

Evaluating Community-Based and Community-Driven Development:

A Critical Review of the Evidence

Ghazala Mansuri and Vijayendra Rao

Development Research Group

The World Bank

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1. Introduction

Community Based Development (CBD) and its more recent variant, Community Driven Development (CDD), are among the fastest growing mechanisms for channeling development assistance. To clarify concepts, CBD is an umbrella term that refers to projects which actively include beneficiaries in their design and management. CDD is a term, originally coined by the World Bank, that refers to CBD projects where communities have direct control over key project decisions as well as the management of investment funds.

According to conservative calculations The World Bank's lending for CDD projects has gone up from \$325 million in 1996, to \$2 billion in 2003¹. Much of the rationale for this massive expansion is expressed in the CDD chapter in the World Bank's Poverty Reduction Strategy Paper Sourcebook (Dongier, et. al, 2003) which helps guide the Bank's work on the subject. Here, CDD is viewed as a mechanism which can among other things: (i) Enhance sustainability; (ii) Improve efficiency and effectiveness; (iii) Allow poverty reduction efforts to be taken to scale; (iv) Make development more inclusive; (v) Empower poor people, build social capital, and strengthen governance; and (vi) Complement market and public sector activities. The claim is that it achieves this by: (a) reducing the information problems that face both the social planner and potential beneficiaries by eliciting development priorities directly from target communities and allowing target communities to identify projects as well as eligible recipients of private benefits, like welfare or relief; (b) expanding the resources available to the poor, via credit, social funds, capacity building and occupational training; and (c) strengthening the civic capacities of communities by nurturing organizations which represent them, and by enabling them to acquire skills and organizational abilities that strengthen their capacity for collective action.

Thus the potential gains of CDD are undoubtedly large. It has the explicit objective of reversing existing power relations in a manner that creates agency and voice for the poor, while allowing the poor to have more control over development assistance. It is expected that this will result in the allocation of development funds in a manner that is more responsive to the needs of the poor, better targeting of poverty programs, more responsive government and better delivery of public goods and services, better maintained community assets, and a more informed and involved citizenry that is capable of undertaking self-initiated development activity.

¹ When lending for CBD and the "enabling environment" for CDD is included – it rises from \$3 billion in 1996 to \$7 billion in 2003. Note, however, that there is an large amount of measurement error in these numbers and there is, to date, no authoritative estimate of the World Bank's CBD/CDD portfolio.

This vision of CDD's potential has become one of the cornerstones of the Bank's Comprehensive Development Framework with its increasing emphasis on processes of empowerment (Dongier et al. (2003), Mclean et al. (2001), Narayan (2002)). However, it is not a vision which is universally shared. Skeptics have raised a number of issues which range from misgivings about the basic precepts of the approach, to more practical concerns which focus on the challenges of implementing CBD/CDD projects. Summers (2001), for example, expresses some discomfort with the World Bank's role in promoting local level institutions under the aegis of such projects. His argument is that such institutions could create parallel structures which compete with or undermine democratically elected, local or national, governments. Harriss (2001), Platteau and Abraham (2001), Mosse (2001), Cooke and Kothari (2002) and others, have focused on the sorts of issues that arise when complex and highly contextual concepts like 'community', 'empowerment' and 'capacity for collective action' are translated to the needs of large development projects that are on tight timelines. In such contexts, they note that project implementers, whose own 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 short change the difficult and more time intensive task of institution building in favor of more easily deliverable and measurable outcomes.

A key issue for many critics is that evidence on the actual record of CBD/CDD initiatives still lags considerably behind the speed at which such projects are being implemented and 'scaled up.' Convincing evaluations of community driven projects, are indeed hard to come by. On the other hand, the diversity of views, as well as the intensity of their expression on all sides of the debate, makes a review of the available evidence both necessary and timely. In examining the literature, we have also found that there is enough credible research to glean some useful insights about specific facets of these programs. That is what this review sets out to do.

Given that, in practice, there is considerable overlap between CBD and CDD projects, both within the World Bank's portfolio and in projects funded by bilateral organizations and NGOs, we have reviewed evidence from projects that would be considered either CBD and CDD. In particular, we have included in the review relevant evaluations of any project that had community participation as a crucial element of its design. A more narrow review of CDD would have been impossible given the paucity of reliable evidence. Therefore, the paper is best viewed as a broad assessment of community based approaches to development.

We focus on the following set of questions: Does community participation improve the targeting of private benefits, like welfare or relief? Are public goods created by CBD/CDD projects better targeted to the poor? Are they of higher quality, or better managed, than similar

public goods provided by the government? Does participation lead to the empowerment of marginalized groups? In particular, does it lessen exclusion, increase the capacity for collective action, or reduce the possibility that project benefits are ‘captured’ by locally powerful elites? Are the characteristics of ‘external agents’ (donors, governments, NGO’s and project facilitators) relevant for the quality of participation induced and/or for project success/failure? And finally, can CBD/CDD projects be sustainably scaled up?

While these are by no means the only interesting questions one could ask, these were the sets of questions on which we were able to find some reliable evidence. The literature we looked at can be usefully divided into two types of studies: Impact evaluations – studies that used statistical or econometric techniques to assess the causal impact of specific project outcomes, and ethnographic/case studies that used anthropological methods such as participant observation, in-depth interviews, and focus group discussions. While the latter cannot be used to attribute impact, they often provide a more nuanced and contextualized picture of CBD/CDD processes in particular contexts, and yield insights that can be difficult to generate with quantitative techniques. For some questions of interest, such as empowerment and scaling-up, we had to turn exclusively to case studies as our main source of empirical evidence since there is virtually nothing in the quantitative literature on these issues.

To avoid the potential for bias we have excluded studies conducted or supervised by those in charge of implementing CBD and CDD projects, unless they have been published and therefore undergone the test of peer review. While this may have eliminated some good, unbiased evaluations, it allows us to use an exogenous rule that limits the possibility of bias.

The remainder of the paper is organized into five sections. In section 2, we preface a review of the evidence by briefly examining the history of participatory development and the move towards CBD as a key mechanism for channeling development assistance. Section 3 examines the literature on participatory development and collective action with a view to understanding what is really meant by ‘participation’ and ‘social capital’, what constitutes a ‘community’, and what are the likely limits and constraints on community participation. In section 4, we review the evidence on the effectiveness of CBD/CDD attempting to answer some of the questions raised above. Section 5 focuses on the feasibility of sustainably scaling up CBD/CDD, and Section 6 concludes by highlighting the main results and identifying the gaps in our knowledge.

2. Participatory Development and Development Assistance

Community Driven Development is a term that was coined a few years ago by World Bank staff.². There is, however, a much longer history of community based forms of development. In the context of developing countries, the cooperative movement and Gandhian (Gandhi, 1962) notions of village self reliance and small-scale development were clearly significant. Gandhi saw the cooperative movement as an antidote to what he regarded as the corrosive effects of modernization and colonial rule. Another influential perspective was Freire's (1970) *Pedagogy of the Oppressed* which offered a similar critique, but from a radical leftist perspective. His notions of "dialogical action" and "theory of revolutionary action" argued that the "oppressed" needed to unite to find a way to improve their own destinies.

This thinking led to a "first-wave" of participatory development in the 1950's, that had spread, via the efforts of USAID, to over sixty countries in Africa, Asia and Latin America by 1960 (White, 1999). In the early 1960's the funding for these programs dried up and within a decade they were mostly shut-down. White (1999, Page 111) notes than one important lesson to learn from the end of the first-wave was "fadism among development agencies, who will build up an approach – to the extent that it is virtually a requirement that a country have such a program in order to receive aid – and then loose interest, leaving the program to collapse." Both this, and the fate of the cooperative movement, which was transformed from a set of small scale movements run by highly dedicated groups to a set of large bureaucratized government-led institutions, have instructive lessons for CBD/CDD in its current form.

Economists for a long time remained skeptical of the approach. The early literature on development policy was strongly influenced by the work of Mancur Olson (1973) and Russell Hardin (1968) on collective action (CA)³. Olson's core proposition was that in the absence of 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 most concerned with what he referred to as 'exploitation of the great by the small', i.e., that those with smaller interests in a public good would tend to free-ride on the efforts and contributions of those with larger interests in the public good. Garrett Hardin's 'tragedy of the commons' also acquired metaphorical power, particularly as environmental concerns became more important— but like Olson's thesis it has much broader implications that impinge on a large range of economic problems including the domain of the public and the private, decentralization of power to local governments, the provision and management of a host of goods and services that are to

² Personal communication from Hans Binswanger and Deepa Narayan.

³ Simply defined, collective action is action by more than one person intended to achieve a common goal or satisfy a common interest. A key issue in the literature is that the goods or services produced through such action must be non-excludable, jointly produced, and costly.

some degree public or are common pool resources. Hardin's view was further supported by property rights theorists (like Demsetz (1970) and North (1990)) who argued that common property resources would be over-exploited as demand rose unless the commons were enclosed or strong state regulation was put in place to protect them. This view generated a great deal of pessimism in the World Bank and other multi-laterals about the viability of any local collective action in 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 the development of private property rights.

By the mid-80's, there was a perception among critics of Big Development that many large scale, government initiated development programs, from schooling to health, credit to irrigation systems, were performing poorly. At the same time, it was felt that rapidly degrading common pool resources were creating significant negative environmental and poverty impacts. This perception re-awakened interest in the notion of local management of resources and decisions. The participatory development movement led by Robert Chambers (1983) and others was important in applying these ideas directly to small-scale development. Their focus was on finding methods that would allow the poor to be informed participants in developmental assistance, with external agents mainly acting as sources of funds and facilitation. Supporting this was the increasingly strong and articulate critique of Development from academic social scientists such as Escobar (1995) and Scott (1998) attempting to demonstrate how top-down perspectives were both dis-empowering and ineffective. At the same time, projects like the Self Employed Women's Association in India, the Orangi slum improvement project in Pakistan, and the Iringa Nutrition project in Tanzania were acquiring fame because they were perceived as highly successful instances of community driven development, (Krishna, Uphoff and Esman, 1997). It was believed that these approaches could provide important lessons for bilateral and multilateral donors.

Thinking in mainstream development circles was also significantly affected by the work of Hirschman, Ostrom and Cernea. Hirschman's (1970) notions of "voice" and "exit" provided a way for development practitioners to understand how collective agency could play an important role in improving well-being, and were bolstered by Hirschman's own attempts to apply these ideas to participatory development (Hirschman (1984)). Cernea's (1985) work showed how large organizations like 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 (CPR) significantly shifted perceptions on the potential for collective action in poor communities. Ostrom argued that what made Olson's and Hardin's work most powerful was also precisely what made it most

dangerous. In particular, she saw the use of these models ‘as the foundation for policy’ most troubling since the results produced by these models depended on a set of constraints, imposed for the purpose of analysis. Their relevance in empirical settings, she argued, should then be an open question rather than a foregone conclusion. In the ‘real world’ after all, one can change the capabilities of those involved and thus change the constraints themselves. Ostrom and others assembled a large amount of evidence from case-studies which showed that endogenous institutions to manage CPR were in fact quite common and often very successful. Thus Hardin’s ‘open access’ common was not the universal model for the management of CPR and ‘remorseless tragedies’ were not an inevitable outcome.

Amartya Sen’s (1985, 1999) influential effort to shift the focus of development from material well-being to a broad based ‘capability’ approach also deeply influenced many in the mainstream development community. Central to this approach were strategies that would lead to the “empowerment” of the poor, an agenda which was taken on by the World Bank and other donors as part of their response to critiques of ‘top-down’ development. The influential efforts of advocates of “participatory development” such as Robert Chambers (1983) led the inclusion of “participation” as a crucial aspect of empowerment as means to allow the poor control over decisions. After this point, the inclusion of participatory notions in large scale development assistance at the Bank came quite quickly with Social Investment Funds (Narayan and Ebbe, 1997), as well as other forms of assistance, employing participatory elements as important parts of their design. From an early focus on targeting, such projects have now moved towards a more holistic attempt at inducing participation via institutions that organize the poor and build their capabilities to act collectively in their own interest (Narayan, 2002). At a conceptual level, the 2000/01 World Development Report, which was meant to set the Bank’s development agenda for the first decade of the new millennium, has focused on ‘empowerment’ as one of the key priorities of development policy. This has led to a broad based effort at the Bank to scale-up community based development which has become an important element of programs that seek to improve the delivery of public services (World Bank, 2003).

Thus, there is now a second wave of interest in community based approaches to development⁴. With this, it appears that a movement which had its early origins in anti-establishment and revolutionary goals that were anti-colonial and anti-modernization has been fully absorbed into mainstream forms of development. This transformation has necessarily

⁴ White (1999) identifies a second-wave in the 1970s and 80s that was initiated by the UN system – but this seems more a ripple than a wave because it did not have much influence on large lending agencies. He calls the current interest in CDD “a third-wave which has engulfed the World Bank.”

required the development of a vocabulary to describe its objectives and processes. Since project goals and benefits are articulated in reference to this vocabulary, we review the key ideas briefly.

3. Participation, Community and Social Capital

Community Based Development relies on “communities” to use their “social capital” to organize themselves and “participate” in development processes. Thus, concepts such as “participation”, “community,” and “social capital” are critical to how CBD/CDD is both conceptualized and implemented. Interestingly, however, handbooks of CBD/CDD, guidelines, and terms of reference, all use the concepts freely and uncritically assuming that they are widely and uniformly understood. What each of these concepts implies is, however, quite controversial. We take them up in turn.

The cornerstone of CDD initiatives is the active involvement of members of a defined community in at least some aspects of project design and implementation. While participation can occur at many levels, a key objective is the incorporation of ‘local knowledge’ into the project’s decision making processes⁵. When potential beneficiaries also make key project decisions, participation moves to the level of self-initiated actions—what has come to be known as the exercise of ‘voice’ and ‘choice’ or ‘empowerment’ in CBD/CDD terminology. Participation is expected to ensure that projects are better designed, benefits better targeted, project inputs delivered in a more cost effective and timely manner, and that project benefits are distributed more equitably and with smaller leakages due to corruption and other rent-seeking activity.

This idealized transformatory capacity of participation has been challenged on a number of grounds. First, it has been noted that the exercise of ‘voice’ and ‘choice’ could be quite costly under certain conditions. At the most basic level it may involve real or imputed financial losses due to the time commitments required for adequate participation. Moreover, participation may lead to significant psychological and even physical duress for the most socially and economically disadvantaged, who are typically the prime potential beneficiaries of CBD/CDD projects, since genuine participation for such groups may require the taking of positions that are contrary to the interests of more powerful groups. The premise of participatory approaches is that the potential benefits of participation generally outweigh such costs—but this is by no means obvious. Second, the mainstreaming of participation has also made it an instrument for promoting pragmatic policy interests, such as cost effective delivery, low costs of maintenance etc., rather than a vehicle for

⁵ Paul (1987) refers to this as the exercise of “influence.”

the radical transformation of society. The main outcome in such contexts may simply be to shift some of the costs of service delivery to potential beneficiaries (Rahnema (1992)). Indeed, participation has been described both in Asia (Bowen, 1986) and Africa (Ribot, 1995) as a form of forced or *corvée* labor where the poor are coerced into making contributions that are far more substantial than those made by the rich. Third, the notion that exposure to participatory experiences will transform the attitudes and implementation styles of authoritarian bureaucracies (governments or donors) may be quite naïve. The routinization of participatory planning exercises into the work of public sector implementation agencies puts new pressures on resources, while leaving implementers quite unclear about the potential gain to themselves from this new accountability.

Mosse (2001) examines several participatory projects and finds that even in projects which had a high level of participation, what was labeled as ‘local knowledge’ was often a construct of the planning context and concealed the underlying politics of knowledge production and use. He identifies four aspects of this: (1) The shaping of knowledge by local relations of power: Participatory exercises are often public events and are open-ended regarding ‘target groups’, program activities etc. This makes such events inherently political, and what is reflected is often strongly shaped by local relations of power, authority, and gender. (2) Outsider agendas get expressed as local knowledge: Project facilitators are not passive. They shape and direct these processes and villager ‘needs’ are often shaped by perceptions of what the project can deliver. (3) There is local collusion in the planning exercise: People concur in the process of problem definition and planning because it creates the space within which they can manipulate the program to serve their own interests. This can benefit both the project staff and project beneficiaries, but it clearly suppresses difference and encourages consensus and action over detailed planning. An irony is that staff who are viewed as ‘too participatory’ can easily be seen as under-performing by both the project and the community. (4) The idea of participation is used to legitimize the project’s own priorities and needs and the needs of donors to include such processes in their projects. Since it has little real support from either the community or the project staff, the operational demands of the project eventually take over and its participatory objectives and goals are sidelined.

The upshot seems to be that a project may deliver many things that may be seen as beneficial by both recipients and project implementers but what can actually be ascribed to participation is unclear. A convincing evaluation in this context would be one which could validate (or invalidate) the participatory model itself or examine the relationship between project impact and process.

CBD/CDD projects are typically implemented in a unit referred to as a ‘community’. This often refers to either an administratively defined locale such as a village, a tribal area, or a neighbourhood, or identifies a common interest group, such as a community of weavers or potters. Again, it is common in the literature on development policy to use the term, without much qualification, to denote a culturally and politically homogeneous social system, or one which is, at least implicitly, an internally cohesive and more or less harmonious entity. This notion of community is problematic at two levels: (1) Defining the boundaries of a community, geographically or conceptually, is not always straightforward. The use of administrative boundaries, can for example, be quite meaningless where settlement patterns are distinct from such boundaries or where semi-nomadic lives, increasing mobility, or temporary migrations have stretched and transformed community boundaries. In many cases, existing (or newly acquired) factional, ethnic or religious identities may further complicate the picture. (2) An unqualified use of the term often obscures local structures of power, economic and social (including an asymmetry of power in gender relations), which are likely to integrally influence project outcomes.

A number of recent studies have shown that a wholesale and uncritical adoption of the term is particularly problematic for participatory projects that seek to self consciously empower those most excluded or without ‘voice’(see for example, Gujit and Kaul (1998); Sarin (1998), Cooke and Kothari (2001), Mosse (2001)). In sum, there are two notes of caution from these studies: First, what is labelled a community, is often an ‘endogenous’ construct defined by the parameters of a project, by project facilitators, or by the nature of administrative or identity boundaries-rather than an organic form.⁶ Second, the effectiveness of participatory strategies may hinge on an explicit understanding of local structures of power since they both limit and enhance the prospects for participatory development.

The third key concept used in the literature on CBD/CDD implementation is that of ‘social capital’. This term, which came into the literature on participatory development via Robert Putnam’s work on Northern Italian communities (Putnam,1993)⁷ has had a major impact on mainstream thinking on CBD/CDD. It has become commonplace, for example, to read about CBD/CDD as a process that ‘builds social capital’ (Dongier et. al. 2003), or is ‘an asset for poor people,’” (Social Development Department, World Bank, 2000). For Putnam social capital describes those “features of organization, such as trust, norms and networks that can improve the

⁶ In essence, the word “community” need not describe an object as much as it describes a concept. It may thus be more useful to see it as an ‘analytical’ rather than an ‘empirical’ concept (Gusfield, 1975).

⁷ See Woolcock (1998) for a review.

efficiency of society by facilitating coordinated actions.” In particular, it refers to the ability of individuals to build “bonds” within their own group and “bridges” that link them with other groups, and is deeply tied in to the belief that the quality and quantity of group activity is a key source of a community’s strength and its ability to work for its own betterment. It is thus a stock, from which people can draw to improve their incomes, and which can be “built” to facilitate economic growth and development (Grooteart, 1998).

This version of social capital has been criticized on many grounds, for among other things, not being concerned enough with issues of class distinction and power (Fine (2001), Harriss (2001)), affected by reverse causality, i.e., the link may go from wealth to more group activity, just as much as the other way around (Portes (1998), Durlauf (2001)), and for not recognizing that it can be both destructive and constructive (Portes (1998)). The operationalization of Putnam’s ideas neither recognizes the complex strategic, informational and relational choice sets that underpin the endogeneity of community formation, nor the fact that the notion of a community is itself an abstract social construct. This leads to policy recommendations that focus on ‘building communities’ to facilitate CBD/CDD processes, without recognizing that ‘investing in’ social capital need not be as straightforward as investing in physical capital, and may also be considerably more complex than investment in human capital since returns to such investments can only be realized in concert with other members of a group and are thus likely to be subject to all of the concerns regarding collective action.

In particular, the de-linking of power and social relationships has been criticized by Harriss (2001) as one of the main problems with the World Bank’s application of Putnamian social capital. A more nuanced understanding of social capital sees it as part of the relations of power within a social system. Thus the rich may have better networks than the poor and may use these networks to reproduce unequal systems of domination. In the work of the sociologist Pierre Bourdieu (1984, 1990, 1998), whose ideas precede Putnam’s by at least two decades, social capital contributes to the reproduction of inequality because the elite are able to access internal and external social networks that are more powerful. By contrast, the poor have less influential networks that, while helping them cope with the vicissitudes of life, restrict their chances for mobility. This view recognizes that different groups within a social system can have different types of social capital, and, to the extent that such capital can be bequeathed, it can play an important role in the reproduction of inequality. It also recognizes that social capital must be viewed in a highly contextual way since it is culturally embedded within structures of power and can be used constructively to facilitate collective action for the common good or destructively to perpetuate symbolic or actual violence against others.

Lately social scientists associated with the World Bank have argued that social capital is less an original theoretical concept, and more an umbrella term that has greatly facilitated the introduction of social relations into thinking within development institutions that are dominated by economists (Bebbington, et. al. 2004). However, now that social capital has made such powerful inroads into development thinking, one could argue that its value as a “Trojan Horse” has passed and it is time to bring in all the complexity of thought on society and culture to inform the design of development practice⁸. Notions such as “trust” and “norms” are not generalizable, and that the nature of social capital has to be understood within its cultural and political context (Krishna (2001), Rao (2001)) with Bourdieu supplanting Putnam as the main theorist in the area. Collective action has to be seen as a contextualized process, and building the capacity for collective action cannot be divorced from a deep sense of the structures of power within which the poor attempt to cope (Harriss, (2001), Appadurai (2004), Rao and Walton (2004)). The question that remains is whether large development organizations are able to usefully apply these more complex notions of the capacity for collective action in the everyday practice of project implementation.

In sum, it is precisely because CBD/CDD turns the pyramid of development mechanisms upside-down by giving beneficiaries “voice and choice,” that it cannot ignore the social and cultural context within which those beneficiaries live and organize themselves. One possible consequence is that universalistic notions such as “social capital” or “community” may have to be viewed as deeply contextual and endogenous constructs. This implies that terms such as “best practice” should be retired into the archives of development, and much greater emphasis placed on contextualized project design.

We examine each of these issues as we turn next to an examination of the evidence. In the process of doing this, we are often use the word “community” in an uncritical way ourselves because we are required to follow the literature we are reviewing. The word community is typically used in the evaluation literature to indicate different types of ‘target groups’ or the larger context in which they live.

4. Impact of CDD Initiatives

4.1 Poverty Targeting

⁸ Which, in fact, is precisely what the best CDD/CBD projects already do.

Community involvement in identifying beneficiaries of anti-poverty programs has become increasingly common. The main arguments for decentralizing beneficiary identification have centered upon the advantages of incorporating local knowledge. This information advantage can, it is argued, improve the targeting of beneficiaries, lower the informational costs of delivering anti-poverty programs, and ensure higher quality verification and monitoring of program implementation (Chambers (1988), Ostrom Lam and Lee (1994), Uphoff (1986), Narayan (1998)). The benefits of such informational advantages are, however, likely to depend upon the existence of institutions/mechanisms that can ensure local accountability. Some argue that such institutions are more likely to emerge in societies which are highly mobile with a tendency for the emergence of homogenous neighborhoods (see for example Seabright's (1996) analysis in the context of political decentralization). However, the formation of such homogenous communities is much less likely in contexts where mobility is low making communities more likely to be characterized by social orderings with long histories and deeply entrenched power hierarchies. Unfortunately, this is where poverty programs are most needed.⁹ Consequently, local inequality in relations of power and authority may well allow program benefits to be captured by non-target groups. In the extreme, the decentralization of poverty programs in such contexts could worsen local inequality and reproduce or entrench local power relations.

Conning and Kevane's (2002) recent review of community based targeting (CBT) highlights this potential trade-off. Overall, their review suggests that, while community groups are likely to have better information on who the poor are, only communities that have relatively egalitarian preferences, relatively open and transparent systems of decision making, or which face clear rules for determining who the poor are, will tend to be more effective than outside agencies in targeting programs to the poor, within a given community. In contrast, heterogeneous communities where people have multiple and conflicting identities may pose a particular challenge because of competing incentives. They also note that communities vary in their ability to mobilize information and monitor disbursements. This could also affect the cost-efficiency of CBT and create further opportunities for elite capture and corruption.

We examine specific evaluations of community based targeting mechanisms (CBT) below to assess evidence on this issue.

⁹ See also Agarwal and Gibson (1999) on this, in the context of the literature on natural resource mobilization.

Galasso and Ravallion (2003) examine the targeting performance of a decentralized poverty program in Bangladesh: the ‘Food For Education’ (FFE) program.¹⁰ In the FFE program, participating Union Parishads (UPs) were first identified by the center.¹¹ In the second stage, FFE households were identified at the community level. Using both household and community data, Galasso and Ravallion ask two questions: (1) How much of the program’s performance in reaching poor families was due to the center’s efforts at reaching poor communities versus the efforts of those communities to reach their own poor? (2) What factors influenced the center’s targeting of communities, and the allocation within communities? They are specifically interested in the role of village institutions and within village land inequality as determinants of targeting performance.

Overall they find that the targeting differential (the difference in optimal spending on the poor and the non-poor) is positive. That is, more of the poor than the non-poor receive the program. However, the size of the effect is relatively small. Further, they find that most of the targeting differential they observe arises from targeting within villages. In fact, they find no evidence that the center is targeting villages at all. The program’s eligibility criteria for selecting participating UPs, for example, cannot account for any of the variation in the targeting differential or in allocations to the poor. If anything, they find that the inter-village component actually tends to worsen the overall targeting differential in participating villages.¹² In contrast, they find that structural features of the village are significant predictors of targeting performance across villages. In particular, villages which were more isolated, or had higher levels of land inequality tended to have poorer targeting performance. The evidence thus indicates that the performance of decentralized targeting programs can be substantially constrained by local inequality.

Alderman (2002) evaluates the *Ndihme Ekonomika* an Albanian Economic Support Program which provided social assistance to approximately 20% of Albania’s population. The program, was essentially administered by providing communes a block grant and allowing local officials to determine eligibility as well as the transfer amount received by beneficiary households. Alderman finds that local officials were able to target recipients better than the center could have done, had it used proxy entitlement indicators. Thus, he surmises that communities were able to improve targeting by using specialized information that would have been unavailable to the center.

¹⁰ Ravallion and Wodon (2000) show that the program accounted for some 13% of primary school enrollment.

¹¹ The Union Parishad typically has about 15 villages.

¹² Note, however, that since the center identified UPs while the analysis is done at the village level, variation in eligibility criteria across villages within UPs may be partly responsible for this result.

Other studies suggest that the center is in fact able to identify poor communities, but concur that it usually does much less well at identifying the poor within communities. For example, Coady (2001) finds that *Progresa*, an anti-poverty program in Mexico which selected poor households on the basis of a census, without any community involvement, was more effective at targeting poor communities than at targeting poor households within them.

A series of studies on Social Funds, which have become a popular mechanism for public service delivery, also provide a considerable amount of evidence on the targeting performance of anti-poverty programs. In a typical social fund community infrastructure is built with local participation in the selection and/or management of facilities. In most cases, community representatives, sometimes with the help of outside NGOs, send in project proposals to a centrally located public agency which allocates funds on the basis of criteria such as the extent of community involvement, the community's capacity for collective action, and other factors affecting the feasibility of the proposed project. Social Fund rules almost always require that funds be targeted to poor communities, in accordance with specific targeting criteria, and often require some co-financing from fund recipients. Most social funds also restrict the menu of feasible projects to a limited number of public goods, usually schools, clinics, roads, and water and sanitation facilities.

Paxson and Schady (2002), assess poverty targeting in FONCODES – the Peruvian social fund using district level data on FONCODES expenditures and poverty. They find that the Fund, which emphasized geographic targeting, successfully reached the poorest districts, but that it did not reach the poorest households within these districts. In fact, they find that within targeted districts, better-off households were slightly more likely to benefit from FONCODES investments. Chase (2002) evaluates the Armenia Social Fund (ASIF) by matching on observable differences (propensity score matching) to compare targeted communities with communities that had not received projects but were in the pipeline for them. He finds that while the Social Fund was targeted towards areas with the poorest infrastructure, these were not always the poorest areas. He also finds that the fund was slightly regressive in targeting households in rural areas. ASIF, like other social funds, required a community contribution. Chase reports some anecdotal evidence that this may have lead to a selection against the poorest communities who are often unwilling or unable to contribute towards community public goods. Pradhan and Rawlings (2002), evaluate the Nicaragua Social Fund using similar techniques. They find that some, but not all social fund investments, were well targeted towards poor communities and households. Overall, the OED social fund evaluation (World Bank, 2002) reviewing these and other

evaluations of social funds, concludes that while Social Funds have had mildly progressive geographic targeting they were less effective in targeting poor households.

Jalan and Ravallion (2001) and Ravallion(2000) evaluate the success of Argentina's *Trabajar 2* program which was introduced in 1997 with World Bank support. *Trabajar 2* significantly expanded an earlier workfare program in order to achieve two objectives: provide short-term work to poor households, and locate socially useful projects in poor areas. Funds were allocated in two stages: the central government made allocations to provinces, with a special effort to increase program funding to poorer provinces, while intra-provincial allocations were left entirely to the discretion of provincial governments. Within provinces, projects had to be proposed by local government and non-government organizations which were required to also bear the non-wage costs of the projects. Jalan and Ravallion (2001) show that program participants were overwhelmingly drawn from among the poorest households. Thus self-targeting via the program wage worked quite well. Ravallion (2000) assesses the improvement in poor area targeting in *Trabajar 2* due to better central targeting of funds to poorer provinces. The results suggest a marked improvement in targeting poorer provinces. In addition, there was also some improvement in reaching poorer areas within provinces. About a third of the overall improvement in targeting poor areas came from better targeting of provinces, the rest came from improvements in targeting poor areas within provinces. However, despite higher provincial allocations to poorer provinces, provinces were less able to target their poor areas. This is not surprising, given that better-off areas are more likely to have a comparative advantage in proposing and co-financing good projects. In response to this, project monitoring tools were set up which continuously updated targeting performance at the intra-district level. This simple but powerful tool, which could be put in place within the context of regular project M&E, was able to substantially improve intra-provincial targeting of the poor. This case provides am instance of how targeting of poor areas within a decentralized system can be improved by providing stronger incentives from the center for pro-poor targeting by provincial/local governments.

In addition to 'use targeting' one can think of what may be called 'preference targeting'. Since one of the theorized advantages of participation is that it makes development 'demand driven' it should improve the match between what a community needs and what it obtains (see e.g. McLean et. al, (2001)). Reliable evidence on preference targeting is sparse since it would ideally require panel data with baseline questions on major problems faced by the community, with a post-project follow up in experimental and control communities. Rao and Ibanez (2002) present evidence from a case study on the Jamaica Social Investment Fund where sampled communities were asked to answer retrospective questions on their assessment of major problems

in the community “three years ago” – i.e. prior to entry of the Social Fund into the community. Assuming that the respondent would prefer a project that attempted to tackle these problems – the match between expressed preferences and the actual project obtained was analyzed to examine who was more likely to have their preferences in alignment with the project. Rao and Ibanez find that the overall quality of the match was poor – only in two of the five communities studied did the project obtained match the preferences of a majority in that community. Moreover, better educated and better networked people were more likely to obtain projects that matched their preferences. Therefore, not only was overall preference targeting poor, it was worse for the most deprived within the community. Interestingly, however, 80 % of individuals in the sample said that they were satisfied with the project that was chosen. This suggests that while initial targeting was poor, perceptions about the project changed over time with a broad majority accessing the public good provided and being satisfied with it.

The literature also assumes that a community’s definition of who is poor and vulnerable is similar to that of the social planner (or for that matter, the researcher). This may not always be the case. Harragin (2004) in a case study of famine relief efforts in Southern Sudan found that local notions of how food should be distributed were quite different from those of aid workers, which ultimately led to a poorly designed project. Thus, in community based projects, the community’s own preferences on inequality and exclusion can play an important role in determining the allocation of resources and what the community perceives as fair and just may be at variance with the preferences of project supervisors. This raises the question of how to evaluate the ‘goodness’ of targeting in community based projects—whose preferences should count?

It is useful to note that poor targeting of communities may also result from political economy considerations or due to perverse incentives created by project performance requirements. For example, Galasso and Ravallion (2003) note that pro-poor geographic targeting by the center may also be limited due to concerns which favor a broad geographic spread of participants. Ravallion (2000) has also noted this in the context of program placement in the evaluation of the *Trabajar* program in Argentina. Jalan and Ravallion (2001) in their evaluation of the *Trabajar* program also note that social networks were a crucial determinant of who benefits from the workfare program. They argue that this can be corrected in the design of the program by offering a wage low enough that it discourages wealthier members of the community from participating in the program.

Schady (2000) has also shown that the allocation of projects in FONCODES was significantly negatively affected by whether the community was supportive of the then president

Alberto Fujimori. Specifically, districts, with a reduced share of pro-Fujimoro votes than in the previous election received more FONCODES funding—presumably in an effort to restore Fujimoro’s popularity. This was more likely if the district was also wealthier—which is also suggestive of a political link. Note that a strictly top-down public goods program could have been just as amenable to political manipulation, but the important point is that programs that attempt to elicit community demands and participation are no less immune.

Morris et al (1999) in their study of *PLANDERO*, an anti-poverty program to increase the incomes of the rural poor in western Honduras, found that beneficiary areas tended to be relatively better off while the most deprived areas were least likely to receive assistance. They argue that the poor targeting of beneficiary areas was due to the project’s implementation schedule, its rate-of-return criteria and a project evaluation strategy that emphasized “economic results” for beneficiary farmers. These jointly created an incentive to select areas that were easily reached—which typically tended to be better-off areas—and to target project benefits to better off households within these areas since those tended to be the households who were the most creditworthy and most able to absorb project funds.

Note, finally, that ethnographic and case studies suggest that the mechanism used to identify beneficiaries may be crucial in determining the extent to which decentralized targeting is pro-poor. This is of particular importance where members of the community have unequal access to project implementers. On balance, the evidence suggests that: (1) the center’s ability to target program benefits to poor households may be constrained in several ways due to information gaps, political economy concerns etc.; (2) decentralized targeting can improve outcomes, but it does not solve the targeting problem in any simplistic way; (3) Under certain conditions, local inequality can worsen when targeting is decentralized.

4.2 Does CBD/CDD Improve Public Service Delivery

The vast majority of large scale CBD projects supported by bilateral and multilateral organizations aim to improve access to public services. This usually takes two forms. The project either constructs public goods itself, or enhances a community’s capacity to obtain public goods from other providers. This is usually accomplished by social mobilization activities which are aimed at increasing the community’s capacity to act collectively in its own interest. We take up each of these in turn.

Where projects directly invest in the construction of public goods, one should be able to assess whether public goods constructed with community involvement are more effective than

those constructed by alternative providers, typically governments. Specifically, one should be able to assess whether such projects are more consistent with the preferences of target groups, better designed/constructed, more sustainable (for example, by being better maintained) and whether they improve the delivery of public services.

Ideally, such an assessment requires that projects created under community based programs be compared with similar projects created by a non-participatory mechanism. There are, in fact, few, if any, evaluations that do this in a completely satisfactory way, i.e, provide generalizable findings. Most of the evidence reviewed below compares CDD project sites with communities that are otherwise similar but are either blank slates without any projects, or have received other interventions of unclear method and provenance. The one exception is the paper by Khwaja (2001) which evaluates community driven projects funded by the Agha Khan Rural Support Program (AKRSP) in Northern Pakistan. Khwaja compares a random sample of AKRSP projects with other projects in the same village that were built without any participation from the community. Consistent with the theory, Khwaja finds that community managed projects are better maintained than projects managed by the local government. However, he finds that community participation in technical project decisions adversely affected the quality of a project, while community participation in non-technical decisions significantly improved maintenance. The one potential drawback of Khwaja's study is that it is based on a rather small sample of projects and villages.

Khwaja's findings are consistent with Finsterbusch and Van Wincklin (1989). In their meta-analysis of project reports from 52 USAID projects that had participatory elements, they conclude that projects that were less technically complex were more effective, as were smaller projects. Another finding worth noting is that participatory projects in more developed countries were more effective than projects in less developed countries – suggesting that the broader institutional environment may play an important supportive role. The obvious question then is: – Is institutional reform required as a precursor to CDD? The answer is a little difficult to pinpoint because institutional reform probably makes all types of development initiatives more effective and this might well also be true for CDD.

Facilities constructed with community involvement tend to be quite effective in improving access to public services. Paxson and Scady (2002) for instance find that the Peruvian social fund, FONCODES, increased school attendance particularly for younger children . Chase and Sherburne-Benz (2001) evaluating the Zambia social fund report similar findings on school attendance. They also find that the presence of a school constructed by the social fund seemed to

increase household education expenditures, and the presence of a health facility increased use of primary care and prevalence of child vaccinations.

Newman et. al. (2002) in a careful evaluation of the Bolivian social fund using both panel data and random assignment approaches, find that there was a significant reduction in under 5 mortality due to the provision of health clinics, but that education projects had little impact on education outcomes. They surmise that this was perhaps because investments in health went beyond providing merely infrastructure to include medicine, furniture, and other necessary inputs. They also find that water projects improved access to water, and improved water quality, only when community level training was provided. This suggests that in order for participatory projects to succeed they need to go beyond the construction of facilities and may require the continuing and active involvement of external agencies who can provide marginal inputs and training.

King and Ozler (1998) evaluate the impact of school autonomy on student performance. They look at Nicaragua's school autonomy reform where participating public schools acquired de jure responsibility for a range of functions previously managed centrally. These included the right to hire and fire the director and maintain the school's physical and academic quality. This was done through the establishment of school management boards which drew their membership from among school staff (principal and teachers), parents and students. Using an evaluation strategy where program schools were compared with non-autonomous public schools, they find that students in schools which had both de-jure and de-facto autonomy performed better on standardized tests than students who were either in schools which did not have autonomy, or schools where there was only de jure autonomy. Their work suggests that school effectiveness could be increased by appropriately decentralizing certain aspects of school management.

In a similar vein, Jimenez and Sawada (2002) report that community managed schools in El Salvador had fewer absences than comparable schools that were centrally managed. In the Philippines (1996) Jimenez and Paqueo find that schools that relied more on community contributions used their resources more efficiently. Clearly, this literature is not about CDD in the strict sense but about the impact of participation on the provision of schooling services, and it unambiguously supports the idea of increasing school autonomy to improve the quality of public schools.

While, these studies provide a rather positive impression of the impact of participation on project effectiveness, other studies are more ambiguous in their assessment. Gugerty and Kremer (2000) use random assignments, the gold standard of impact evaluation, to evaluate the impact of a participatory program providing agricultural inputs explicitly designed to build social capital

among women in Western Kenya. They find that the program was not cost effective. The costs of inputs was actually greater than the benefits - the attendant increase in agricultural output.

Hoddinott, et. al. (2001), look at the relationship between participation and project outcomes using data on public works programs from South Africa's Western Cape Province. They look at a set of projects created with the assistance of 7 different organizations. The measures of project effectiveness focus on project related employment outcomes. They attempt to isolate the impact of de jure and de facto participation on each outcome using an IV strategy. Their instruments for participation are measures of community fractionalization. These include the percentage of adults who are divorced, a measure of racial fractionalization, and an index of political fractionalization. Essentially, their results indicate that participation has no effect on any of their outcome variables. When they interact the participation variable with project type, the effects of participation appear to be somewhat stronger but still quite weak. However, it is unclear if their instrument set is valid, given the outcomes variables they analyze. Their results are also based on a very small set of projects.

In addition to the impact evaluations cited above which use relatively robust methods to determine the causal effects of CDD, there are other studies, mainly on water projects, where the causal effects are less clearly defined but which are nevertheless interesting. Katz and Sara (1997) analyze the performance of water systems in a variety of countries. They find that the performance of water systems were markedly better in communities where households were able to make informed choices about the type of system and the level of service they required, and where decision making was genuinely democratic and inclusive. In contrast, projects which were constructed without community supervision and where project management was not accountable to the community, tended to be poorly constructed by private contractors. Poor quality construction by community members, on the other hand, was often due to inadequate technical support – which is similar to Khwaja's (2001) findings on communities faring worse on technical decisions. Katz and Sara also report that community members were more willing to pay for investment costs when they had control over the funds, and were particularly unwilling to contribute if funds were controlled by government staff or contractors. In such contexts, they viewed their contribution as a tax rather than a price for a service¹³.

¹³ We should also note a long report by Zyl, Sonn, and Costa (2000) on the NRDp and RPAP projects in North-East Brazil. The report presents some challenges in that it summarizes the results of several studies whose methodology and analysis are never clearly outlined. However, the few methodological statements in the paper suggest that none of the studies had an adequate counter-factual or control group, though they sometimes did have a baseline. Thus, it is difficult to judge how "impact" was calculated. The report's general conclusion is that the combined impact of these projects was "impressive," and that the projects were well targeted and extremely beneficial to poor communities.

There is further evidence correlating greater community participation with better project outcomes. Isham and Kahkonen in two analyses of water projects in Indonesia (1999a) and India and Sri Lanka (1999b) confirm that greater community participation is associated with better water supply and that well designed community based water services lead to improvements in health outcomes. Heterogeneity in project effectiveness is largely explained by the ability of a community to engage in collective action, and high levels of ‘social capital’ improve participation in design and monitoring. This is also the conclusion of Rao and Ibanez (2001) studying the Jamaica Social Fund who find that a community’s capacity for collective action influences its ability to generate a successful application for funds. Therefore poorly organized communities are not only less likely to obtain projects, but are also likely to mismanage CDD projects that are allocated to them.

4.3 Does CDD Create Sustainable Projects and Improve Social Capital?

Few studies have attempted a rigorous and credible evaluation of the social impact of CDD projects. Finsterbusch and Van Wincklin (1989) in their review of USAID projects claim, without ambiguity, that projects with participatory elements increased the overall effectiveness of projects – particularly in building the capacity for collective action. No attempt is made, however, to identify the causal direction of this claim which is largely asserted on the basis of an anecdotal assessment of project reviews.¹⁴ Rao and Ibanez (2002) also match on observable differences to examine if the Jamaica social fund increased the ability of individuals to engage in collective action and build trust. They find that the social fund had a positive impact on the capacity for collective action – but this was more prevalent for more educated, better networked members of the community. Gugerty and Kremer (2000) in their random assignment study find similar results. The formation and training of village groups increased the entry of wealthier and more educated men and women into leadership positions within the group because of the attractiveness of outside funding. They note, therefore, that bringing in outside assistance may change the composition of beneficiary groups.

Does participation increase project sustainability? Here again the evidence is limited but instructive. Khwaja’s (2001) study suggests that since community managed projects are better maintained they are also more sustainable than those managed by local governments. Katz and

¹⁴ There are numerous case studies that make similar claims, but which are based on very weak analysis. For example, see the study by Zyi et. al. on the impact of community participation on project outcomes in a decentralized rural development project in Northeast Brazil.

Sara (1997) and Isham and Kahkohnen ((1991a) and (1999b)) also find strong associations between participation and sustainability – though they do not establish the causal direction of these findings. Some interesting work, of a more anthropological nature, has taken an in-depth look at participatory projects to assess their sustainability. Kleemeier (2000) examines the Malawi rural piped water project and finds that half the schemes are performing poorly, and the ones performing well are the newest ones. She argues that poor sustainability is largely because of a lack of institutional support from external agencies – echoing the conclusions of Katz and Sara (1997) and Newman et. al. (2002).

Cleaver (1999) also examines water projects in Sub Saharan Africa and finds that even if communities are initially successful in creating the project, they may lack the material resources and the connections to sustain their efforts. Mosse (1997) comes to similar conclusions in an in-depth examination of tank management in South India. He finds that maintenance of community infrastructure is often crucially dependent upon external agents. Thus the need for a well functioning state apparatus does not seem to disappear with active community involvement.

Clearly CBD and CDD projects have the potential to be more sustainable than top-down ones, but they also appear to suffer from the Achilles heel of being ignored by line ministries once they are completed. A number of the studies suggest that unless communities are able to lobby for continued support for marginal inputs and training their ability to sustain such projects may be limited.

4.4 Economic and Social Heterogeneity and the Risk of “Elite Capture”

The discussion in section 3 suggested that any naive understanding of notions like ‘community’, ‘participation’ and ‘social capital’ can obscure differences that critically influence outcomes. Such differences may arise from multiple sources. They may be driven by local structures of power, authority and gender, by social divides based on caste, race or ethnic identities, by differential interests in the provision of particular public goods or services or by differential resources due to economic inequality. How do such differences shape outcomes? When is heterogeneity good for collective action? How can it constrain ‘true’ participation?

There is a substantial, and disparate, theoretical literature on collective action and coordination by economists, sociologists and anthropologists which examines the relationship between heterogeneity and the capacity for collective action. This literature has identified a number of constraints to collective action and has also indicated the types of environments in which coordination issues are likely to be more/less problematic. This literature provides a

fascinating set of hypotheses for empirical work. We begin by briefly reviewing some of the relevant conceptual literature and then move to the evidence¹⁵.

Olson's (1965) classic position was that certain types of inequality might favor the provision of a public good. In particular, Olson held that collective action, in the provision of a public good, would be difficult to mobilize in a large homogenous group. In such a group, where no single individual or group could make any significant difference in the provision of the good, all would want to free-ride, leading to no provision, whereas smaller and more unequal groups might do better. However, there would be free-riding by those with a smaller interest in the public good. Russel Hardin's (1982) 'prisoner's dilemma' outcome for common pool resources with 'open access' reinforced the notion that individually rational strategies can lead to collectively irrational outcomes.

In the case of pure public goods, a number of theoretical studies have suggested that inequality can be conducive to provision. For example, Bergstrom et. al. (1986) have demonstrated that redistributions of wealth can leave the supply of the public good unchanged or even increase it in a context where individual preferences over private goods are identical and distributional changes are mean preserving. Itaya et. al. (1997) have shown that income inequality, if it is so high that only the rich contribute to the public good, raises welfare relative to a regime where all individuals contribute. Baland and Platteau (1997) have shown that inequality in resource use entitlements is associated with higher levels of conservation where the resource use technology exhibits decreasing returns to effort.

There have also been a number of critiques of Olson's 'group size' paradox. Oliver et. al.(1985) argue that the probability, extent and effectiveness of collective action depends critically on the relationship between CA contributions and levels of the public good and on the extent and type of heterogeneity in the population. The key assumption they make is that people take account of how many others have contributed in making their decision to contribute. Thus decisions are sequential. They examine the dynamics of CA and the implications of heterogeneity under two scenarios: one where CA entails large start-up costs, but there are increasing returns to the marginal individual's contribution, and the other where there are diminishing returns to the marginal individual's contribution. In the former case, the notion of a critical mass really matters and there are likely to be large benefits from organizing, communication and coordination. If so, public goods may be better provided in large groups precisely because there is a larger probability

¹⁵ It would be impossible in such a short space to do justice to the literature on heterogeneity and collective action - for a review of the literature in economics, albeit in the context of environmental resources, see Baland and Platteau (2003).

in such groups that a small segment of the population may be able to make big contributions to the collective action. These few individuals would precisely be those who diverge most from the average. In sum, inequality of interest may well increase the level of collective action and since inequality of interest is more likely in larger groups, public goods may actually be provided at higher levels in such groups. In the latter case, in contrast, free riding is the real problem and sub-optimal levels of collective action and provision of the public good are possible in large groups. Here Olson's group size argument is likely to hold. Oliver et. al. also show that while interest heterogeneity is always important for collective action, a strong positive correlation between interest and resource heterogeneity increases the probability of collective action.

Heckathorn (1993) argues that the polarizing effect of heterogeneity depends on the way collective action is organized. If all costs are borne by voluntary contributions, there is no polarization. If the mechanism involves any secondary sanctions, however, polarization and social conflict can well occur. This is particularly likely if even the least interested/motivated actors must bear some of the cost of the collective action. The key issue is that collective action can impose differential costs and benefits on members of a heterogeneous community. If the collective action imposes negative net benefits on some members, polarization and conflict are likely.

The literature on collective action (CA) in the context of 'common pool resources'¹⁶ (CPR) has also focused considerably on heterogeneity. In fact, as Dayton-Johnson and Bardhan (2002) note, the management of CPR presents 'a collective action dilemma' where 'cooperation is collectively rational for the group as a whole, but individual cooperation is not necessarily individually rational for each member.' Dayton-Johnson and Bardhan theoretically analyse the effect of asset inequality on cooperation in the context of conservation of a particular type of CPR: fisheries. They show that the relationship between inequality and levels of collective action in conservation can be U-shaped. In particular, if fishers have earnings opportunities outside the commons, that are concave functions of wealth, increased inequality in general has a negative effect on the level of conservation. However, as inequality increases levels of conservation can rise, and perfect conservation is possible under perfect inequality.

The dominant economic approach to CA in a common property resource (CPR) focuses on individual incentives to contribute, which are determined by the private benefits and costs of

¹⁶ All public goods have the property that many people can use them at once, thus exclusion is difficult. However, some public goods yield infinite benefits. Common pool resources are by contrast public goods with finite or subtractive benefits –they are thus potentially subject to congestion, depletion or degradation (Blomquist and Ostrom 1985)

participation. Baland and Platteau (forthcoming) show that when CA involves conservation, the user's time preferences are also likely to be important. Specifically, those with a shorter time horizon are more likely to adopt strategies which yield immediate results and neglect longer term considerations. However, variations in time horizons are likely to be related to the initial distribution of wealth. The poorest users may have wealth levels that are so low that participation in CA may violate their survival constraint. Thus, the poor may face particular barriers to collective action.

The role of economic inequality is similarly conditioned by other factors. Baland and Platteau (2001) argue that the multiple dimensions of inequality need to be considered in interaction with one another in order to understand how they affect collective action. For instance, when economic inequality is combined with caste or ethnic polarization it can have very different effects than when it occurs within a more mobile social structure. Moreover, when regulatory agencies – either formal or informal – are set up with the power to enforce fines and sanctions, collect fees, and impose rules, inequality is more likely to result in more efficient CA¹⁷.

Wade (1987) also notes that cultural forces often shape CA by providing ‘conventions’ or ‘norms’ that act as implicit or informal equivalents of ‘all-or-none’ contracts (or ‘assurance games’) in resolving CA dilemmas. Thus, he argues, corporate organizations should be based on existing structures of authority with a major role for village elites. In the context of CPR, he argues that since such elites are likely to have strong interests in the common pool resource they have strong incentives to protect them and elite capture need not be a problem if such elite organizations deal only with non-privatizable benefits.¹⁸ However, Wade also points to ‘formidable arrangements’ for enforcing the rules, with village bodies composed of elites who could exercise ‘authority’ with little or no pretense at representation (other studies corroborate this). These findings validate Olson’s concern that collective action agreements must be backed up by credible enforcement mechanisms—either from within the community or from outside. This suggests that inducing participation, say by forming Water Users Groups, is not merely a question of educating people about their common interests or promoting values that are less individualistic. Instead, rules that induce people to do what they may not immediately want to do are necessary for managing common resources, so that free-riding tendencies do not destroy the institutions.

¹⁷ See Baland and Platteau (199b) for a detailed discussion of this point.

¹⁸ Wade also puts forward other ‘lessons’ for project design—organizing people around intensely felt needs is easier—these are likely to be needs that involve the defense of production first and enhancement of production second with social needs coming a distant third.

More recently, Chwe (1999, 2001) builds on this idea of regulatory authority. His argument goes as follows: Most models of collective action assume, implicitly, the pre-existence of “common knowledge”.¹⁹ That is, when a group of individuals play 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 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. For instance, a cricket player persuaded to play a game of pick-up 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 action cannot occur in its absence. It is arguably the core concept behind amorphous notions such as “trust” and “social capital” that figure prominently in the discourse on collective action.

Rao (2003) builds on this to argue that common knowledge generating mechanisms, that he calls “symbolic public goods” are a key pre-cursor to the possibility of collective action in community development because they may help mitigate the effects of heterogeneity. For instance, a temple or mosque in a village can create a strong sense of community, even within highly unequal groups because they play an important role in generating common knowledge by creating a common ideology or structure of beliefs. People who belong to the community therefore both have a preference to abide by the rules of the community – because they internalize its ideology, but would also face sanctions if they violated its rules. Thus, the incentives work not just as exogenous constraints but as what can be called “constraining preferences” (Rao and Walton (2004)). Moreover, when symbolic public goods are funded and controlled by elites, which is usually the case, inequality can result both in efficient collective action and greater compliance by the poor. However, some symbolic public goods, such as mosques, may play an equalizing role with an explicit ideology of redistribution, therefore studying the ideology and beliefs underlying collective action is key to understanding how it interacts with inequality and heterogeneity.

The related literature on decentralization also provides some interesting insights. Bardhan and Mookherjee (1999), theoretically evaluate the hypothesis that local governments have better

¹⁹ Also see Bardhan (1993) on this point.

information but are more prone to capture, and thus less accountable. They find that the probability of ‘capture’ increases with local inequality. However, a host of other factors, including the characteristics of the national electoral system, the nature of party politics etc. also determine the relative proneness of local governments to capture. On the basis of their theoretical analysis they conclude that it is unlikely that local governments are universally prone to greater capture, so that decentralization of authority to lower levels of government can potentially combine the advantages of greater utilization of local information, without sacrificing accountability. This has strong implications for CBD/CDD programs that focus on building community organizations. However, Bardhan and Mookherjee strongly emphasize the need for carefully designed empirical studies which can allow for a rigorous evaluation of hypotheses generated by theory.

We review below empirical work that examines the relationship between heterogeneity and collective action.

Most empirical work focuses on economic and/or social (race, caste, ethnicity) heterogeneity. Of the two, social heterogeneity is a more difficult concept to measure because it is usually more than a matter of creating an index that weighs the number of identifiable groups in the community by the size of their populations – though most of the economics literature does precisely this.

Alesina and La Ferrara (2000) examine the role of heterogeneity on participation using survey data on group membership in the US as well as data on US localities. They find that after controlling for many individual characteristics, participation in social activities is significantly lower in more economically unequal or more racially or ethnically fragmented communities. The authors also show that heterogeneity has the most significant impact on participation in groups where excludability is low and significant interaction among members is necessary. The study attempts to deal with the possible endogeneity of the income inequality measure. It is however unclear from their study, what the marginal impact of any given heterogeneity measure is. In particular, it is unclear how much racial or ethnic heterogeneity matter once economic inequality has been controlled for.

In a similar study, La Ferrara (1999) looks at the role of inequality on group participation using data from rural Tanzania. She also finds that higher levels of village inequality reduce the probability of participation in any group. In addition, she reports that groups in more unequal communities were less likely to take decisions by vote, were more likely to report misuse of funds and poor group performance, and their members were more likely to sort into homogenous ethnic and income groups, to interact less frequently, and to be less motivated to participate.

In a random assignment evaluation of community managed schools in Kenya, Miguel and Gugerty (2002) that ethnic diversity results in fewer social sanctions against non-participants. This leads to low parent participation in school activities and worse teacher attendance which in turn reduces funds available to the school and worsens school quality.

Bardhan and Dayton-Johnson (2000) in a paper surveying the evidence on community driven water projects in Nepal, India and Mexico conclude that heterogeneity has a negative impact on cooperation and commons management arguing that it weakens the cohesive effect of social norms and weakens sanctions to enforce cooperative behavior and collective agreements. Bardhan (2000), examining the factors affecting the maintenance of irrigation projects in South India also finds that inequality has a negative effect on maintenance. Work by Ostrom, Lam and Lee (1994) and Ostrom (1990) has also shown that farmer managed irrigation schemes had more equitable water distribution. However these studies can say little about the impact of community heterogeneity on project choice or distribution of benefits since they have little to say about the non-participants.

Not all quantitative studies, however, find that economic inequality has a monotonically adverse impact. Somanathan et. al. (2002) conduct an analysis of the effect of collective action on forest conservation in India using matched comparison difference-in-difference techniques. They find that communities with more equal land ownership conserved pine forests somewhat better. However, they find no impact of caste heterogeneity on conservation efforts. Interestingly, they also find that more equal land ownership does not translate into better conservation of broadleaved forests, which are of much greater importance to villagers for firewood and fodder. Some in-depth case studies of participatory projects using qualitative methods also suggest a more complex role for social heterogeneity. Vedeld (2001) examining common land management in Niger finds that the relationship between heterogeneity and collective action is complex, and it is not clear that homogeneity alone is a pre-condition for the success of collective action.

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 uses three indicators of maintenance of irrigation systems: degree of definition of canal side-slopes, state of repair of field intakes, and degree of control of leakage around the canals. He finds that social heterogeneity, as measured by the number of villages from which users of a given system are drawn, is consistently and significantly associated with lower levels of maintenance. Landholding inequality also tends to decrease maintenance but in a non-monotonic way. He also finds that the ‘distributive rule’ which determines arrangements for maintenance-cost sharing and water

allocation affects the level of maintenance. In particular, proportional sharing of water in accordance with landholding size tends to reduce maintenance. Khwaja (2001), also finds that land inequality has a U-shaped relationship with project maintenance with both highly equal and highly unequal communities performing better than moderately equal ones in maintaining their projects.

Wade's (1987) study also challenges Olson's thesis in the context of common pool resources. He examines village institutions in a district in South India. He finds that a number of villages had what he calls a 'public realm' and some had rather elaborate and well functioning institutional arrangements for the management of common pool resources. He calls these 'corporate villages', and asks why these villages differed from the non-corporate villages which had little or no public realm. He finds the answer in locational differences, with villages at the tail end of a distributary or the tail end of a watershed having more and more effective village organizations. These in turn had arisen due to the relative scarcity and unreliability of water at the tail and due to soil conditions that allowed for a wider variety of crops and higher yields, making unregulated herding potentially more damaging for standing crops and for the soil.

Wade argues that the main weakness in Olson's argument is that it concentrates on selective benefits and costs (ability to enforce penalties in the face of differences in benefits within a community) — assuming that the collective benefit is always high. If we take Olson seriously, existing cases of common interest groups are then to be explained mainly by selective rewards/punishments. However, Wade's study points to differences in collective action arising due to differences in collective benefits. He argues that the inter-village variation in CA in his study was better explained by differences in location on the water course and soil type rather than by differences in selective punishments.

The frequent tendency for participatory projects to be dominated if not captured by local elites is also highlighted by different studies. Katz and Sara (1997) in their review of water projects find that in numerous cases project benefits were appropriated by community leaders and there was little attempt to include households at any stage. In this context, the study found that well trained project staff are critical for ensuring inclusiveness and for providing information on options, and that the training of community members is crucial for informed choice as well as for the maintenance of projects and the willingness to pay for them. Even well trained project staff may not always be effective in overcoming well entrenched norms of exclusion. Agarwal (2001) in a study of community forestry projects in India and Nepal that worked reasonably well, reports that women were systematically excluded from the participatory process due their low levels of bargaining power. Rao and Ibanez (2002) find that participatory projects in their Jamaican case

study tended to be dominated by elites with wealthier and better networked individuals dominating the process of decision making. Similar findings are reported by the OED social fund evaluation (World Bank, 2002) which conducted a similar case- based analysis of social funds in Nicaragua, Zambia and Malawi, in addition to Jamaica – saying that the process was dominated by “prime movers.”

Platteau and Abraham (2001) and Abraham and Platteau (2003) present some evidence on CBD/CDD processes in Sub Saharan Africa which is based largely on anecdotal evidence from their own work in community based development, and on secondary literatures. They argue that Rural African communities are often led by strong dictatorial leaders who can dominate the participation process in a manner that directly benefits them because of the poor flow of information. In traditional tribal societies local cultures²⁰ are characterized by tight control by elites which reduces the possibility of true participation and leads to the strong possibility for elite capture. They argue that participatory development is therefore very difficult and requires concerted, careful, slow efforts to make communities more amenable to it. But, Rao and Ibanez argue that this elite domination need not always imply elite capture. In their case study, they find a potentially more “benevolent” form of elite domination because over 80% of beneficiaries ultimately expressed satisfaction with the project. Substantiating this point, Khwaja (2001) finds that the participation of hereditary leaders in participatory projects tended to improve maintenance. Perhaps some degree of elite domination is inevitable, particularly in rural CBD/CDD projects, where the elite are often leaders who embody moral and political authority. Often such elites are also the only ones who can effectively communicate with outsiders, read project documents, keep accounts and records and write proposals. So elite domination may be inevitable, particularly in heterogeneous communities where a small group of motivated individuals make greater contributions to the project, perhaps because they have a high interest in the public good and lack private alternatives. This may, however, work against the kind of broad based democratic participation envisioned by CBD/CDD advocates because when the community perceives that project rules have been crafted by the elite it may adversely affect their participation in the project (Bardhan, 2000). .

While social cohesion may well help facilitate collective action, it does not necessarily follow that communities with a high score on some “social capital” index will have a good CBD/CDD project. Mosse (1997), in his important work on tank management in South India, shows that a traditionally cohesive village will not necessarily have good development projects, while communities with low levels of cohesion could have good development projects.

²⁰ In the form of structures of ethnicity and kinship, and norms of sharing and decision making

Indigenous systems of social organization have very different “moral claims” depending upon the public good that they are organized around. A festival or a temple embodies motives and constraints towards collective action that are considerably different than a development project and the logic of social relations in indigenous societies may be quite contrary to the egalitarian principles a CBD/CDD project is trying to propagate. Abraham and Platteau (2003) make a similar argument for Sub- Saharan Africa. External agencies and programs change incentives, change the political and social dynamic. If this is done naively –it can severely disrupt the social equilibrium because, to quote Mosse, they “interact with already contested domains of power and meaning.”

In sum, the social role of within group heterogeneity is complex. It can increase or reduce social cooperation and can polarize or strengthen group identity. Heterogeneity can foster collective action when the start-up costs of the activity are high and returns to the collective action increase as the scale of the activity expands. This can happen in situations where a community has inadequate resources, members must make high contributions, there is a general lack of interest in the public good under conditions of homogeneity²¹ or if individuals with high interest in a public good lack private alternatives. If, for example, we view social change as a public good, heterogeneity may promote social change by weakening existing social power and by fostering the organization of the powerless. In contrast, homogeneity in such contexts, may impede social change because it strengthens existing power concentrations and further atomizes those who are powerless. On the other hand, in situations where rewards from participation are substantial and or the temptation to free-ride is weak, heterogeneity can impede collective action. Thus heterogeneity can impede cooperation in groups that show high solidarity.

However, the success of community driven development may also be affected by how well heterogeneity is “managed” – that is – what resources/strategies are used to bring communities together, how effectively differences are debated and discussed and solutions arrived at etc. Every time an external agent interacts with a group of people it creates competition between different interests and incentives and the success of a project may also depend upon how those incentives are aligned – whether by persuasion, ideology, consensus, good governance, domination by greedy elites, or sheer hard work by a group of altruistic individuals.

4.5 The role of External Agents and the State:

²¹ Russell Hardin (1982) has also argued that interest in non-fungible goods (like education, health care facilities) is more heterogeneous than interest in fungible goods (like credit).

CDD initiatives, particularly when they are large, are usually designed by a central authority which sets the basic parameters of the project and creates the mechanisms for disbursing funds. However, the effectiveness of projects depends largely on the work done by project implementers at different levels. Among these, the frontline staff are the field workers who are assigned to work directly with beneficiary groups. These “street level bureaucrats” are critical actors in building participatory processes and a large burden is placed on them. They are required, at least in theory, to mobilize communities, build their capacity for collective action, ensure adequate representation and participation, and, where necessary, break through elite domination. To do this effectively, they must be culturally and politically sensitive, charismatic leaders, trainers, anthropologists, engineers, economists, and accountants. Despite their centrality to the CBD/CDD process, however, there is virtually no generalizable evidence on their role in CBD/CDD initiatives. What evidence there is, comes from case studies which present a rather dismal picture.

Jackson’s (1997) analysis of field- worker diaries in India indicates that field level staff tend to be driven by the incentives they face, and that these are often not well aligned with the needs of the project. In particular, Jackson notes that field workers tend to gloss over local power relations in a rush to show results. Vasan (2002) shows how facilitators, in the forest management projects she looked at, overlooked project goals when their personal incentives were in contradiction to them. Botchway (2001), studying participatory projects in North Ghana, notes that project facilitators are often quite vulnerable to manipulation and control by locally powerful individuals and groups because they are typically quite young, inadequately experienced, and poorly paid. Michener (1998) echoes this and points out that the problem extends beyond field level implementation staff. Senior members of the implementing agency are often ex-bureaucrats with little experience in the work of community empowerment. Their vision of development, guided by a lifetime of work with line ministries is closer to what Serrano (1996) and Tendler (2000) have called “supply driven demand driven development”²². Moreover, both beneficiaries and facilitators have an incentive to present an impression of a successful project to outsiders and may collude for this purpose. NGOs, to whom central project management agencies typically sub-contract, often avoid working in tough communities, where quick results may be harder to demonstrate. The community may also use participation as a bargaining chip to extract resources from the outside agency – and in some cases may also construct the truth in a manner that gets them the maximum benefit. All this adversely effects project quality and sustainability.

²² See also Tendler and Serrano (1999)

The state must also be seen as a strategic actor in this context. Aside from any explicit manipulation of project allocation to satisfy political ends ((Schady (2000)), the state may have incentives to use CBD/CDD programs to shift certain types of costs to community groups. Mosse (1997) has an extended discussion of this in the context of irrigation infrastructure. On the other hand, beneficiary communities also remain in need of government support for inputs, maintenance investment, and trained staff in order to sustain project benefits. They are usually too poor to fund their own teachers, doctors, desks and medicine (Cleaver (1999), and Kleemeier (2000)). Thus, the need for a responsive state apparatus may only increase whenever CBD/CDD projects are implemented.

Some studies claim that centralized bureaucracies and ministries tend to inhibit project effectiveness, although evidence on this is generally very weak. For example, Finsterbusch and Van Wincklin (1989) in their review of community managed USAID projects hold that organizations that implement such projects also need to be decentralized and non-authoritarian for CBD/CDD to be effective. White (1996) notes that power relations in the wider society within which participation occurs have to be taken into consideration before it is successful. In some cases, the state may have to support broad-based redistributions in power for CBD/CDD to be really successful. This suggests that CBD/CDD must be seen as part of a shift towards a broad based participatory and decentralized system of governance. However, it is unclear how this is to be achieved. Several writers have pointed out the potential for conflict between local political interests and community organizations. Thomass-Slayter et al.(1994) note that as communities get strengthened they often pose a challenge for local political interests leading to competitive relations between the state and community organizations and a withdrawal of state support. Das Gupta et al. (2001) find that community development efforts can be quite fragile in such circumstances.

What kind of state creates the right kind of “enabling environment” for CBD/CDD? An extreme example is Indonesia’s appropriation of the concept of *gotong royong* -- translated as mutual assistance, and *svadaya* -- translated as self-reliance, as central tenets of its nationalist ideology led, particularly during the long period of military rule, to participation being externally imposed by a strong state on the local population (Bowen (1986)). 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* (or gotong royong-ness). *Gotong Royong* provided a form of cultural legitimacy to state control. In order to protect the political and cultural unity of the Indonesian state, it had to be strongly authoritarian

and development had to proceed in a cooperative and collaborative manner. By the early 1970's *svadaya gotong-royong* was central to the implementation of development policy in Indonesia.

As Sullivan (1992) in his detailed ethnography of local development in a Javanese community demonstrates, the combination of an autocratic state and the principle of *svadaya gotong royong* 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*) assumed in the mismatch between the size of the funds and expected cost of the proposed project that the majority of funds would be locally mobilized. The headman whipped up contributions from the community which were actively mobilized by the ward leaders – *kepala dusun* in rural areas or *RW/RT* in urban areas. Everyone was expected to contribute free labor – otherwise it was easy to be labeled unpatriotic or uncooperative and face both social, political, material and even physical sanctions. It is never wise in a dictatorship to not abide by the wishes of the dictator – and decentralization in pre-*reformasi* Indonesia was essentially a set of concentric circles of dictatorial rule – justified by appealing to a sense of strong Indonesia united by the beliefs of *gotong royong and svadaya*. No one had a choice but to participate.

Ribot (1999) makes a similar argument for how participatory ideologies were implemented in Sahelian forestry. The essential problem was that powers were devolved to village chiefs who were upwardly accountable to administrative authorities rather than downwardly accountable to their constituents. Consequently, participation essentially became another form of enforcing central rule. The Indian experiment with local level democracy instituted through a series of constitutional amendments enfranchising and enabling the Panchayat system – regularly elected village councils – is another way to go. But in many instances, while Panchayats, in those areas where regular elections are held, have high downward accountability, they often lack the resources and the links with higher levels of the state to effectively deliver public services (Matthew and Buch (2000)). Thus, the key to making participation work is to both create forms of *downward accountability* and, simultaneously, ensure that a close link is maintained between the higher levels of government and the community – we can call this *upward commitment*, because participation in the absence of state facilitation can result in a closed village economy which limits the possibility for improved public action.

5. On the Feasibility of “Scaling Up”

Can CBD/CDD be rapidly scaled up? In our view this question cannot be answered unequivocally. We have little generalizable evidence on the optimal pace of the scaling up process or the marginal benefits of increasing community involvement. There are, however, stories of highly successful initiatives which provide some grounds for optimism. One of the most inspiring, is the story of the Self Employed Women's Association (SEWA) (Rose, 1993). SEWA, inspired by Gandhian notions of self reliance, provides inexpensive credit and insurance to poor women workers. What is unique about SEWA is its success in unionizing its members, enabling them to negotiate for minimum wages, legal protection, and other equitable policies. While SEWA has never been subjected to an impact evaluation, it is widely regarded as a successful effort. Similarly, the Amul movement in India has created a cooperative that has been remarkably successful in creating new markets and higher incomes for dairy farmers across India (Kurien 1997)²³.

The question is can such movements be *rapidly* replicated by the force of an external intervention led by a *large bureaucracy*. There are two problems here. One is that it is difficult to mimic the success of a highly motivated group of charismatic individuals who are able to sustain a long term vision of structural transformation with dedication, patience and creativity. Such individuals have been integrally involved in each success story. When such tasks are handed over to salaried professionals, motivated by more mundane preoccupations such as wages and promotions, the incentives change.

Rapid scaling up results in hiring facilitators who are particularly inexperienced and poorly trained. Given the pivotal role that facilitators play in the CBD/CDD process, this could, in light of the discussion in the previous section, doom the effort from the start. This is particularly true when such individuals work within the structure of large bureaucracies such as those of line ministries or the World Bank (Pritchett and Woolcock, 2003). They begin “seeing like a state” (Scott, 1999). The complicated process of building community participation – that often requires long term interaction within complicated community structures becomes routinized and subject to the imperative of short time horizons and the need for quick results.

This is very far from saying that such an “empowering” ideal is doomed to failure, or an unworthy goal. Rather, it appears that the *mechanical* application of “Best Practice” guidelines obtained from project handbooks could easily result in very poor CBD/CDD projects. This is

²³ Uphoff and Krishna (1997) document several such “Reasons for Hope.” Also see Binswanger and Aiyer (2003) for a review of the “gray literature” highlighting various examples of what are considered successful CDD interventions. Uphoff and Wijeratna (2000) also harness evidence to argue that there was a strong correlation between “social capital” building initiatives in improved efficiency in water management in the Gal Oya irrigation project in Sri Lanka.

particularly a concern when CBD/CDD projects are done hastily, without adequate attention to local context, and with poor monitoring. At the same time, there are generalizable lessons that can be learned from the successes *and failures* of CDD projects in other countries (Binswanger and Aiyer, 2003), but these lessons need to be adapted to fit the historical, political and social environment where the proposed project is going to be implemented²⁴.

Social and cultural inequities create several challenges for the poor. Appadurai (2003), has argued that in order to break structural inequities in social relations and build equitable development, it is important to build the “capacity (of the poor) to aspire”. This often requires that the poor and disadvantaged organize themselves to realize collectively what they cannot aspire to as individuals – a way out of the culture of domination and poverty. Rao and Walton (2003) describe this as building “equality of agency,” – creating environments that attempt to equalize the relational and group-based structures that shape and influence individual aspiration, capabilities, and agency. This is the kind of empowerment that advocates of CBD/CDD envisage.

Can a structurally transforming, “aspiration building”, agency equalizing, empowering CBD/CDD result from a *rapid* scaling up process? As Trawick (2001) points out, this is unlikely. CBD/CDD requires the transformation of a social equilibrium where traditional systems of social organizations have evolved to manage resources in a manner that serves the purposes of entrenched elites. Breaking this is a slow and gradual process. If external agencies change the political and social dynamic naively it can severely disrupt the social equilibrium (Mosse, 1997). This may sometimes be necessary but it needs to be done with care and full knowledge of the impact – it cannot be done quickly. None of this is possible with the application of generalized “best practices” derived entirely from projects conducted within other social and cultural contexts. In fact the best practice here may be the absence of a best practice. Effective CBD/CDD has to involve slow, gradual, persistent learning-by-doing where project design gradually adapts to local conditions by learning from the false starts and mistakes that are endemic to all complex interventions.

One important challenge here is that effective learning-by-doing requires effective, and honest, monitoring and evaluation. Phillips and Edwards (2000) show that the culture and incentives of large bureaucracies make this very difficult to accomplish. Task managers, facilitators, and beneficiaries, and evaluation consultants all have incentives aligned to present a favorable impression. This results in a culture where all the actors resist the presence of

²⁴ In the World Bank, for instance, we have noted a tendency for project designs to “borrow” the “social funds,” from Zambia or the KDP model from Indonesia and air-drop them into very different setting. We would strongly caution against this particularly in the Indonesia case where, as explained above, the historical experience with community development has been long supported by a strong state.

evaluators and make efforts to influence their work and present results that will provide a more favorable impression. This hampers true learning and results in the replication of bad design and practice²⁵. One of the most worrying findings of this review is that the vast majority off CBD/CDD interventions, including those funded by the World Bank, have not had reliable evaluations, based on representative samples with treatment and control groups, and baseline and follow up data. This is clearly inexcusable. If we are going to embark on a major change in Development strategy – surely we should be worried about how well it might work²⁶?

Arguments that are made that no major Development interventions have been adequately evaluated and so why should CDD/CBD be singled out for attention seem to miss the point. Of course, all interventions would benefit from good learning by doing by careful evaluations, but community based approaches in particular are very difficult to get right in initial designs. Thus successful CDD/CBD necessarily relies much more on learning by doing which requires careful evaluations coupled with gradual phased-in scaling with constant adaptation. Therefore, in CDD/CBD projects evaluations should be a central part of the project design *from the start* and not merely a method to judge the effectiveness of a project after they are completed.

CDD/CBD projects can be scaled up in several different ways. The first would follow a model of testing out the methodology in a carefully selected set of pilots to test different approaches and methodologies. Learning from this experiment can then lead to improved project designs applied to a much larger set of communities – this can be called “piloted scaling up.” Another method would first apply a design on a limited but large set of communities, say in one province in the country. Once lessons from this large test case have been learned, the project can be expanded in a phased manner to the entire country – we would call this “phased scaling up.” A third possibility is to not bother with any pilots or phasing and start with a project with very wide national coverage. We would call this “untested scaling up.” In ideal circumstances, the evidence seems to advocate a mix of piloted approaches followed by phased scaling up. But, sometimes, scaling up may have to be untested – in order to deal with an economic emergency for instance. The evidence seems to suggest that in order for a CDD/CBD project to be successful – such an untested expansion should be applied with extreme caution – particularly in countries with little experience with community based development. What, then, are the pre-conditions for successfully scaling up community based projects that are truly community driven²⁷?

²⁵ See Pritchett (2002) for an economists version of this argument.

²⁶ Subsequent to the writing of the first draft of this paper, several CDD evaluations have begun at the Bank from which we should be able to learn a great deal the next two or three years.

²⁷ Also see Binswanger and Aiyer (2003) on this point.

As argued above, first - the process has to be gradual. Given the contextual complexities involved, initial designs based on best practices are bound to be imperfect. Rapidly scaling these up, particularly in countries that have had little experience with community based projects, will very likely result in failed projects and , ultimately, a backlash against CDD/CBD. An important step in assessing the potential for CDD/CBD is to conduct a historical, political and social analysis of the country, in addition to the usual economic analysis. This should go beyond a simple “social capital” assessment to a deep examination of whether the government has the capacity to support CDD/CBD in manner consistent with both upward commitment and downward accountability.

Second, it requires a strong ethic of learning by doing. This requires effective and honest evaluations with good treatment and control groups and baseline and follow-up data, and reliable monitoring systems to provide constant feedback. Ideally these should mix qualitative and quantitative methods to provide both reliable estimates of impact and an in-depth examination of context and process (Rao and Woolcock (2003)). Lessons learned from monitoring and evaluation should be incorporated into the next phases of project design to allow for and correct mistakes, which will be inevitable.

Third, careful and adequate attention should be paid to the training and development of a core cadre of facilitators since they are the fulcrum of successful community based interventions. This, again, cannot be done in haste, and is part of the learning-by-doing process. Inexperienced facilitators should be given a chance to learn and grow, under the supervision and leadership of more experienced individuals.

Fourth, there should be a commitment on the part of the country to a cultural change in the institutional environment which has to be become more participatory, responsive, transparent and with downward accountability. These are not just buzzwords. As Uphoff, Esman and Krishna (1998) argue, “If the expansion is occurring because the government or donor sources are promoting it, this is less persuasive than if there is a spontaneous joining of the program or if local governments take over responsibility” In addition there has to be a strong upward connection to higher levels of government and line ministries to facilitate the flow of resources. Without an enabling institutional environment that is committed to bottom-up development, communities will quickly face the problem of hampered expectations by encountering unresponsive bureaucrats.

Finally, all this requires a very long term horizon. Both institutions such as the World Bank, and countries that take on the CBD/CDD agenda, need to realize that changing from top-down to bottom-up development in a manner that is effective and sensitive to local context and

culture cannot be done hastily. CBD/CDD should also not be judged hastily. Initial evaluations may well be poor. The key is to fix the problems observed in the evaluations and work towards incremental improvements. All this requires a new vision for development – that is long term, well evaluated, honest, open to error, learning from error and less prone to the fashions of the moment. Absent these conditions, instead of “turning Development upside-down,” CBD/CDD is likely to join the long list of discarded fads that litter the history of Development. Therefore, one valid issue that needs to be debated is how the current institutional culture within multilateral organizations needs to change in order for the CBD/CDD agenda to be in their comparative advantage to so enthusiastically adopt.

6. Conclusions

The paper reviews evidence on the effectiveness of community based development initiatives. We focus, in particular, on aspects of CBD/CDD for which we were able to find some reliable evidence. The key findings on these issues may be summarized as:

- i) The evidence on decentralized targeting of anti-poverty programs suggests that: (1) the center’s ability to target program benefits to poor households may be constrained in several ways due to information gaps, political economy concerns etc.; (2) Decentralized community based targeting can be better than centralized targeting, but the evidence on this is still limited and needs more investigation. The evidence does not suggest that CDD/CBD projects have been well targeted to the poor within communities. (3) Under certain conditions, local inequality can worsen when targeting is decentralized. (4) Decentralized targeting can be made more effective by using project monitoring to improve performance incentives. (5) It is useful to distinguish between “use targeting” which asks if targeted groups gain proportionately more from the provision of services, and “preference targeting” which asks if the preferences of the poor have been adequately considered in the selection of the project and its beneficiaries. (6) The poor targeting of communities may also result from political economy considerations or due to perverse incentives created by project performance requirements.

- ii) There is some evidence that CBD/CDD projects create effective community infrastructure and improve welfare outcomes. However, such evidence is missing for most projects. These studies also do not establish that it is the participatory elements in CBD/CDD projects that are responsible for causally improving project outcomes. Moreover, there are very few studies that compare CBD/CDD projects with centralized mechanisms of service delivery controlled by line ministries so it is difficult to tell if alternate project designs would have produced better outcomes.
- iii) There is some quantitative evidence showing an associative relationship between social capital and project effectiveness, but the direction of causality is unclear. One can perhaps cautiously claim that CBD/CDD is likely to be more effective in cohesive and better-managed communities. One quantitative study shows some evidence of a link in the other direction, with CBD/CDD increasing the capacity for collective action, but this is not based on reliable baseline and follow up data. Therefore, these questions remain open and worthy of more research.
- iv) The impact of heterogeneity on project outcomes, and on collective action capacity more broadly, is complex. Theoretical work by economists has focused on economic inequality and shown that in a variety of contexts inequality need not constrain collective action. However, empirical work has shown mixed results. A number of studies find a U shaped relationship between inequality and project outcomes. The role of social heterogeneity is more complex to measure. However, most empirical studies that have attempted to devise measures of social fractionalization have shown that such fractionalization tends to inhibit the prospects for any collective activity. In the end, however, the success of community driven development may also be affected by how well heterogeneity is “managed” – that is – what resources/strategies are used to bring communities together, how effectively differences are debated and discussed and solutions arrived at etc. Every time an external agent interacts with a group of people it creates competition between different interests and incentives and the success of a project may also depend upon how those incentives are aligned – whether by persuasion,

- ideology, consensus, good governance, domination by greedy elites, or sheer hard work by a group of altruistic individuals.
- v) Even in the most egalitarian societies involving the community in choosing, constructing and managing a public good is a process that will almost always be *dominated* by elites because they tend to be better educated, have fewer opportunity costs on their time, and therefore have the greatest net benefit from participation. It is not clear, however, that this always represents “capture” in the sense that elites appropriate all the benefits from the public good. It may therefore be useful to make a distinction between extreme forms of capture such as outright theft and corruption, and what one might call “benevolent capture.” However, when local cultures and systems of social organization result in tight control of community decisions by elites, more malevolent forms of capture become likely. For instance, the evidence shows that targeting is markedly worse in more unequal communities, particularly when the distribution of power is concentrated within elites. It is important therefore to understand what types of checks and balances are most effective in reducing capture and the systematic exclusion of poor and discriminated minorities. Again the problem in assessing elite capture in CBD/CDD projects is that there are no studies which look at this question in the context of an appropriate counterfactual.
- vi) It is important that key concepts that underlie the “theory” of CBD/CDD such as “participation,” “community” and “social capital” are problematized and treated critically. A naïve application of these notions could lead to poor project design and outcomes that are seriously at odds with the stated intentions of projects. In particular, it is important to realize that CBD/CBD is not necessarily “empowering” in practice. A less fervent, and more analytical, approach to CBD/CDD by both its proponents and its opponents would also be beneficial.
- vii) Several qualitative studies indicate that the sustainability of CBD/CDD initiatives depends crucially on the existence of an enabling institutional environment. Line ministries need to be responsive to the needs of communities, and national governments should be committed to the idea of transparent, accountable, and democratic governance. We call this

- upward commitment.* For example, a common problem is the existence of community built physical facility, say a school, that lacks inputs, like teachers and textbooks, because of a lack of cooperation by line ministries.
- viii) In order for CDD to not result in “supply driven demand driven development” it is important that leaders of communities are downwardly accountable – answerable primarily to beneficiaries rather than to political and bureaucratic superiors.
- ix) Qualitative evidence suggests that the role of external agents, such as project facilitators, is key to the success of CBD/CDD within communities. Projects often work with young, inexperienced facilitators whose incentives are not aligned with the best interests of the community. Our knowledge about the impact of incentives systems and heterogeneity among street level agents in the success of a project is limited, however, and requires more investigation. This lack of evidence also relates to the question of how rapidly CBD/CDD initiatives can be scaled up because rapid scaling up may rely on particularly inexperienced facilitators.
- x) Since the success of CBD/CDD is crucially conditioned by local cultural and social systems, it is best done not with a wholesale application of “best practices” applied from projects that were successful in other contexts, but by careful learning-by-doing. This requires a long term horizon – that is well evaluated, open to error, and learning from its mistakes. But, one of the most worrying aspects of this review is that most CBD/CDD projects lack careful evaluations with good treatment and control groups, with baseline and follow-up data. This situation needs to be urgently rectified.

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