



*Social Capital Initiative
Working Paper No. 1*

THE INITIATIVE ON DEFINING, MONITORING AND MEASURING SOCIAL CAPITAL

OVERVIEW AND PROGRAM DESCRIPTION

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FOREWORD

There is growing empirical evidence that social capital contributes significantly to sustainable development. Sustainability is to leave future generations as many, or more, opportunities as we ourselves have had. Growing opportunity requires an expanding stock of capital. The traditional composition of natural capital, physical or produced capital, and human capital needs to be broadened to include social capital. Social capital refers to the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human well-being. Without social capital, society at large will collapse, and today's world presents some very sad examples of this.

The challenge of development agencies such as the World Bank is to operationalize the concept of social capital and to demonstrate how and how much it affects development outcomes. Ways need to be found to create an environment supportive of the emergence of social capital as well as to invest in it directly. These are the objectives of the Social Capital Initiative (SCI). With the help of a generous grant of the Government of Denmark, the Initiative has funded a set of twelve projects which will help define and measure social capital in better ways, and lead to improved monitoring of the stock, evolution and impact of social capital. The SCI seeks to provide empirical evidence from more than a dozen countries, as a basis to design better development interventions which can both safeguard existing social capital and promote the creation of new social capital.

This working paper series reports on the progress of the SCI. It hopes to contribute to the international debate on the role of social capital as an element of sustainable development.

Ismail Serageldin
Vice President
Special Programs

IN MEMORY

MANCUR OLSON, JR. (1932 - 1998)

Mancur Olson, Jr. was widely considered as one of the main architects of the conceptual framework that gave rise to the concept of social capital. In “The Logic of Collective Action”, he helped identify the mechanisms of social interaction by individuals or groups which affect the provision of public goods. In “The Rise and Decline of Nations” he described how the focus that interest groups and trade associations place on the individual welfare of their members can translate in a powerful resistance to economic growth and higher collective welfare. This insight provided a challenging addition to a growing literature that mainly focused on welfare-enhancing forms of social capital.

In 1996, Dr. Olson’s participation in the World Bank’s Social Capital Satellite Group of the Social Development Task Force contributed to the design and support of the Social Capital Initiative, under which the material for the present publication was produced and collected. His active involvement as a member of the Steering Committee helped ensure that high levels of conceptual rigor be at the forefront of the selection and implementation of the twelve studies which will advance the research and policy portfolio of the Initiative. Accordingly, this first publication stemming from the World Bank’s work on the Social Capital Initiative is respectfully dedicated to Dr. Olson’s memory.

THE INITIATIVE ON DEFINING, MONITORING AND MEASURING SOCIAL CAPITAL

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THE INITIATIVE ON DEFINING, MONITORING AND MEASURING SOCIAL CAPITAL

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THE INITIATIVE ON DEFINING, MONITORING AND MEASURING SOCIAL CAPITAL

INTRODUCTION

A growing body of evidence indicates that the size and density of social networks and institutions, and the nature of interpersonal interactions, significantly affect the efficiency and sustainability of development programs. Yet the exact channels through which this “social capital” impacts developmental outcomes have only begun to be explored, and the lessons to be drawn from these observations for program design and implementation remain to be formulated. To help advance the theoretical understanding and the practical relevance of this concept, the Government of Denmark has provided the World Bank with resources of about US \$1.0 million to support operations which promote and strengthen social capital, and to develop indicators and methodologies to learn from this experience.

The Social Capital Initiative (SCI) received over 40 project proposals, of which a Steering Committee selected 12 for funding. Their implementation is well underway. The present document places the SCI within the larger framework of the current research on social capital, and offers a description of the goals, expected contributions, and status of the project. It then presents summaries of the 12 projects selected for funding and a basic bibliography on social capital.

WHAT IS SOCIAL CAPITAL?

The social capital of a society includes the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development. Social capital, however, is not simply the sum of the institutions which underpin society, it is also the glue that holds them together. It includes the shared values and rules for social conduct expressed in personal relationships, trust, and a common sense of “civic” responsibility, that makes society more than a collection of individuals. Without a degree of common identification with forms of governance, cultural norms, and social rules, it is difficult to imagine a functioning society.

The scope of the concept of social capital varies considerably in the literature (see bibliography in Annex 2). The most narrow concept of social capital is associated with Putnam (Putnam 1993; Putnam and others 1993) who views it as a set of “horizontal associations” between people: social capital consists of social networks (“networks of civic engagement”) and associated norms that have an effect on the productivity of the community. Two empirical presumptions underlie this concept: first, that networks and norms are empirically associated; and second, that they have important economic consequences. While originally this concept of social capital was limited to associations having positive effects on development, recently it has been relaxed to include groups that may have undesirable outcomes as well, such as

associations with rent-seeking behavior. The key feature of social capital in this definition is that it facilitates coordination and cooperation for the mutual benefit of the members of the association (Putnam 1993).

A second and broader concept of social capital was put forth by Coleman (1988) who defines social capital as “a variety of different entities, with two elements in common: they all consist of some aspect of social structure, and they facilitate certain actions of actors — whether personal or corporate actors — within the structure” (p. 598). This definition expands the concept to include vertical as well as horizontal associations, and also the behavior within and among other entities such as firms.¹ Vertical associations are characterized by hierarchical relationships and an unequal power distribution among members. This wider range of associations covers a wider range of objectives — positive as well as negative. Coleman is explicit about this: “A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others” (p. 598). In fact, this view of social capital captures social structure at large, as well as the ensemble of norms governing interpersonal behavior.

A third and most encompassing view of social capital includes the social and political environment that shapes social structure and enables norms to develop. In addition to the largely informal, and often local, horizontal and hierarchical relationships of the first two concepts, this view also includes the most formalized institutional relationships and structures, such as government, the political regime, the rule of law, the court system, and civil and political liberties. This focus on institutions draws on North (1990) and Olson (1982), who have argued that such institutions have an important effect on the rate and pattern of economic development.

These three concepts of social capital should not be seen as alternatives, but rather as different manifestations of the social capital present in a society. Horizontal and hierarchical associations and macro-institutions can and should co-exist in order to maximize the impact of social capital on economic and social outcomes. For example, macro-institutions can provide an enabling environment for local associations to develop and flourish, and in turn local associations can sustain the regional and national institutions and add a measure of stability to them. This kind of complementarity will enhance the contribution of social capital to development (Serageldin and Grootaert, 1997).

Social capital must ultimately be seen in the context of the contribution it makes to sustainable development. Sustainable development has been defined as a process whereby future generations receive as much or more capital per capita as the current generation has available (Serageldin 1996a, 1996b). Traditionally, this has included natural capital, physical or produced capital, and human capital as the wealth of nations on which economic development and growth are based. It is now recognized that these three types of capital determine only partially the process of economic growth because they overlook the way in which the economic actors interact and organize themselves to generate growth and development. The missing link

¹ This concept of social capital is related to the treatment of firms and other hierarchical organizations in institutional economics, where the purpose of the organization is seen as to minimize transaction costs (Williamson 1985, 1993).

is social capital (Grootaert, 1997). At this broad level of conceptualization there is little disagreement about the relevance of social capital. There is, however, no consensus about which aspects of interaction and organization merit the label of social capital, nor in fact about the validity of the term *capital* to describe this. Least progress has been made in measuring social capital and in determining empirically its contribution to economic growth and development.

The Social Capital Initiative aims to improve our understanding of this contribution and suggest ways through which the donor community can invest in social capital and create an enabling environment in which social capital can be strengthened. To do this successfully requires an interdisciplinary approach which attempts at bridging some of the current different disciplinary perspectives on social capital. Political scientists, sociologists, and anthropologists tend to approach the concept of social capital through analysis of norms, networks, and organizations. Economists, on the other hand, tend to approach the concept through analysis of contracts and institutions, and their impacts on the incentives for rational actors to engage in investments and transactions. At the microeconomic level, social capital primarily improves the functioning of markets. At the macroeconomic level, institutions, legal frameworks, and the government's role in the organization of production affect performance. Each of these views has merits and the challenge is to take advantage of the complementarities of the different approaches.

As a starting point, we note the following common features across the different concepts of social capital and the different disciplinary perspectives:

- (i) All link the economic, social, and political spheres, and assume that social relationships influence how markets and states operate, and in turn are influenced by those markets and states.
- (ii) All focus on relationships and the ways in which reliable, stable relationships among actors can enhance the effectiveness and efficiency of both collective and individual action.
- (iii) All imply that social capital can be strengthened, and that this is a process that requires resources.
- (iv) All imply that social relationships and institutions have public good characteristics. Because the benefits of such goods cannot easily be appropriated privately, most rational actors underinvest in maintaining them. Hence, there is a case for public support to social relationships and institutions.

THE WORLD BANK AND THE SOCIAL CAPITAL INITIATIVE

The notion that social capital, however broadly defined, has an important role to play in development assistance has already gained ground in parts of the World Bank. As a result, a number of studies have been undertaken to measure social capital in selected countries and to show its impact on development outcomes (see Box). A key objective of the Social Capital Initiative is to promote further work along these lines and to strengthen the methodological and empirical underpinnings for measuring social capital.

Box: Ongoing Work in the World Bank's Environmentally and Socially Sustainable Network

A study of 750 households from 45 villages in Tanzania suggests that social capital makes a significant contribution to household welfare. Social capital was measured by membership in groups and networks and by levels of trust. Multivariate regression analysis established that village-level social capital was a key contributor to household welfare even after taking into account the size of household, schooling, household assets, market access and agroecological zone. In some cases, the effect of village-level social capital outweighed that of market access or schooling. Household-level social capital appeared to be less significant than village-level social capital.

A comparative study is underway to collect data for a profile of local institutions in 20 countries. The study collects data on the institutions of the state, market and civil society which function at the local level in the provision of various services (health, education, agricultural extension, water supply, forestry). In three countries (Indonesia, Bolivia, Burkina Faso) this profile will be supplemented with data at the household level. Specifically, the extent of household participation in different local organizations, and the way in which they contribute to household well-being will be explored. The availability of measures of economic and social outcomes, both at the village and household level, will make it possible to test empirically hypotheses regarding the impact of social capital on poverty, access to health, education and credit, and effectiveness of public programs and projects.

A number of Bank projects have had positive impact on social capital, usually through the promotion of participatory approaches towards project design and implementation, and through community based development. For example, the Bank is supporting micro-credit initiatives which rely on social solidarity and community norms of trust. Agricultural and environmental projects have contributed to strengthening non-formal and civil society institutions such as water users' associations, joint forest management groups and indigenous federations. However, to date, there has not been any systematic effort to assess the impact of investments in social capital in these interventions. The SCI intends, among other goals, to help filling this gap.

As a part of the World Bank's movement toward the implementation of a new development paradigm which integrates social, cultural, institutional and economic factors, the Bank is keen to better incorporate social capital considerations into its project lending and

policy advice. The Bank's Social Development Task Force identified five possible levels of action which the Bank could undertake:

- (i) use current and new tools to understand more thoroughly the nature of existing institutions in client countries and their roles in social and economic development. Doing so should help ensure that Bank programs avoid weakening existing, positive social capital (as they have sometimes done in the past), and identify areas where institutional (social capital) strengthening is needed;
- (ii) where possible, work with existing social capital, especially peoples' associations and organizations, for the design and delivery of projects. This has the potential to (a) improve beneficiary targeting, (b) reduce project costs, (c) enhance sustainability, and (d) strengthen civil society through strengthening these organizations;
- (iii) facilitate enabling environments that foster the strengthening of social capital in a country. The World Bank is especially well placed for such a role. This might include fostering greater interaction between civil society and government, enhanced civil liberties, enhanced mechanisms for government transparency, and stronger contracts and economic institutions;
- (iv) invest directly in social capital. This may be done through training and capacity building of local organizations or through direct financial support; and
- (v) conduct further research on the distributive and growth implications of strengthening social capital, and on strategies for working with civil society organizations.

The Social Capital Initiative hopes to contribute to all five of the above objectives. The Initiative has a triple goal: 1) it aims to assess the impact of initiatives to strengthen social capital on project effectiveness; 2) it also hopes to demonstrate that outside assistance can help in the process of social capital formation; and 3) it will contribute to the development of indicators for monitoring social capital and methodologies for measuring its impact on development.

To achieve this multiple goal, the SCI team (located in the Social Development Family of the Environmentally and Socially Sustainable Development Network at the World Bank) solicited project proposals from task managers within the Bank. Forty proposals were received and reviewed by a Steering Committee, of which 12 were selected for funding on the basis of their perceived ability to test two central hypotheses:

- (1) The presence of social capital improves the effectiveness of development projects; and
- (2) Through select donor-supported interventions, it is possible to stimulate the accumulation of social capital.

These hypotheses are purposefully broadly formulated so as to make possible a wide array of interventions and monitoring methodologies. In addition, since one of the goals of the project is to encourage different approaches to the measurement and monitoring of social capital, innovativeness in methodology was a prime consideration for support, as was the ability to obtain results within a 2-year time horizon.

The 12 selected studies examine the social role and behavior of micro- as well as macro-institutions, and involve different classes of actors: farmer associations, urban service user groups, ethnic communities, educational associations, firms, and formal institutions. A special focus has been placed on economies in transition, and on nations that have been ravaged by war or civil strife. The full texts of the original proposals are provided in *SCI Working Paper No. 2* (see p. iii for contact information).

All projects were selected on the basis of their perceived ability to contribute, directly or indirectly, to the effective test of the two hypotheses presented above. In addition, two projects (in Mexico (#1) and in the coal mining regions of the Indian state of Orissa (#3)) are expected to contribute directly to the development and strengthening of local social capital in the context of larger Bank-supported projects.

The projects offer a wide geographic coverage: four projects are focused on Asia, three relate to Africa, two each for Latin America and FSU/Central Asia, and one will be conducted in parallel in Africa and Asia. They cover a broad range of developmental issues, such as:

- ⇒ *Local level alternatives to the inadequate provision of goods and services.* Six projects (#1, #2, #5, #9, #10, #11) directly address the channels through which local groups can identify and develop schemes that compensate for the insufficient availability of — public or private — goods and services, such as credit, agricultural extension, water and sanitation, and education.
- ⇒ *The reconstruction or revitalization of social capital after conflicts or political transition.* Projects #4, #6, #7, and #8 will examine the process through which social capital can be damaged by ethnic disturbances or civil disintegration, and suggest ways through which it can be rebuilt when violence or political change has subsided. They will also suggest ways for external organizations to contribute to this regenerative process.
- ⇒ *The mobilization of social capital for the development of new income-generating activities.* When traditional production schemes and market access are being eroded by structural or political changes, local communities can develop new internal and external alliances to identify and implement new productive schemes. The role of social capital in the success of this process is the main focus of projects #1 and #3.
- ⇒ *The development or reinforcement of the role of trust in work-related relationships.* Trust is an overarching element of most definitions of welfare-enhancing social capital. Projects #3 and #12 are designed to test whether trust can act as a leverage for technical

and organizational skills in the employer-employee, or extension worker-farmer, relationship.

- ⇒ *Local adjustments to increased decentralization of government functions.* Project #1 will study the design and implementation by local communities of mechanisms of consultation and collective action which increase their role in the decision making process of decentralized government entities. This component of the SCI will illuminate how final stakeholders can benefit from increased opportunities for participation in decision making when budget and planning decisions are delegated by the central government to regional authorities.

Another major focus of the study, in keeping with the second of the above hypotheses, is the impact — positive or negative — of external assistance efforts on the development and sustainability of local social capital. Several studies, to different degrees, address this issue, but it is at the center of the investigations of projects #2, #3, #5, and #11. Interest in environmental and gender issues are also important features of several projects (#1, #2, #3, #11).

Other aspects of social capital will be left relatively unexplored by the Initiative, such as the potential role of social capital in improving performance in the public sector, and issues related to welfare-decreasing forms of social capital (of which organized crime is an extreme example).

The proposed analytical methods cover a wide range of qualitative and quantitative approaches. These include quantitative methods in formal research designs with use of control groups, econometric analyses calling on instrumental variables and principal component approaches, as well as case studies, qualitative and inductive methods. The variety of approaches was a priority in the project selection process and should help determine the relative aptitude of different approaches at apprehending the nature and determinants of social capital.

The SCI is expected to further the understanding of several conceptual and functional aspects of social capital. The following section explores these expected contributions in more detail.

EXPECTED CONTRIBUTIONS FROM THE SOCIAL CAPITAL INITIATIVE

The Social Capital Initiative aims to contribute to both the conceptual understanding of social capital and its measurement. Although there is a significant and rapidly growing literature on social capital and its impact (for reviews, see Grootaert 1997, and Woolcock 1997), it has not yet provided an integrated and generally accepted conceptual and analytical framework. The lack of conceptual clarity stands in the way of the measurement of social capital, and the variety of existing definitions makes it inherently difficult to propose a list of indicators. Instead, indicators will have to evolve as the conceptual definition and, more important, the operational definition of social capital are developed.

A conceptual framework is more developed for the narrower definitions of social capital (micro-institutional in focus) than for the broader macro-oriented definitions. It is therefore

likely that a suitable set of indicators for social capital can more readily be defined to capture horizontal and hierarchical local associations. Indeed, there is growing empirical evidence that local associations and networks have a positive impact on local development and the well-being of households, and play a key role in environmental management (see references in Grootaert 1997 and Woolcock 1997). Particularly the experience with water user associations has been documented in the context of water supply and irrigation projects. Well-functioning associations reduce maintenance costs and contribute to sustainability beyond the original project time-horizon.

While the existing evidence is strong enough to leave little doubt about the key role of social capital, it is still weak in quantifying its impact and in documenting its role relative to other inputs. Likewise, case studies in other sectors are needed. The SCI will add to the empirical evidence at the micro-institutional level in several sectors. Project #10 investigates the role of the coproduction framework (collaboration between local governments and communities) in the supply of water and sanitation services in Indonesia. Project #2 will measure the role of social capital at the neighborhood level in successfully organizing solid waste disposal in the poor areas of Dhaka, Bangladesh. Both projects will use formal control groups to identify and measure the contribution of social capital to service delivery. Project #12 will assess the role of trust in the successful provision of agricultural extension services in Mali. In the environmental area, project #9 will look at the role of community-level collective action in the management of watersheds in Rajasthan, India. Here too, communities where collective action was successful will be formally contrasted with those where this was not the case.

An important policy question is whether local associations can be strengthened by outside assistance from donors and NGOs. Project #11 will address this question for women's self-help groups and for parent-teacher associations in Kenya, where the impact of funding provided by an international NGO on the functioning and effectiveness of these groups will be measured. A similar objective underlies project #5, which will focus on *campesino* organizations in the indigenous areas of three Andean countries. By tracing the history of such organizations, the project hopes to identify the factors, forms of interventions, and assistance that have fostered their growth and effectiveness.

The role of donors and their ability to invest directly in social capital building is central to the two projects (#1, #3) which are part of larger donor-funded interventions. A World Bank-supported project is helping the Government of Mexico to decentralize some of its budget and planning functions to state and local governments. In project #1, the link between this decentralization and the presence of social capital is addressed. The specific focus is on two programs to promote agricultural development, where an attempt will be made to measure whether existing social capital at the village-level helps the decentralization process, and whether, in turn, this process strengthens further local associations. In India, the World Bank is supporting a large project to rehabilitate the coal mining sector. In project #3, this effort will be enhanced by specific interventions in selected mine-sites to build trust between the stakeholders (the miners, their communities, NGOs, local government, and the mine owner, Coal India Limited). Through comparison with similar mine sites where the social capital building intervention did not take place, its contribution to conflict-resolution and to the successful creation of alternative income sources will be measured.

The projects discussed so far look at local associations as key actors in the construction of social capital. As mentioned earlier, other actors play a role as well. In project #6, the focus is on firms in Mongolia and Russia. Given the weakness of the legal framework in these countries, the question arises as to how these firms organize alternative forms of contract enforcement. The project will attempt to measure the role in this process of informal networks to which the managers of these firms belong.

At the macro-level, additional institutions become part of social capital, such as legal, judicial and political systems, which are traditionally identified and measured at the national level. The mode of analysis becomes primarily cross-country comparisons. In that respect, project #8 looks at the relation between ethnic groups and political institutions. Although ethnic identity helps members of the same ethnic group work together for common goals, the presence of multiple ethnic groups within a country may not always be beneficial for the effectiveness of its political institutions. This project will examine this issue empirically in the context of Africa, using a cross-country data base on politics, economic growth, and political violence.

To capture the full scope of social capital, measurement has to occur and indicators need to be developed not only at the micro and macro-levels separately, but also in such a way that measures the interaction and complementarity between them. The studies on social capital in post-communist and post-war societies (#4, #6, and #7) explicitly link macro events to outcomes at the local level, and attempt to identify the response of local associations and other forms of micro-level social capital. Those projects will contribute to a better understanding of selected aspects of the macro-micro interaction.

Taken together, the 12 studies that constitute the Social Capital Initiative are expected to add significantly to the empirical evidence on the role of social capital. In addition, the studies will make advances in the basic issue of measuring social capital and developing its operational indicators. Since the studies rely on very different research methodologies, they will shed light on the suitability of each methodology and on ways to combine quantitative and qualitative analytical methods in order to exploit their complementarities. Most importantly, the lessons from the studies will help the World Bank, and hopefully other donors as well, to better integrate social capital considerations in the design of development projects and policies.

STATUS OF PROJECT IMPLEMENTATION

The selection process of the projects which are receiving funding from the SCI took place between December 1996 and April 1997. As of this date, project implementation is well under way. All project Task Managers have secured budget access, and are hiring the international and local consultant staff needed for project implementation. Preparatory activities for most projects involve addressing various data collection issues such as the design of samples and questionnaires, identification of control groups, and the definition of relevant indicators of social capital. The SCI Core Team, comprised of economists and other social scientists, has met with all Task Managers to discuss the progress of each project, the expected obstacles and mechanisms to address them, and the next steps of the research program.

Two types of methodological concerns are appearing from these meetings: The first issue relates to the definition and operational feasibility of indicators apt at capturing the different dimensions of social capital used in each project. To different degrees, all 12 projects are facing the need to develop indicators and, in the case of some econometric analyses, instrumental variables that adequately capture the essence of social capital, and give careful attention to the issues of aggregation, scoring, and weighing of component indexes.

The second methodological issue concerns the selection of the control methodologies best adapted to the specific practical situations and requirements of each project. In order to point to causalities between social capital and development outcomes, researchers have to isolate carefully the role of social capital in these outcomes from the impact of all other factors. Several projects are confronting conceptual and practical difficulties in their search for control groups in their sample. One important issue is the frequent correlation between social capital measures and income.

Continuous interaction between Task Managers and the SCI Core Team and, as much as possible, among the Task Managers themselves, will help ensure that conceptual and methodological issues are resolved early. In addition, the core team is organizing various measures of support for the Task Managers such as building a library of key reference material related to social capital, and an electronic forum for discussing project-related issues. A senior Danish consultant has also been recruited to serve as a resource person to the Task Managers. This interaction and information exchange system will hopefully contribute to a high level of synergy, and enhance the quality of the results.

At the end of the project, it is expected that the existing set of operational definitions of social capital will have undergone a series of empirical validation exercises, and at the same time that new proxies for social capital will have been developed and tested. More importantly, the research project will help identify the conditions under which social capital affects project implementation, and indicate how external intervention can best be designed to integrate and make maximum use of the leverage offered by existing networks of social capital. The results from the project, in addition to providing researchers and practitioners with new insights on the role of social networks in the dynamics of the development process, will contribute to increasing both the participatory and sustainable aspects of future World Bank projects.

ANNEX 1: SUMMARY OF PROJECTS APPROVED FOR FUNDING

Project #1: Fostering Social Capital through Federal Decentralization in Mexico

Task Managers: Sylvie Lemmet (LCC1C) and Augusta Molnar (LCSES)

The Mexican government is decentralizing its budgeting and planning functions to state and local government levels, at the same time as agricultural marketing boards are being phased out. The research question of this project relates to whether — and how — these two processes interact with social capital in helping communities in the southern states allocate funds for agricultural development. These states are historically the most underdeveloped part of Mexico and include areas in which local power structures were controlled by a few dominant families. The risk exists that decentralization could reinforce the traditional power structures, rather than allow wider participation of individuals and communities, particularly in remote rural areas. As a counter measure, the Mexican government has created specific programs, such as the Program of Integrated Rural Development (PRODERS) and the Alliance for the Countryside (ALIANZA PARA EL CAMPO). These programs are piloting new models to strengthen social capital in ecologically threatened areas and use innovative funding mechanisms, by devolving decision-making over the allocation of federal resources to local communities and production-based organizations.

The main objective of this project is to enhance our understanding about the definition of and ways to strengthen social capital in government programs. More specifically, the project will test whether the piloted technical assistance in the PRODERS and ALIANZA programs increases social capital and thereby enhances the effectiveness of financial resources channeled through those programs. The project analysis will rely on case studies of a number of communities, starting with a baseline study and a number of field visits over a period of 12 months in zones where the two programs are active. Control sites will be selected and the same interview techniques will be used in areas where the program is not active in order to be able to identify the impact of the social capital building activity. Data collection will involve interviews of stakeholders and case studies to measure membership in local organizations, capacity to form new organizations, changing role of local organizations and benefits to stakeholders through increased knowledge of government programs and decision-making power.

This study will provide an opportunity to 1) compare two innovative programs in different state and regional contexts; and 2) evaluate the linkages between local, state and federal government and civil society. Project recommendations will include participatory mechanisms for dialogue with civil society in the context of the next World Bank Country Assistance Strategy (CAS) and new opportunities for fostering involvement of local organizations.

Project #2: Community Action for Solid Waste Management:
Self-help in Dhaka, Bangladesh

Task Manager: Sheoli Pargal (DECRG)

This project seeks to identify and measure the characteristics of local communities that are able to organize themselves to undertake tasks for the common good. The specific context for this exercise will be solid waste disposal, a problem faced by many communities in poor urban areas. Trash collection in cities is typically a municipal responsibility; however, this is often unreliable and infrequent. In response, some urban communities have managed to organize their own trash collection by hiring private contractors; other communities fail to do so. Clearly, the extent to which the members of a community are able to organize themselves is an important determinant of collective action; in this case successful community-based trash collection.

The study will attempt to document the empirical importance of such local social capital in communities in Dhaka, Bangladesh. New data will be collected in 60 randomly selected neighborhoods in Dhaka, half in which there is an ongoing effort to collectively arrange for garbage removal, and the rest in which there is no such effort. The latter will constitute a control group. The hypothesis to be tested is that the ability to successfully organize local garbage collection depends critically on the cohesiveness of the community, its customary and traditional interactions, its institutions, and a common heritage, values, ethnic or religious background. The study will include a formal econometric analysis of the new primary data collected, and address the issue of endogeneity of social capital through the use of instrumental variables, using historical community cohesiveness and its internal homogeneity as main instruments.

The contribution of the project is expected to be detailed information on: 1) community-based delivery mechanisms as one of several service delivery options; 2) the feasibility of privatizing garbage collection, especially as a small business; and 3) ways to enhance community involvement and ownership of local Bank projects in the area of urban service delivery. In more general terms, if the ability of a community to organize itself is an important determinant of “self-help”, governments and policy makers can clearly benefit from strengthening this capacity. At the municipal level, the government can enlist the voluntary neighborhood associations to assist in delivering other services in addition to garbage disposal. As a result, community ownership and local participation in civic activity would be enhanced and economic efficiency increased by reducing the financial and organizational burden of the municipal corporation.

Project #3: Social Capital Development Implementation Study:
India Coal Mining

Task Managers: Jelena Pantelic and Enrique Pantoja (SASIN)

The project focuses on the reorganization of coal mines in the state of Orissa in India. Essential to the overall success of this endeavor is the welfare and rehabilitation of the people affected by resettlement due to an expansion of open-mining extractive activities. Stable sources of income play an important role in ensuring individuals' and households' quality of life as well as community development. However, the record in India of creating alternative income-generating activities after resettlement is poor. In addition, currently a high degree of distrust and lack of cooperation exist between the different stakeholders such as the workers, their communities, local government, NGOs, and the mine owner, Coal India Limited. This project is designed to help develop integrated and participatory mechanisms for the identification of alternative sources of income for the affected population. In broader terms, this project will directly contribute to the stock of social capital of the stakeholder communities.

To that effect, a series of concrete steps have been identified which are expected to reinforce social capital and trust among the stakeholders. The process will begin with the identification — through a social assessment — of key actors and their interests. These will be brought together in a workshop to familiarize themselves with each other and with their respective positions. This workshop will then become a permanent forum of interaction between the stakeholders, meeting at least once a month. As part of this process, a manual for cooperation will be drafted and applied. Ultimately, the objective is to produce a working social network among all the actors in question. The impact of the social capital intervention will be monitored with a series of instruments to measure levels of social capital, the degree of representativeness of the stakeholders for their constituencies, the levels of trust and empathy, and the levels of participation. These instruments will be applied before, during, and after the social capital intervention. The same instruments will also be applied in two control sites, which will not benefit from the social capital creation activities.

The project is a pilot intervention which would contribute to increase social capital levels in the area, by building up local organizational capacity, bringing people to work together, and facilitating interface between key development actors who currently face invisible barriers erected by years of mistrust and lack of communication. More self-reliant communities would be able to enter into long-lasting collaborative working relationships that could ensure the social and economic sustainability of the efforts to maintain and improve quality of life in the mining areas. The lessons from this pilot project will be extended to other Bank projects dealing with coal mining areas or other sectors where a complex social dynamics prevail.

Project #4: Depletion and Restoration of Social Capital in War Torn Societies

Task Manager: Nat Colletta (SDVPC)

One of the issues which emerges in the conceptual discussions surrounding social capital is whether it indeed deserves to be qualified as *capital*. In order to do so it needs to be subject to accumulation and decumulation. A suitable environment, in which this hypothesis can be tested, is provided by countries which have been ravaged by war and civil strife. The stock of social capital is often depleted in the aftermath of such a violent conflict, manifested in diminished levels of trust, a decrease in civic associations and networks, and the undermining of traditional processes of exchange, cooperation, and participation. In war-torn societies, efforts to foster communal relations, such as trade and dialogue, can play an important role in social and economic reconstruction by defusing communal tensions, and fostering tolerance and understanding. In addition, the creation of social networks can also help prevent recurring outbreaks of future violent conflicts.

This research project will study the depletion and restoration of social capital in two war-torn societies, Rwanda and Cambodia, which are among the worst genocide cases. Currently, in both societies, social capital is gradually being restored as violence and oppression is reduced. A literature review will give the social capital background of the two societies before the war. The project will then attempt through 1) an analysis of existing quantitative data, where available, and 2) retroactive interviews, to describe the social capital that was present prior to the conflicts in these two countries. A key activity will be to discuss with returned refugees the process which they are currently using to rebuild social capital and whether it is being rebuilt in the same or different ways as before. In Rwanda, this experience will be contrasted with that in communes that have not been involved in genocidal activities. In Cambodia, control groups will be provided by mountainous villages which were not touched by the genocide of the 1970s. The study's indicators will focus on social cohesion, the density of local networks, and the level of trust (as manifested in the propensity for cooperation and exchange).

The project output will be to document the process of reconstruction of social capital in war-torn societies with appropriate indicators and measures, so as to identify ways in which the Bank or other donors can help stimulate social capital accumulation to prevent violent conflict, or, where violent conflict has erupted, facilitate the restoration of social capital.

Project #5: Induced Social Capital Formation in the Andes

Task Managers: Shelton Davis (SDV), Tom Carroll (George Washington University) and Tony Bebbington (University of Colorado, Boulder)

The study will be centered around two main research questions: (1) How can organizational capacity, as a structural form of social capital, be measured and monitored over time, and (2) how can external assistance strengthen the capacity of second-tier *campesino* organizations in the indigenous areas of the Andean countries? In the past, community-based primary groups have received the most attention. This research breaks new ground by expanding the focus to multi-communal membership support organizations (MSOs). They have arisen among Andean indigenous groups in recent years and have assumed increasing importance in two dimensions: (a) assuming the role as intermediaries between primary groups and government in the management of local resources and in channeling services; and (b) assuming roles of indigenous representation and “voice” at various administrative levels, especially as claimants for ethnic identity, indigenous rights and political participation. However, the potentially most important developmental effects are in organized campesino participation in regional governments (municipal and provincial councils) in connection with decentralization policies.

The study will examine cases where strong, consolidated and effective MSOs have been built in Ecuador, Bolivia, and Peru. The three countries provide for an interesting comparative analysis due to very different macro-environments, with different degrees of policy obstacles and support policies. The research will trace the history of successful second-tier organizations in order to identify the factors, forms of intervention and strategies that have fostered their growth and effectiveness. Case study techniques will include the use of informant interviews, and an analysis of organizational dynamics through internal records and focus group discussions. Case studies will be supplemented by a survey of the local capacity-building practices in a number of promotional agencies, including NGOs. Special emphasis would be placed on promotional and support practices that can be widely replicated.

The outputs of the study will include a better conceptual understanding of what constitutes organizational capacity and of the processes that lead to an accumulation of this type of social capital in MSO organizations in the Andes. In addition, the study will indicate practical ways in which development agencies can have a positive effect on the creation and sustainability of social capital in indigenous organizations.

Project #6: Social Capital in Transition

Task Manager: Randi Ryterman (DECRG)

This project will focus on the impact of social capital in the operations of firms in Mongolia and Russia. A key problem in transition economies is contract enforcement. In most market economies, the legal system is presumed to provide firms with a reasonably effective method of dispute resolution in the event contracts between firms break down. Unfortunately, legal institutions in transition economies cannot be assumed to fulfill this function. Legal reform was not the priority of the first non-socialist governments. In most transition economies, new legal institutions are being built out of the ashes of socialist institutions, often with no history of protecting the economic rights of firms. Particularly in Mongolia, the legal framework is not sufficiently established to permit contract enforcement through the formal institutions only. Social capital might therefore play an important role in solving this problem during the necessary development of new institutions. The selection of the two countries is based on their shared institutional heritage, particularly with respect to formal institutions for designing, executing and enforcing agreements between firms. Yet, since Mongolia is less developed than Russia, the two countries contrast with very different industrial and community structures.

The basis for the analytical work will be an existing database of about 300 companies in Russia and a new data collection on close to 250 firms in Mongolia. The purpose of the analysis is first to describe the social capital that is embedded in the firms' participation in a broad range of formal and informal networks. The research questions will focus on how the effectiveness of firms is influenced by the institutions they rely upon to secure contract enforcement and to mediate disputes, and by the nature of economic, political, and social networks to which managers belong. Managers will be asked to provide their assessment of a broad range of institutions; they will also be asked about their attitudes toward authority, toward participation in a broad range of formal and informal institutions, and toward friends, colleagues, and strangers. In an attempt to control for the different levels of development and industrial focus, the Russian survey includes a significant number of firms in some of the poorer provincial cities, towns, and villages. Although the survey instruments for the two countries will vary to accommodate for national differences, a significant proportion of the questions will be directly comparable. The nature of the data collection makes it possible to use formal econometric methods to analyze the hypotheses about the role of networks.

Insights from this study will support Bank efforts to improve the institutional environment to support commercial relations in both Russia and Mongolia. The latter country's characteristics are similar to those of many of the smaller, poorer reforming countries, providing a strong foundation upon which to draw policy lessons that are relevant beyond Mongolia's borders.

Project #7: Measuring Social Capital in a Post-Communist Society

Task Managers: Hjalte Sederlof (ECSHD) and
Richard Rose (University of Strathclyde)

In Communist societies individuals often used social capital against the state, creating informal social networks to insulate themselves from "uncivil" formal organizations or to exploit them in ways undermining organizational efficiency and integrity. This project will measure under what circumstances and to what extent informal and formal social capital developed in Communist societies continues to influence the welfare and health of Russians today. More specifically, the study will examine how families and households fit into informal networks, and how these complement or substitute for welfare and health programs of the formal institutions of state and market.

The research will start with a review of different uses of the term social capital and its empirical references, ranging from the strength of face-of-face ties with family, friends and neighbors; involvement in informal and formal local institutions; contacts with national governmental and nongovernmental organizations; and social psychological attitudes of trust. The conceptual work will lead to the design of a special-purpose social capital questionnaire with multiple items measuring different dimensions and forms of social capital. The project will carry out a representative nationwide Russian sample survey to collect original data about informal and formal social capital. The data will be used to test the extent to which different activities and attitudes said to constitute social capital, e.g. cooperation in non-monetized productive activities, trusting or distrustful attitudes toward others, membership in formal organizations, etc., are in fact statistically related. Given robust multi-indicator measures, the project will test statistically why some individuals in a society have more (or different types of) social capital than other people and under what circumstances or to what extent informal and/or formal social capital increase non-monetized indicators of "welfare" and health. Regression analysis will include standard non-social capital measures conventionally assumed to affect welfare and health, such as income, education, age, gender, employment, being outside the labor force, etc.

The research findings will be used to design policy recommendations for the formulation of welfare and health promotion policies, especially regarding the ways in which informal social capital networks add value to policies, or substitute for government programs.

**Project #8: Ethnic Fragmentation, Political Institutions
and Social Capital in Africa**

Task Managers: George Clarke (DECRG) and Robert Bates (Harvard University)

Collective ethnic identities can have great social value. Ethnic groups can defend their members' property rights, help members mobilize to build local public works, secure investments in education for their members, and help overcome obstacles to collective action. In these, and other ways ethnic identity can help to build trust and social capital between persons in a given ethnic group. However, they can also undermine social capital in society as a whole. Although ethnic identity helps members of the same ethnic group work together for common goals, the goals they work towards might not be beneficial for society. Instead of encouraging public good production that benefits everybody, groups might instead find themselves battling each other for scarce resources. In this way, ethnic groups might actually reduce a country's social capital by undermining trust between groups and reducing the effectiveness of political institutions. Recent research has found that ethnically fragmented countries tend to have slower growth, lower levels of schooling, more assassinations, less financial depth and higher deficits.

This project will study how ethnic fragmentation in Africa affects political institutions, the potential for political violence and economic outcomes. The research will use an existing database, which provides detailed information on the degree of political competitiveness in Sub-Saharan African countries for various years between 1975 and 1995. The data allow for a study of changes over time, as well as differences between countries. Moreover, the study will rely on results from a new data collection on political violence. This improved set of data will be used to examine the circumstances in which ethnic diversity does and does not lead to violence, the impact of ethnicity on political conflict, and whether ethnic conflict promotes resistance to political reform. Further, based upon these findings the project will examine how political institutions can be reformed to secure the benefits of ethnic social capital while diffusing the costs.

It is expected that the findings of the project will contribute to a better understanding of how political institutions can be used to prevent ethnic conflict. These insights, in turn, will allow donors involved in institutional reform to design projects which will decrease the potential for violence. Further, understanding how diverse ethnic groups interact with existing political institutions will help donors design projects which are primarily local, rather than national, in scope (such as projects on education or urban infrastructure) to minimize regional ethnic conflict.

Project #9: Giving Empirical and Operational Content to Social Capital: Explaining Development Outcomes in Rajasthan Watersheds

Task Managers: Gloria Davis (SDV), Norman Uphoff and Anirudh Krishna
(Cornell University),

The proposed research will examine the causes and effects of mutually beneficial collective action (MBCA) in about 50 villages of the Rajasthan watershed, selected to represent communities where high, average and low MBCA has been observed in program activities. The inquiry will be centered around three broad questions: (1) Does cooperation among villagers (MBCA) correlate with success in program activities, or are other factors more closely associated with outcomes? (2) If the extent of MBCA in a village is closely related to the village's development performance, what are the factors that make for higher MBCA in some villages than in others? (3) How can the likelihood of MBCA be enhanced?

The Rajasthan project at the center of this study was established in 1991 to undertake large programs of integrated watershed development in order to address widespread and chronic insecurities in the availability of food, fodder and firewood. The project is characterized by a collaborative framework which draws on the participation of the Department of Watershed Development and Soil Conservation, paraprofessionals, village members selected and trained by the Department, and user committees. These latter groups are constituted of a small number of local persons elected by the residents of each watershed village. Diverse combinations of these actors are responsible for different elements of the program, but user committees have primary responsibility for the development and conservation of common (or "open access") lands. Since these tracts are the principal source of fodder and fuelwood, their efficient management by collective action can greatly benefit the entire community. Differences in the extent and quality of common land development provides an opportunity to examine the presence and importance of social capital elements. This examination will proceed in two phases. The first phase will isolate the determinants of successful common land management using several social capital-related explanatory variables. The second phase will test the plausible explanations identified in Phase 1 within a larger data set, with the goal of determining how development agencies can induce social capital formation. This analysis will determine how the structural and/or cognitive factors associated with social capital have changed in the recent past. If, as is suspected, such factors are slow to change, constant disparities among villages in terms of their cooperative activities would point to different levels of social capital among these villages.

In addition to addressing important concerns relating to watershed development in Rajasthan, this research will illuminate critical questions relating to the methodology of rural development in India, help identify the factors which can assist in the build up of effective local institutions, and determine how provisions for institutional strengthening can be designed and implemented most successfully.

**Project #10: Monitoring and Measuring the Relative Impact of Social Capital on
Decentralized Water and Sanitation Projects**

Task Managers: Mike Garn (TWUWS), Satu Kähkönen and Jonathan Isham (University of Maryland)

Most of the world's poor do not have access to affordable and clean water and sanitation (W&S) services. Since these services exhibit technological and economic characteristics that lead to their under-provision, they are often viewed as a government responsibility. However, public delivery of these services is often hampered by incomplete knowledge of the users' needs and preferences, fiscal failures, and shirking and corrupt practices by public officials. The resulting need for innovative approaches to the provision of W&S is increasingly being addressed by international lenders and local NGOs. These approaches rely on participatory methods, non-traditional inputs, and coproduction. The latter method is defined as a process through which inputs from individuals who are not in the same organization are transformed into services, and refers to a joint effort of community members and public officials under which members of both groups contribute inputs into the delivery of W&S services.

The overall objective of this study is to help improve the design and implementation of community-based W&S services in Indonesia, based on the following hypothesis: a critical determinant of the performance of coproduced W&S services is the level of social capital existing in the affected communities. The study will provide empirical evidence of the relative importance of three types of determinants of W&S services: inputs and prices associated with service provision, service-level institutions, and community-level institutions. The project will collect new data and rely on quantitative, econometric analysis as well as case studies. The data will be collected from four sources: the household (via face-to-face surveying); the water committee (via focus group interview); a technical evaluation of the water system; and project documents. For the household surveys, a sample of 45 communities with coproduced W&S services will be selected at random. Then, also at random, a sample of 15 households within each community will be selected for collection of household data.

The study hopes to improve the understanding of the nature of existing institutions in client countries; provide insights on how to work more efficiently with existing social capital, especially people's associations and organizations; and how to facilitate environments that foster the strengthening of social capital.

Project #11: Kenya Local Community Action Project

Task Manager: Lant Pritchett (DECRG)

The project builds on a series of development activities undertaken in rural communities in Western Kenya by a Dutch NGO, Internationale Christelijke Stichting (ICS). In order to enhance its impact evaluation, ICS has included the randomization of benefits as an experiment into the development of their programs. The study will build on ICS's work to help determine more broadly whether outside assistance (provided by the government or foreign NGOs) changes the social characteristics of the assisted groups. While one would hope that project assistance would have a positive effect on, for instance, project outcomes and success, internal group organization, and external group interaction, it can be difficult to predict. Outside assistance may cause groups to become more hierarchical or exclusionary, or leadership may be taken over by outsiders. The randomized evaluation format which is used in this project will be particularly helpful in measuring outcomes in this complex setting.

The first component of the research program will evaluate the effect of financial and technical assistance to women's self-help groups on the women's living standard as well as on the organizational structure, procedures, membership of the groups, and on coproduction of development outcomes. These groups are important informal organizations in western Kenya, as well as in most of sub-Saharan Africa. They tend to serve as a source of savings and capital for women. They are also often a source of labor during peak agricultural seasons, when groups work on each others' land. In addition, they provide a source of identity, and group solidarity for women, and a vehicle for education, the transmission of information, and the sharing of experiences. These groups therefore provide a useful format for community action for women.

The second component of the research will analyze the impact of outside assistance on schools, focusing on two aspects: involvement of parents in school activities, and the involvement of schools in community activities. The relevant questions are: how did the intervention change the functioning of school committees? How much more (or less) are parents involved in school activities, as measured by PTA and other group attendance? Do teachers and parents interact more frequently? Are there spillovers to other community activities?

The results of this research will highlight whether and how the assistance provided from the outside (either from government or foreign sources) changes the social characteristics of the assisted groups, and allow the integration of these patterns of impact into the design of development programs.

Project #12: Understanding Social Capital

Task Manager: Lawrence Salmen (SDV)

This study aims at gaining an operational understanding of the concept of trust as a key ingredient of social capital. The need for a study of this sort comes from concerns related to institutional issues in the agriculture sector. Agricultural extension in the training and visit (T&V) model depends on the intermediation of the contact group to assure the diffusion of technological advances. The nature of this association and the quality of the trust it embodies, play a large part in determining the success of the activity.

Accordingly, the project will test the hypotheses that 1) the degree and nature of trust among community association members determine the effectiveness of those associations, and 2) that the degree and nature of trust between the farmers and the agricultural extension worker is a critical element in increases of agricultural production. Three particular aspects of trust related to institutions will be the focus of this inquiry: 1) the trust between technician (agricultural extension agent) and farmer, which may be necessary for the latter to follow the counsel of the former; 2) the trust that binds the members of the association into a cohesive whole, and 3) the trust which transcends the association and allows it to act for and serve the interest of the larger community of which it is a part. The project, which will be conducted in Mali, will rely on the Beneficiary Assessment approach as its main research instrument. This approach is based on qualitative research techniques, for instance using conversational interviewing. The interview guide is designed to establish a high degree of trust and confidentiality between interviewer and interviewee, without which little valid and useful information about the object of inquiry, trust, would be revealed. Interviews will be carried out with association members and non-members of six communities in two regions of Mali which exhibit very different patterns of effectiveness of transmission of agricultural information. In addition, the researchers will provide five case studies based on participant observation.

Overall, this project attempts to bring into development operations a more precise and useful understanding of trust and of how to assess trust than has hitherto been available. The results might lead to improved design of agricultural extension projects.

ANNEX 2: SOCIAL CAPITAL BIBLIOGRAPHY

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