UC Santa Cruz
Reprint Series

Title
The World Bank and social capital: Lessons from ten rural development projects in the Philippines and Mexico

Permalink
https://escholarship.org/uc/item/1vj8v86j

Author
Fox, Jonathan A

Publication Date
2000-12-01

Peer reviewed

eScholarship.org Powered by the California Digital Library
University of California

Policy Sciences **33**: 399–419, 2000.
© 2001 *Kluwer Academic Publishers. Printed in the Netherlands.*

The World Bank and social capital: Lessons from ten rural development projects in the Philippines and Mexico

JONATHAN FOX[1] & JOHN GERSHMAN[2]
[1]*University of California, Santa Cruz*
[2]*University of California, Berkeley*

Abstract. Social capital is widely recognized as one of the few sources of capital available to the poor, yet the processes by which development policies affect the accumulation of that social capital are not well understood. The World Bank, through its funding of development projects, affects the institutional environments for the accumulation of such social capital. The question is how to determine whether that institutional context is enabling, and to what degree. This paper compares ten recent World Bank-funded rural development projects in Mexico and the Philippines to explore how the processes of project design and implementation influence the institutional environments for the accumulation of horizontal, vertical, and intersectoral forms of pro-poor social capital. The findings have conceptual and policy implications for understanding the political dynamics of creating enabling environments for social capital accumulation by the poor.

Introduction

Social capital is increasingly recognized by students and practitioners of development as a critical resource of the poor. How development interventions can shape the processes of social capital accumulation in ways that empower the poor (what we call pro-poor social capital) is therefore an important intellectual and practical challenge. Foreign aid organizations can rarely directly intervene in the local-level processes of social capital accumulation and/or decay. They can influence, however, the broader policy environments under which development projects and programs are designed and implemented, in ways that can either facilitate or obstruct processes of pro-poor social capital accumulation.

As the world's largest intergovernmental organization concerned with poverty alleviation, the World Bank, through its projects, can make or break social capital. Much is known about its potential negative impact, but its recent wave of social and environmental policy reforms now make possible positive contributions to social capital accumulation as well. These policy reforms include an important emphasis on public participation and good governance – both critical for effectively tapping social capital's development potential. The process of translating policies into institutional practice has been quite uneven so far, however, which raises the question: what are the institutional conditions that make it possible for World Bank projects to contribute to social capital accumulation?

[400]

This study is based on the following propositions: first, since money is power, development aid inherently affects the distribution of power within states and societies. World Bank funds flow to states, and the paths they follow affect the balance of power between agencies and factions within the public sector. These funds are in turn invested in ways that affect the balance of power within civil society, either encouraging or discouraging development pathways that are more or less conducive to accumulation of social capital by the poor. This chapter examines the ways in which the policy process affects *horizontal social capital* on the ground, as well as how this policy process is in turn influenced by *intersectoral social capital* that bridges social and institutional divides. The processes are analyzed here by assessing the degree to which World Bank projects contribute to *enabling institutional environments* for both of these kinds of social capital, based on comparative field studies of ten recent rural development projects in Mexico and the Philippines. These empirical data lead to a set of findings that address the intellectual challenge of understanding processes of social capital accumulation as well as the policy implications, concluding with some observations on how policymakers can use social capital as a policy resource.

The World Bank and social capital

It is given that some kinds of social capital contribute to economic and institutional development (Putnam, 1993; Evans, 1997). For the purposes of this study, social capital encompasses those social relationships that facilitate collective action in the public interest. Such ties constitute resources that help to overcome obstacles to collective action both within and between groups. These linkages are especially valuable for underrepresented social groups that have few power resources other than their capacity for collective action. This kind of 'positive' social capital is widely associated with social norms of trust and reciprocity. The definition used here does not conflate the norms with the ties, nor does it assume that one drives the other. Most likely they are mutually constitutive. Intersectoral social capital facilitates cooperation between distinct groups, overcoming boundaries between ethnic groups, or across the institutional divides between civil society, the state, and the World Bank (Brown, 1991; Brown and Ashman, 1996; Brown and Fox, 1998; Woolcock and Narayan, 2000).

In spite of the concept's increasing presence and legitimacy at the World Bank, its use is still largely limited to conceptual discussion among researchers. Some analysts are beginning to make the connection between the intellectual recognition of social capital's potential contribution and the Bank's institutional policies and actions. One essay concludes by signaling four areas for action (Grootaert, 1997). The first recommendation is: 'Do Your Homework, Do No Harm.' Such assessments would prevent projects from weakening existing positive social capital, and suggest ways to strengthen it. The second recommendation is to: 'Use Local-Level Social Capital to Deliver Projects.' This suggestion underscores existing Bank mandates on NGO collaboration (Covey, 1998; OED, 1999; Nelson, 1995). The third suggestion is to 'Create Enabling Environments.' In other words, 'The scope for effective use and strengthening of social capital depends critically on the nature of the wider political and policy environment.' This is a newer, suggestion, though not often linked to the Bank's separate discourse on 'good governance' (World Bank, 1997d). The fourth recommendation is to 'Invest in Social Capital,' which means supporting 'existing and emerging organizations.' This chapter will assess the degree to which ten recent and ongoing projects apply these ideas in practice.

The question of the impact of World Bank projects on poor people's social capital is quite broad, especially if one were to include indirect effects of macroeconomic adjustment operations. For example, adjustment-related increases in unemployment could be linked to breakdowns in community social cohesion, gender, or ethnic conflict, as well as directly dismantling social capital embodied in trade unions. In Fiscal 1999, adjustment loans accounted for the majority of Bank lending for the first time. This study pursues a more narrow approach, operationalizing the general question by focusing only on loans that directly involved the institutional environments for existing rural poor peoples' economic development organizations. Drawing on Grootaert's framework, the study's focus is on whether the Bank projects avoided harm, designed projects to tap existing social capital, contributed to enabling institutional environments, and invested directly in existing social capital. Even in cases where 'pro-social capital' projects have been attempted, it turns out that the obstacles to pro-poor social capital accumulation are significant. Many within both the World Bank and borrowing governments remain indifferent, skeptical, or even directly opposed to 'pro-social capital' policies and projects. The broader intellectual and policy challenge, therefore, is to explain the conditions under which these obstacles are overcome.

This study is based on the proposition that the World Bank, national governments, and civil societies are divided on the issue of whether and how to promote the consolidation of poor people's social capital. This proposition is based on prior empirical research on the Bank's reform process (Fox and Brown, 1998; Kardam, 1993; Thorne, 1998; Wade, 1997). Based on this assumption of intra-institutional heterogeneity, this study will focus on the conditions under which pro-social capital actors in each of these three policy arenas (Bank, state, society) manage to form effective pro-reform partnerships.

Analytical framework

This study suggests that the most direct impact of postreform World Bank projects on social capital development depends on whether or not the projects contribute to the consolidation of an enabling environment. In practice, the working hypothesis is that this process depends on the convergence of three sets of actors. Projects must: be supported at the international level by World Bank actors willing to invest resources (political as well as economic) on promoting an enabling environment for social capital development; at the governmental level, be designed to support agencies that are already controlled by policymakers who favor balanced partnerships with broad-based social organizations; and be designed to target sectors and regions where pro-participation civil society stakeholders have the capacity to act in support of reform policy implementation. The hypothesized corollary is that if any of these three pro-reform actors are not involved in the project process, reform implementation is likely to fall short. This hypothesis was generated from previous field research on the World Bank's antipoverty projects (Fox and Aranda, 1996) and sustainable development policy reforms (Fox and Brown, 1998). The approach is compatible with the Operations Evaluation Department findings on NGO collaboration with the World Bank, which also highlights both enabling environments and intersectoral relationships (OED, 1999). There are two principal differences, however. First, this study focuses on membership organizations while OED dealt mainly with NGOs. Second, while the OED study refers to a general notion of 'close working relationships' (OED, 1999, pp. 15ff), this study attempts to develop more precise indicators of such relationships, and of the specific policies that facilitate such relationships. For the OED study, close intersectoral relationships are a cause of positive development outcomes. This study, in contrast, treats such relationships as the result of compliance with key Bank mandates and participatory project goals. This relates to a broader issue in the social capital literature: is trust the foundation of social capital, or does the process of generating social capital create the relations of trust? Clearly this is a reciprocal process. OED is currently carrying out a study of participation in Bank-funded projects that will be relevant for assessing the findings presented here.

The basic point is quite straightforward: putting reforms into practice that expand opportunities for pro-poor social capital accumulation requires balanced multisectoral coalitions to offset inevitable opposition.

Drawing on Woolcock and Narayan's conceptual framework (2000), three different kinds of social capital turn out to be involved:

- *Horizontal.* Local, horizontal social capital constitutes the basic building block for grassroots action. This kind of social capital is difficult for Bank-funded projects to create where it is absent, but easy for Bank-funded projects to destroy where it is present (most directly, through large infrastructure projects).
- *Scaled up, horizontally and vertically.* When local horizontal groups form ties with other base groups to form networks and federations, the vertical and horizontal ties between them may be weaker than intragroup ties, but they play a critical role in terms of generating bargaining power vis-à-vis other actors (Esman and Uphoff, 1984; Fox, 1992; Granovetter, 1973). This kind of social capital is more susceptible to consolidation in response to

the institutional environment, taking into account freedom of association and participatory policy innovations.

- *Intersectoral social capital.* In order for national and international policy-makers to promote institutional innovations that create enabling environments for grassroots social capital on the ground, intersectoral social capital between diverse coalition partners needs to be created and consolidated (Brown, 1991; Brown and Ashman, 1996).

  While it is certainly difficult for Bank or state managers to promote local social capital where it is absent, they can promote social capital between themselves and with existing poor people's organizations, in order to promote the horizontal spread and vertical scaling-up of existing grassroots social capital.

Comparative approach

This study uses a comparative approach, including both cross-national/cross-regional and subnational comparisons. While the Philippines and Mexico differ greatly in terms of their political regimes, the key variables in the proposed explanation of 'pro-social capital' outcomes do not depend on national regime type. The World Bank has also sustained strong partnerships with both states over the long term, independent of regime changes (e.g., Bello, 1983; Broad, 1988; Cruz, Cornista and Dayan, 1987; Fox, 2001; Korten and Siy, 1989).

The field research generated a detailed data set on the institutional dynamics of ten postreform rural anti-poverty and 'green' projects (Fox and Gershman, 1999). (See Table 1 for a description of the projects and their objectives.) To focus analysis on those cases where at least partial reform was possible, the project cases were chosen based on two criteria. First, all were designed under the mandate of the World Bank's social and environmental policy reforms. Second, all the projects were in sectors or regions where some degree of consolidated social capital already existed, in the form of broad-based rural grassroots organizations and experienced development NGOs. Projects vary in terms of which government agency is supported (politically as well as economically) by a World Bank loan; this leads to variation in terms of the second variable. In terms of the third variable, project implementation also varies across diverse regions within each country. Geographic regions targeted range from those with consolidated, broad-based organizations of the rural poor to areas where dense social capital is lacking.

Case research focused on the design phase of each project. The design process for investment projects, especially in environmentally sensitive areas, usually takes several years, creating a rich record for research and analysis. The political dynamics of project design also significantly shape those of implementation. The World Bank reforms that guide the project design process include its environmental assessment policy (1989, revised in 1991), its public information disclosure policy (1994), and its indigenous people's policy (1982, revised in

Table 1. Official goals of ten post-world bank reform rural development projects.

Projects	Official goals
Philippines	
Protected areas (1994)	Provide program support for the development, conservation and management of resources with 10 priority sites under the Government's National Integrated Protected Area System (SAR, p. 16)
Second rural finance (1995)	Expand … commercial credit to agriculture and rural development and enhance the framework of the rural financial sector by financing private sector investments in rural areas, strengthen the Land Bank, and upgrading the operating capacity of rural cooperatives and participating financial institutions… (SAR, p. 15)
Agrarian reform communities (1996)	Provide support services for agrarian reform beneficiaries through institutional development of membership organizations, agricultural enterprise development and rural infrastructure (SAR, p. 20)
Community-based resource management (1997)	Reduce rural poverty and environmental degradation through support for locally-generated and implemented natural resource management projects (SAR, p. 2)
Social fund (1998)	Increase the access of the population in the poor and most conflict-affected areas of the Special Zone of Peace and Development to basic economic and social infrastructure, services and employment opportunities (SAR, p. 9)
Mexico	
Rainfed areas development (1994)	To raise agricultural productivity in selected rainfed areas [and] to give additional emphasis to the creation of producer organizations… (PID, pp. 1–2)
Rural financial markets (1996)	To augment the participation of rural entrepreneurs in rural financial markets, especially of the poor … [and] to demonstrate that it is possible to supply financial services to small and micro-entrepreneurs in small rural localities – in a sustainable manner (SAR, p. 3)
Aquaculture (1997)	Promote sustainable aquaculture development by increasing the productivity of the aquaculture sector within a framework of social consensus and environmental soundness [by assisting] the government in completing and implementing its regulatory framework … provide key public goods and support productive investments and training for social sector producers and develop a more level playing field for social sector participation (SAR, p. 13)
Community forestry (1997)	Designed to empower the communities and ejidos in their decision-making as to the nature, extent and timing of the training and technical assistance on sustainable forestry management they would receive (SAR, p. 21)
Rural development in marginal areas (1997)	Improve the well-being and income of smallholder in about 24 targeted marginal areas … fostering community socio-economic development, organization and participation (PAD, p. 2)

Each statement quotes the official project document (formerly called Staff Appraisal Report, more recently called Project Appraisal Document). Since all of these loans were signed after 1994, they are subject to the information disclosure policy and are therefore available at the World Bank's Public Information Center.

1991). All these policies are designed to promote informed participation by key stakeholders in the design as well as the implementation of projects.

Each project design process was analyzed in terms of the degree and the nature of implementation of each of the World Bank's pro-social capital key policy process reforms. The analysis is based on a series of measurable indicators drawn from the official policies themselves.

Indicators of institutional preconditions for informed participation

This study focuses on some of the institutional changes that contribute to an enabling environment for social capital. The first three indicators detailed below highlight the fundamental role of opportunities for informed public participation. The fourth indicator assesses intersectoral coalition building to promote these institutional changes. Each project was rated on a scale from zero to low, medium, or high, according to each indicator. The first indicator focuses on the design process, while the other three highlight the implementation process.

- *Public participation in the project design process.* To what degree did the project design process involve informed participation by a range of organized low-income people, especially indigenous peoples and rural women? Consultative meetings may have been held, but the input may also have been ignored. This would be considered a 'low' level of public participation. 'Medium to high' levels involve some degree of impact on the policy process, such as the creation of power-sharing bodies to allocate resources.
- *Timely public access to information in the implementation process.* Which documents were available, when, to whom, in what language, and why? If only the minimum English-language Bank documents mandated by the public information disclosure policy were available, and only upon request to Washington, then for the purposes of assessing the institutional environmental for social capital consolidation, such projects would be ranked 'zero.' If such documents were available, still in English but in country, then the ranking would be 'low.' If no Bank documents were available in country, but the key project information was made publicly available in a government document in the main local language, the ranking would be 'medium.' If the government and/or the Bank made a systematic effort to translate and disseminate not only the basic documents but also ongoing project implementation information, the rating would be 'high.' These rankings are national.

  This indicator is disaggregated, also including regional level information about subprojects. Each of the ten large loans allocates funds to numerous social, economic, and natural resource management subprojects. To what degree are the criteria for allocating resources between and within distinct subprojects explicit and public? Here, rankings focus on whether social organizations have access to local/regional level project decision-making information.

- *Institutional mechanisms for state-society cooperation over resource allocation.* Did the project, as designed, propose new institutional mechanisms for sharing control between the state and representative civil organizations, especially indigenous and women's groups? If so, what were the criteria for civil participation? To what degree were proposed institutions actually created, and did they represent the full range of poor people's organizations in the specific region? Such power sharing rarely occurs at the national level, and therefore this indicator is disaggregated in terms of national and local levels, where state-society power sharing is more likely to be permitted. If state-society councils were created that included the key relevant social organizations but lacked actual authority over resource allocation, their contribution to the environment for social capital consolidation might be considered 'low-to-medium,' since their existence might permit future efforts to gain authority over the process. If a majority were inclusionary and had authority, such a project would rank 'medium-to-high,' or 'high.' If there is a wide diversity of regional outcomes, such projects could be ranked 'low-high.'
- *Intersectoral coalition building.* Did policymakers make efforts to reach out to form pro-poor social capital partnerships – with each other and/or with civil society stakeholders? Timid and erratic efforts to form coalitions would be rated 'zero-to-low.' Discreet and selective efforts would be rated 'medium.' More sustained, broader coalition-building efforts would rate 'medium-high' or 'high.' One key indicator is whether World Bank and/or government policymakers actually develop practical strategies and invest their own political capital to offset resistance from anti-participation factions embedded in both the Bank and the state.

Principal findings

The official goals of each project are summarized briefly in Table 1, based on their 'founding' operational documents. The assessment of each project in terms of the four main indicators is summarized in Table 2. The assessments are based on review of official project documents and extensive interviews with World Bank staff, national and local government officials, and representatives of grassroots stakeholder organizations.

Varied bargaining power among pro-reform actors drives varied social capital outcomes

The most immediate finding was the unevenness of outcomes across both sectors and regions. Table 2 shows that while most projects did not put pro-

Table 2. Indicators of project-level pro-social capital measures.

Projects	Participation in project design	Public information access during implementation		Power-sharing in resource allocation for subprojects		Construction of *inter-sectoral* pro-participation coalitions
		National	Local-regional	National	Local-regional	
Philippines						
Protected areas	**Low–Medium**	**Low–Medium**	**High**	**Low–Medium**	**Low–High**	**Medium–High [World Bank-national agency-NGOs]**
Rural finance		**Low**				
ARC	**Zero–Low**	**Medium**	**High**		**Low–Medium**	**Medium–High [World Bank-national agency-social organizations/NGOs]**
CBRM	**Zero–Low**	**Low**			**Low**	
Social fund	**Zero–Low**	**Low**			**Low**	
Mexico						
Rainfed areas						
Rural finance	**Zero–Low**					
Aquaculture	**Low–Medium**					
Community forestry	**Medium–High**	**High**		**Low**	**Medium**	**High [World Bank-national agency-social organizations-NGOs]**
Marginal areas	**Medium**		**Zero–Medium**		**Zero–Low**	**Initial WB effort not sustained**

Participation in design refers to two elements: the degree to which the design process was participatory and the extent to which the resulting project included participatory mechanisms. *Information access:* Availability of basic project information (e.g., Staff Appraisal Report, program operations manual, other basic project documents) including availability in local language(s). *Power sharing:* Participation by autonomous membership organizations of the poor in resource allocation. *Construction of intersectoral coalitions:* Degree to which international and national pro-reform policymakers invest in and sustain partnerships with each other and with civil society stakeholders (poor peoples' organizations and NGOs that work with them). *Diagonal lines* suggests wide cross-regional variation within one project. For detailed case discussions, see Fox and Gershman, 1999.

participation discourse into practice, a significant minority took major strides in that direction. Two projects where regional variation was studied in depth revealed that even in some of the more promising cases, a wide range of different local outcomes was the norm (Fox and Gershman, 1999). The patterns of variation confirmed one of our hypotheses, namely that projects in which funds were directed to implementing agencies dominated by pro-social capital policy-makers performed better than those projects that did not. In three of the ten projects (Protected Areas and Agrarian Reform Communities in the Philippines and Community Forestry in Mexico), the projects directed funds toward agencies that contained relatively powerful pro-poor project managers. These were also the exceptional projects where Bank staff played more influential roles, specifically going out of their way to build intersectoral social capital with other reformists, within both the state and civil society.

While there was some variation across sectors, there was often as much variation across geographic regions within the same projects. There were two main reasons for these patterns: regional variation in the strength of scaled-up social capital and regional variation in program managers' attitudes towards autonomous organizations. In all the projects that actually underwent implementation, key institutional obstacles/opportunities were located in regional constellations of power. That regional rural elites oppose power-sharing and participation by the organized rural poor would be no surprise to reformers in Mexico, the Philippines, or the World Bank; nevertheless, project managers in both the Bank and the national governments tended to at most react to these obstacles, rather than to develop proactive strategies that took them into account. In other words, the mixed results were in part the result of policymakers' underinvestment in enabling institutional environments for social capital.

Ethnic and gender dimensions of social capital remain under-recognized

Only three of the ten projects paid sustained attention to either ethnic or gender dimensions of social capital accumulation (one was mildly gender-sensitive in the Philippines, and one in each country took ethnic differences seriously into account). Whereas the Integrated Protected Areas project paid some specific attention to the delineation of indigenous peoples' ancestral domain claims, the design phases of the Community Based Resource Management and Social Fund projects did not recognize that the organizational forms of social capital in indigenous communities might differ from those in lowland Christian communities. In the Protected Areas project, field interviews revealed that members of indigenous communities found that the forms of legally recognized community organizations clashed with traditional forms of social organization and authority structures. Some community organizers have recognized this and have modified the methods of constructing organizational linkages for indigenous communities.

The Agrarian Reform Communities project was the only one that paid any attention to the gender dimension of social capital accumulation. Monitoring indicators included data on women's membership and leadership roles in the cooperatives. But in the overall design stage and community planning stage, there was no particular attention paid to building the social capital of poor women. In Mexico, none of the projects studied were informed by gender perspectives. This follows the broader pattern in which World Bank gender sensitivity is limited to seeing women as mothers, rather than as economic actors as well (Buvenic, Gwin and Bates, 1996). Indeed, in at least one case in Oaxaca, organized rural women engaged in militant direct action to press for their right to be included in the program.

In terms of ethnicity, only one of the Mexico projects systematically promoted partnerships that were respectful of the diverse indigenous producers' organizations. In contrast to the Community Forestry project, Rural Development in Marginal Areas appeared to be systematically either excluding or bypassing the most consolidated indigenous producer organizations in its areas of operation, according to field reports (Fox and Gershman, 1999). Federal officials blame state government counterparts for these problems, but the entire project design is based on reinforcing state officials' leverage. The project is still in its early phases, and its outcome remains open-ended, but the national elections in 2000 increased the incentives to politicize program operations – suggesting that, in the absence of new countermeasures, patterns of exclusion can get worse before they get better.

Unpack the state to identify obstacles and opportunities to supporting enabling environments

The original research design focused upon the three-way relationship between the Bank, implementing government agencies, and civil society. The field results suggest two important modifications of this triangular relationship, both involving further 'unpacking' of the state (both horizontally and vertically). At the national level, the cases highlight the important role played by the national financial intermediaries between the Bank and the national states (the Treasury Ministry in Mexico and Departments of Budget and Management and Finance in the Philippines). In both countries, the national legislatures lack effective oversight over the executive's resource allocation, which reinforces the autonomy of the national financial authorities, which retain considerable leverage over projects they fund. Even if the Finance Ministries are not the implementing agencies, they can still act to inhibit or promote the enabling environments for social capital accumulation.

The second way in which the national state needs to be institutionally 'unpacked' involves decentralization. This is the 'vertical' dimension, in which state and local governments gain responsibility for the implementation of national social and environmental policies. Local and/or provincial governments played important roles in four of the Philippines projects (IPAS, ARC, Social

Fund and CBRM) and in one of the Mexican cases (Rural Development in Marginal Areas; see Fox and Aranda, 1996; Fox, 1996b; and Fox, 1999). In none of the cases did decentralization fulfill its promise of bringing the government closer to the people. Indeed, in those cases where notable pro-social capital initiatives were documented, they consistently came from national agencies dominated by reformist policymakers. While this does not suggest that local governments have no contribution to offer, it appears that the challenges of local democratization and capacity-building are greater than many policymakers have assumed.

Policy implications

These findings suggest four main implications for policymakers committed to supporting enabling environments for pro-poor social capital. The first one applies primarily to international development organizations, while the remainder apply to domestic policymakers as well.

To reinforce an enabling policy environment for social capital, invest where the reformers already are

This study's findings underscore the growing concern to target aid where it will actually make a difference. Our results concur with other recent findings by the World Bank (1999) that foreign aid will make the greatest contribution where the institutions and policies are 'right.' But our research suggests that an exclusive focus on the national level policies is limiting. The cases suggest that local governments and distinct national agencies may be at least as relevant for comparative analysis about what kinds of institutions 'work.' Indeed, studies that use nation-states as the only unit for cross-national analysis implicitly treat them as institutionally homogeneous, which can direct policy attention *away* from promising pro-reform enclaves. At least in the case of the natural resource management and rural development projects examined here, it was the *variation* in commitment to pro-social capital reforms *within* the state apparatus that explained the variation in enabling environments. The projects that produced the most impressive results, in terms of encouraging an enabling environment, were those that were targeted to state agencies *already* under the control of pro-participation reformers (Environment in both countries and Agrarian Reform in the Philippines).

Investing political capital during the project design phase is necessary

There is no unidirectional arrow between the design and implementation phases. Projects can begin as participatory and then erode, as state actors unwilling to share power with civil society capture them (as occurred in the Rural Development in Marginal Areas Project). In other words, a pro-poor project design phase cannot inoculate projects against setbacks. The opponents of power-sharing with poor people's organizations are likely to remain entrenched within their own societies' states, civil societies, and the World Bank itself. Only the sustained investment of political capital by allied pro-social capital actors in all three arenas has a chance of keeping opponents in check. Since efforts to derail participatory initiatives are to be expected, continuous monitoring is essential to identify and offset those threats. This suggests that pro-participation projects require significant investment of resources to encourage independent civil monitoring mechanisms, to facilitate more sustained, bottom-up supervision before opponents of participation gain the upper hand (Fox, 1997a).

Conversely, projects without much participation in the design phase can sometimes improve their contribution, as in the case of the Philippine Agrarian Reform Communities project, where new national policymakers encouraged participatory partnerships. Similarly, changes in the Philippine Protected Areas project at the midterm review enabled pro-participatory dimensions of the project to gain more attention under a new task manager. While the institutional dynamics of project loans are usually path-dependent, these examples suggest that if new Bank or borrowing country implementing agency staff come into a project after the design stage, a willingness to invest in intersectoral social capital can create new room for maneuver.

Building pro-poor social capital often threatens vested interests, so institutions and coalitions must expect conflict

Conflict can be a crucible for bolstering pro-poor social capital. Social capital is often discussed in ways that emphasize shared norms and negotiated, consensual understandings. These dimensions focus on the degree of agreement among those who *share* social capital, and sidestep the often controversial process of coming together to engage in collective action in defense of the excluded. Indeed, the promotion of organized poor people's participation and creation of transparent, accountable public institutions will inherently be controversial, because these processes involve redistributing power. The ten case studies examined here support the study's initial proposition that the consolidation of social capital is indeed controversial, and therefore some degree of conflict may often be required to pursue pro-social capital institutional reforms. In all cases where serious reform was attempted, conflict ensued – either within the state or between state and social actors.

Pro-social capital strategies need to identify and work to weaken, sidestep or neutralize those obstacles from the beginning, launching the 'virtuous circles' (Putnam, 1993) that promote social capital accumulation (Fox, 1996b). Otherwise, pro-social capital forces will be caught in the nearly inevitable backlash and will be forced continuously to fight defensive battles, focusing primarily on minimizing losses rather than maximizing gains. It is here where Bank staff can act to strengthen the intersectoral social capital of pro-poor state reformists and can assist in overcoming the isolation that many reformers feel, by providing venues for them to build the kind of *esprit de corps* that macroeconomic technocrats are identified as having. One example of such a process can be seen in the Philippines, where the Bank's newly appointed sector chief on rural development has tried to build intersectoral social capital among government staff involved in natural resource management projects. In terms of policy implications, the lesson here is that conflict should be seen as a likely and perhaps necessary outcome, to be foreseen by creative institutional design and managed by the investment of political capital, rather than treated as an implicitly unusual outcome and dealt with through ad hoc after-the-fact damage control measures.

Social capital is unevenly distributed, requiring differentiated support strategies

The fourth policy implication involves civil society, and the challenge of how policies can take into account variation in the distribution of social capital across groups, sectors, and regions. No one-size-fits-all strategy for social capital promotion is likely to work (though certain institutional conditions – such as freedom of association and timely public access to information – are critical). In order to effectively mobilize social capital as a policy resource to empower the poor, investment strategies need to be differentiated according to the level and nature of existing forms of social capital, especially where gender and ethnic differences are involved. This may mean concentrating resources in areas or sectors where potential civil partners are strong, at the expense of those where they are weak. Alternatively, one could propose greater up-front investments in capacity building before assuming that other kinds of investment will work. Development projects are most likely to be able to tap and encourage social capital if their strategies recognize its diverse organizational forms and scale. In short, if development investments are to tap social capital, they must be understood as institutional change strategies.

Social capital as a policy resource

Did social capital become a resource that could be harnessed to meet other objectives of policymakers? Only three of the ten cases had a significant pro-poor impact among beneficiaries of projects and thus could contribute to the accumulation of scaled-up or intersectoral social capital: ARCs and Protected Areas in the Philippines and Community Forestry in Mexico. These cases demonstrated the underlying importance of reformist policymakers investing their own political capital if social capital were to be successfully generated in a form that could be deployed as a policy resource.

Most of the case studies found that project managers either ignored or were hostile to existing forms of pro-poor social capital. In both Rural Finance projects, policymakers chose to attempt to strengthen private commercial banks rather than community-based financial organizations. Under the design of the Rainfed Areas Project, producers were to present their applications in organized groups (World Bank, 1994, p. 13). However, no institutional mechanism for coordination with the producer organizations was created in practice (Adelson, 1999).

The three cases where some significant resource was created out of social capital all occurred in projects that consolidated existing levels of horizontal pro-poor social capital, and left medium-to-high levels of intersectoral social capital.

In these three cases the social capital spilled over into other policymaking functions. For example, in the ARC project, the planning process used to develop a development plan for the ARC led to a two-month process of joint planning by government officials and CBO leaders, including *barangay* (village) consultation to produce workshops, household surveys, and focus group discussions (the latter involving farmer leaders). In cases where local government officials supported strengthening the accumulation of pro-poor social capital, the plans developed through this process were incorporated into *barangay* and municipal development plans. In some cases, this led to immediate commitments on the part of local officials to meet community needs in areas not covered by the project.

In the Community Forestry case, the accumulation of social capital occurred in the face of opposition from the Treasury Ministry and parts of the Environment Ministry itself. World Bank project staff have been consistently supportive of their Mexican project manager colleagues in internal debates with Treasury and other Environment Ministry officials, however. These challenges to implementation of the potential suggest that the combination of broad-based horizontal social capital with diversified intersectoral social capital is necessary but not sufficient to insure the accumulation of pro-poor social capital. Pro-poor coalitions must also mobilize their political capital to offset opposition inherent in the process of encouraging the empowerment of poor peoples' organizations.

The importance of sustained investment of political capital by policymakers in order to prevent the consumption of intersectoral social capital is provided by a final example. This example requires mentioning that there is some confusion in the social capital literature over whether trust is an element of social capital, built into its definition (norms and relationships), a factor that encourages social capital, or the result of social capital. For this reason, the definition used here leaves norms out, and is instead limited to relationships. Conflating norms and networks under the same conceptual umbrella makes it difficult to understand causal flows: is trust generated by relationships, or do relationships generate trust? The process is often reciprocal, but it may also be path-dependent, in which case it would matter whether the chicken or the egg came first. For example, where trust is lacking, then relationships must be built that can justify trust. This is an issue for those attempting to build intersectoral social capital under less than democratic conditions, where, based on past experience, state actors are not widely perceived as pluralistic or motivated by the public interest.

From the point of view of autonomous membership organizations (the very embodiment of horizontal poor people's social capital), the reaction to the promise of participatory inclusion in the policy process is often one of rational wariness. As a result, development policies that attempt to encourage an enabling environment for intersectoral partnerships face a problem of strategic interaction. Pro-participation policymakers often start out relatively weak, having limited leverage over the rest of the state apparatus; therefore they need social actors to mobilize in support of their efforts. Yet those actors may be quite skeptical about whether to invest in untried schemes for change. This is where the subjective factor of trust becomes relevant: for a mutually reinforcing coalition to emerge, each potential partner must make an investment with a high degree of uncertainty regarding the commitment, capacity, and intentions of their potential partner.

The Rural Development in Marginal Areas experience in Mexico is especially revealing of the central role of trust in the building of intersectoral social capital. The case began with an unusual degree of communication and trust between the initial World Bank project manager and key social organizations and NGOs in the relatively densely organized state of Oaxaca. After the key Bank manager moved elsewhere and the project design process rejected key civil society recommendations, years passed before the project itself was launched. Even after the loan was signed, funding flows trickled. The intersectoral social capital accumulated during project preparation was consumed rather than invested.

This experience suggests a possibly generalizable dynamic – a vicious circle of unmet expectations that might describe why some participatory projects start off well but then lose their momentum, after failing to nourish community commitment. To understand this pattern, one needs to assess the strategic calculus of the key subjects of the development process. Broad-based autonomous producer organizations that have emerged in less-than-democratic environments may choose not to invest their scarce human resources and political capital in ostensibly participatory development programs because they expect little or no return to their investment. Based on their past experiences with rural development programs, producer organizations are often well informed about which kinds of government programs are likely to respect their autonomy and to deliver what they promise. Leaders who are accountable to their base will be especially sensitive to the risks associated with raising their members' expectations about outside government programs. This rational wariness underscores that it is critical for government and Bank officials to take tangible measures designed specifically to generate trust and to make commitments only when they can ultimately comply with them.

If, because of a target population's rational wariness, only a few broad-based organizations choose to participate in an external government program, then the perverse effect will deprive pro-participation elements of the organized constituency they would need to offset likely opposition from other actors in the state (and even in the Bank). As a result, program managers will be less able to deliver on their promises to the few organizations that do choose to participate, further eroding the prospects of developing intersectoral social capital. At the same time, organizations that have decided not to participate will see their rational wariness vindicated, in turn raising the minimum threshold policymakers will need to establish the credibility required for future commitments. In most cases, we conclude, the intersectoral potential of social capital as a resource for policy reform requires investment both to generate and sustain state-society partnerships.

References

Adelson, N. (1999). 'The rainfed areas development project: An assessment of World Bank reforms in action,' Mexico City: Trasparencia.

Bello, W. et al. (1983). *Development Debacle: The World Bank in the Philippines.* San Francisco: Institute for Food and Development Policy and Philippine Solidarity Network.

Borras Jr., S. (1999). *The Bibingka Strategy in Land Reform Implementation.* Quezon City: Institute for Popular Democracy.

Bray, D. (1995). 'Peasant organization and the permanent reconstruction of nature: grassroots sustainable development in rural Mexico,' *Journal of Environment and Development* 4 (2), 185–204.

Bray, D. (1999). 'Natural forests and plantations: Emerging trends in mexican forest policy,' Florida International University, draft manuscript.

Bray, D. and M. Wexler (1996). 'Forest policies in Mexico,' in Laura Randall, ed., *Changing Structure of Mexico: Political, Social and Economic Prospects.* Armonk: M. E. Sharpe, pp. 217–228.

Bretton Woods Commission (1994). *Bretton Woods: Looking to the Future.* Washington: Bretton Woods Commission.

Broad, R. (1988). *Unequal Alliance: The World Bank, the IMF, and the Philippines.* Berkeley: University of California Press.

Brown, L.D. (1991). 'Bridging organizations and sustainable development,' *Human Relations* 44 (8): 807–832.

Brown, L.D. (1998). 'Social learning in South–North coalitions: Constructing knowledge systems across social chasms,' *IDR Reports* 14 (1).

Brown, L.D. and D. Ashman (1996). 'Participation, social capital and intersectoral problem-solving,' *World Development* 19 (1), 1467–1479.

Brown, L.D. and J. Fox (1998). 'Accountability within transnational coalitions,' in J. Fox and L.D. Brown, eds., *The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements.* Cambridge: MIT Press, pp. 439–483.

Carruthers, D. (1996). 'Indigenous ecology and the politics of linkage in Mexican social movements,' *Third World Quarterly* 17 (5): 1007–1028.

Caulfield, C. (1996). *Masters of Illusion: The World Bank and the Poverty of Nations.* New York: Henry Holt.

Chamberlain, C. et al. (1999). 'Fulfilling the IDA-12 mandate: Recommendations for expanding public access to information at the World Bank,' Washington: Bank Information Center.

Chavela, S.R. (1999). 'Desvía la corrupción gubernamental apoyos del Banco Mundial,' *Noticias*, February.

Coronel, S., ed. (1996). *Patrimony: Six Case Studies on Local Politics and the Environment in the Philippines.* Manila: Philippine Center for Investigative Journalism.

Covey, J. (1998). 'Critical collaboration? Influencing the World Bank through policy dialogue and operational collaboration,' in J. Fox and L.D. Brown, eds., *The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements.* Cambridge, MA: MIT Press, pp. 81–119.

Cruz, I. (1993). 'Las uniones de credito en Mexico,' *AMUCSS Cuaderno del Trabajo* 1, December.

Cruz, I. (1995). 'La integracion e la uniones e credito del sector social al sistema financiero Mexicano,' presented at the Latin American Studies Association, Washington, DC, September 28–30.

Cruz, M.C., L.B. Cornista and D.C. Dayan (1987). *Legal and Institutional Issues of Irrigation Water Rights in the Philippines.* Laguna: University of the Philippines-Los Baños Agrarian Reform Institute.

Department of Finance, Philippines (1998). 'Community based resource management project: project preparation report,' prepared by Urban-Rural Balance for CBRMP, October 1998.

DeWalt, B.R. and A. Toledo (1994). 'Social assessment of Mexico aquaculture project,' submitted to World Bank April 24.

Esman, M. and N. Uphoff (1984). *Local Organizations: Intermediaries in Rural Development.* Ithaca: Cornell.

Evans, P., ed. (1997). *Government Action and Social Capital: State-Society Synergy in Development.* Berkeley: Research Series/International and Area Studies, University of California.

Fox, J. (1993a). 'Democratic Rural Development: Leadership in Regional Peasant Organizations,' *Development and Change* 23 (2): 1–36.

Fox, J. (1994). 'Targeting the poorest: The role of the national indigenous institute in Mexico's national solidarity program,' in W. Cornelius, A. Craig and J. Fox, eds., *Transforming State-Society Relations in Mexico: The National Solidarity Strategy.* La Jolla: UCSD Center for U.S.–Mexican Studies, pp. 179–216.

Fox, J. (1995). 'Governance and Development in Rural Mexico: State Intervention and Public Accountability,' *Journal of Development Studies* 32 (1), 1–30.

Fox, J. (1996a). 'Local governance and citizen participation: Social capital and enabling policy environments,' in R. Wilson, ed., *Proceedings of the Second International Workshop on Local Governance*. Austin: LBJ School of Public Affairs, University of Texas.

Fox, J. (1996b). 'How does civil society thicken? The political construction of social capital in rural Mexico,' *World Development* 24 (6): 1089–1103.

Fox, J. (1997a). 'Transparency for accountability: Civil society monitoring of multilateral development bank anti-poverty projects,' *Development in Practice* 7 (2): 167–172.

Fox, J. (1997b). 'The World Bank and social capital: Contesting the concept in practice,' *Journal of International Development* 9 (7): 963–971.

Fox, J. (1999). 'The inter-dependence between citizen participation and institutional accountability: Lessons from Mexico's rural municipal funds,' in K. Peister, ed., *Thinking Out Loud: Innovative Case Studies on Participation Instruments.* Washington: World Bank, Latin America and Caribbean Region Civil Society Papers, 2000.

Fox, J. (2001, forthcoming). 'Los flujos y reflujos de prestamos sociales y ambientales del Banco Mundial en México' ['The rise and fall of the World Bank's social and environmental lending to Mexico'] in A. Alvarez Béjar, N. Klahn, F. Manchon and P. Castillo, eds., *Las nuevas fronteras del siglo XXI: Dimensiones culturales, políticas y socioeconómicas de las relaciones Mexico-Estados Unidos.* Mexico City: UNAM/La Jornada Ediciones.

Fox, J. and J. Aranda (1996). *Decentralization and Rural Development in Mexico: Community Participation in Oaxaca's Municipal Funds*. La Jolla: UCSD, Center for U.S.–Mexican Studies.

Fox, J. and L.D. Brown, eds. (1998). *The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements.* Cambridge: MIT Press.

Fox, J. and J. Gershman (1999). 'Investing in social capital? Comparative lessons from ten World Bank rural development projects in Mexico and the Philippines,' paper presented at the World Bank, November 4.

George, S. and F. Sabelli (1994). *Faith and Credit: The World Bank's Secular Empire*. Boulder: Westview.

Grootaert, C. (1997). 'Social capital: The missing link?' in *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development*. Washington: World Bank, Environmentally Sustainable Development Studies and Monographs, Series No. 17, June, pp. 77–93.

Harriss, J. and P. DeRenzio (1997). 'An introductory bibliographic essay,' *Journal of International Development* 9 (7): 919–937.

Henríquez, E. (1999). 'Millionario programa productivo en zonas de influencia zapatista,' *La Jornada* June 29.

Ibarra, E. (1999). 'Evaluación externa, 1997: Programa de desarrollo productivo sustenable de la huasteca veracruzana,' Mexico City: Instituto Nacional de Capacitacion del Sector Agropecuario.

Korten, F.F. and R.Y. Siy Jr., eds. (1989). *Transforming a Bureaucracy: The Experience of the Philippine National Irrigation Administration.* Manila: Ateneo de Manila Press.

Lowerre, R. (1994). '1994 update to 'evaluation of the forest development project of the World Bank in the sierra madre occidental in Chihuahua and Durango, Mexico,' Austin: Texas Center for Policy Studies.

Mahoney, S. and C. Monico (1999). 'Assessment of participatory approaches in the identification of World Bank projects,' Washington: InterAction.

Martinez, J. et al. (1995a). 'Memoria: primer taller de la zona norte – programa de capacitacion para el desarrollo de los pueblos indigenas forestales de Mexico del 20 a; 30 de Marzo, 1995,' Mexico: Comunidad Indigena Nvo. San Juan Paragaricutiro/World Bank Institutional Development Fund.

Martinez, J. (1995b). 'Memoria: segundo taller de la zona sur – programa de capacitacion para el desarrollo de los pueblos indigenas forestales de Mexico del 20 a; 30 de Agosto, 1995 – UZACHI – UCFAS,' Mexico: Comunidad Indigena Nvo. San Juan Paragaricutiro/World Bank Institutional Development Fund.

Mosley, P., J. Harrigan and J. Toye, eds. (1991). *Aid and Power: The World Bank and Policy-Based Lending*. London: Routledge.

Miller-Adams, M. (1999). *The World Bank: New Agendas in a Changing World*. London: Routledge.

Nelson, P. (1995). *The World Bank and Non-Governmental Organizations: The Limits of Apolitical Development.* New York: St. Martin's Press.

Operations Evaluation Department (1996). *Irrigation Sector Review.* Washington: World Bank.

Operations Evaluation Department (1999). *Nongovernmental Organizations in World Bank-Supported Projects: A Review.* Washington: World Bank.

Ostrom, E. (1990). *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press.

Paré, L., D. Bray, J. Burstein and S. Martínez Vazquez, eds. (1997). *Semillas para el Cambio en el Campo: Medio Ambiente, Mercados y Organización Campesina*. Mexico City: IIS/UNAM/ Saldebas.

Purcell, M. and C. Heredia (1997). 'The wrong path: The World Bank's country assistance strategy for Mexico,' *Development in Practice* 7 (2): May.

Quizon, A.B. (1997). 'Country report: Philippines,' Manila: Asian Development Bank, unpublished manuscript.

Rangel, G. (1999). 'El sentido de la participacion social en el proyecto de desarollo rural en areas marginadas o del enredado mundo de los proyectos del desarrollo rural en Mexico,' Escuela Nacional de Antropologia e Historia, Undergraduate Thesis, April.

Royo, A. (1998). 'Against the peoples' wishes: The Mt. Apo Story,' in J. Fox and L.D. Brown, eds., *The Struggle for Accountability: The World Bank, NGOs, and Social Movements.* Cambridge: MIT Press, pp. 151–179.

Salazar, H. and S. Whizar, eds. (1996). *La Ac\uicultura en el Desarrollo Regional: Memorias de los Talleres Regionales, Sinaloa & Oaxaca*. Mexico City: Desarrollo, Ambiente y Sociedad/Fundación Friedrich Ebert.

Sanchez, S.L. et al. (1998). 'Evaluacion general del program de desarrollo sustentable en las regiones mixe, mazateca y cuicateca del estado de oaxaca, 1997,' Oaxaca: Gobierno del Estado de Oaxaca, Secretaria de Agricultura, Ganaderia y Desarrollo Rural, Jubileo.

Subsecretaría de Desarrollo Rural (1998). *Manual de Procedimientos de Operación: Programa de Desarrollo Productivo Sostenible en Zonas Rurales Marginadas.* Mexico: Secretaria de Agricultura y Ganaderia.

Subsecretaría de Recursos Naturales (1999). 'Proyecto de conservación y manejo sustentable de recursos forestales en Mexico: Informe 1998,' Mexico: Secretaria de Medio Ambiente y Recursos Naturales.

Thorne, E. (1998). 'The politics of policy compliance: The World Bank and the social dimensions of development,' Ph.D. Dissertation, MIT Political Science Department.

Trasparencia (1998). 'Seguimiento al programa de desarrollo productivo en zonas rurales marginadas del estado de veracruz,' Mexico City, unpublished ms.

Trasparencia (1999). 'Intercambio de Experiencias sobre el Proyecto "Desarollo Rural en Areas Marginadas: Oaxaca de Juarez, 18–19 de Febrero, 1999",' Oaxaca: Trasparencia.

Urzúa, C. (1997). 'Five decades of relations between the World Bank and Mexico,' in D. Kapur, J.P. Lewis and R. Webb, eds., *The World Bank – Its First Half Century, Volume Two: Perspectives*. Washington: The Brookings Institution, pp. 49–108.

Velasquez, M.C. (1996). 'Proyecto "Desarrollo Sostenible en Zonas Rurales Marginadas" (Banco Mundial): Aciertos y desaciertos para promover la participacion en las etapas de identificacion y prepapracion del proyecto en Oaxaca,' Oaxaca: Trasparencia, unpublished ms.

Wade, R. (1997). 'Greening the bank: The struggle over the environment, 1970–1995,' in D. Kapur, J.P. Lewis and R. Webb, eds., *The World Bank – Its First Half Century, Volume Two: Perspectives.* Washington: The Brookings Institution, pp. 611–734.

Werksman, J., ed. (1996). *Greening International Institutions.* London: Earthscan.

Wexler, M. and D. Bray (1996). 'Reforming forests: From community forests to corporate forestry in Mexico,' in L. Randall, ed., *Reforming Mexico's Agrarian Reform*. Armonk: M. E. Sharpe, pp. 235–246.

Whizar, S., H. Salazar and R. Gonzalez Franco (1995). 'Sustainable aquaculture? The World Bank's proposed Mexico aquaculture project,' Washington: Greenpeace, September [in translation, original memo from Mexico City, September, 1995].

Woolcock, M. (1998). 'Social capital and economic development: Toward a theoretical synthesis and policy framework,' *Theory and Society* 27 (2): 151–208.

Woolcock, M. and D. Narayan (2000, forthcoming). 'Social capital: Implications for development theory, research and policy,' *World Bank Research Observer* 15 (2): 225–250.

World Bank (1994a). *Making Development Sustainable: The World Bank Group and the Environment, Fiscal 1994*. Washington: World Bank.

World Bank (1994b). 'Mexico rainfed areas development project,' Washington: World Bank, Staff Appraisal Report No. 12533-ME, June 15.

World Bank (1995a). 'Mexico resource conservation and forest sector review,' Washington: World Bank, Report No. 13114-ME, March 31.

World Bank (1995b). 'Mexico rural financial markets.' Washington: World Bank, Report No. 14599-ME, August 25.

World Bank (1995c). *Mainstreaming the Environment: The World Bank Group and the Environment Since the Rio Earth Summit, Fiscal 1995*. Washington: World Bank.

World Bank (1995d). 'Implementation completion report – Mexico forest development project,' Washington: World Bank Report No. 14625, June 2.

World Bank (1996a). *The World Bank Participation Sourcebook*. Washington: World Bank.

World Bank (1996b). 'Philippines agrarian reform communities development project,' Washington: World Bank, Staff Appraisal Report No. 15624-PH, October 24.

World Bank (1997a). 'Mexico community forestry project,' Washington: World Bank, Staff Appraisal Report No. 16134-ME, January 21.

World Bank (1997b). 'Mexico aquaculture development project,' Washington: World Bank, Staff Appraisal Report No. 16476-ME, March 28.

World Bank (1997c). 'Mexico rural development in marginal areas project,' Washington: World Bank Project Appraisal Document, Report No. 17263-ME, December 23.
World Bank (1997d). *World Development Report*. Washington: World Bank.
World Bank (1999). *Assessing Aid*. Washington: World Bank.