



Do community-driven development projects enhance social capital? Evidence from the Philippines

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ABSTRACT

We explore the social capital impacts of a community-driven development project in the Philippines in which communities competed for block grants for infrastructure investment. The analysis uses a unique panel data set of about 2100 households, aggregated at the village-level, collected in 66 treatment and 69 comparison communities. We provide both difference-in-differences and propensity score matching estimates. We find that the project increased participation in village assemblies and the frequency with which local officials meet with residents and had a negative impact on collective action. There is also more limited evidence of a positive impact of the project on bridging (i.e., generalized) trust and of a negative impact on group membership.

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1. Introduction

International aid organizations, multilateral organizations and national governments are increasingly favoring bottom-up approaches that involve local communities in project design and implementation. In addition to purely normative benefits (Sen, 1999), participation is expected to lead to better outcomes through better poverty targeting, reduced project costs, improved maintenance and allocative efficiency. Moreover, often grounded in social theory (Chase and Woolcock, 2005), such programs are expected to enhance social capital.

Community-Driven Development (CDD) projects are one way the World Bank has applied conventional wisdom about the value of participation. Such projects constitute 9% of World Bank lending annually (World Bank, 2007).² In a typical CDD project, communities prepare subproject proposals with the support of facilitators, compete over block grants to finance investments for local public goods, and are then responsible for implementation and maintenance of those investments. The CDD approach promotes stakeholder involvement in all stages of the process from subproject identification to subproject maintenance.

While the literature on some of the expected benefits associated with direct stakeholder participation in development projects is growing (see Arcand and Bassole (2007); Prokopy (2005); Chase et al. (2006); Khwaja (2006); Olken (2007) among others), there is little empirical understanding of its institutional impacts. However, since those projects often have the objective of empowering communities, it seems important to address questions like: as a result of a CDD project, does participation in local governance activities actually increase? Do group membership rates increase? How do the relationships between local officials and citizens evolve?

This paper explores the impacts on community-level social capital of the KALAH-CIDSS, a large-scale CDD project in the Philippines. Under this project, all villages within a municipality can prepare proposals for small-scale infrastructure investment, while only a subset of villages (i.e., those with the most deserving proposals) actually implement those investments. The paper takes advantage of a unique and detailed panel dataset of 2092 households, aggregated at the village-level, in 135 villages in 16 municipalities of the Philippines. The sample includes eight municipalities in which the project is implemented and eight matched comparison municipalities.³

In this paper, we define social capital as ‘the ease with which community members act collectively’. While it is possible to analyze social capital at the household level, given the way CDD projects are implemented, we treat social capital as a community aggregate. Our indicators of social capital will include measures of participation in

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² Since 1999, the World Bank has lent about USD 32 billion for CDD projects (11 billion IBRD and 21 billion IDA). In Africa, 31.3% of World Bank projects are CDD projects. Similar figures for other regions are respectively: 12.2% in East Asia and the Pacific, 13.3% in Europe and Central Asia, 19.4% in Latin America and the Caribbean, 6.7% in the Middle East and North Africa and 17.1% in South Asia (World Bank, forthcoming).

³ The selection procedure for treatment and comparison municipalities is described in Section 3. More details are available in Chase and Holmemo (2005).

both formal and informal institutions as well as of the ties between citizens and the local and national governments.

Our paper builds on existing research on participatory projects' impact to enhance social capital and foster collective action. First, we use household panel data, aggregated to the village-level, collected both before the project started and after one cycle of subproject implementation in both treatment and comparison municipalities. The survey instrument includes information on a broad range of household and village-level social capital measures. Thus, we can analyze whether changes in social capital indicators can be attributed to the project, controlling for initial village characteristics and time-constant unobserved characteristics. Further, the availability of household-level panel data allows us to check if our results could be driven by attrition bias.

Second, communities followed very detailed, facilitated participatory processes throughout the project, tailored to Philippine conditions. Since opportunities for participation are clearly defined, we improve upon previous research that used data from CDD projects in which the decision rules within communities and with local authorities were not always clear. Note that while the subproject implementation cycle is repeated three times in each village, this research summarizes data currently available, collected after the first cycle. More data will be collected after the end of the third cycle which will enable us to analyze the impacts of the full projects (i.e., of the three cycles of subproject implementation).

Our difference-in-differences and propensity score matching estimates highlight that the project impacts both participation in local governance activities and community social networks. As a result of the project, treatment villages experienced increases in participation in village assemblies and in the number of meetings with residents organized by elected village leaders. There is also limited evidence that generalized trust (i.e., toward strangers) also increases with the project. However, there is a decline in collective action and, to a lesser extent, group membership. This might indicate that different forms of social capital are substitutes but we can't test this formally with the data available.

The paper is organized as follows. Section 2 defines social capital and discusses how CDD projects interact with the concept of social capital. Section 3 describes the CDD operation and data. The estimation strategy is presented in Section 4 while the results are discussed in Section 5. Section 6 concludes.

2. Social capital and CDD projects

By design CDD projects intend to interact with social capital characteristics within communities. Indeed, CDD approaches may enhance or change the character of community social capital, promoting institutional change in how frequently, easily or in what ways community members collaborate for common ends. One of the claims about CDD approaches is that they enhance community collective action.

It is challenging to test this claim. While social capital has been shown to affect a broad range of economic outcomes, there is little agreement as to what social capital is.⁴ Social capital is a broad category that includes formal and informal institutions that support community-members' collaboration, through, for example, existing norms where community members work together for common goals, trust in neighbors or local authorities, or active groups organized for other purposes.

We define social capital as 'the ease with which community members act collectively'.⁵ From this definition, consistent with Putnam, 2000, social capital is mostly a community-level aggregate.

While some authors argue that social capital is a household-specific characteristic, given the way CDD projects are implemented our definition appears more appropriate. In the econometric analysis, we aggregate our household-level data at the village level.

Collective action can take place both within community networks and in the context of citizens' ties with the state. As a result, we will distinguish between informal and formal social capital. In the paper, the former relates to ties between community and non-community members,⁶ and the latter is concerned with ties between households and the local and national government.⁷ We also incorporate the concept of local governance in the analysis which we define as the supply of formal social capital by the local government.

While operations taking a CDD approach vary by context and objective, they tend to have two stages: preparation and funding. To better understand the potential social capital impacts of CDD projects, we now present those two stages in general terms. The first stage (i.e., preparation) usually consists of facilitated discussion during which community members reach consensus on the most pressing problem facing their members and then prepare a proposal to address that problem. An inter-community decision-making mechanism is then organized during which proposals from various communities are ranked based on a set of previously agreed upon criteria. Only those with the highest ranked proposals (within the budget allocated to the locality) undertake the second stage (i.e., funding). Specifically, they receive resources and then implement the investments. They are usually required to contribute either money or labor (or both).

2.1. Preparation

The processes communities follow through CDD approaches seek to build on and encourage local collective action institutions. Notably, CDD operations work to ensure a transparent decision-making process with clear rules. Further, these approaches include clear incentives to foster collective action, for those communities able to organize themselves to put together a better project proposal will get resources to invest in public-goods. This combination of rules-based processes and resources for collective action can enhance social capital.

2.2. Funding

It is often assumed that, within a locality, communities successful in receiving funding for their proposal likely had higher ex-ante capacity for collective action, i.e., more social capital, than their counterparts. To be successful, communities need to prepare good proposals, a process that requires significant collective effort in the community. Those communities already possessing more developed social capital assets are more likely to secure funding.⁸ Since communities are responsible for project implementation, these successful communities have additional opportunities to practice collective action. As a result, CDD impacts, including potential changes in local institutions, will be greater in communities with higher ex-ante capacity for collective action.

To summarize, in a typical CDD project, all participating communities go through the preparation stage and only those successful in securing funding for their proposals will go through the funding stage of subproject implementation.

CDD projects likely have different impacts on formal and informal social capital. Indeed, some CDD projects seek to follow government processes (i.e., local planning and budget preparation routinely undertaken by local governments) while others set up parallel temporary systems. As a result we should expect the former type of

⁴ Writing a history of the concept, Farr (2003) noted that "scarcely an article on social capital begins without complaining about the semantic from this situation."

⁵ From this definition, social capital can generate positive externalities but this is not necessarily so.

⁶ Common indicators include trust in neighbors, membership in groups, etc.

⁷ Common indicators include trust in local officials, participation in local governance activities, etc.

⁸ See, for example, Labonne and Chase (2009).

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