The evidence is limited, but quite mixed. In some instances (Liberia, Afghanistan) such projects may have a positive effect on social cohesion. In some settings the results suggest that those who have a more direct experience of war (ex-combatants in Liberia, violence affected people in Sierra Leone) were more likely to contribute and participate in community meetings, and in others this was not the case. However, there is no evidence to suggest that this improvement in trust in cohesion had an affect beyond the community level, nor is there any evidence to indicate any improvement in material outcomes from community based interventions in post-conflict settings. Not surprisingly, such projects are also subject to the usual risks of community based interventions – elite capture and corruption.

6.5 Participatory Councils and Deliberative Spaces

Public deliberation envisions a world in which citizens engage in reasoned, thoughtful debate to come to a consensual decision. It is, thus, the ideal form of participation. Its goal is to aggregate preferences via conversation; to allow the diverse views of a community to be consolidated and presented as one representative view. Public deliberation is expected to have a number of beneficial effects—mirroring those of participation but making them more acute. At the intrinsic level, it is expected to give voice, create a sense of agency and community; and at the instrumental level is expected to enhance the capacity for collective action and repair civic failures by bringing the interest of citizens to the attention of the state. It is not only formal deliberative forums that are important for this, but also what Mansbridge (1999) calls “deliberative systems,” where discussion and debate continue outside formal spaces as informal conversations between citizens and representatives, political activists, media, and other citizens. This “everyday deliberation” changes the nature of participation, making it more discursive and consensual instead of merely
ritualistic. Mansbridge claims that “when a deliberative system works well, it filters out and discards the worst ideas available on public matters while it picks up, adopts, and applies the best ideas.” On the other hand, “If the deliberative system works badly, it distorts facts, portrays ideas in forms the originators would disown, and encourages citizens to adopt ways of thinking and acting that are good neither for them nor for the larger policy” (Mansbridge, p. 211).

Deliberation is also at the heart of what Fung and Wright call “empowered participatory governance” (Fung and Wright 2003), as discussed in Chapter 4. This is a system of governance that translates deliberative decisionmaking into policy decisions and actions. In considering the effectiveness of such a system, two sets of questions arise. The first have to do with whether deliberation that empowers all participants is possible in highly unequal societies; and the second, whether deliberative capacity be built and nurtured. Can a system of empowered participatory governance be induced via policy interventions? In what contexts does deliberation work well and when does it not work? There is much debate on these important questions in developing countries, but limited credible evidence. We next review some of this evidence and derive some lessons for policy. Organizing this evidence by region highlights the different contexts, as well as the parts of the world where the scholarship is still at a nascent stage, and where it is strong.

We begin with Africa, where deliberative democracy is not widespread, although indigenous traditions of deliberative decisionmaking (see Chapter 1), particularly in rural communities, have carried over to public decisionmaking to varying degrees. In the island nation of São Tomé and Príncipe, all adults were invited to a national forum in 2004 to gather in facilitated groups to discuss policy issues related to the use of the newly discovered oil reserves. Local Facilitators were assigned randomly throughout the country, allowing the authors to examine whether leader identity influences the outcomes of the deliberative process. This experience is analyzed in Humphries et al. (2006), who find that leaders significantly influence the outcomes of deliberation. Between one-fifth and one-third of the variance in outcomes is explained by leader fixed-effects. They also find that
groups led by women and older men tend to have different priorities and emphasize different processes than other groups.

A similar situation appears to prevail in Malawi, where evidence from more than a thousand ethnographic journals, in which field researchers captured the conversations of rural Malawians, shows a marked difference between the quality of deliberation in informal and formal settings (Swidler and Watkins 2011). The data, collected in conjunction with a study on the role of social networks in response to the AIDS epidemic, show that people in rural areas engage in deliberation “frequently, energetically, sometimes vociferously” in everyday settings—markets, village meetings, and chiefs’ courts and freely “assert a variety of claims and moral principles.” In induced settings such as donor-funded projects with deliberative modalities, however, they behave more like students in a rote-learning environment. Such settings “invoke the hierarchical template of school, with its colonial remnants and its deference to the prestige of modern learning” (Swidler and Watkins 2011). Facilitators and participants both tend to treat such forums like classrooms where deliberation must be taught. Swidler and Watkins suggest that this gives citizens neither voice nor agency, since they are not engaging in a debate over their interests, but simply acting out the scripts written by facilitators who are, in turn, following the dictates of donors.

Can deliberative skills be transferred from the private sphere to formal democratic settings? Or, on the contrary, can deliberation be cultivated without active instruction? In many contexts, communications media promise to be a useful tool. Paluck and Green (2009) examine the effects of a radio program that attempted to promote independent thought and collective action, while discouraging blind obedience and deference to authority, in post-genocide Rwanda. The program was randomly assigned to pairs of communities matched on a vector of observable characteristics, with the “control” community receiving a comparable structured program about HIV/AIDS. The program encouraging independent thought improved people’s willingness to express dissent and seek collective solutions to common problems, but had little effect on their beliefs and attitudes.
In a related experiment, Paluck (2010) tested the impact of a year-long radio talk show that was broadcast, in tandem with a soap opera, to randomly assigned communities in the Democratic Republic of Congo. Control communities heard only the soap opera. The talk show was designed to encourage tolerance and sharing of different perspectives, while the soap opera promoted inter-group contact. Compared to individuals exposed only to the soap opera, talk show listeners were more likely to engage in discussion but were also more intolerant, more focused on grievances, and less likely to aid members of the community whom they disliked.

These two media experiments demonstrate the potential and pitfalls of media-based strategies to promote deliberation in different post-conflict African contexts. While deliberative skills are quite ubiquitous in informal forums, it is hard to translate those skills to formal settings, which tend to be driven by leaders and follow pre-determined scripts. The challenge for citizens is to develop appropriate political and cultural skills—what Swidler (1986) has called a cultural toolkit—to navigate the public sphere. The radio experiments in Rwanda and DRC were structured precisely to develop this toolkit, but had mixed effects—helping build the capacity for deliberation and collective action in Rwanda, while generating more noise than signal in collective discussions in DRC. The radio experiments also raise the question of how long-lasting these effects are in the absence of active participation by a state that is committed to the idea of deliberation. Whether the effects will be sustained after the programs stop airing remains an open question.

We turn our attention next to the evidence from studies of India’s gram sabhas, or village meetings, described in Chapter 4. Gram sabhas collectively constitute the largest formal deliberative institution in human history, affecting more than 700 million rural Indian residents living in more than a million villages. Besley, Pande and Rao (2005) analyze data on gram sabhas from 5180 randomly selected households from 527 villages in South India to determine whether the gram sabha yields instrumental (i.e., policy) benefits. They focus on a specific policy administered at the village level—access to a below poverty line (BPL) card, which is influenced by the gram sabha and provides an array of public benefits. The
authors estimate a regression that exploits within-village variation in individual characteristics to examine whether the targeting of BPL cards differs depending on whether the village had a gram sabha in the last year. They find that targeting of landless and illiterate individuals is more intensive in villages that had held a gram sabha meeting. Moreover, these effects are economically significant; the probability of a person receiving a BPL card increases from 8 to 10 percent in a village that holds a gram sabha. Some caution about these results is warranted, however. It is possible that holding a gram sabha is correlated with other village characteristics that are important in shaping the way public resources are targeted. While these results are instructive, therefore, they do not prove that holding a gram sabha has a causal effect on BPL targeting.

We have already summarized, in Chapter 4, Rao and Sanyal’s (2010) qualitative analysis of 290 gram sabha transcripts from the same villages, which found that the forums allow disadvantaged castes to gain voice and seek dignity and agency. However, Ban and Rao’s (2009) quantitative analysis of coded versions of these transcripts injects a note of caution. The authors code the public goods and service topics mentioned in the gram sabha transcripts, and also code priorities for public goods and services mentioned by households in the Besley et al. (2005) survey data. For each village, they match the topics mentioned in the gram sabhas to priorities in the household data. Analyzing these matched priorities to see if a household’s characteristics are associated with public discussion of its priorities, they find that size of the household’s land holdings is positively correlated with its priorities being discussed. However, the land effect gradually disappears as the literacy rate of village residents increases. Together, the Rao and Sanyal (2010) and Ban and Rao (2009) results show that while gram sabhas can be a forum for underprivileged groups to acquire the toolkit of deliberation, it can also be rather unequal in representing the interests of different groups. And the important role that literacy plays in making the conversation more equal should be noted.

Context matters in India, just at it does anywhere else, and gram sabhas in Kerala—where the People’s Campaign systematized and empowered deliberative systems in gram sabhas and village councils—are considered exemplars of Fung and Wright’s (2003) empowered
participatory governance. One way that Kerala differs from the rest of India is that it is almost 100 per cent literate and therefore has more sophisticated and informed citizens. The effects of the People’s Campaign on budgetary allocations is examined by Heller, Harilal and Chaudhuri (2007), using qualitative and quantitative data from a survey of 72 village governments. They found that civil society inputs strongly influenced the decisions of local and state governments. They also found that the campaign had positive effects on social inclusion, giving both lower caste groups and women a more active role in decisionmaking.

The evidence from India highlights three main principles of effective participatory governance. First, gram sabhas work because they are constitutionally mandated, which gives them legitimacy and clout, and ensures that they are seen as ongoing rituals that will not disappear. Regularity ensures that public interactions have to accommodate all citizens, regardless of class, caste, or gender; and that all citizens can voice their opinions publicly in a way that holds local government accountable. If, on the other hand, deliberative forums were temporary or ad hoc events, they could be much more easily ignored, manipulated, and rendered ineffective. Second, the evidence suggests that in order to provide the right incentive for participation, deliberative forums must have clout. Third, even while they facilitate the move towards giving voice and agency to all citizens, they can be dominated by elites, particularly in low literacy settings.

We move next to Indonesia, which has a long traditional of consensual decisionmaking at the local level, and where the World Bank-assisted Kecamatan Development Project (KDP) attempted to move these traditions into more formal, modern settings. Over its 10-year life (1998-2008), KDP provided block grants directly to rural communities to fund projects prepared and selected through a deliberative process. The aim was to create participatory structures that would be a permanent alternative to elite-led decisionmaking. KDP has been the subject of much scholarship and has generated a large number of important research findings that we highlight throughout this report. We focus here on those findings that inform our understanding of the efficacy of deliberative forums.
Olken (2010) presents the results of an experiment in which 49 KDP villages are randomly assigned to choose development projects either via the standard KDP deliberative process or by plebiscite (direct vote). Two types of projects were chosen by one or the other of these processes for each village—a general project and a women’s project chosen exclusively by women. Olken finds that plebiscites resulted in dramatically higher satisfaction among villagers, and increased their knowledge about the project, their perception of benefits, and their willingness to contribute. Olken also examines the impact of the plebiscite on elite capture, and finds that the type of projects selected (road, irrigation system, water/sanitation, etc.) did not change as a result of the plebiscite. Moreover, for the women’s project, the plebiscite resulted in projects being located in poorer areas of the village, which suggests that it shifted power towards poorer women who may have been disenfranchised in more elite-dominated deliberative meetings. These results demonstrate that deliberation may be less effective in equalizing decisionmaking than a direct election, and that plebiscites may increase the legitimacy of and satisfaction with development interventions.

Olken’s results are contradicted, to some degree, by an in-depth, large-sample qualitative study by Barron, Woolcock and Diprose (2011), who take the unusual approach of combining a counter-factual design with qualitative analysis to study the mediating impact of KDP’s deliberative spaces on local conflict. The two central questions of the analysis are (i) how did KDP interact with prevailing social tensions and management of local conflict; and (ii) more generally, can deliberative interventions such as KDP support progressive, non-violent social change in a dynamic environment? Or could it make things worse?

Barron et al. (2011) selected two districts in Indonesia that are considered high capacity in their ability to manage conflict, and two considered low capacity. Within each district, three sub-districts (kecamatans) were chosen—three that had KDP, matched with one that was a control. The treatment and control sub-districts were matched via propensity score analysis, with the scores reflecting various economic indicators, including poverty rates and availability of infrastructure. The propensity score matching method was supplemented by qualitative observations to eliminate poor matches. Data were collected
from 41 villages in these matched kecamatans where conflicts were observed, and cases of conflict in the treatment and control kecamatans were matched to be similar in type. Data collection was conducted over a seven-month period by a team of researchers who conducted case-studies of conflict, interviewed key informants, observed deliberative processes, and conducted various focus group discussions. In addition, data on other local conflicts were culled from local newspapers.

The study found that while KDP and other development projects frequently trigger conflict because of competition over resources, the deliberative spaces within KDP make those conflicts far less likely to escalate and turn violent. This is largely because decisions emerge from a consultative process that communities perceive as legitimate and equitable. The likelihood of violence is also mitigated by the fact that KDP has facilitators and other procedures to manage conflict as it arises. However, there is little evidence that KDP has a positive impact on conflict at an aggregate level, or even a direct positive impact on non-project related conflict at the local level. The project’s main impacts, in fact, are on conflicts that emerge from the project itself. There are three main reasons for this: (i) villages have other mechanisms to deal with non-project related conflicts; (ii) KDP facilitators are not perceived to have the legitimacy to mediate disputes outside KDP; and (iii) project facilitators do not have the capacity to deal with non-project disputes.

A key point emphasized by Barron et al (2011) is that KDP impacts are highly variable, though in both low and high capacity districts, program functionality matters more than inherent capacity to manage conflict. There is also considerable variance over time because KDP was not a standard project but had a considerable learning by doing component. This learning took place at different rates in different contexts, depending on the support the project received from government officials, the resistance (or otherwise) of those whose interests were most threatened by KDP’s transparency and accountability, and the quality of implementation. KDP is a whole assemblage of principles and procedures over which frontline facilitators have some modest discretion while interacting with villagers over many months. Facilitators, in turn, are themselves a variable: some work tirelessly beyond the call of duty, some merely do what the job description requires, others
(though not many) capitulate to corruption. As KDP unfolds in different regions, the rates at which the program itself learns follow different trajectories, independently of its final impact on participants (and non-participants).

We turn next to Latin America where there have been several significant innovations, notably participatory budgeting (PB). As described in Chapter 2, PB began as an organic innovation in the city of Porto Allegre, Brazil, where civic activists over time made the case for greater public deliberation in determining municipal budgets. When a party (the Partido dos Trabalhadoresm, or PT) supported by activists came into power, it implemented a deliberative process for budgetary decisionmaking that came to be called participatory budgeting (Biaochhi 2001).

A series of studies tracked outcomes before and after the introduction of participatory budgeting (although without a counterfactual), and found substantial improvements. The budgeting process became substantially more transparent and responsive to citizens' needs (Schneider and Baquero 2006, Souza 2001, Zamboni 2007). Participatory budgeting empowered marginalized groups and made the budget more pro-poor (Avrizer 1999, Serageldin et al. 2003, Evans 2004, Souza 2001, Schnieder and Goldfrank 2002). The level of corruption decreased (Ackermann 2004, Cabannes 2004). However, an in-depth study of those budgets found that while accountability improved as the process became more transparent and deliberative, there was a risk that the lack of legal authority sanction resulted in power remaining with the mayor’s office (Wampler 2004). clvii

The studies cited above are descriptive or tracking analyses of largely organic innovations. They do not tell us much about how participatory budgeting would work if induced via an intervention, or how any changes that resulted would compare to a counterfactual where PB was not introduced. One of the few counter-factual analyses of PB is by Baiocchi, Heller and Silva (2011), who use a discontinuity design. They match five municipalities where the Partido dos Trabahaldoresm (PT) came to power with a small margin of victory in 1996 and subsequently implemented PB, with five municipalities in the same region and of similar size where the PT lost by a small margin, resulting in the non-adoption of PB. As the
PT is very much a party born of civil society and Brazil’s social movements of the 1980s, Baiocchi, et al. (2011) assume that two municipalities in which the PT garnered similar vote shares will be similar in terms of their local tradition of political activism and the composition and strength of civil society. In matching municipalities in this manner, they also try to control for scale and geography.

Following this design, they selected five pairs of the best matched municípios with some regional diversity—one pair in the South, two in the Southeast, one in the Northeast, and one in the North. Analyzing a mix of data from quantitative surveys and carefully collected in-depth interviews and group discussions, they find that in general, PB municipalities facilitate much more effective forms of engagement than their non-PB counterparts. In all municipalities with participatory budgeting, the effect was to increase the flow of information about municipal governance; create space for citizens to voice their demands and scrutinize what were once highly insulated and discretionary decisionmaking processes; and bargain from a position of strength with municipal authorities.

There was considerable variation across the municipalities in how this happened, however. One município, João Monlevade, combined direct participation with a range of planning and coordination functions. Another, Gravataí, fashioned a set of processes that were very direct and required little mediation, but also made it much more difficult to coordinate at higher levels. A third, Camaragibe, built a system that went beyond the budget to encompass administration. Its Participatory Administration resulted in a highly complex institutional design that combined forums with a range of coordinating institutions. The Camaragibe model required a high degree of mediation, specifically in the form of powerful delegates who were often closer to the state than to their communities. These differences reflected pragmatic adaptations by the architects of participatory budgeting to local realities, and in particular to local civic capacity.

Participatory budgeting improved governance outcomes, but what effect did it have on repairing civil society failures? In three of their five cases, Baiocchi et al (2011) find that changes in civil society–state relations brought about by participatory budgeting were in
the direction of democratic deepening, with municipalities graduating from the status of simple representative democracies in which civil society had little power, to communities with more deliberative systems. However, the introduction of participatory budgeting does not inevitably deepen democracy, as illustrated by one case (Mauá), in which an improvement in the mode of engagement came at the expense of civil society's autonomy and the political party actually exercised more control over civic actors. Overall, as one might have anticipated, institutional reform in all the cases mattered mostly for changing the institutional setting; that is, for creating more meaningful points of interface between the local state and civil society. Thus, institutional reform did not have much of an impact on the self-organization of civil society—in the language of Chapter 1, it was better at repairing bridging failures rather than bonding failures.

What the evidence from all these regions tells us quite clearly is that context—the degree of capacity of civic groups, their relationship with the state, the responsiveness of the state, and the quality of facilitation and implementation—matters for the impact of deliberative processes. Furthermore, geography matters, as does history, the literacy levels of the population, culture—especially the culture of deliberation—and the level of social and economic equality. It is possible to build deliberative capacity, and to use that capacity to repair civil society failures in some contexts—but it does not happen quickly; it requires long term and sustained engagement. There is possibly some role for interventions that focus on communications media, but questions remain as to how long lasting such effects will be. The quality of facilitation matters, but facilitators may also lead discussions that reflect their own preferences rather than the preferences of citizens. Most important, the degree to which the state is responsive to deliberative innovations makes a great deal of difference.

6.6 Conclusions

In this chapter we have examined whether local participatory interventions can repair civil society failures. In particular, whether they can address problems of inequity and exclusion and enhance the capacity of citizen’s to engage with others in their own community as well
as with the government to ensure greater and more equitable development. Collective civic action thus has, broadly, two aspects. The first is cohesion - the ability to coordinate to manage a community’s own affairs on matters that are relatively independent of states and markets. We call failures in achieving these objectives “bonding failures. The second is the ability of a community to represent its collective interests to the agents of the state, and persuade the state to be more responsive to its needs. We call failures in achieving such objectives “bridging” failures.

What does the evidence tell us about whether civil society failures can be repaired by projects that attempt to induce participation and build “social capital”. The evidence on this important question is weak. First, there is a problem of attribution – much of what induced participation does is to get facilitators to work with communities. So an important question is whether it is the facilitators who are causing the impact, or the community’s experience with managing collective activity. The few studies that have tried to measure facilitator effects have found that they strongly influence stated preferences. Participation also tends to be driven by project-related incentives – people get together to derive benefits from project funds. It is very difficult to know whether these effects will last beyond the tenure of the project. The limited evidence on this issue indicates that it may not last. Respondents also tend to mirror project slogans in their responses in the belief that this is what outsiders want to hear. Thus simple survey questions on complex concepts like “trust” and “ability to cooperate” often tend to elicit answers that are more reflective of rhetoric than reality. Keeping these important caveats in mind, there is some evidence, mainly from self-reports of participants, that indicates a higher incidence of trust and cooperative activity in treatment than in control areas. Group formation, however, tends to be both parochial and unequal. Groups that form under the aegis of interventions, absent some kind of affirmative action program, tend to systematically exclude disadvantaged and minority groups, and women. Moreover similar types of people tend to form groups with each other – so projects, generally, do not promote cross-group cohesion and, conversely, may reinforce existing divisions.
Participatory interventions are often also seen as a valuable tool in post-conflict settings, where the state is viewed as dysfunctional, as a quick way of getting funds to the ground. The limited evidence of the effectiveness of such projects in such settings mirrors what we know about inducing participation in situations without conflict. The context matters a great deal, as does the quality of the intervention. Projects tend to have very limited impact in building social cohesion or in rebuilding the State, they tend to exclude the poor and are dominated by elites. However, evidence from Africa seems to suggest that people emerging from civic conflict have a strong desire to participate and that a well-designed and implemented project could effectively draw on this inherent need.

Repairing civic failures requires that social inequalities be addressed, and one way of attempting is to mandate the inclusion of disadvantaged groups in the participatory process. There is virtually no evidence for this important question from evaluations of CDD projects. However, a growing body of evidence from village democracies in India indicates broadly positive impacts. Quotas in village councils and presidencies for disadvantaged groups and women tend to change political incentives in favor of the interests of the group that is favored by the quota. Mandated inclusion also appears to provide an incubator for new political leadership. Evidence indicates that women and other excluded groups are more likely to stand for office from non-mandated seats once they have had some experience on a mandated seat. Quotas can also weaken prevailing stereotypes that assign low ability and poor performance to traditionally excluded groups. However, lasting change requires that the inclusion mandates remain in place for long enough to change perceptions and social norms.

Finally, on the question of whether introducing deliberative forums can help improve voice. Such forums, where citizens gather to make direct representations to civic authorities, or are empowered to make decisions that have a direct bearing on their lives, seem to work when they have teeth. In particular when the central and local government recognize the legitimacy of deliberative forums and are responsive to them, they can transform the nature of civil society and state interactions. The ability of citizens to engage in public discussions on policy questions is strongly related to literacy, and deliberation is far more
effective in literate settings. However, even in poor, unequal settings there is evidence that deliberation may have intrinsic value by promoting dignity and giving voice to the disadvantaged. Perhaps the most consistent finding is that deliberative forums are more effective where they are an integral part of the policy making process and where higher tier governments are politically committed to ensuring greater citizen participation.
Chapter 7: Conclusions

7.1 Introduction
7.2 The History of Participation
7.3 Developing a Conceptual Framework for Participatory Development
7.4 Empirical Findings
7.5 The Importance of Context
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7.7 Open Questions
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7.1 Introduction

Development is not a technical undertaking that can be solved by experts. Nor is it necessarily equitable and. It is a complex and often contentious process that works better when citizens participate in decisions that shape their lives, and when they are able to monitor those whose task it is to govern their destinies. Consequently, it does not defy logic to argue that citizens should be engaged in the process of development or that communities can greatly enhance their well-being by acting collectively to achieve a higher level of cooperation and make government more accountable. Deliberative decision-making may also have intrinsic value – training individuals in the everyday business of democratic governance, and thereby enhancing their dignity and quest for freedom. As recent popular movements in the Middle East and elsewhere have demonstrated, these values have wide resonance.

What is far less clear, however, is that participation can be induced through the type of large-scale government and donor-funded participatory programs which have become a leitmotif of development policy. It is this question which is at the heart of this Policy Research Report.

We do not emphasize more organic forms of participation—whether in the form of trade unions, civic watch dog groups, producers and consumers cooperatives or activist groups of various types. This is not because we believe organic participation to be unimportant. Far from it. We believe that such engagement has tremendous capacity to initiate positive change. Indeed, it has been a driving force in many societal transformations throughout history, including the anti-colonial and civil rights movements of the last century, the growing environmental movements of our time and the many ongoing movements for political and human rights, including recent popular democracy movements in the Middle East. A recent review by Gaventa and Barnett (2010) focuses on more organic forms of participation at the local level. They review over a 100 case studies of participatory efforts and highlight several examples where civic activists in municipalities and villages around the world have bravely and effectively fought against injustice and poverty, and for inclusion and accountability.
In practice, of course, organic and induced forms of participation are often linked. Large-scale induced projects may scale up organic initiatives or develop in conjunction with organic activism. An initial outside stimulus may spur the growth of more organic institutions or movements. However, from a perspective of development policy, it is induced participation which is being fostered. It is on this that much hope has been pinned and on which tremendous resources have been expended — and there is a particular challenge at the heart of attempts to induce participation. This is to harness the spirit of organic participation—which is driven by motivated agents, is contextually sensitive and long-term, and is constantly innovating in response to local realities—and to turn it into a large, state-driven, bureaucratically led enterprise. It is this challenge that is the focus of our report.

We look at two major modalities for inducing local participation: community development and the decentralization of resources and authority to local governments.

Community development supports efforts to bring villages, urban neighborhoods, or other household groupings into the process of managing development resources, through a project based approach. Advocates for community development believe that it enhances the capacity for collective action, builds community cohesion or ‘social capital’, and strengthens the ability of the poor and disenfranchised to obtain better public services from providers and greater responsiveness from governments. In other words, the most common justification for community based development is that it empowers the powerless by increasing ‘voice’.

Community development projects are sometimes implemented through formally constituted local governments, but often they operate quite independently, and in some cases, such as in post conflict environments, they effectively substitute for formal decentralization. Community development projects have been variously labeled as social funds, community based development (CBD) and community driven development (CDD). Terms coined within the World Bank over the past two decades. Within each of these
categories, project designs can range from community-based targeting, in which only the selection of beneficiaries is decentralized, to those in which communities are involved in all aspects of the project—from design to implementation and resource management. In recent years, as the effort to expand community engagement in service delivery has increased, participatory education and health projects have become more common. These have many of the same features as more traditional CBD/CDD projects which focus largely on infrastructure, skills training, private transfers and credit—in addition to ‘community mobilization’. Most recently, such projects have also morphed into community livelihood projects, which as their name suggests, focus greater attention on expanding opportunities for sustainable livelihoods for the poor through the promotion of participatory mechanisms for expanding access to markets, investments in communal assets and building market linkages.

Decentralization refers to efforts to strengthen village and municipal governments on both the demand and supply sides. On the demand side, decentralization strengthens citizens’ participation in local government by, for example, instituting regular elections, improving access to information, and fostering mechanisms for deliberative decisionmaking. On the supply side, decentralization aims to enhance the ability of local governments to provide services by increasing their financial resources, strengthening the capacity of local officials and streamlining and rationalizing their administrative functions. Since our report is about participatory development, our decentralization evidence focuses on the demand side. Supply-side aspects have been the focus of other reports and reviews by the World Bank.\textsuperscript{d3 viii}

7.2 The History of Participation

Community development and decentralization have common intellectual origins. Deliberative decisionmaking has been a central feature of most religious and cultural traditions around the world, most notably in Athenian democracy, where important decisions were made in public deliberative settings to which all ‘citizens’ (this excluded, at
the time, all women, slaves and children) were expected to participate. Modern notions of participation arguably derive from the 18th and 19th centuries, notably from the work of Rousseau and John Stuart Mill. These ideas were operationalized and imposed on colonial subjects throughout the French and British empires, laying the foundations for decentralized government in the developing world, but the coercion and extraction that motivated many of these efforts were inimical to development. Anti-colonial movements themselves helped develop civic capacity, and with the end of colonialism, Gandhi, Paolo Freire, and other influential activists and philosophers from the developing world gave voice to the idea of participation in development.

In the post-colonial period, in the 1950s and 1960s, USAID and other donors rode this first wave of interest in participatory development by funding and promoting cooperative institutions, community-based development, and the demand side of decentralization. By the 1970s, however, interest in participatory development had waned, with the realization that cooperatives had largely failed and government reform was difficult to implement or sustain. With this, policymakers began a concerted effort to shift their focus to agricultural and industrial growth. The success of new technologies in agriculture, from hybrid seeds to the extensive use of farm machinery, and of industrial planning models in East Asia and the Soviet Union, appeared to further validate this strategy. By the mid-1980s, however, top-down development began to come under vigorous attack by activists and scholars who saw it as inherently disempowering and biased against the interests of the poor. Scholars such as Sen and Ostrom among economists, and Ferguson and Scott among anthropologists, made a vigorous case for a more bottom-up and deliberative vision of development that allows the “common sense” and “social capital” of communities to play a central part in decisions that affect them. This led to renewed interest in community-based development, decentralization, and participation by donors and governments. As the social costs of structural adjustment programs became evident by the early 1990s, donors began to actively fund such participatory approaches, with the aim of ensuring minimal levels of investment in public services and infrastructure and in social programs to protect the most vulnerable. Over the past two decades, the World Bank alone has lent some $80 billion for
projects that support such modalities, and large amounts have also been allocated by other development agencies such as USAID and DFID.

7.3 Developing a Conceptual Framework for Participatory Development

The expansion in funding participatory initiatives has proceeded with rather little effort to understand the challenges entailed in inducing participation or to understand why earlier programs failed. The process has been driven more by belief or ideology and optimism than by systematic analysis, either theoretical or empirical.

Our aim in this report is to make a contribution to addressing this lacuna. We do this by first outlining a conceptual framework within which local participatory development interventions can be analyzed. We then use available studies to draw some broad lessons, using this framework as a guide.

In developing the conceptual framework, outlined in chapters 1, 2 and 3, we have relied extensively on economic, social, and political theory. We have also learned a great deal from in-depth qualitative studies and from well executed and rigorous quantitative empirical research. Much of this body of research is reflected in the three main evidence chapters (4, 5 and 6) which draw on more than 400 studies.

The central insight of the conceptual framework we develop is the idea of ‘civil society failure’. Market and government failures are now reasonably well understood and it has become much less commonplace to assume that markets will work perfectly, or that governments can always provide effective solutions to market failures. Yet, the policy literature, particularly at the local level, is rife with solutions to market and government failures that assume that groups of people — village communities, urban neighborhood associations, school councils or water user groups — will always work towards a common interest. Rarely is much thought given to the possibility of civil society failure — to the possibility that communities, however constituted, may also face significant problems of
coordination, asymmetric information and inequality which may then limit their ability to respond to and resolve market and government failures.

Civil society failure at the local level can be thought of as a situation in which groups who live in geographic proximity—in rural villages and municipal townships—or who draw upon a common pool resource, are unable to act collectively to reach a feasible outcome that is more efficient and equitable than the non-cooperative outcome. It can therefore include an inability to undertake any coordinated action, as well as coordinated actions that are inefficient or are efficient but are welfare reducing for the most vulnerable. Think of organized fringe groups that use terror and violence to further their extremist ends at high social cost; elite groups who engage in well orchestrated efforts to exclude the poor and other marginalized groups; or even majorities, who take coordinated actions to exclude specific minority groups.

Such failures can be broadly classified as failures of “bonding” and of “bridging”. Bonding failure occurs within the sphere of a civic community in a manner that is not related to its connection with the state or with markets—when a village is unable to collectively manage a common pool resource whose benefits are local, such as an irrigation system; when community life is organized around the exclusive exercise of power by some; or when communal life degenerates into persistent inter-group violence. Bridging failures occur, in contrast, when citizens are unable to organize themselves to correct for specific market and government failures that have a direct bearing on their lives. Failures of accountability are essentially bridging failures, while failure to exercise ‘voice’ may signal a bridging or bonding failure, depending on context. Of course, in the final analysis, these failures are not independent. Any improvement in one is likely to influence the other.

The key point is that development policy related to participatory processes needs to be informed by a thoughtful diagnosis of potential civil society failures of both types. This is necessary for developing a clearer understanding of the tradeoffs involved in moving decisions to local communities, in each context. And it is necessary for identifying the
avenues that could be provided by any given project or policy to rectify or repair specific civil society failures.

7.4 Empirical Findings

With this conceptual framework in mind, we move to a review of the empirical literature in chapters 4, 5 and 6. It is worth reiterating that until quite recently, much of the available evidence on the efficacy of participation was from small case studies which, though valuable for understanding processes of change, are not designed to address the types of questions that are often of paramount interest to policy makers, notably:

- the viability of using participatory anti-poverty projects as a vehicle for improving important development outcomes—like service delivery, livelihoods or infrastructure quality;
- the cost-effectiveness of participatory approaches;
- the efficacy of participatory projects versus programs implemented in parallel by local governments;
- the feasibility of sustaining positive outcomes when projects go to scale;
- whether induced participation can create durable improvements in social cohesion, citizenship, ‘voice’ or the capacity for collective action.

There is now a growing body of literature that allows for a better understanding of some of these issues. We have used this newer literature, as well as the large body of case study evidence, as appropriate, to build an evidence base for the types of questions posed above. In doing this, we have cast a relatively wide net, using well executed studies done by economists, sociologists, political scientists and anthropologists. We have not, however, made any attempt to be exhaustive, particularly for the case study evidence. It is important to note, also, that there are a number of important questions for which the literature is thin. Here we have had to rely on the few, often one or two, carefully executed studies that are available. We have also placed relatively greater weight on studies that have a valid comparison group for the communities that have been “treated” by the intervention.
Without an adequate counterfactual, it is difficult to attribute the observed differences to the intervention rather than to changes that might have occurred outside the intervention.

Generally speaking, this means that our findings derive from econometric analysis. Ideally, this econometric work should be complemented by good qualitative work, which can help to illuminate the processes that resulted in the observed impact. There is an unfortunate dearth of such work.

We begin in Chapter 4, with the questions that are at the heart of efforts to go local. Do participatory programs enhance the involvement of the poor and the marginalized in community-level decisionmaking bodies, and does this increase ‘voice’? Does allowing communities a greater say over decisions that affect their lives result in choices that are more aligned with their preferences? Does fostering participation lead to greater social cohesion? Does it produce more resilient and inclusive local institutions? Does it reduce capture and corruption? In addressing these questions, our evidence relies on studies that:

(i) examine the characteristics of participants in community based organizations—including elected leaders in participatory councils, under democratic decentralization—and ask whether and how the identity of participants influences the distribution of project resources within a community, i.e., how important is elite capture, and are its effects always pernicious;

(ii) have looked at the impact of democratic decentralization on accountability. In particular, the disciplinary effect of periodic elections on the incentives facing local political agents and the ways in which such incentives are shaped by the political relationship between the center and the locality; and

(iii) address the extent to which capture occurs as outright corruption, as opposed to other forms of rent-seeking, and whether the real worry should be corruption or more routine and legal forms of capture.

On balance, we find that participants in civic activities tend be wealthier, more educated, of higher social status (by caste and ethnicity), male, and more politically connected than non-
participants. This may reflect, to a degree, the higher opportunity cost of participation for the poor. There is some evidence that the poor spend both less time and less money—as one might expect—on collective activities. There is also some evidence that the poor attend community meetings in larger numbers when they stand to directly benefit by doing so—usually because beneficiaries for targeted programs are selected in such meetings.

However, it also appears that the poor, regardless of incentives to participate, tend to benefit less from participatory processes. For one thing, resource allocation decisions typically reflect the preferences of elite groups. Whether or not this distorts the pro-poor intent of programs then depends quite substantially on community characteristics. Studies from a variety of countries show that high inequality communities do much worse, especially when there is a concentration of political, economic and social power in the hands of a few. Capture also tends to be greater in communities which are remote from centers of power, have low literacy, are poor or have significant caste, race and gender disparities. Policy design can also have unintended consequences—there is some evidence that a large injection of resources can attract the attention of the wealthy and increase exclusion.

Evidence also suggests that participatory projects often fail to build cohesive and resilient organizations. What seems to happen instead is that during the course of the project, people are induced to participate and build networks. But they do so in order to benefit from the cash and other material payoffs provided by the project, an effect that tends to melt away when the incentives are withdrawn. One indication of this is that the observed impacts of participation tend to be in self-reported attitudes about outcomes promoted by projects, such as the “role of the community in development” and “the community can achieve things on its own...”. Impacts are not, however, seen in broader attitudes towards democracy or in objective measures of collective action. Only when projects explicitly link community-based organizations with markets, or provide skills training, do they tend to improve group cohesiveness and collective action beyond the life of the project.
In sum, in the absence of explicit and enforceable rules of inclusion, a few wealthy, and often politically connected, men—who are not necessarily more educated than other participants—tend to make decisions in community meetings. Some studies find, moreover, that civic organizations tend to self-sort into those led and attended by the wealthy and those attended by the poor. This does not suggest an increase in social cohesion. To the contrary, it may serve to create organizations of the poor that remain weak and vulnerable.

The potential for resource capture by political elites is often no less worrying than the rent-seeking activities of traditional elites. There is plenty of evidence that local politicians use public budgets to reward political allies and loyal constituents, to improve their own future electoral outcomes and to increase their private fortunes. The ultimate question of interest, though, is whether the overall scope for capture is dampened under democratic decentralization. The answer appears to be a cautiously optimistic one. Available studies suggest that under democratic decentralization spending decisions are better aligned with local needs. There is also a shift of resources in favor of the less advantaged. However, much depends on the nature of electoral incentives and the capacity of higher levels of government to provide oversight and to ensure downward accountability.

Capacity also matters. As with participatory projects, more remote, isolated and less literate localities tend to do worse. Such localities also tend to be more poorly served by mass media and other sources of information and are less likely to have adequate central oversight. They also tend to be poorer and disadvantaged in terms of basic services.

Ultimately, the impetus for most participatory projects, as well as for decentralization, is the hope that greater engagement by citizens will lead to a faster and more inclusive development process. We turn to this issue in Chapter 5 where we assess the extent to which participation improves the targeting of anti-poverty projects, enhances service delivery, increases incomes and leads to better managed natural resources and better maintained infrastructure. We also try to identify, as far as the literature permits, the
channels through which community engagement improves outcomes and the factors which appear to limit its effectiveness.

To do this we turn to a very large and diverse set of studies which have looked at the following issues:

- local versus central targeting of public goods and private benefits;
- community engagement in the provision of infrastructure;
- decentralized and community based natural resource management;
- the decentralization of education and health to local governments or directly to communities through school based management and community based health initiatives of various types;
- the impact of community-based projects on the livelihood opportunities of the poor and on their incomes.

Studies that have looked at the relative gain from decentralized targeting find that local agents are often able to target beneficiary households better than the center can. However, it appears that the gains tend to be small. This is somewhat unsurprising in light of the findings from chapter 4 that decentralized decisionmaking is often in the hands of elites whose incentives may be quite different from those of the center. Further echoing the findings from chapter 4, there is also considerable evidence that communities and individuals who get left out tend to be poorer and less well connected to relevant political networks. They also tend to be the least literate. Areas that are remote, poorly served by media or disadvantaged in infrastructure quality also tend to have worse targeting outcomes.

Sometimes the problem of ensuring that the poor benefit from participatory development is exacerbated by well-meaning designs that have perverse effects. For instance, many projects require co-financing, at either the municipal, community or individual level. Municipal or district governments may be required to pay for the partial cost of an anti-
poverty transfer program or individuals may be asked to contribute to the construction of a well or a clinic. For many years, willingness to contribute to programs and projects has been seen as evidence of commitment and a signal of sustainability. This may well be true under some circumstances but there is little basis in evidence that it is a generally valid premise. What little we do know suggests that co-financing tends to reduce the coverage of the poorest, particularly when individuals or communities need to self-select into a program. In some ways, the same holds for local governments, particularly those who govern the poorest localities. If local governments have discretion over the extent of participation—such as when eligibility thresholds for benefits are also decentralized—co-financing requirements can lead to the setting of lower thresholds by poorer localities. This can serve to worsen horizontal inequities as equally poor households or communities are denied benefits simply because they live in poorer areas. The solution, of course, is a compensating transfer, which essentially reduces the co-financing burden.

Community management of common pool resources is often seen as the most natural expression of local collective action. In some sense, it is the model for all other types of community engagement. The creation and maintenance of small scale community infrastructure in CDD projects certainly proceeds from the assumption that communities are well placed to manage such shared assets. There are two central ideas that drive this literature: that community management increases the sustainability of the resource or infrastructure scheme and that it promises greater hope for equity in the distribution of benefits.

On balance, the evidence does suggest that greater community involvement tends to improve resource sustainability and infrastructure quality. However, four general concerns permeate the literature. The first, unsurprisingly, is that inequality tends to worsen both efficiency and equity, and there can be important tradeoffs between resource sustainability and equity. Second, and perhaps more surprising, is that the transfer of management responsibilities for a resource or an infrastructure scheme is not usually a matter of handing over control to an organic entity with the requisite capacity. More often it requires the creation of local management capacity. In the absence of deliberate efforts to
create such capacity—and to plan for the requisite technical and financial resources required for maintenance and management—investments in infrastructure are largely wasted and natural resources are poorly managed. The third is that clear mechanisms for downward accountability are central. The literature on common pool resource management is rife with cases where decentralization is more a mechanism for tightening central control and creating larger incentives for upward accountability than it is a mechanism for greater local discretion—often because it is a holdover from colonial rules designed to extract resources from local communities rather than to benefit them. Finally, communities need to benefit from the resources they manage. For natural resources which create substantial externalities, this benefit should be commensurate with the size of the externality created by the resource and should at least compensate communities for the alternative uses to which they could put the resource for immediate gain. These concerns suggest the need for sustained engagement by higher tier governments or implementing agencies, on the one hand, and substantial local discretion, on the other. The former for setting the broad parameters under which management is devolved, for building requisite local capacity and for adequately monitor outcomes. The latter for strengthening downward accountability.

The few studies which have compared community-managed infrastructure projects with similar types of projects created by governmental line departments using a more ‘top-down’ approach serve as a good example. These studies find that community engagement does seem to improve both the construction quality and maintenance of local infrastructure. However, these are cases where the implementing agency provides significant oversight during construction. Maintenance and recurrent costs are also explicitly budgeted for or the implementing agency is available to provide training and support for maintenance. The case study literature supports these findings. It provides numerous cases of failure when these conditions are not met, particularly in communities with low capacity and for projects that require technical know-how. The good news from these studies is that carefully designed projects can limit the adverse influence of ‘bad’ community characteristics to a substantial degree. While inequality, community
heterogeneity and low literacy dampen project quality in these studies, as in others, there is some evidence that they do not overwhelm the positive effects of project design.

The report turns next to the role of participation in improving service delivery. Efforts to engage communities in improving basic health services or primary schools are now pervasive and the evidence for community engagement is also, on the whole, more heartening—though there are some caveats. First, efforts to engage communities in improving basic health services or primary schools are usually multi-faceted interventions which also involve a substantial injection of funds. This makes it difficult to isolate the impact of community engagement and most studies don’t even try to do so. However, a handful of randomized evaluations of community based health programs are an important exception. These evaluations find that while greater community engagement alone is not sufficient for improving any health outcome, community participation can be quite beneficial where projects also provide trained health personnel at the community level, or make investments in upgrading health facilities. Projects achieve the greatest improvements under these conditions —delivering substantial reductions in maternal and infant mortality, greater use of health facilities and significant modification of health behaviors. These results suggest that community participation may well account for at least some of the positive health effects observed in less well identified studies.

Interestingly, the most successful health programs have been implemented by local governments. A number of successful pilot programs have also been implemented through regular government health delivery systems. This is encouraging news, since scaling up health initiatives usually requires working through government delivery systems. In contrast, devolving programs to NGOs appears to have worked less well, though there are too few studies to allow for any clear assessment.

Finally, health interventions that provide information to households and communities about the quality of services in their community, as well as government standards of service, tend to improve both household level health outcomes and the quality of service provision, even when no additional resources are expended. This suggests that there might
be tremendous room for expanding service quality through interventions that focus on improving community capacity to monitor service providers.

Community engagement in education has had similar impacts in some respects, though the evidence is more heterogeneous and the effects are more muted. Overall, studies report an increase in school access as well as an improvement in retention rates, student attendance and grade repetition. However, the impact on student learning tends to be weak. This may reflect the short evaluation periods of most studies. The typical time periods associated with improvements in learning range around eight years, while the bulk of studies have data over two to three years. This brings us back to a concern we highlight repeatedly in this report. Reform processes that attempt to change structures of authority and power may require longer time spans to realize gains than the timeline of impact studies allows. It may also be easier to see gains in some dimensions rather than others. Things may also worsen before they improve.

In fact, some studies do show a worsening in student quality at school entry as children from less privileged backgrounds enter schools for the first time. This may account, to an extent, for the negligible improvements in learning, even as there is an improvement in attendance and school retention.

As with other interventions, though, poorer and more remote areas are less able to realize gains from decentralized service delivery. Localities also do worse when they are less well administered and more embedded within the nexus of accommodation with poor democratic practices and a politicized administration. Low literacy levels impose a further constraint. Several studies find that low literacy levels make it harder for communities to participate in decentralized programs, to make informed decisions when they do.

Funding matters as well. Increasing the fiscal burden of poor communities can worsen public service delivery. Similarly, as we see repeatedly across various contexts, when maintenance and recurrent costs are not provided, poor outcomes follow: crumbling schools with no teachers, and clinics without medicines or doctors.
Decentralization is also not appropriate for all aspects of public service delivery, as the principle of subsidiarity reminds us. The empirics add to this by showing that decentralization can generate poor outcomes when there are important externalities. This is the case with some public health initiatives, such as immunization. It also tends to be true, to a degree, for some aspects of schooling, such as curriculum development or the setting of teaching and learning standards.

Finally, we ask whether inducing participation has had a positive effect on the incomes of the poor. Community based development projects are often promoted as a tool to eradicate poverty. This is an area where the evidence is most mixed and is largely negative—though the diversity of interventions and the lack of rigorous studies makes it difficult to draw clear conclusions. That said, most carefully done studies find that participatory anti-poverty projects have had little impact on income poverty. The studies which find some positive impact on income, savings or assets, also tend to find that gains are observed only for the wealthy or only during the life cycle of the project. When sustainable gains are realized, they are confined to specific sub-groups—such as the more educated among the poor—who are not the largest beneficiaries of the program being evaluated.

Some projects also find improvements in nutrition and diet, but only when considering sub-groups who self-select to participate in the project being evaluated. This tends to be problematic since it is unclear whether those who choose to participate are also different from eligible non-participants in other dimensions, that the researcher cannot observe, but which could influence their success.

The one exception seems to be community based livelihood projects. Here studies seem to show positive and economically significant gains within a relatively short time period. However, we only have evidence from a couple of studies which look at the impact of providing business or livelihood related skills, micro credit or cash grants for productive investments. None of the studies assesses the sustainability of income gains over the longer
run. Programs which provide microcredit also do not tend to focus on the poorest. Given the rapid expansion of community based livelihood projects, this is clearly an area where much more work is needed.

In Chapter 5 we turn to the question that is at the core of our analytical framework: In what ways do participatory efforts seek to confront and repair civil society failures and how successful have these efforts been. We look at efforts to build social cohesion—in conditions of peace, as well as in the aftermath of conflict; efforts to redress entrenched social inequalities of caste, ethnicity and gender through explicit inclusion mandates; and the creation of participatory forums where collective decisions can be made in a deliberative manner or where, at the very least, the exercise of ‘voice’ can be practiced and refined.

As we discuss above, there is little evidence that induced participation builds long-lasting cohesion, even at the community level. Group formation tends to be both parochial and unequal. Groups that form under the aegis of interventions, absent some kind of affirmative action program, tend to systematically exclude disadvantaged and minority groups, and women. Moreover similar types of people tend to form groups with each other – so projects, generally, do not promote cross-group cohesion and, conversely, may reinforce existing divisions. An important question in this context in whose preferences are being represented in community based decisionmaking. One view is that it is only the preferences of the elite. However, community facilitators may be equally important actors here. The few studies that have tried to measure facilitator effects have found that they strongly influence stated preferences. Yet we know little about how the characteristics of facilitators, or how the incentives they face may influence project success, including building cohesion at the community level.

Participation also tends to be driven by project-related incentives; people get together to derive benefits from project funds. It is very difficult to know whether these effects last beyond the tenure of the project. As we discuss above, the limited evidence on this issue indicates that it does not last. Respondents also tend to mirror project slogans in their
responses in the belief that this is what outsiders want to hear. Thus simple survey questions on complex concepts like “trust” and “ability to cooperate” often tend to elicit answers that are more reflective of rhetoric than reality.

With these caveats in mind, there is some heartening evidence that participation has intrinsic value. Communities tend to express greater satisfaction with decisions in which they participate even when participation does not change the outcome or where outcomes are not consistent with their expressed preferences. Much more work needs to be done on this issue.

On the whole, however, the ballot box, though far from perfect, provides a clearer mechanism for sanctioning unpopular policy choices or excessive rent-seeking by traditional or political elites, as compared to more informal forums for deliberation. In decentralized settings, electoral incentives—credible and open elections—tend to help by aligning the decisions of politicians with the demands of their constituencies. Moreover, in such settings we find that participatory and deliberative councils, when they exist, can foster a significant degree of civic engagement. It is less clear how citizens can collectively sanction negligent or corrupt officials or local leaders where such venues for the exercise of voice are not available.

Repairing civic failures also requires that social inequalities be addressed. One way of trying to do so is to mandate the inclusion of disadvantaged groups in the participatory process. There is virtually no evidence for whether this works from evaluations of CDD projects. However, a growing body of evidence from village democracies in India indicates broadly positive impacts. Quotas in village councils and presidencies for disadvantaged groups and women tend to change political incentives in favor of the group that is privileged by the quota.

Mandated inclusion also appears to provide an incubator for new political leadership. Evidence indicates that women and other excluded groups are more likely to stand for office from non-mandated seats once they have had some experience on a mandated seat.
Quotas can also weaken prevailing stereotypes that assign low ability and poor performance to traditionally excluded groups. However, lasting change requires that the inclusion mandates remain in place for long enough to change perceptions and social norms.

It is less clear that community-based projects, which are typically ad hoc in duration, can induce similar shifts in attitudes, opportunities and political dynamics. Decentralized programs usually have a constitutional mandate or other legal sanction from the center and are relatively permanent. They may thus be better able to affect change by shifting social and political dynamics over the long term. More evidence is needed on this important question.

Participatory interventions are also seen as a valuable tool for getting funds on the ground in post-conflict settings—where the state is viewed as dysfunctional. The limited evidence of the effectiveness of community-based projects in such settings mirrors what we know about inducing participation in situations without conflict. Context matters a great deal, as does the quality of the intervention. Overall, projects tend to have very limited impact in building social cohesion or in rebuilding the state. They tend to exclude the poor and are dominated by elites. However, evidence from Africa seems to suggest that people emerging from civic conflict have a strong desire to participate and that a well-designed and implemented project could effectively draw on this need.

To sum up, three lessons appear to be abundantly clear.

First, context, both local and national, is extremely important. Outcomes from interventions are highly variable across communities. Inequality, history, geography, the nature of social interactions, networks, and political systems all have a strong influence. Thus a successful project designed for one context may fail miserably in another. This suggests the need for strong in-built systems of learning and monitoring, great sensitivity to context and the willingness and ability to adapt. As some of the evidence shows, carefully designed projects, whether they are implemented by governments or by donor funded implementing
agencies are able to limit the negative impact of ‘bad’ community characteristics, at least to a degree.

Second, the idea that all communities have a ready stock of ‘social capital’ that can simply be harnessed is naïve in the extreme. Instead, all of the evidence suggests that building citizenship, engaging communities in monitoring service providers and governments and supporting community based management of natural resources or infrastructure, requires a serious and sustained engagement in building local capacity.

Finally, induced participatory interventions work best when they are supported by a responsive state. While local actors may have an informational and locational advantage, they appear to use it to the benefit of the disadvantaged only where institutions and mechanisms to ensure local accountability are robust. In fact, local oversight is most effective when other, higher level, institutions of accountability function well and communities have the capacity to effectively monitor service providers and others in charge or public resources. This appears to increase, rather than diminish, the need for functional and strong institutions at the center.

It also implies that project implementing agencies for donor funded projects need to have the capacity to exercise adequate oversight. However, there is little evidence that donors alone can substitute for a nonfunctional state as a higher-level accountability agent. When funds are parachuted down into communities without any monitoring by a supportive state, decisionmaking is captured by elites who control the local cooperative infrastructure, leading to a high risk of corruption. Instead, reforms that enhance judicial oversight, allow for independent audit agencies and protect and promote the right to information and a free media appear to be necessary for effective local participation.

In this, our findings are consistent with the large body of case study evidence of what Fox (1993) described, many years ago, as a “sandwich movement” of enlightened state action from above interacting with social mobilization from below. The state does not necessarily have to be democratic— though that helps a great deal—but in the sphere where the
intervention is being conducted, at the level of the community or the neighborhood, the state has to be responsive to community demands. For example, schools that incorporate parents into decisionmaking will be more responsive to the demands of those parents if the parents have a measure of control over school budgets. And village governments will become more responsive to the needs of citizens when they both function within an electoral democracy supplemented by deliberative interactions.

This is not to say that participatory engagement cannot make a difference in the absence of a supportive state under all circumstances. It can, but usually when that engagement is organic and thus outside of, and often in resistance to, the state (Gaventa and Barnett 2010).

7.5 The Importance of Context

Inducing local participation is a difficult, often unpredictable and potentially contentious, undertaking. The empirical evidence we present in this report must be viewed with this in mind. In particular, the substantial heterogeneity in outcomes should perhaps be less surprising once we allow for the role played by local conditions and the precise contours of project design. Given the increased and correct emphasis on civic engagement for effective and equitable development, it is important to build a careful evidence base on the effectiveness of specific modalities for inducing participation and to cast a vigilant eye on the cost effectiveness of such efforts.

Given our substantial reliance on evidence from quantitative evaluations of CDD projects and decentralization efforts, it is also important to reiterate that an effective evaluation must in the end proceed with some understanding of a project’s trajectory and the timeline over which impact in specific project outcomes is likely to be observed. This is hard to do with participatory projects and very few evaluations take this question seriously or verify assumptions about long-term impacts by returning to the site of the project after a few years have passed. Second, some outcomes may be inherently difficult to measure; e.g.,
subtle shifts in perceptions or beliefs, which could mature years later into effective civic activism or a more inclusive society, will tend to be missed entirely by most evaluations.

Thinking through local development policy as occurring at the intersection of market, government, and civil society failures will invariably result in an appreciation of context; such interactions are deeply conditioned by culture, politics and social structure, and vary from place to place. A policy that works in one country, or even one municipality, may fail miserably in another. And, ironically, as we note above, effective collective action is usually conditioned by a “cooperative infrastructure” that is provided by a strong state. It is not at all clear that strong governments are created by the presence of a strong civil society; it is, rather, a chicken and egg problem that does not lend itself to easy answers. Furthermore, while empowering civic groups may often lead to good outcomes, it is not at all clear that inducing civic empowerment is always superior to a pure market-based strategy, or a strategy that strengthens the role of central bureaucrats.

Context matters at both the national and the local level, and comprehensively categorizing it is difficult, but we sketch a few important aspects (see Goodin and Tilley, 2009). At the national level, nationalist ideologies—the manner in which the state (colonial and post-colonial) has created and propagated identity—can create symbolic public goods that facilitate collective action by building a participatory ethic. History matters. The way policies and institutions have evolved—land reforms, education systems, the judiciary, the media, and efforts at social inclusion—can influence the responsiveness of governments to civic mobilization, and consequently affect the incentives for collective action. Similarly, a history of organic participation matters greatly for several reasons. Some countries have a long history of civic participation developed in the process of struggles for independence from colonial rule, or against the rule of entrenched elites. Such significant social movements help give legitimacy to civic activists and create a culture that facilitates civic mobilization. A history of organic participation creates a community of peer-educators who can train others in how to reach a consensus, how to engage in participatory planning and how to hold governments accountable for their actions. In time, organic participation can make it easier to institute a cadre of trained facilitators who can spearhead scaled-up
community-based interventions. A history of organic participation also creates an enabling environment for social entrepreneurs to spark participatory innovations, the most effective of which can have important lessons for scaled-up induced interventions.

We have discussed the influence of context at the local level at great length in the preceding section. Both induced (and organic) participation are likely to be influenced by elements of context like the nature and extent of social and economic inequality, and the composition and diversity of groups. The cultures and norms of cooperation that have evolved within the community are strongly influenced by inequality and heterogeneity. These have a bearing not only on the nature of collective action but also on the role of local leaders. Do they act in ways that are benevolent or malevolent to the larger interests of the community they claim to represent? Do they enforce compliant behavior and maximize rents or do they lead with the collective welfare of the community in mind? Geography matters—in particular, remoteness from more developed areas, difficult terrain or weather conditions can create greater vulnerability to isolation with poorer outcomes. Both social heterogeneity and geography have a bearing on the local cooperative infrastructure—the community’s capacity for collective action. If the village has a long history of successfully managing common property resources, then that capacity could potentially translate into a collaboration to manage a school, for example. Migrant urban communities, depending on the nature of their settlement, could either consist of people from the same region and therefore carry over common rural norms and customs to the city, or they could come from different places, which could make cooperative behavior more challenging.

Politics matters: the nature of the local state, and the relationship of local communities to the state, deeply affects the extent to which the “nexus of accommodation” hampers development. As we describe in Chapter 2, in contexts with compound market, government, and civil society failures, local and national political leaders, bureaucrats, and strongmen are often embedded within an extractive equilibrium where the interests of citizens are given the lowest priority. Breaking this nexus, changing the equilibrium in a manner that makes the state more responsive to the needs of citizens, is at the heart of effective participatory development. For all these reasons, effective participatory
interventions necessitate a deep understanding of context: the nature of the cooperative infrastructure, politics, social structures, history, geography, and inequality, at both the national and community levels.

Box 7.1

Contextualizing the Relationship Between Civil Society and the State

Baiocchi et al. (2011) develop a very useful typology of the relationship between civil society and the state that has broad applicability to understanding the context for failures in deliberation and participation. In table 7.1 below, the columns describe how civil society is organized. It can either be dependent on the state—induced by it, nurtured by it, and entirely dependent on the state for its sustenance; or it can be autonomous, having evolved independently of, and often in opposition to the state, with a history of activism and civic engagement. The rows characterize the nature of the state and the degree to which it is responsive to civic demands. The degree of state responsiveness can either be institutionalized, as in India with its constitutional amendment establishing the Gram Sabhas, or it can be discretionary, as in the case of electoral democracies, most of which have not institutionalized deliberation. The third category is for exclusionary states—those which actively avoid or even suppress deliberative civic engagement.

This typology generates six cells, which characterize most civil society–state interactions. Starting from the bottom up, Totalitarianism is where the state exerts absolute control—civil society organizations exist only if sponsored by the state, and the state seeks to directly penetrate and control civil society. Authoritarianism exists where civil society is to some extent organized and enjoys some autonomy, but civic groups are excluded from power because there are no channels of representation and engagement with the state. In Authoritarianism, however, there are limits to the state’s ability to penetrate and control civil society. Examples of this include Apartheid South Africa, and Egypt and Tunisia prior to the Arab Spring of 2011. Authoritarianism can allow for a long period of civic mobilization, and excluded groups—because they can hide—are able to develop particularly rich repertoires of organization and contention.

All the other cells describe democratic polities. Discretionary democracies can choose the degree to which they engage with civic actors and deliberative spaces. Participatory budgeting began as a discretionary situation, with the PT choosing to promote it. In Institutionalized democracies, states have no choice but to deal with deliberative spaces and civil society. The goal of some interventions within democratic systems is to move from Discretionary to Institutionalized participation.

Within these cells, ‘Mobilized’ democracies are the best case—civic groups are autonomous and civil institutions can influence the state. Further, actors are autonomous and able to act within communicative channels, and engage with the state in a manner that does not require loyalty or bribery. ‘Prostrate’ democracies are the worst case; civic groups have little capacity for self-organization and engage the state via clientelism. They are hampered in their ability to challenge the state because they are embedded with it in the nexus of accommodation. Prostrate democracy...
is not the same as totalitarianism, since there is a degree of independence in action, and the state’s influence in civic life involves a transaction or exchange (of money, jobs, resources, privileges). Examples of this would be the Gram Sabhas everywhere in India outside of Kerala.

In ‘Bifurcated’ democracies, on the other hand, civic groups are well developed but engage with the state in a discretionary way (via a broker or a lobbyist, or by influencing a particular state actor rather than by merely by acting as citizens). And in ‘Affirmative’ democracies, the state invites participation without demanding that citizen groups show allegiance. In other words, civic groups would not exist without state encouragement, but they can nevertheless be effective through mediators and facilitators, networks, and the abilities of civic leaders.

<table>
<thead>
<tr>
<th>Table 7.1: Civil Society – State Relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of Civil Society Organization</td>
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<tr>
<td></td>
</tr>
<tr>
<td>Degree of State Responsiveness</td>
</tr>
<tr>
<td>Dependent</td>
</tr>
<tr>
<td>Autonomous</td>
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<tr>
<td></td>
</tr>
<tr>
<td>Institutionalized Responsiveness</td>
</tr>
<tr>
<td>Affirmative Democracy</td>
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<tr>
<td>Mobilized Democracy</td>
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<td></td>
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<tr>
<td>Discretionary Responsiveness</td>
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<td>Prostrate Democracy</td>
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<tr>
<td>Bifurcated Democracy</td>
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<td></td>
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<tr>
<td>Exclusionary Responsiveness</td>
</tr>
<tr>
<td>Totalitarianism</td>
</tr>
<tr>
<td>Authoritarianism</td>
</tr>
</tbody>
</table>

Source: Adapted from Baiocchi, Heller and Silva (2011).

7.6 Donors, Governments and Trajectories of Change

Effective civic engagement does not develop within a predictable trajectory. It is instead likely to proceed along a punctuated equilibrium where long periods of seeming quietude are followed by intense, and often turbulent, change. The quiet periods are not inactive. Rather they are full of nascent, covert action during which civic activists slowly begin to influence their neighbors to think differently, to act collectively, to deliberate effectively, and develop the courage to take on powerful interests. This is risky work that can lead to harsh retaliation by elites, but the nexus of accommodation is hard to break without it.
When donor-driven induced participatory projects attempt to build civic capacity, they assume a far less contentious trajectory. Conditioned by bureaucratic imperatives, they often declare that clear, measurable, and usually wildly optimistic outcomes will be delivered within a specified timeframe—including measures of civic capacity—which may be subject to the greatest challenge and the most difficult to transform.

Since most projects are sold as anti-poverty projects, or local infrastructure projects, declared outcomes also include shifts in poverty and vulnerability without much attentions to the effort, resources or indeed the time frame required for a sustained increase in the incomes of the poor. Consequently, there is a danger that such projects are setting themselves up for failure that derives not from what they achieve on the ground, but from their unrealistic expectations.

One important reason for this overly ambitious approach, especially at the World Bank, is that it maintains a path-dependent institutional structure that continues to derive from a focus on capital-intensive development and reconstruction. Building dams, bridges, and roads, or even schools and clinics, is a much more predictable activity than changing social and political systems. Repairing civil society and political failures requires a shift in the social equilibrium that derives from a change in the nature of social interactions, and from modifying norms and local cultures. This is a much harder task that needs a fundamentally different approach to development—one that is flexible, long term, self-critical, and strongly infused with the spirit of learning by doing. As we demonstrate later in this chapter, the World Bank falls far short of these rather obvious guidelines in its participatory projects. And we doubt that other donors are much different.

### 7.7 Open Questions

Several open questions remain on which the evidence is thin and where more research is needed.
A central question is the link between local civic capacity and a national civic sphere. Under what conditions will attempts to build local civic capacity help build a national civic sphere? This question goes at least as far back as JS Mill who believed that good citizenship is built at the local level. Many participatory interventions, particularly those that attempt to transform the nature of citizenship by improving the “demand-side” of governance, and that “build trust” in post-conflict situations, are premised on the belief that such interventions will lead to a more accountable and cohesive civic culture at the national level. However we know very little – first - about whether these local interventions are effective, and – second - if these can coalesce into national civic movements. Under some conditions, greater local cohesiveness could actually exacerbate cross communal tensions.

Questions remain even about the local efficacy of interventions with “soft outcomes” that are in widespread use: Do citizenship training programs work? Do they build the capacity for collective action? There are very few studies that have attempted to study these questions, and those that exist do not lend themselves to easy generalization. Moreover, the literature tends to measure such outcomes with survey questions which can be quite poor at accurately measuring impact, and it is apparent that the greater use of artefactual experiments and behavioral games could be of great use.

Another fundamental question about which we have very limited evidence is the core question of how top-down approaches compare with bottom-up approaches in delivering goods and services to communities. Most evaluations of participatory approaches typically compare the intervention with the status quo – a counterfactual where nothing is done. This does not tell us if participatory interventions are better or worse than centrally administered interventions in trying to achieve the same goals in similar communities. Similarly there is not enough evidence on whether targeting the poor with proxy means testing or other centralized, “objective” metrics of houseful status is better than community based targeting.

A fourth set of questions revolve around corruption. There have been some influential, but rare, studies of corruption and there is an increasing, and healthy, trend towards relying
more on direct measures of corruption (e.g. engineering assessments of road quality) rather than perception based measures. This kind of research should become the norm, since improving the demand side of governance is often claimed as a cure for corruption and perception-based measures tend to not always reflect reality.

Facilitators are the lynchpins of induced participation, yet we know next to nothing about them - their incentives, their training, the social and political constraints they face. Much more could be learned about how to improve their performance and even the extent to which basic things like experience, age and gender influence performance. Furthermore, the evidence overwhelmingly suggests that effective community based interventions have to be implemented in conjunction with a responsive state. Yet, almost all econometric studies of participatory interventions focus on the communities themselves rather than the context within which they operate.

More generally, research could tell us a great deal more about how to make the state, and its agents, more responsive to communities. Incentives could matter here, or better monitoring, or training – methods that are all used in interventions around the world without reliable information about whether they actually work. There is a debate on whether donors can substitute for a nonfunctional central government as a higher-level accountability agent. For instance, is it possible they might help in the short term by improving the performance of interventions, but be harmful in the long-term by hampering the evolution of an effective state? This largely theoretical debate would be helped with better evidence.

On the question of accountability, it appears that credible elections within decentralized settings provide a clearer mechanism than informal deliberation for punishing unpopular policy choices or excessive rent-seeking by incumbents. More research could be done on the conditions under which elections work, and – in particular – whether CDD projects that induce electoral greater accountability with elections and mandated inclusion perform better. Another important open question is the extent to which a shift towards democracy
at the local level affects the allocation of resources, particularly if it shifts resources away from traditional elites and towards the less powerful in society.

Livelihoods projects and other attempts to use community based interventions to repair market failures remain largely unstudied, including community management of microcredit funds. We also know very little about attempts to use community groups – artisan’s cooperatives, farmer’s cooperatives, etc.— for income generation activities. There is a fair amount of case-study evidence on these issues but not much by way of rigorous quantitative analysis.

Another set of questions that are relatively understudied go to the heart of the decisionmaking process within communities – the process of deliberation. What makes deliberation effective and when is it ineffective? Do facilitators help the deliberative process? To what extent does deliberation influence the process of preference aggregation – building consensus among people with heterogeneous interests? How can the quality of deliberation be improved? Can deliberative spaces be made more effective, and deliberative systems built?

More generally, most studies of large-scale participatory interventions focus on the impact of interventions on specific outcomes of interest and ignore the processes that lead to an impact (or the lack of it). Process is much better understood with the use of qualitative tools. Thus, more than most other development interventions, evaluations of participatory projects call for a mix of qualitative and quantitative methods. Yet this is almost never done. Conversely, case-studies and ethnographies of participation are conducted independently of econometric work which also limits understanding, since the focus is then entirely on process rather than on explaining the channels through which specific outcomes are realized, or the constraints that limit project effectiveness. A promising mode of enquiry is the use of qualitative methods, with research designs that are typically associated with quantitative studies: large samples; experimental designs; or the use of other methods to generate credible counterfactuals, such as by matching. As a few studies
have shown, if done well, such research methodologies could deepen our insight into the complex process of social and political change.

Finally, there are very few well done, in-depth, ethnographies of participatory projects. While some development anthropologists are beginning serious work in this area, a lot of the literature on the anthropology of participatory development seems to rely on rather thin data – a perfunctory reading of project literature, and “touch the water-buffalo” field visits that last a week or two. Yes, some of these studies have received wide attention in the anthropological literature but we believe that their appeal likely derives from their ability to tap into pre-existing prejudices about ‘neoliberal’ institutions rather than the carefully grounded ethnographic insights that characterize the best anthropological work.

7.8 Monitoring and Attention to Context in World Bank Projects

The variability of local context highlights the importance of developing effective monitoring systems in large participatory projects. Such projects require constant adjustment, learning in the field, and experimentation in order to be effective. A notable example of an effectively monitored induced community development project was the $1.3 billion Kecamatan Development Program (KDP) in Indonesia, which was active for ten years between 1998 and 2008. KDP provided block grants directly to rural community-based organizations to fund development plans prepared through a participatory process. In this it was very similar to a large number of other community-based projects. Where it differed was in the extent to which it relied on context-specific design, and attention to monitoring systems (Guggenheim, 2006).

KDP’s design was based on two key elements: (i) a careful analysis of existing state and community capacity and cooperative infrastructure, drawn from a set of studies of local institutions; and (ii) a deep understanding of the history of community development in Indonesia. Implementation involved creating a tiered network of motivated and trained facilitators who created a feedback loop to facilitate learning, and worked with engineers to
supervise the quality of construction. Villagers took control of expenditures and procured goods and services on a competitive basis. They also formed monitoring teams that checked the delivery of material and the quality of construction and reported their findings to the village forum. In addition to participatory monitoring, audits were conducted at the sub-district (Kecamatan) level. Moreover, independent NGOs and journalists were contracted to monitor and report on the quality of the project on a random basis. These innovations in monitoring were supplemented with more conventional quantitative tools such as a carefully designed Management Information System (MIS), several qualitative and quantitative evaluations, and case studies (Wong 2003). Most importantly, the project emphasized an honest system of communication, which allowed observations, both critical and complementary, to constantly inform innovations in design and implementation.

Unfortunately, KDP is among a small group of World Bank funded participatory projects that have made an effort to build an effective monitoring systems. In the annex to this report we provide a review of monitoring and evaluation systems in World Bank projects. The review includes all projects which were active over the period from 1999 to 2007 and in which at least a third of the budget was allocated to local participation. We examined a range of project documents, including the Project Appraisal Document (PAD), which is among the main documents assessed by the World Bank’s Executive Board before approving a loan. The PAD should ideally include a detailed account of the monitoring system and the manner in which the project will be evaluated. We also looked at Implementation Status Reports (ISRs) and Implementation Completion Reports (ICRs) for a random sample of 20 percent of these projects to assess the effectiveness of proposed M&E systems in the PAD. The former are typically prepared by the project manager after every supervision mission. The latter are self-evaluations of projects screened by the Independent Evaluation Group. Finally, we assessed information from project supervision documents that synthesized the results of regular project visits by Bank operational task teams. The analysis also encompassed a survey of project managers (task team leaders, in World Bank parlance), to gather information that was not available in project documents. The results of this review are presented in the Annex to the report.
The PADs were striking in their similarity to each other. Often their language was cut and paste from one project to the next, suggesting a singular lack of attention to context. The documents and the survey also revealed a pervasive inattention to monitoring systems. Only 40 percent of PADs included a monitoring system as an essential part of the project design, and a third did not even bother to mention basic monitoring requirements such as a management information system (MIS). When monitoring was mentioned, it usually involved collecting extremely imprecise indicators, and even this was done irregularly. The most important reasons given for the paucity of effective monitoring were poor human and technical capacity and the lack of sufficient funding. On the crucial question of whether monitoring and evaluation data are a guide to learning by doing, only 14 percent of the projects explicitly outlined procedures that would be implemented if the monitoring and evaluation data indicated that a project had gone off track.

The majority of project managers participating in the survey stated that the Bank's operational policies do not provide any incentives for effective monitoring and evaluation. While most believe that M&E is a stated priority for the Bank's senior management, most believe that in practice this is not the case. Project managers highlighted several major constraints, from an institutional perspective, that limit investments in effective M&E systems. The majority (75%) believe that the Bank's operational policies do not provide the right incentives to engage in systematic M&E (see table A4 in the Annex). Further, a majority (66%) of project managers believe that Bank M&E requirements and Bank supervision budgets are not tailored to project size, project complexity or country context (see Table A5 in the Annex). Finally, only a third believe that the standard timeframe for projects (an average of 5.5 years) is sufficient for realizing participatory objectives (see Table A6 in the Annex).

An open and effective monitoring and evaluation system requires a tolerance for risk, flexible project design and adequate resources. These seem to absent for the most part. A major problem, highlighted by the survey respondents, along with lack of management support, was the lack of an adequate project supervision budget. Most task managers also believe that governments see monitoring systems as a box to be checked in order to qualify
for a loan, rather than as an instrument to help improve the effectiveness of projects. Given the belief that county counterparts have little incentive to implement good monitoring and evaluation systems, explicit support from the Bank may be all the more critical.

7.9 Conclusion

In 2004, the authors of this report conducted a review of the literature on participatory development (Mansuri and Rao, 2004), in which we found a singular lack of attention to both monitoring and evaluation. Eight years later, we find that the gap in evaluations has been addressed to some extent, and has generated a good deal of new evidence that we have attempted to review in this report. The lack of attention to monitoring, unfortunately, persists along with inflexible institutional rules that do not internalize the complexity inherent in engaging with civic-led development. The ignorance of context in design is another major problem. If this situation is not addressed, we believe that participatory development projects will continue to struggle to make a difference.

Several things need to be done at the World Bank and other donor agencies. Patience is a virtue. Project structures need to change to allow for flexible, long-term engagement. Projects need to be informed more seriously by carefully done political and social analyses, in addition to the usual economic analysis, so that both project design and expected outcomes can be adapted to deal with the specific challenges posed by country or regional context.

Monitoring systems need to be taken far more seriously. For one thing, projects need clear systems of facilitator feedback and effective participatory monitoring and redress systems. The use of new and more cost effective tools, such as SMS based reporting, could assist greatly in this effort. Most importantly, there needs to be a tolerance for honest feedback to facilitate learning, instead of a tendency to rush to judgment coupled with a pervasive fear of failure. The complexity of participatory development requires, if anything, a higher tolerance for failure. This requires a change in the mindset of management and clear
incentives for project team leaders to investigate what does and does not work in their projects and to report on it.

Instead of focusing entirely on inducing participation, policy would also be well served by thinking through effective ways to ride waves of organic participation. There are several ways in which this can be done: By inviting civic activists to help design and monitor participatory projects; by creating an enabling environment for civic activists to be agents of change; by creating spaces for public deliberation in local governments; and by working with governments to create incentives for agents of government to be responsive to the needs of citizens.

Local participation does not work when it is merely the ad hoc, myopically directed, creation of a project. It works when it has teeth, when it builds on organic movements, when it is facilitated by a responsive center, when it is adequately and sustainably funded, and when interventions are conditioned by a culture of learning by doing.
Annex: Monitoring and Evaluation in World Bank Participatory Development Projects

In order to understand the extent to which induced projects take learning by doing seriously, we conducted a review of the monitoring and evaluation (M&E) systems of participatory projects initiated by the World Bank over the last decade. The data come from an analysis of documents from 345 projects in operation between 1999 and 2007, all of which had more than a third of their budgets allocated to participation. For a randomly selected sub-sample of 20 percent of these projects (68), we reviewed the design of the M&E system by closely reading the project appraisal document (PAD) for each project. A PAD, which is among the main documents assessed by the World Bank’s Executive Board before approving a loan, should ideally include a detailed account of the monitoring system and the manner in which the project will be evaluated.

We also looked at Implementation Status Reports (ISRs) and Implementation Completion Reports (ICRs) for the sampled projects to assess the effectiveness of proposed M&E systems in the PAD. The former are typically prepared by the project manager after every supervision mission. The latter are self-evaluations of projects screened by the Independent Evaluation Group. Finally, we assessed information from project supervision documents that synthesized the results of regular project visits by Bank operational task teams.

An important limitation of these data is that they exclude any kind of monitoring and evaluation activity conducted and documented outside of, or in addition to, what is reported in project documents. To fill this gap, we fielded a survey directed at the managers of current and recently closed CDD projects. The survey, which was conducted in 2010, was sent out to all 165 managers of the 245 projects that were either active in 2009 or had closed the previous year. Of these 25% (41) completed most of the survey
questions. Another 67 managers opened the survey document but did not get much beyond the first few questions. Since a response rate of 25% is relatively high for voluntary email-based surveys, all figures and tables reported in this section use data only from the project managers who completed a significant portion of the survey. Moreover, from the responses, we conclude, as we discuss below, that the survey was more likely to be completed by project managers whose projects had some type of monitoring or evaluation system in place. Thus what we report likely provides an upper bound on the presence and quality of monitoring systems in place across all participatory projects in the World Bank.

The survey provides information about how M&E systems perform in practice. It also tells us about how important monitoring and evaluation is for project managers, as well as the institutional incentives for them to engage in M&E.

**Findings from Project Documents and Census of Project Managers**

One of the striking things about the PADs is how similar they are to each other. It is almost as if there is a template for participatory projects—not just the design but the even the language in the PAD often seems to be cut and pasted from one project to the next. This suggests a lack of attention to context in designing participatory projects.

While M&E was explicitly mentioned in all PADs in the survey, only about 40 percent described M&E as an essential part of the project design. And, although, 80 percent of the implementing agencies engaged an M&E specialist, the quality of the specialist—like the quality of the implementation—was highly variable. Furthermore, only about 40 percent of the sample documents detailed the kind of monitoring information that was collected. One third of the project documents did not even state that a Management Information System (MIS)—a key project monitoring tool—was part of the information collection system.

To improve the quality of project monitoring and evaluation, the Bank introduced a new results-based management framework in 2004. All PADs are now required to show how the project’s monitoring indicators will make it possible to attribute outcomes to changes
introduced by the project. In the past, indicators had been so broadly defined—e.g., “reduction in the gap between rural and urban income inequalities,” or “improvement of GDP per capita”—that they may or may not have been an outcome of the project. The new results framework requires that relevant and easily measured indicators be included in the final matrix of outcomes, so that project impacts can be more easily tracked. Further, the results framework must include data collection methods and measurable objectives, as well as Implementation Status Reports (ISRs) based on monitoring data, to improve learning by doing. The results-based framework was also expected to make M&E more useful as a planning and management tool.

To see whether the introduction of these new standards improved the quality of M&E systems, we compared the project sample’s results from before and after 2004. While the number of M&E indicators has been reduced by nearly half, 40 percent of those that remain continue to be imprecisely formulated (“improved allocation of expenditures,” “careful monitoring of effectiveness”). And while the number of indicators reported in ISRs has risen from 25 percent to about two-thirds, the indicators that are supposed to measure intermediate progress actually appear to have been collected in only 22 percent of the projects. This suggests that most projects do not have access to timely monitoring data and thus could not be engaging in learning by doing based on real time project performance data.

We also examined how the monitoring systems used in these projects were assessed in aide-memoires, mid-term reviews (MTRs), and Implementation Completion Reports (ICRs), which give a running picture of the Bank team’s most important observations and recommendations over the life of the project. Seventy-five percent of the monitoring system assessments tended to be negative. The most frequently observed deficiencies were the lack of well designed M&E systems and their poor implementation. These deficiencies were most often attributed to poor human and technical capacity and lack of sufficient funding. Other reasons included the lack of institutional capacity, the absence of a baseline (which defeated the purpose of tracking progress), and finally the formulation of outcome indicators that could not realistically be attributed to the impacts of the project.
Projects seemed to do slightly better with evaluations than with monitoring. While half the project documents explicitly mentioned that impacts were being evaluated, and 70 percent of those mentioned some kind of impact evaluation with a comparison group, only 14 percent among these described the methods employed. Among the more credible methods mentioned were propensity score matching and randomized trials. But the majority used beneficiary assessments, participatory appraisals, and perception surveys, which are not well suited to making causal claims. In the remaining 30 percent of projects, it was not clear at all what was meant by an evaluation or how it was to be done.

The degree to which monitoring and evaluation can succeed, i.e., help the project to adapt through learning mechanisms, depends on the attention it gets from project managers; notably, whether M&E is a management priority. In addition, the prior experience of project managers with participatory projects may also matter. Using the complete census of all managers of participatory projects (374) we find that about 44% were managing more than one project, and about a third of these were managing 3 or more projects. In addition, the data indicate that project managers tend to be fairly inexperienced with participatory projects, with an average of 1.85 years of experience in managing projects of this type, and 4.3 years of experience managing projects of any kind. Moreover, 50 percent of projects had two or more managers over their life, which can be disruptive to management and monitoring.

**Findings from the Sample Survey of Project Managers**

As we note above, some 25% of project managers completed the survey. As is clear from Table A1, the group which completed the survey has far more experience with participatory projects than the average project manager—only 5% of this sample has less than 2 years of experience and almost 60% have more than 10 years of experience managing participatory projects.
Table A1: Project manager’s years of experience on CDD and local governance projects

<table>
<thead>
<tr>
<th>% of project managers surveyed</th>
<th>More than 10 years</th>
<th>Between 5 and 7 years</th>
<th>Between 7 and 10 years</th>
<th>Between 2 and 5 years</th>
<th>Between 0 and 2 years</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>58.54%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14.63%</td>
</tr>
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<td>14.63%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12.20%</td>
</tr>
<tr>
<td>12.20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>9.76%</td>
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<td></td>
<td></td>
<td>2.44%</td>
</tr>
</tbody>
</table>

In this group, more than 60% also report that the project has an MIS system which collects and maintains data on both project development objectives and project intermediate outcomes. Further, more than 60% report that monitoring data is publically available in some form and, of these, about one-half state that it is available on a website. Close to two-thirds also report that the project collects tracking data and that an impact evaluation is either underway or has been done. A large fraction also lists other types of monitoring activity—from field missions and participatory assessments to facilitator feedback. This sample of project managers is clearly also far more experienced in carrying out project M&E.

An important aspect of learning by doing—not to mention the satisfaction of beneficiaries—is the existence of an effective grievance and complaint mechanism. A third of all PADs from 1999-2007 mention some kind of grievance mechanism. The yearly average rose from a fifth of all projects before 2004 to half the projects in subsequent years. Most project documents from both periods, however, provided very little information about the grievance mechanism; only a quarter of those that mentioned it
actually explained how the process worked, and only a third made provision for
documenting the complaints. Complaints received via these mechanisms were sorted into
one of three categories: poor quality of construction works, lack of transparent project
selection criteria, or lack of community involvement in the selection process. This rather
generalized complaint system raises questions about how well these processes are
established in practice. Complaints and grievance systems can be a powerful tool for
ensuring that difficulties experienced by various project partners are considered and
addressed in a timely manner. If used correctly, these systems can not only enhance
project effectiveness, but also promote community ownership of the project. Using these
mechanisms as a decorative planning instrument, on the other hand, might undermine the
engagement of different stakeholders if their complaints are not acted upon. It is worth
noting that in the survey 88% of project managers state that their project has a grievance
mechanism in place and 64% of these (54% overall) report that a record of grievances was
being maintained. The results we present below should therefore be viewed as the
opinions of seasoned project managers who are engaged to some degree at least in building
effective monitoring and evaluation systems into their projects.

Strikingly, the vast majority (80%) do believe that M&E is a priority for Senior Bank
Management (see Table A2)
However, the majority (80%) also believe that if the World Bank did not require M&E, government counterparts would not engage in it (see Table A3).

Table A2: Is M&E a priority for Bank Senior Management

![Bar chart showing responses to the question: Is M&E a priority for Bank Senior Management?]

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.71%</td>
<td>48.6%</td>
<td>9.76%</td>
<td>17.07%</td>
</tr>
</tbody>
</table>

Table A3: Government counterparts would still engage in M&E if the World Bank did not require it

![Bar chart showing responses to the question: Government counterparts would still engage in M&E if the World Bank did not require it?]

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.44%</td>
<td>17.07%</td>
<td>14.63%</td>
<td>17.07%</td>
<td>48.78%</td>
</tr>
</tbody>
</table>
Project managers also have several major concerns, from an institutional perspective, about enabling good M&E practices. The majority (75%) believe that the Bank’s operational policies do not provide the right incentives to engage in systematic M&E (see table A4). Further, a majority (66%) of project managers believe that Bank M&E requirements and Bank supervision budgets are not tailored to project size, project complexity or country context (see Table A5). Finally, only a third believe that the standard timeframe for projects (an average of 5.5 years) is sufficient for realizing participatory objectives (see Table A6).

Table A4: The World Bank sets the right incentives for project managers to engage in M&E

<table>
<thead>
<tr>
<th>% of project managers surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
</tr>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>Disagree</td>
</tr>
<tr>
<td>Do not know</td>
</tr>
<tr>
<td>% of project managers surveyed</td>
</tr>
<tr>
<td>4.88%</td>
</tr>
<tr>
<td>19.51%</td>
</tr>
<tr>
<td>53.66%</td>
</tr>
<tr>
<td>21.95%</td>
</tr>
</tbody>
</table>

How well an M&E system functions is, in the end, determined by the actual use of data to guide project implementation. In the sample review, only 14 percent of the projects explicitly outlined procedures for revising the project if the M&E data indicated that it had gone off track. Surveyed managers say that important project design changes occurred in only a third of projects. In half of those cases, the changes were induced by internal learning mechanisms; fewer were induced by external advice and exogenous changes in the country. Most changes had to do with improvements to the M&E system itself (e.g,
refinement of indicators), or to the project's participatory mechanisms. The changes led to, among other things, communities being given more responsibility (e.g., control over the project budget); increased inclusion of vulnerable groups in the participatory process; and/or increased collaboration with local authorities.

Table A5: Project supervision budgets are tailored to project size, project complexity, and country context

In sum, we find that task managers who responded to the survey have a reasonable degree of awareness of what constitutes effective M&E design and practice in participatory projects. However, there are many institutional barriers to translating this knowledge into action. An open and effective monitoring and evaluation system requires a tolerance for risk, flexible project design and adequate resources. These seem to absent for the most part. A major problem, highlighted by the survey respondents, along with lack of management support, was the lack of an adequate project supervision budget. Most task managers also believe that governments see monitoring systems as a box to be checked in order to qualify for a loan, rather than as an instrument to help improve the effectiveness of projects. Given the belief that county counterparts have little incentive to implement good
monitoring and evaluation systems, explicit support from the Bank may be all the more critical.

Table A6: Participatory development projects are supported long enough to achieve sustainability in community processes

<table>
<thead>
<tr>
<th>% of project managers surveyed</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.44%</td>
<td>31.71%</td>
<td>39.02%</td>
<td>7.32%</td>
<td>19.51%</td>
<td></td>
</tr>
</tbody>
</table>
References


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Economics, 33, 179-189.


—— (2007): "What Have We Learned About the Causes of Corruption from Ten Years of Cross-National Empirical Research?," Annual Review of Political Science, 10, 211-244.


It is difficult to find accurate estimates of total World Bank lending for these sectors – because of data availability and problems with definitions, but - according to the data maintained by the Bank's Social Development department - the total lending for community-based and driven development was $50.4 billion from 1999-2010, with $7.8 billion allocated in fiscal year 2010 alone. Approximately an additional $31.6 billion was allocated to lending for projects with decentralization components from 1990-2007, which means that the total allocation for local participatory development is likely to be close to $80 billion.

Because of the large numbers of such organizations, and the diverse ways in which they report their data, reliable numbers are hard to come by.

Community development programs were also in vogue in Francophone Africa as “animation rurale,” since at least 1945 (White 1999: 111).

White (1999) identifies a second wave in the 1970s and 1980s, initiated by the UN system, but it seems more a ripple than a wave because it had little influence on large lending agencies. He calls the current interest in community-driven development “a third-wave which has engulfed the World Bank.”

As we note below, this represents a case of civil society failure and is, arguably, not a sustainable equilibrium in the long run.

Note that these notions of justice and fairness may vary from society to society and group to group. But, every social group has norms which determine what the believe is fair and just and civic action is mobilized around these norms.

Another way of looking at the connection among governments, markets, and civil society is to examine them within the frame of accountability relationships, as illustrated by the well-known diagram (Figure 3.2, World Bank 2003) from the 2004 World Development Report on making public services work for the poor. When citizens/clients organize collectively, they engage with the state by participating in politics and finding various other ways of expressing “voice.” The state consists of politicians and policymakers who engage in a “compact” with service providers. The compact can be managerial, with the state directly managing the service providers via a government bureaucracy; or the government can delegate the provision of services to the market via private providers who deliver public services to citizens. In Figure 3, there are two routes by which a collection of citizens holds service providers accountable: (a) the “long route,” the route of electoral accountability, when citizens reward governments that are responsible for effective service provision by re-electing them, or otherwise punish them by removing them from office; and (b) the “short route,” when service provisions is decentralized to communities, so that frontline providers are under the direct control and management of citizens, who exercise “client power” to hold them directly accountable.

The standard benchmark currently in use for market and government failures is “constrained Pareto efficiency”: failures of self-interested individuals to obtain a Pareto optimum subject to constraints of information, and given fixed preferences and technology. In the civic sphere preferences cannot be assumed as fixed; deliberative processes are intended to change preferences. Furthermore, coordinated actions can change information and the possibilities for contracting. Therefore, a tight definition of civil society failure is, perhaps, a little elusive at this stage. We are grateful to Karla Hoff for alerting us to this point.

Hoff, Kshetramade and Fehr (in press), in a recent paper, find evidence consistent with this. They find that compared to low caste participants, high caste men were more willing to punish violations of a cooperation norm that hurt members of their community.

Tsai 2007. In the course of a year of research, Tsai surveyed 316 villages in four provinces in both northern and southern China. Based on this research, her main thesis is that “in places with weak formal institutions of accountability, localities with encompassing and embedding solidarity groups are likely to have better local governmental public goods provision than localities without these groups, all other things being equal.”

Village temple groups are organized around a village guardian deity, an aspect of Chinese popular religion attacked during the Cultural Revolution period and subsequently rehabilitated. Lineage groups are organized around village ancestral halls.

Village church groups cannot be embedded because Party members are prohibited from taking part in church activities. By contrast, given the centrality of the village temple as a symbolic resource—and the fact that the temple council is a fulcrum on which moral standing and prestige are regulated—Party members are almost always members of the temple council and are among the top donors for temple activities.
We focus here on the role of culture in building collective identity. For more on how a cultural lens can help with development policy see Rao and Walton (2004) and Lamont and Small (2008).

Also see Bouchard for an exposition on the related idea of “collective imaginaries.” (Bouchard, 2009)


All data from Urban Poverty Project 2 Evaluation baseline survey 2004.

The poor can face multiple constraints on their time from multiple fronts – childcare, wage labor, searching for water and fuel, etc.

See also Rondinelli et al (1989) and Khan (2002).

According to the WDR 2004, for example, resource allocation decisions can be made more accountable if the poor are placed at the center of service provision where they can “monitor and discipline service providers” and thereby strengthen the incentives of providers to serve the poor.

This new emphasis on fighting corruption has been championed to a substantial degree by international organizations such as the World Bank and USAID.


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See, in particular, Mauro (1995). The causal relationship between corruption and economic development has been argued both ways though. For example, Glaeser, La Porta, Lopez-de-Silanes, & Shleifer (2004) argue that corruption tends to decline as economic progress occurs in a society.

See WDR 2004 on corruption and service delivery.

Tanzi and Davoodi (1997), for example, have shown that in the context of poverty reduction programs, corruption can reduce public revenue while increasing income inequality by allowing well positioned individuals to benefit unduly from government programs intended for the poor.


Pelletier et al., for example, have argued that local deliberative processes can produce outcomes which “reflect the values and interests of certain stakeholders more than others, even in the absence of overt conflict.”

Tanguy et al (2008) provide some interesting descriptive evidence, from Senegal and Burkina-Faso on the proliferation of community organizations that appears to be consistent with this. The authors report a dramatic growth in both market oriented and community oriented village organizations (VOs) over the two decade period from the early 1980s when participatory approaches first acquired popularity, to about 2002. In Senegal, where 10% of villages had at least one VO in 1982, the figure had risen to 65%. In Burkina Faso, where 22% of sample villages had VOs in 1982, 91% had at least one VO by 2002. Household participation in VOs also rose dramatically with 69% of households in Senegal and 57% in Burkina Faso participating in some VO. However, one-fifth of all registered organizations had not undertaken any activity by the time of the survey, and among those that had, most members reported that the projects undertaken were either incomplete or had not yielded any significant benefits.

On this see, for example, Shleifer and Vishny (1993). See also, Manor (1999) and Bardhan and Mookherjee (2006 and 200t7). Recent theoretical work on incentives in principal-agent models has also shown that decentralization can raise the propensity of individuals to accept bribes. See, for example, Carbonera (2000).

Several writers have also argued that it may not always be sensible to pursue a policy designed to minimize corruption, narrowly defined as bribes, graft and theft, particularly when there are other, possibly conflicting
policy goals. (see, for example, Waller, Verdier and Gardner (2002). The implications of corruption for efficiency has been a somewhat contested issue. Some like Huntington (1968) have argued that bribes, graft and theft are necessary for greasing the “squeaking wheels” of a rigid bureaucracy, or are an unpleasant but unavoidable side-effect of needed government intervention to prevent market failure (Acemoglu and Verdier (2000)). Others have pointed out that corruption can skew the incentives of the most economically efficient away from socially productive activities towards rent-seeking ones while those who are “greasing the wheels” may simply be most successful at rent-seeking rather than production (Treisman (2000)).

The study incorporates data from various sources, including, focus group interviews with households and community leaders on service quality and on local institutions; data on service coverage and administration; and a household survey which included information on participation in local associations and the use of specific services.

One-half on agricultural inputs, 16% on leadership training and 34% on agricultural training.

The study uses census data from 155 villages across the three largest provinces. Each village had at least one community organization formed by the National Rural Support Program (NRSP). NRSP is a national NGO funded by the Pakistan Poverty Alleviation Fund (PPAF), a World Bank supported apex.

To get representative measures of community poverty and inequality they use poverty mapping techniques to combine household and census data. This data is combined with administrative data on project type and cost at the community level.

Fritzen (2007) on the other hand, finds that electoral incentives induced more pro-poor actions by elected members of community development boards (CDBs) in Indonesia’s Urban Poverty Project (UPP). The CDBs are responsible for selecting and managing all activities funded by the UPP. A concern with this study is that, despite a large amount of data collection, the key variables used to determine elite capture are the perceptions of the board members whose behavior is being assessed making any inference difficult. The data on perceptions is also aggregated into scores in a somewhat obscure manner.

Municipalities were allocated a fixed number of stipends and were then responsible for identifying beneficiary children. By design, households with a monthly per capita income of less than Real 90 (around $40) were eligible and were offered a transfer of Real 15 per child, up to a maximum of Real 45 per household.

Selection is likely to be quite important since almost one-half of eligible children were left out of the program due to limits on available stipends at the municipality level. It also appears that there were large differences in initial dropout rates between beneficiary and non-beneficiary children, with beneficiary children having an initial dropout rate that was less than a third of the dropout rate of non-beneficiaries. The authors deal with this by estimating the treatment effect, after controlling for child fixed-effects and allowing children with a different pre-treatment dropout status to have different year effects. This accounts for a potential violation of the parallel trends assumption. Identification is then based upon a comparison of the change in dropout levels between treated children and their counterparts of the same type.

Program implementation varied greatly across municipalities despite clear eligibility rules at the federal level. This ranged from variation in the location where children were registered and the manner in which the school attendance conditionality was monitored, to the extent to which program coordinators were involved in verifying compliance. Further, much of this variation appears to be systematically different across first and second term mayors.

In contrast, redistricting could also serve to create new constituencies of “swing-voters” allowing politicians to better target communities whose electoral choices could be influenced by the provision of public goods (Lindbeck and Weibull 1987; Dixit and Londregan 1996, 1998; Persson and Tabellini 2002). The swing voter, is theorized to be closest to the center of the political spectrum. There is empirical support for the swing-voter model in both developed and developing countries. Levitt and Snyder (1997) have shown that in the United States, government spending increases the incumbent’s vote share in congressional elections. Sole-Olle and Sorribas-Navarro (2008) confirm this in the Spanish national elections. Dahlberg and Johansson (1999) find that incumbent governments in Sweden distributed temporary grants for ecologically sustainable development programs to regions where there were more swing voters.

Susan Rose-Ackerman (2008 ) has argued, for example, that the use of public office to influence resource allocation or to move legislation in favor of particular groups or causes should not be viewed as corruption since constituency based politics can motivate voters to monitor the actions of their representatives thereby reducing incentives for outright corruption.
corruption and a range of societal characteristics. For example, several studies find that reported perceptions of corruption vary systematically by individual and household characteristics like education, age, gender and income. Finally, a number of studies have noted a positive correlation between perceptions of corruption and indices of corruption experience used by them. Donchev and Ujhelyi (2009) and Olken (2007) also show that perceptions of corruption experience and indices of corruption perception and this holds for all the measures of corruption experience used by them. Donchev and Ujhelyi (2009) and Olken (2007) also show that perceptions of corruption vary systematically by individual and household characteristics like education, age, gender and income. Finally, a number of studies have noted a positive correlation between perceptions of corruption and a range of societal characteristics. For example, several studies find that reported perceptions
of corruption are positively correlated with levels of local inequality and ethnic heterogeneity (see for e.g., Mauro (1995), LaPorta (1999) and Olken (2007)). Others find a negative relationship between social capital, measured by levels of trust and civic activism, and corruption. On the last, see Putnam (1993), Paldam and Svendsen (2002) and Bjørnskov (2001). These studies cannot effectively rule out reverse causality – whereby high levels of corruption reduce trust and civic activism.

This is consistent with the theoretical model developed by Shleifer and Vishny (1993).

Note, however, that moving from perception data to data on actual corruption experience is not always straightforward. Different measures of corruption do not, in general, produce the same conclusions and, as Mendez and Sepulveda (2009) have shown, the impact of a policy shift can vary across measures of corruption and may also vary by the level of social tolerance for corruption in a society. Ades and Di Tella (1999) further argue that hard data on corruption, such as the number of reported fraud cases, is likely to reflect the specific classification system used in each country and will also, in general, reflect both the incidence of corruption and the corruption deterrence system in place.

The authors show that PETs data collected in other Sub-Saharan African countries yields a similar pattern of missing expenditures.

A number of other studies have shown that governments tend to be more responsive when the electorate is better informed and the mass media has an important role to play in this regard. Dreze and Sen (1990) made this argument forcefully in comparing the relative success that India, which has a free media, has had with avoiding famines as compared to China. In a similar vein, Besley and Burgess (2002) has shown that Indian states with greater newspaper circulation (which also had higher literacy rates and greater election turnout) were more likely to be responsive to food shortages. Stromberg (2004a, 2004b) has shown how access to media can affect the allocation of resources to specific groups and thus influence the incidence of redistributive programs. A number of cross-country studies have found a negative correlation between press freedom and corruption. See, for example, Stapenhurst (2000), Brunetti and Weder (2003) and Ahrend (2002). In a similar vein, Djankov et al (2003) et al find a negative relationship between state ownership of the media and measures of good governance, including political rights, service delivery and social outcomes. However, the independence of the media (and the degree of state ownership) may itself depend on the size of political rents and thus the scale of opportunities for resource misappropriation. Besley and Prat (2006) argue that the press is more likely to be free where political rents are small and there is scope for a multiplicity of media outlets and sources for advertising revenue. However, Mullainathan and Shleifer (2002) point out that greater media concentration need not imply less media autonomy, if competition generates a struggle for market share leading to the publication of more stories that tend to confirm the prior beliefs of readers.

State judiciary branches are assigned only to the most populous county among contiguous counties forming a judiciary district. Thus counties with nearly similar populations but without a local judicial presence serve as the counterfactual case.

Ferraz and Finan (2009) also find that the presence of a judge reduces corruption among second-term mayors. However, Litschig and Zamboni are unable to find evidence for any impact of mayoral incumbency on corruption levels though their strategy makes their results not directly comparable to Ferraz and Finan's work.

OPK rice was available at 60% below market price, implying a subsidy of about 9% of pre-program monthly household expenditures for a median household purchasing its full allotment of subsidized rice.

The measure of corruption is obtained by comparing administrative data on the amount of rice distributed with survey data on the amount actually received by households. A potential issue is that the available survey data sources only provide information on whether a household obtained any subsidized rice, without naming the program, or the number of times a household received rice. The author therefore assumes that each household that received rice received its full monthly allotment and that this was obtained from the OPK.

On this, see also the review by Banerjee and Duflo, 2006.

With a poverty monitoring tool, eligibility can be enforced though an administrative process using indicators of household or community welfare that are intended to proxy for income, which is costly and often difficult to observe. Usually this involves some type of means tests based on easily observed and verified aspects of a household’s poverty status, such as demographics and socio-economic characteristics, which are expected to be strongly correlated with relative deprivation.

Under self-selection, the eligibility criteria and level of benefits are usually designed to dissuade the non-poor from participation. For example, workfare schemes require labor inputs at minimum wages. Other ex-
amples include access to subsidized food via ration cards, which often include items that the poor consume disproportionately, such as coarser varieties of grains and cereals, or programs which have some stigma attached to their usage, such as food stamps and food banks do, in some contexts. Conditional cash transfer programs also make benefits conditional on specific outcomes such as school attendance or vaccination requirements for young children. (see for example, Besley and Kanbur, 1993 and Coady, Grosh, and Hoddinott, 2004).

Leakage occurs when benefits accrue to individuals or households who are not the intended beneficiaries of the program. In contrast, under-coverage occurs when intended beneficiaries, usually poorer households, are excluded.

Relative to perfect targeting where all benefits accrue to the poor, the program achieved about 1/5th of the maximum targeting differential.

As Galasso and Ravallion note, the requirement that all thanas participate in the program is likely to have constrained the scope for pro-poor geographic targeting at the center. Such political economy constraints tend to be a common feature of social programs.

The provinces, despite their higher allocations, were initially less able to target their poor areas, possibly because wealthier areas were better able to propose and co-finance feasible projects. In response, a project monitoring tool was developed to continuously update targeting performance at the district level. Ravallion (2000) has shown that this simple but powerful tool—which can be adapted for regular project monitoring and evaluation (M&E)—was able to substantially improve the intra-provincial targeting of the poor.

See discussion also in chapter 5.

Data on the precise shares obtained by provinces is not available so it is unclear whether the center fully met the differential cost burden of poorer municipalities.

PMTs are increasingly being used to target beneficiaries precisely because of concerns about program capture. However, PMTs do tend to impose at least regionally uniform eligibility requirements (PMTs can account for some local variation in initial conditions) leaving little room for discretion in the identification of beneficiaries at the local level.

Mustafa (2007. p. 488), for example, views British colonial water development projects in India and Pakistan as an effort to increase the power of the state and ensure security. British authorities sought to “increase government control of the local populations by encouraging them to take up settled agriculture and thereby minimize the security threat they might pose to the power of the state”. Similarly, Mosse (1997) emphasizes that political control has always been a component of decentralized tank management in India and was part of a political process that allowed chiefs to maintain and extend their control.

Within forestry, for example, these developments were reflected in the title of the Eighth World Forestry Congress ‘Forests for People’ held in 1978, and within the same year both the Food and Agriculture Organization of the United Nations (FAO) and the World Bank presented policy papers signifying the change of focus (Hobley 1996, Arnold 1998). (See also Wardell and Lund 2006).

See also Dasgupta et al (2000)

In 1992, the Rio Declaration and Agenda 21 called for participatory natural resource management strategies as means for increasing efficiency and equity in natural resource use and management, and the emphasis on poverty alleviation was strengthened even further, in the United Nations Millennium Declaration (United Nations 2000).

Forestry, for example, historically focused on establishing plantations and woodlots, while the handing over of rights to existing natural forests to rural communities only emerged in the 1980s (Arnold 1998).

Scholarship on common property regimes spans many disciplines. Anthropologists, resource economists, environmentalists, historians, political scientists, rural sociologists, and others have contributed to the growing literature. It also eclectically relies on many other approaches, including political ecological, ethnographic, and historical approaches. While Elinor Ostrom’s work has clearly been the most influential in this regard, important contributions have also been made by a number of other writers, including Partha Dasgupta, Arun Agarwal, Jesse Ribot and Pranab Bardhan, among others. Recent empirical work on the commons has also drawn significantly from theories of property rights and institutions. For a review of some of this literature, see the introduction in Ensminger (1992). See also, Bates (1989), Eggertsson (1990), Libecap (1989) and North (1990). Ensminger discusses the early foundations of this literature in the work of Commons (1970), Coase (1960), Alchian and Demsetz (1972), and Cheung (1970).
reported collections of firewood and fodder. Local government authorities and the community is defined simply as the citizens who live in the jurisdiction. Democratic decentralization, in contrast, involves transfers to elected local government authorities and the community is defined simply as the citizens who live in the jurisdiction. Since the paper relies on a single cross section and forest user groups are not placed randomly, the author uses a number of creative econometric strategies, including the use of administrative data to control for heterogeneity in the placement of forest groups. The results remain robust. The main outcome measure is self-reported collections of firewood and fodder.

Their empirical strategy involves a comparison of adjacent VP and non-VP forest parcels in order to control for unobservable community characteristics. They also control for a number of geographical attributes (such as slope, aspect, altitude and distance from the village) that affect forest quality.

The study uses a large sample of randomly selected forest parcels and objective measures forest quality, including canopy cover, height, girth and species of trees, lopping and regeneration rates. Unobserved heterogeneity in the existence of a VP is dealt with by comparing conditions in VP and non-VP forest patches which are adjacent to a particular village. This allows them to control for time invariant characteristics of local geography, climate and communities. The potential for negative externalities to neighboring non-VP forests is addressed by including controls for distance to the nearest VP forest.

Non-state actors or a more diverse group of actors may also facilitate the creation of local institutions. In Kenya, for example, the Catholic Church and other donor organizations supported the creation of farmers' organizations to manage irrigation systems (Mati 2008). Roncoli et al (2007) illustrate how a USAID project implemented a commune level pasture committee to mediate concerns and advise upon natural resource management issues. Similar donor roles in creating institutions to manage pastures are described by Ykhanbai et al (2004) and Taylor (2006).

While similar estimates for fisheries do not exist, the creation of new institutions, as part of a reform process, is far more common in both fisheries and forests. In contrast, the local management of irrigation systems, usually includes both traditional and state created institutions, while CBNRM of pastures is largely managed locally by traditional institutions. In Niger, farmers developed community-driven organizational systems to manage shared water irrigation systems “spontaneously” without any external assistance or historical forms of management (Norman 1997). Awareness and education campaigns may also influence the creation of new local institutions. An Indian cooperative was formed in 1974 by migrant fishers from Bangladesh after a woman in a migrant fishing village heard a radio address on the benefits of fisheries cooperatives. The village was composed of migrants who had a shared history and felt alienated from Indian society, resulting in a collective socio-cultural identity that united them although they had no prior history of collective action (Husain and Bhattacharya 2004).

There is, however, reason to believe that incentives do differ under collective management due to internalizing of externalities in decisions such that those who might want to cut the trees down may be challenged by those who want to continuously use the bark, leaves, and fruits or others who see them as aesthetically pleasing or as having functions for soil conservation or for wind protection. But, if the price of the timber is high enough, we still do not have reason to believe that the other actors in the collective decision cannot be paid off for the loss of these ongoing functions of the tree.

That is, the share of forest income in their total income is higher

Khwaja (2009), for example, notes that communities often reported choosing a particular type of project simply because they believed that the external agency could/would provide only a limited type of project and that asking for something else may lead to not getting any project at all.

The data come from 132 infrastructure projects in 99 randomly selected rural communities. Project complexity is measured by whether the project requires cash and/or skilled labor and the community’s experience in maintaining such a project.

Projects are located not just in the same village but also in the same neighborhood or habitation to ensure that there is considerable overlap between beneficiary groups.

Survey data includes engineer assessments of project construction quality, the physical condition of the project on the survey date, as well as beneficiary assessments of project performance. The census provides
information on household land holdings, assets, caste, education and other characteristics for all households in study villages.

NRSP operates much like AKRSP. Both are now substantially funded by an apex institution, the Pakistan Poverty Alleviation Fund, which is funded by the World Bank.

Controlling for inequality in wealth (land ownership), an increase in the heterogeneity index from the 1st to the 3rd quartile (0.25 to 0.43) is associated with a 7% drop in maintenance.

The argument is that as a member's share of project returns increases, their share of maintenance costs may not increase commensurately if free-riding is possible and maintenance costs are increasing and convex in own contributions. However, as inequality in returns increases further, those with substantial shares may become quite willing to undertake the necessary maintenance costs, perhaps by contracting out the work.

An increase in leader quality from the 1st to the 3rd quartile increases maintenance by almost 8 percentage points. Both leadership presence and quality are instrumented for to avoid potential reverse causality since well performing projects could have higher odds of having a project leader.

The exogeneity argument relies on the fact that both the sub-district and the village are administrative units based on population and geography and are thus not likely to be influenced by the presence of the KDP. However, it is not at all clear that the number of villages per Kecamatan is uncorrelated with other unobserved Kecamatan characteristics, such as ethnic heterogeneity or geography, that could exert an independent effect on project quality. For example, location and geography could influence local labor market conditions, the cost of materials and transportation, construction methods as well as pre-KDP stocks of village infrastructure. Similarly, if ethnic/religious identity is part of the calculation in setting administrative boundaries, then Kecamatans with greater ethnic diversity could have a larger number of relatively more homogeneous villages. If such villages are also more cohesive with higher levels of village monitoring, average project quality could be higher in Kecamatans which have more villages. The study tries to deal with many of these concerns and does so to a substantial degree given the limitations it faces in relying exclusively on administrative data from the KDP.

Road projects typically accounts for almost one-half of all KDP sub-project funds.

See discussion in chapter 3.

See also Hodgkin & Kusumahadi, 1993.

See Bruns, Filmer and Patrinos (2011) for a comprehensive review of SBM.

Gunnarsson et al (2009) use data from 8 Latin American countries. They find that only 9% of the variation in school autonomy, and 6% of the variation in community participation, can be explained by differences across countries, although there are substantial differences across countries in mandated levels of autonomy and participation. Overall, the educational systems in Bolivia and the Dominican Republic are highly nationalized; those of Brazil, Chile, and Colombia are more locally managed; and those of Argentina and Peru are somewhere in between. Interestingly, the two countries with the greatest parental participation, Colombia and the Dominican Republic, are at opposite ends of the range of legal centralization. An interesting point that the authors make is that Cuba is an outlier both in terms of extremely low levels of autonomy and participation and also an outlier in terms of extremely high educational achievements.

The theoretical model shows that greater participation by parents can serve to channel rent-seeking behavior by school officials in autonomous schools towards activities that enhance student learning.

The program they evaluate sought to address the challenges created by the introduction of free primary education in Kenya and the associated influx of new pupils with varying levels of academic preparation.

A second component of this program was a training program for Parent Associations, which provided training in the management of school funds and in the participatory management process. This second component was introduced at a later stage and is not evaluated by the authors.

The authors use the gradual phasing-in of the intervention to identify average treatment effects using a pipeline approach. An index of school quality (which included student density, the teacher student ratio, failure, repetition and dropout rates) was used to target schools for AGE. The authors use this index to check that schools that received AGE during the study period were similar at baseline to those that received AGE later. They also use school fixed effects and include a school specific linear time trend. While this strategy cannot deal with unobserved time-varying school characteristics that are correlated with both the timing of AGE treatment and the quality outcomes of interest, the authors argue correctly that this is unlikely.

The authors check for possible selection effects, in particular whether AGES changes the composition of students, but find little evidence that changes in unobserved student ability are driving the results. Not only is
there no effect on the dropout rate in treatment schools but, compared to pre-intervention trends, enrollment levels actually improve.

The actual information conveyed in the film, poster, and calendar was about the detailed roles and responsibilities of the 3 state-specific school oversight committees. The intervention was conducted in three rounds in each GP, each round separated by a period of two-three weeks and each round consisted of two to three meetings in different neighborhoods of the GP. It also included the distribution of posters and take home calendars. There were also neighborhood level meetings to ensure participation by disadvantaged caste groups. The tools were the same in all three states except that the information communicated was state specific, pertaining to the SDMC in Karnataka, the PTA in MP and the VEC in UP. In addition to the information campaign treatment in each of the three states, there was a second treatment done only in Karnataka. The only dimension in which the second treatment was different from the first was that the film had an additional 1-2 minutes capsule at the end. This capsule showed average wages in the state for different levels of schooling to increase awareness about the economic benefits of schooling and advocated the audience to become involved in monitoring outcomes in the school.

The school reform in the state of Sao Paolo allowed municipalities to take over any primary or secondary school. However, municipalities were allowed to decide which schools to take over. During the period of the study, more than 50 percent of state-run schools were taken over by municipal governments. The author uses this gradual induction of schools to identify the impact of school decentralization on intermediate outcomes. Since municipal governments could decide which schools to decentralize, the impact of school decentralization cannot be assessed without accounting for this selection effect. The direction of the bias is also unclear since municipalities could choose to decentralize either the best or the worst performing schools in order to show the greatest impact from decentralization. The author deals with this by using an 8 year school panel. The data has a large number of time varying characteristics for each school, and its community, and spans the period both before and after decentralization. This allows the author to conduct robustness checks, including a check for parallel trends to deal with the potential bias due to initial selection.

While municipal governments in Brazil are required to provide primary education, pre-primary education is offered on an optional basis with substantial variation in provision levels. Kosec uses changes in law which occurred in 1998 and 2007 (FUNDEF and FUNDEB, respectively) and panel data on municipal education policy over a 13 year period from 1995-2008.


The study uses a combination of pipeline and matching methods to estimate the impact of social fund investments.

The nutritional gain measures are anthropometric indices: height for age, weight for age and weight for height.

A VDC has a population of about 7000. 42 VDCs were matched into 21 pairs on the basis of ethnic composition and population density and 12 random pairs were selected for the study (1 intervention and 1 control cluster in each pair).

The sample comes from 3 contiguous districts, 36 rural clusters (12 per district) with a total population of 228 thousand. 18 clusters were randomly allocated to the treatment group, the rest held as controls. All women age 15-49 who had given birth during the study period (July 05-July 08) could participate, Women could enter anytime if they gave birth. Baseline mortality rates were established over a 9 month period of data gathering.

Three meetings were led by facilitators from local NGOs: a meeting with community members; a meeting with the staff of the relevant health facility; and a meeting which brought the community and health facility staff together. In the community meeting, facilitators provided communities with an assessment of the performance of the relevant primary health care facility, both in absolute terms and relative to other local providers as well as the government standard for health service delivery at the dispensary level. Communities were then encouraged to identify the key problems and the best way to monitor the provider. The health facility staff meeting was held at the health facility. In this meeting, the facilitators contrasted information on the quality of service provision they had obtained from the baseline survey with the information provided by the facility. In the third meeting, community representatives and health facility staff
developed a shared action plan, or a contract, outlining the community’s and the service provider’s agreement on what is needed and how and when it would be done, as well as who would be responsible. After the initial meetings the community was expected to monitor the provider. However, facilitators supported this process through follow-up meetings. These meetings took place during the facilitator’s day to day interaction with the community based organizations in the village.

In 2005, federal government transfers to municipalities totaled $5.7 billion Brazilian Reals (approximately $US 2.6 billion), which represents about $US 14 per person covered. This figure does not include the municipal contributions which varied from zero to nearly 100 percent.

The authors add micro-region fixed effects as well as a number of other time-varying regional variables to reduce potential selection problems but do not test for parallel trends prior to the study period, and without that, the conditional exogeneity of program expansion rates cannot be assumed.

The authors do a careful job of dealing with selection issues. To deal with time-invariant differences across municipalities, such as in initial mortality rates or health service quality, municipal fixed-effects are added to the difference-in-difference specification. Time varying differences, such as the occurrence of health shocks are more problematic. They include state-specific time dummies to deal with this issue. Municipality-specific time trends would be better but the authors cannot use these since the number of municipalities is large. Instead a wide range of municipality variables are added, including immunization coverage, health and education infrastructure and municipality population. Finally, standard errors are clustered at the municipality level.

For mortality between ages 1 and 4, the coefficients correspond to reductions of 6.4% (0.07 in absolute terms) for municipalities three years into the program, and 25% (0.28 in absolute terms) for municipalities eight years into the program.

In the North, a municipality eight years into the program is estimated to experience a reduction of 15.0 per 1,000 in infant mortality rate, while the analogous reduction for the Northeast is 13.8 per 1,000.

Sessions were to be held on a quarterly basis in a local household with women of reproductive age, adolescent girls, and older women. LHWs and traditional birth attendants were expected to facilitate these group sessions using materials specifically developed for this purpose, including a docudrama on pregnancy and newborn care.

The project ran from 1999 to 2003 and covered a total population of about 1.26 million people, or about 11% of Cambodia's population.

In treated districts, the management of government health care services was put out to competitive bid for qualified organizations, such as NGOs and private firms. For each district the organization with the highest combined score on the technical quality of the proposal and price was awarded a contract to manage the district’s government health care service. In the end, only international NGOs, firms, and universities submitted bids. All the winners were international NGOs. The comparison districts continued to be managed by local employees.

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The twelve districts selected for the study were randomly assigned to three groups: Four were eligible to receive contracting-in bids, four were eligible to receive contracting-out bids, and the remaining four served as a comparison group. The authors collected data on individual health care outcomes and care-seeking behavior from a random sample of 30 villages in each of the 12 districts involved in the contracting project. About 20,000 individuals in 3,700 households are included in the samples. A baseline survey was conducted in 1997 before interventions were made, and a full follow-up was conducted in 2003. While the same villages were sampled in both survey years, within villages a new random sample of households was taken each time. The data is thus a panel at the village level and a repeated cross-section at the household level.

Not all districts in the initial treatment groups were actually treated. As such the authors report ‘treatment on treated’ effects using assignment to treatment as an instrument.

Each hospital continued to receive the same line-item grants from the state government to ensure pre-reform levels of funding. The RKS also raised its own money via user-fees, leasing of hospital property, loans or donations. It had full autonomy over the use of hospital assets, but had no authority over government-appointed doctors.
The poor are identified as holders of the Below Poverty Line (BPL) cards issued by the government for a range of poverty related benefits.

The study uses data from 36 CRs of which one-half are controls. The sample includes 71 villages, 750 households and 1000 children. Analysis is done at the village, household and child level using baseline and follow up data. Village, household and child fixed effects are included depending on the level of analysis. The authors check for parallel trends across treatment and control communities in the key outcome variables before PNIR and cannot reject the null of similar trends. However, this check for parallel trends is done at the level of the CR, an administrative unit with 42 villages, on average, and a population of about 13,000, whereas the analysis is done at the child, household and village level.

i.e., 'intent to treat' effects.

Child weight-for-age (WAZ), a measure of short-term malnutrition, height-for-age (HAZ), a measure of long-term malnutrition and weight for height (WHZ) a measure of short term wasting.

Political influence variables at the village level are used as instrument to deal with potential selection in project awards. A worry with this strategy is that it is not clear that political influence affects village outcomes only through its effects on accessing PRIR funds. If it can also be used to attract other public or private resources to the village, for example, the exclusion conditions necessary for the use of political influence variables as instruments would be violated.

A typical program SHG consists of 10-15 members who meet regularly to discuss social issues and activities, deposit a small thrift payment into a joint account, and make decisions on loans.

In later years, the program also tried to improve the availability of rice to low income households through bulk purchases from the public distribution system and resale to poor village households at a discounted price. This included the provision of rice as an in-kind loan for SHG members. The provision of grain as in-kind credit when needed was also expected to boost meeting attendance, saving, and repayment.

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They do not check for parallel trends in outcome variables prior to program inception so it is unclear if the PSM exercise and difference in difference technique can take care of selection bias whether from time invariant or time-variant sources.

Targeting of the poorest was ensured through a two step process. In the first stage, the poorest districts in the three departments were identified using a poverty map. In the second stage, households were screened according to eligibility criteria. Specifically, in rural areas, they could not own more than 2 cows nor farm more than 10 hectares; in all areas, the household could not own an air conditioner, a refrigerator or a 4-wheel vehicle. Interestingly, participatory targeting was not used to identify beneficiaries, despite the participatory intent of the program.

The program is large in scale, covering some 148,000 villages officially designated as poor, which represent about 21 percent of all villages in rural China. Some 140 million people, about 15 percent of China’s rural population, live in these villages.

The authors do find a substantial increase in overall spending on public infrastructure in program villages with completed projects. This increased spending was due to larger investments by both the government and the village community, suggesting that community financing was used to leverage government funds as is the practice in CDD projects. Interestingly, however, there was no effect of the program on what the authors describe as ‘village corvee labor’. It is not clear whether this is because villages were not required to contribute labor to the projects or whether they responded by reducing labor on other communal activities. There is also some interesting heterogeneity in the financing of infrastructure investments in western versus non-western regions. The increase in investment was twice as large in non-western villages compared to western villages and this was entirely due to larger contributions from the community, including village labor. In contrast, communal labor inputs were reduced in western villages which began investments under the project.

Of the 588 villages in the matched sample, 552 had at least one poor household, 484 had at least one rich household, and 448 villages have both rich and poor households. The restricted sample includes the 448 villages with both rich and poor households. A comparison of results for rich and poor households using the restricted sample is analogous to controlling for village fixed effects since the authors compare the average change in income for the village poor/rich, with the average change for the village poor/rich in the matched village. In addition, since villages with both rich and poor households are more heterogeneous with respect to
poverty, a comparison of estimates for the restricted and full samples also suggests how program impacts may vary along this dimension.

cxxix By the end of 2004, 55 percent of poor villages (366 sample villages) had completed plans and 37 percent of poor villages (244 sample villages) had begun investments based on the plans. A main reason, according to the authors, that most villages had yet to begin planned investments three years after the program had begun is that county governments generally concentrated annual program allocations in a subset of villages. The decision to fund village plans sequentially rather than simultaneously was due to practical concerns such as economies of scale in investments and the fixed costs associated with supervising the design and implementation of plans in each village. The village data confirm that the increase in “treated” villages over time was due to a gradual expansion of investments in new villages within counties rather than expansion across counties.

cx Some 1,800 villages were selected out of a total of 7,600 villages in the three counties using specific and objective criteria.

cxii Since program placement was geographically and poverty targeted, the authors obtain a counterfactual set of villages by selecting randomly from among non-SWP villages in the same counties and then using propensity score matching methods to arrive at a plausible counterfactual.

cxii See also the discussion in section 6.3.2 on this study.

cxii The same appears to be the case with microfinance, particularly for more vulnerable families. The author also conjectures that loan repayment requirements may have further impoverished the most vulnerable, though no evidence is provided for this.

cxivi The CDR was randomly implemented in 42 out of 83 eligible communities. The project aimed to improve the material wellbeing of resident households, reinforce democratic political attitudes, and increase social cohesion. To assess the impact of the CDR program, the authors use survey data collected at baseline and follow-up as well as a study on behavioral outcomes. The survey data contains the usual range of socio-economic welfare measures plus measures of social cohesion and trust.

cxvi The comparison group is obtained by exploiting a pipeline setting. The program was introduced in phases with the latter phase (RPRP) starting after 3 years in different districts from the initial program (DPIP). At the time of the survey, DPIP had been available to survey villages for about three years while RPRP was just starting. A potential concern with the pipeline strategy is geographical variation across treatment and control areas. The study does not test for parallel trends. Instead, it uses propensity score matching on observables over an area of common support at the village and household level.

cxvi The authors identify 3 sub-groups of interest: (i) those who joined new groups under the program (new participants); (ii) those who already participated in a SHG before the program started but converted into a program group subsequently (converted participants); and (iii) those who did not join the program (non-participants). To control for household self-selection into program SHGs, they form control groups using households who were potentially new, converted, and non-participants in the control districts based on their participation status three years after the program became available.

cxvi The author attempts to deal with selection into DPIP by using a quasi-experimental evaluation design which exploits state borders as an exogenous source of variation in treatment assignment. Specifically, the strategy involves selecting only those treatment villages in MP which are close to its border with the neighboring state of Uttar Pradesh and then “pairing” each treatment village with its neighbor in Uttar Pradesh which did not have the option of being a DPIP village but is assumed to be sufficiently similar to the treated village in all other respects. A similar strategy is employed for control villages, selected from among villages in MP that were also on the border but did not get DPIP, yielding “control pairs”. The identification strategy thus rests on two crucial untested “parallel trend” assumptions: that the MP villages (both treatment and control) had the same baseline trends, for the relevant response variables, as their respective cross border pairs, and that any difference in the level of the relevant baseline outcomes between the control pair was the same as the difference between the treatment pair. Only under these conditions could this approach deliver the treatment effect of DPIP, but there is no prima facie reason to expect this set of assumptions to hold in practice and the author provides no evidence in support of these strong assumptions, other than a comparison based on village population, caste composition and gender ratio prior to the program. It is unclear why these variables are the relevant ones for the outcomes of interest.

cxvi The IAT is an experimental method used in social psychology, which relies on the idea that respondents who more easily pair two concepts in a rapid categorization task more strongly associate those concepts. The
taste IAT is a computer-based double-categorization task which examines the strength of respondents’ association between images of (anonymous) male and female leaders and normative categories of good and bad. To measure gender-occupation stereotypes, they use an IAT which examines the strength of association between male and female names and leadership and domestic tasks.

to estimate the effect of reservations (the authors only look at presidential reservations), they use a regression with village and time and block (sub-district) fixed effects where the explanatory variable of interest is the reservation indicator.

The study fielded a qualitative questionnaire to World Bank managers of 14 CDR projects and conducted in depth telephone interviews in addition to a project desk review.

The study used propensity score matching to identify control villages which did not receive project funds and employed an instrumental variable approach to evaluate effects of the program in treatment villages.

Village pairs were randomly allocated to treatment and control.

Project resources were spent largely on local public goods which were under construction at the time of the survey so welfare effects are not assessed.

The CDR was randomly implemented in 42 out of 83 eligible communities. The project aimed to improve the material wellbeing of resident households, reinforce democratic political attitudes, and increase social cohesion. To assess the impact of the CDR program, the authors use survey data collected at baseline and follow up as well as a study on behavioral outcomes. The survey data contains the usual range of socio-economic welfare measures plus measures of social cohesion and trust.

Among individuals, nearly two thirds contributed the maximum amount and only 10% kept the endowment in its entirety. This indicates, as the authors note, a high level of overall optimism in the capacity for collective action. In terms of the CDR, the authors find that exposure to the CDR led to an average gain of 6.5 percentage points in the share of available funds earned by the community. The average share of household contributions increased by 5.7 percent, while the share of households contributing the full amount increased by 9 percent. These effects are each significant at the 95% level. This improved social cooperation persisted after the program ended.

The authors acknowledge that they cannot rule out the possibility that omitted variable bias is playing some role – in that the types of people victimized tended to be those who would have become postwar local leaders anyway. However, there is no strong evidence that more educated people or community leaders were targeted. Additional tests – namely, demonstrating robustness in the youth subsample and in chiefdoms without permanent RUF bases, where conflict related violence victimization is likely to be more indiscriminate or random – argue against the hypothesis that the systematic targeting of community leaders is driving the results.

On the other hand, survey research carried out in the large urban centers of São Paulo and Mexico City reveals that citizens who participate in associations are more likely to actively pursue a range of rights and entitlements—which does not necessarily improve the quality of their relations with government (Houtzager et al. 2007).


For source see endnote (i ) in chapter 1.

Market failure is essentially a failure of coordination, usually rooted in an agency problem, in excessive market power or asymmetric information which creates an inefficiency. It typically occurs when a good or service is a public good, or there are significant externalities entailed in its provision. Governments are often charged with addressing market failures through policy choices, public provision, and regulations. When such an intervention creates another distortion or exacerbates the market failure it sets out to address, we speak of ‘government failure’. We discuss this in some more detail in chapters 1 and 2.

We are very grateful to Catherine Gamper for conducting the analysis on which this annex is based. We are also grateful to the SDV Anchor for their help in sharing the data and facilitating the survey with TTLs.

The first number represents the percentage of participatory projects surveyed in each region. The second, in brackets, represents the share of each region in total projects surveyed: AFR 43% (31.3%), EAP 19% (12.17%), ECA 13% (13.33%), SAR 9% (17.10), MNA 11% (6.67), LAC 4% (19.42).

In the past, data collection was often referred to as “general statistical data available,” and targets were described in vague terms such as “improved,” “increased,” or “decreased.”
On average, there were four aide-memoires per project, and 40 projects had MTR’s. Aide-Memoires and MTR’s were collected based on the same stratified sample described in section III. The final number of projects reviewed was 40 instead of 68, since the remaining projects had no English Aide-Memoires and MTRs available.