

# A Case Against Social Capital: The Danger of Misplaced Emphasis on Community-Driven Development (CDD) in Poverty Reduction Policy\*

กรณีโต้แย้งทุนทางสังคม: อันตรายจากการให้น้ำหนักพินิจที่  
ต่อการพัฒนาที่เน้นชุมชนเป็นตัวขับเคลื่อน  
ในนโยบายแก้ไขความยากจน

Medhi Krongkaew, Ph.D.\*\*

## Abstract

*Social Capital may be regarded as development resource that can be utilized to bring about faster and more sustainable development to an area. As popular participation is an important requirement for social capital, many poverty related policies rely on community-driven development (CDD) approach to create or generate development in that area. But this development approach is not without problems. Community may fail to recognize the needs of the poorest in that community. Or, the immediate concern of many households and individuals in a community is to survive or get out of the dire poverty more than to devote their time to community action. Or, the disparities in community income distribution may be so wide that it is not possible to share the development benefits fairly. The operation of the Social Investment Fund in Thailand where the Thai government borrowed money from the World Bank to help those who suffered from economic crisis in 1997 is a case in point. The funds were originally designed to help only communities, not individuals or families, in time of*

\* Revised version of the paper presented at the Seventh Annual Global Development Conference on Institutions and Development: At the Nexus of Global Change, organised by the Global Development Network (GDN) in St. Petersburg, Russia, January 19-21, 2006.

\*\* Commissioner, National Counter Corruption Commission of Thailand. Formerly Professor of Economics, School of Development Economics, National Institute of Development Administration (NIDA), Bangkok, Thailand.

*hardship. But as it turned out, communities did not suffer, but families did. Precious time is lost and the suffering prolonged because local authorities insisted upon community benefits by community-based actions only. Therefore, social capital may be effective only when the most basic form of poverty is eliminated, and there is a reasonable degree of income equality within the community so that the conflicts and problems of equal share of development benefits may be avoided.*

**Keywords:** Community-Driven Development; Poverty Reduction; Social Investment Fund; Social Capital

### บทคัดย่อ

ทุนทางสังคม อาจมองได้ว่าเป็นทรัพยากรทางการพัฒนาประเภทหนึ่งซึ่งอาจนำมาใช้เพื่อให้เกิดการพัฒนาที่รวดเร็วและมีความยั่งยืนในท้องถิ่นหนึ่ง เนื่องจากการมีส่วนร่วมของประชาชนเป็นเงื่อนไขสำคัญของทุนทางสังคม นโยบายด้านความยากจนหลายอย่างจึงได้ใช้วิธีการที่เน้นการพัฒนาโดยเน้นชุมชนเป็นพลังขับเคลื่อน (Community-Driven Development หรือ CDD) เป็นหนทางในการสร้างการพัฒนาขึ้นในท้องถิ่นนั้น แต่การพัฒนาวิธีนี้ก็มิใช่ปราศจากปัญหาเสียเลยทีเดียว ชุมชนนั้นอาจจะละเลยหรือมองข้ามความต้องการของชาวบ้าน ที่จนที่สุดของชุมชนนั้นไป หรือความสนใจเฉพาะหน้าของชาวบ้านส่วนใหญ่ นั่น คือ การเอาเวลาไปทำมหากินเพื่อให้มีชีวิตรอดไปวัน ๆ มากกว่าการจะมีเวลาไปทำกิจกรรมของชุมชน หรือความเหลื่อมล้ำในการกระจายรายได้ของชุมชนอาจมีมากจนกระทั่งเป็นไปได้ที่จะสร้างความเท่าเทียมกันของประโยชน์จากการพัฒนาให้แก่ชุมชนนั้น ประสบการณ์การทำงานของโครงการกองทุนการลงทุนเพื่อสังคม (Social Investment Fund หรือ SIF) ซึ่งรัฐบาลไทยได้นำมาใช้ในช่วงวิกฤตเศรษฐกิจเมื่อปี 2540 โดยการกู้ยืมเงินจากธนาคารโลก เป็นตัวอย่างที่ดีของอันตรายที่อาจเกิดจากการพัฒนาที่เน้นชุมชนเป็นพลังขับเคลื่อน โดยความตั้งใจดั้งเดิมนั้น กองทุนนี้ออกแบบมาเพื่อช่วยชุมชนเท่านั้น ไม่ใช่บุคคลหรือครอบครัวในภาวะวิกฤติ แต่สภาพที่เป็นจริงคือบุคคลและครอบครัววิกฤติ ไม่ใช่ชุมชน เวลาอันมีค่าต้องเสียไปกับการเน้นย้ำว่าชุมชนเท่านั้นจะเป็นผู้ได้ประโยชน์จากกองทุนดังกล่าว ไม่ใช่บุคคลหรือครอบครัว จนในที่สุดทางการต้องเปลี่ยนกฎเกณฑ์การให้ทุนที่ประโยชน์ตกอยู่กับบุคคลและครอบครัวที่เดือดร้อน โครงการจึงเริ่มทำงานได้ แสดงว่าทุนทางสังคมนี้จะมีประสิทธิผลจริง ๆ ก็ต่อเมื่อความยากจนในสภาพที่เลวร้ายที่สุดได้ถูกกำจัดให้หมดสิ้นไปแล้ว และในชุมชนนั้นมีความเท่าเทียมของการกระจายรายได้อยู่ในระดับที่เหมาะสมที่จะทำให้ความขัดแย้งและปัญหาที่อาจเกิดจากการแบ่งปันผลประโยชน์ที่ไม่เท่าเทียมกันไม่เกิดขึ้นได้

**คำสำคัญ:** กองทุนการลงทุนเพื่อสังคม ความยากจน ทุนทางสังคม

## 1. Introduction: What is the Issue?

One of the hottest, 'in-trend' issues concerning development today is the emergence and its subsequent rise to prominence of the concept of social capital and its role in achieving desirable and sustainable development. By development here is meant more than just economic development, where its success or achievement can be measured in terms of increase in income and/or consumption, but social, political and even cultural development as well, where success can be seen in the form of more harmonious and peaceful family and community living, more cohesive and less strident political relations, and rich and meaningful cultural development. Therefore, the subject of social capital does not limit itself only to the realm of the interests of social scientists in developing economies or countries, but concerns more developed, industrialised economies as well. Indeed, it is the observation that the decline in social relations among the people and population of the advanced industrial societies such as the U.S. has brought about renewed interest in the concept of social capital.<sup>1</sup>

More elaborate and detailed definitions of social capital and community-driven development will be discussed in the next section. It suffices at this juncture to simply say that social capital refers to the existence of a development resource that can bring about, or facilitate, quicker and more sustainable development to an area, be it community, province or country. And social capital can do this by enabling most or all of the people in the area to work together for their common goal or objective. This type of development is often referred to as

---

<sup>1</sup> A most famous event or social episode that has been used to describe the change in social capital (in this case, a decline) in the US is the frequency of "bowling alone" of the American people by Robert D. Putnam (1995). Putnam has observed that while the number of American people who bowl has increased in the last 20 years (at the time of his study), the number of people who bowl in leagues has decreased. Putnam has used this event or social episode to express his concern about the future of democracy in the US because he believes that strong democracy requires a strong and active civil participation and engagement from its citizens, and this decline in civil engagement as seen through the aggregate decline in membership of traditional civic organizations in the US has led him to speak out on the importance of social capital.

community-driven development (CDD), which such international financial institutions (IFI) as the World Bank has been giving its support to during the last 15 years or so. This new development thinking can be seen as a major correction of development faults that had been in the development mainstream for several decades, that of “top-down” development techniques and practices that put the central government with its highly-educated development technocrats and its all-pervading administrative bureaucracy in charge of development planning and implementation. The new development thinking of a “bottom-up” genre, where the main idea comes from the people who are themselves the target of this development effort and themselves take part in the planning and deliberation or implementation of such a plan, has, today, replaced much of the original, top-down development thinking.

But while development literature abounds, extolling the virtue of this bottom-up, community-based and community-driven development practices that form the social capital necessary for the eventual successful implementation of development efforts, increasingly development researchers and scholars have begun to examine closely the claimed sanctity of social capital in CDD. The main issue is not that social capital in CDD is not good, but there is a danger that a practitioner of the social capital idea could go overboard and believe that there is only one proper way to create economic and social development in an area, that is, to form social capital where most or all of the people in the area take part in the planning and implementation of the development efforts, and only good things can come out of it.

In this paper, I am arguing that such danger of misplaced emphasis on CDD does exist, and could generate negative impacts on social capital to the extent that a review, reformulation, or even recall of such social capital might be in order. It is not difficult to see why policy makers and development practitioners could swear by the noble concept of community-based and community-driven development where people’s participation is the main rule of the game. A decision made or reached by a large number of participants incurs low external costs of annoying those who are not participating. Assuming that the decision-making costs are low or reasonable, the end result could mean that the net outcome for

the community is largest in terms of development benefits.

The next section, Section 2, will explore some possible definitions or explanations of the concept of social capital and CDD to see how they could play important roles in shaping or influencing our desirable and sustainable development. In Section 3, I will revert my position to play a devil's advocate by pointing out or bringing out possible negative repercussions of the use of social capital resources in CDD.<sup>2</sup> In Section 4, I will bring up an actual case study concerning social capital in Thailand, that of the Social Investment Fund (SIF), which has often been regarded as a case of successful application of social capital concept. The main thrust of this section is, of course, to show that the "success" of the programs using this fund is a subject for debate, and that there may be a better way to solve problems of some local areas in particular, and to reduce poverty in the areas in general. In Section 5, I give my concluding remarks.

## **2. Social Capital and Community-Driven Development (CDD): What Are Their Meanings and Significance?**

Capital is a familiar term in economics as it is well understood as one of the three most important factors of production (the other two being land and labour). But when plain capital becomes social capital, its meaning has crossed over from economics to sociology, making the explanation as to its meaning more difficult for economists. Understandably, most of the earlier definitions and explanations on the meaning of social capital came from sociologists, but in the last several years, many other social scientists, not just sociologists, have had their shares of the study of social capital. As yet, social capital is still a contentious and evolving subject and concept, and its meaning is not universally agreed upon. As the Australian Productivity Commission (2003) has put it, views differ about what constitutes social capital and how it operates; to whom and what the concept applies; how to delineate between its sources, manifestations and effects; whether social capital is always beneficial; and even whether the matters referred to under the social capital label can sensibly be thought of as 'capital'.

---

<sup>2</sup> It is this part that justifies the title of this paper: A Case Against Social Capital.

James Coleman (1988) is one of the earlier sociologists who popularized the use of the term ‘social capital’ and has written extensively on this subject. To him, social capital should not be known for what it is, but for what it does, that is, by its function. It is understood as a resource or value of aspects of social structure that social actors, whoever they are (personal or corporate actors), can use to achieve their interests. Ian Winter (2000) explains these resources or value of aspects of social structure in terms of obligations and expectations, information channels, and norms and effective sanctions that constrain and/or encourage certain kinds of behaviour which exist in the relations among persons. A simpler explanation of this concept of social capital could be that anything that helps people work together as a group to achieve their collective goal could be called social capital.

Robert Putnam (1995) has a somewhat narrower meaning for social capital. To him, social capital is a set of ‘horizontal associations’ between people; that is to say, it consists of social networks (or networks of civic engagement) and associated norms that have an effect on the productivity of the community. Looking at social capital this way, the frequency or regularity of these associations would reflect the increase or decrease (or if pushed, the success or failure) of the incidence or existence of social capital. In other words, more frequent and more regular meetings of the people in these organizations reflect more successful incidence and existence of social capital.

Francis Fukuyama (1999) defines social capital as an instantiated informal norm that promotes cooperation between two or more individuals. He is careful to point out that many definitions often refer to manifestations of social capital rather than to social capital itself. So, to him, social capital must be understood as the factor or group of factors that generate or bring about trust, networks, civil society, and the like, and is capable of leading to cooperation in groups that are related to traditional virtues such as honesty, the keeping of commitments, reliable performance of duties, reciprocity, and so on. And as a social production factor, social capital can be used to smooth out economic relationships among people, effectively reducing the transaction costs associated with formal coordination mechanisms like contracts, hierarchies, bureaucratic rules, and the like. In an earlier writing, Fukuyama (1995) believes that social capital is a capability that arises from

the prevalence of trust in a society. It can be embodied in the smallest and most basic group, the family, as well as the largest of all groups, the nation, and in all other groups in between. To him, social capital differs from other forms of human capital insofar as it is usually created and transmitted through cultural mechanisms like religion, tradition, or historical habit.

Several staff members of the World Bank have tried to define social capital in more familiar economic terms or concepts. Christian Grootaert (1998), for example, sees social capital as the fourth type of capital that could contribute to sustainable economic development (the three other types of capital being natural capital, physical or produced capital, and human capital). Grootaert believes that the traditional 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 is of course social capital. As such, he aligns himself with the position of the institutional school of economics, where formalized relationships in such institutions as the government, the political regime, the rule of law, the court system, and the civil and political liberties are believed to have an important effect on the rate and pattern of economic development. Social capital is a stock from which people can draw to improve their incomes and which can be “built” to facilitate economic growth and development.

Woolcock and Narayan (2000) simply define social capital as the norms and networks that enable people to act collectively. Incidentally, this economic concept of social capital that focuses on sources rather than the consequences of social capital is similar to the sociological concept of social capital as understood by Fukuyama. They also allow different variations of social capital among different types of people or communities that generate different economic results. For example, in civil or horizontal social capital, three basic dimensions of social interactions can be created: bonds, bridges, and linkages. Bonds or ‘strong ties’ represent immediate family members, close friends, and professional colleagues who help people (especially the poor) to ‘get by’. Bridges or ‘weak ties’ refer to the relations with less familiar associates and acquaintances to ‘get ahead’. And linkages refer to the vertical dimension of social capital, the lack of which can lead to



powerlessness and exclusion.

After surveying different definitions of social capital from various sources, the Australian Productivity Commission (APC) (2003) sums up the pertinent features of social capital by saying that social norms and/or social networks are key elements of social capital, and that trust is or, at least, a close proxy of it. To the Commission, social capital is widely seen as a resource that facilitates cooperation within or between groups of people. It can arise in relationships in many areas of life, including those involving friends and families, school communities, ethnic, religious and community groups, occupational groupings, firms, governments and other institutions.

Based on the broad and simplified meaning of social capital mentioned above, the APC (2003, p. xi) has further suggested that social capital can generate benefits in the following ways:

- By reducing the costs of conducting day-to-day affairs and of doing business;
- By facilitating the speed of knowledge and innovation;
- By promoting cooperative and/or socially-minded behaviour in situations where narrow self-interest alone does not generate good outcomes for society;
- Through individual benefits—people with good access to social capital tend to be more ‘hired, housed, healthy and happy’ than those without;
- Through associated social spillovers, such as lower health and welfare expenditures, and higher tax receipts.

Grootaert (1998) has a different way of assessing the contributions of social capital to economic development. First, he believes that social capital helps promote information sharing which further reduces contract costs. The case of the Grameen Bank of Bangladesh, where small loans to poor women based on trust of group guarantee and support have become very successful, has been used as an example case. Second, social capital can lead to coordination of activities that not only renders such activities more efficient, but also helps prevent or forestall dishonesty among group members. The case of conscientious water users



in joint irrigation projects is often used as an example of this coordination of activities. And third, collective decision making as a result of social capital ensures that overall benefits have accrued to the majority of the people in the group.

We can go on and on citing works of various social scientists on the merits of social capital regarding the achievement or fulfillment of sustainable development, but what we have discussed so far is probably sufficient to substantiate such merits. Now we can move on to discuss the relationship between social capital and community-based or community-driven development.

Just as social capital is a recent introduction of a basically sociological concept in economics, CDD is also a recent addition to development techniques, especially ones that focus on poverty reduction. In the heyday of economic development theories in the 1960s to 1980s, centrally initiated or top-down development policies were the rules of the day. This had begun to change in the early 1990s when such IFIs as the World Bank, the Inter-American Development Bank, and the Asian Development Bank started to refocus their development assistance efforts more specifically on poverty reduction.<sup>3</sup> And to do so, many unique people-oriented techniques have been adopted. Take the World Bank, for example. As reported by Narayan (2000), the World Bank began to conduct poverty assessments routinely in the early 1990s in order to identify the main poverty problems within a country, and to link the policy agenda to issues of poverty. This technique of research has become known as the Participatory

---

<sup>3</sup> We can see similar trends in the ways in which many of these IFIs tackle or handle poverty problems. Let us look at the positions of the World Bank, the Inter-American Development Bank, and the Asian Development Bank on their developments objectives:

- (a) The World Bank: Very succinctly, the World Bank states that its mission is to see a world without poverty. More exactly, the World Bank's mission is to reduce poverty and improve living standards through sustainable growth and investment in people.
- (b) The Inter-American Development Bank: The two main objectives of the IADB as set out in its institutional strategy are poverty reduction and social equity, and environmentally sustainable growth.
- (c) The Asian Development Bank: Equally succinct, the ADB's overarching goal is to reduce poverty and improve the quality of life of people in the Asian and Pacific region.

Poverty Assessment or PPA, where it seeks to understand poverty from the perspectives of a range of stakeholders and to involve them directly in planning follow-up action. The basic stakeholders of this research process are of course the poor people in the community, but they also include local officials, civil society, and local elite. This PPA is also extended into the Poverty Reduction Strategy Paper (PRSP), where each country is encouraged to carry out poverty studies and how to solve poverty problems by engaging all the people in all sectors of the economy so that once everyone 'owns' the project, the incentives to achieve the end results (poverty reduction) are much greater.

This development process that supports participatory decision making, local capacity building, and community control of resources would be known as Community-Driven Development (CDD).<sup>4</sup> Broadly defined, CDD is an approach that gives control over planning decisions and investment resources to community groups and local governments. CDD programs operate on the principles of local empowerment, participatory governance, demand-responsiveness, administrative autonomy, greater downward accountability, and enhanced local capacity. Experience has shown that given clear rules of the game, access to information and appropriate capacity and financial support, poor men and women can effectively organize in order to identify community priorities and address local problems by working in partnership with local governments and other supportive institutions.

According to the World Bank, the five key pillars of this approach are community empowerment, local government empowerment, realigning the centre, accountability and transparency, and learning by doing. It believes that, with these pillars in place, CDD approaches can create sustainable and wide-ranging impacts by mobilizing communities and giving them the tools to become agents of their own development. Through the finance of 'Social Funds', where the local people in the community themselves identify their own development priorities, hire contractors, manage project funds, and on completion of construction, manage and sustain the project, CDD has become the development process of choice of

<sup>4</sup> The World Bank has maintained a website specifically on CDD where the latest developments and cases concerning this development approach are shown and monitored. See <<http://www.worldbank.org/>>

the World Bank today.<sup>5</sup>

It should be obvious by now that social capital and CDD are inextricably linked with each other. Social capital helps facilitate the formation of a cohesive community and the foundation of harmonious community action. Community-driven development, in turn, generates a greater or larger pool of social capital. All appears to be positive and beneficial. Why, then, is there any case against social capital and CDD in poverty reduction policy? As will be shown in the next section, the reservation against social capital as seen through CDD does not hinge upon the merits of social capital or CDD per se, but on the danger of misplaced emphasis on specific variations of CDD that these are the only effective policies to solve poverty problems. As it turns out, not only are poverty or poverty problems not effectively alleviated, but energy and time are also lost or wasted in the name of social capital. It is in this particular way in which CDD is handled that there is a case against social capital.<sup>6</sup>

### 3. Social Capital and CDD: Why Is There A Danger?

While recognizing the beneficent contributions of social capital towards

<sup>5</sup> This can be shown by the fact that the CDD loans of the World Bank have risen from US\$325 million in 1996 to \$2 billion in 2003. Data reported in Mansuri and Rao (2004, p. 2).

<sup>6</sup> Woolcock and Narayan (2000) cited several well-known economists such as Knack, Dani Rodrik, and Bill Easterly on the power of social capital and economic development in general and poverty reduction in particular. The following are some quotations from these researchers:

- “Social capital reduces poverty rates and improves, or at a minimum does not worsen, income inequality (p. 235)”;
- “Economies with divided societies and weak institutions for managing conflict respond sluggishly to shocks (p. 235)”;
- “Societies able to generate and sustain a middle-class consensus are those most likely to produce stable and positive rates of growth (p. 235)”;
- “In societies (communities) with good governance and high levels of bridging social capital, there is complementarity between state and society, and economic prosperity and social order are likely (p. 237)”;

However, they also caution against looking at social capital only in a good light, as this will become clear in the next section.

economic development, Woolcock and Narayan (2000) were careful to point out the negative sides of social capital garnered from their own studies and from various other studies in many parts of their paper. Examples:

- “...Social ties can be a liability as well as asset....At the institutional level, many countries and organisations have nepotism laws, in explicit recognition that personal connections can be used to discriminate unfairly, distort, and corrupt. Everyday language and life experience, in short, teach that the social ties individuals have can be both a blessing and a blight, while those they do *not* have can deny them access to key resources” (p. 226).
- “...Merely having high levels of social solidarity or informal groups does not necessarily lead to economic prosperity. They reported a case study in Kenya where a participatory poverty reduction assessment study recorded more than 200,000 community groups active in rural areas, but most were unconnected to outside resources and were unable to improve the lot of the poor” (p. 230).
- “...The networks view of social capital...can be characterized by two key propositions. First, social capital is a double-edged sword. It can provide a range of valuable services for community members, ranging from baby-sitting and house-minding to job referrals and emergency cash. Group loyalties may be so strong that they isolate members from information about employment opportunities, foster a climate of ridicule toward efforts to study and work hard, or siphon off hard-won assets (say, to support recent immigrants from the home country)....Second, the sources of social capital need to be distinguished from the consequences derived from them. Imputing only desirable outcomes to social capital, or equating them with it, ignores the possibility that these outcomes may be attained at another group’s expense, that given outcomes may be suboptimal, or that desirable outcomes attained today come at the price of significant costs tomorrow” (p. 231).

Fukuyama (1999) distinguishes ‘good’ or positive social capital from ‘bad’

or negative social capital in terms of the difference in the 'radius of trust' or the circle of people among whom cooperative norms are operative. Positive social capital or social capital that produces positive externalities will have a radius of trust that is larger than the group itself, and vice versa for the negative social capital. Social capital that generates positive externalities can of course be regarded as an asset for the community at large, whereas social capital that generates negative externalities can be regarded as a liability. Fukuyama mentions that both the Ku Klux Klan and the Mafia achieve cooperative ends on the basis of shared norms, and therefore have social capital, but this kind of social capital must be regarded as negative social capital, as these groups have a narrow radius of trust, and in-group solidarity reduces the ability of group members to cooperate with outsiders and often imposes negative externalities on the latter.

However, this does not mean that good social capital is that in which this radius of trust must always extend beyond the smallest unit of the group, from the family to the larger community, region, or country. The positive externalities generated must not occur in lieu of, or at the expense of, the negative benefits or consequences of the original unit of the group which, in this case, is the family. In other words, a group action that benefits families or community outside must not hurt or harm the families inside. A case in point is when a poor family, for the sake of community spirit and cooperation, is coerced or forced into donating an essential part of its little wealth and income (land or money) to community projects and suffers grave loss of welfare as a result. Public authorities (governments at both central and local levels) must see to it that the social capital that generates negative consequences of this type does not occur.<sup>7</sup>

---

<sup>7</sup> It is true that despite the recognized importance of family or family life as a bed-rock of social capital, many researchers and proponents of social capital often bypass or ignore the analysis of the proper role of family or family life in the study of social capital. The attention on family strength is sacrificed over the notion of community strength. Some research organisations such as the Australian Institute of Family Studies have recently been trying to change that. Ian Winter (2000), the Research Director of this Institute, for example, writes that empirical change in family life has been ignored in part because examination of family life and social capital has not been set within a theorized framework of social change, and he has tried to put more emphasis on the importance of family life in social capital.

There are several other studies that do not always view social capital or CDD in a good light. Mansuri and Rao of the World Bank (2004), for example, write a critical review of a CDD project as a form of development assistance that can be effective in increasing the stock of social capital for the community. To refer to their findings at length, Mansuri and Rao argue that projects that rely on community participation have not been particularly effective in targeting the poor. They claim that most such projects are dominated by elites, and both targeting and project quality tend to be markedly worse in more unequal communities.<sup>8</sup> ...Several qualitative studies indicate that the sustainability of community-based initiatives depends crucially on an enabling institutional environment, which requires government commitment, and on accountability of leaders to their community to avoid “supply-driven demand-driven” development. External agents strongly influence project success, but facilitators are often poorly trained, particularly in rapidly scaled-up programs.

Participation is of course one of the most important, if not the most important, features of CDD and social capital, but Mansuri and Rao caution that while participation can lead to better project design, better targeted benefits, more cost-effective and timely delivery of project inputs, and more equitably distributed project benefits with less corruption and other rent-seeking activity, these benefits do not always happen. First, the exercise of ‘voice’ and ‘choice’ associated with participation can be costly under certain conditions. Second, mainstreaming participation has made it an instrument for promoting pragmatic policy interests, such as cost-effective delivery or low-cost maintenance, rather than a vehicle for radical social transformation. And third, the belief that exposure to participatory experiences will transform the attitudes and implementation styles of authoritarian bureaucracies (governments or donors) may be naïve. The routinisation of participatory planning exercises into the work of public sector implementation agencies puts new pressures on resources while leaving implementers unclear about the potential gain to themselves from this new accountability (Mansuri and Rao, 2004, pp. 6-7).

<sup>8</sup> We will refer to this point again when the case of the Social Investment Fund is discussed in the next section.

Citing the study of David Mosse, Mansuri and Rao (2004) also question the merits of “local knowledge” that come with participation. Such ‘local knowledge’ is often a construct of the planning context and concealed in the underlying politics of knowledge production and use. Mosse identifies four aspects of this. First, participatory exercises are often public events and open-ended regarding target groups and program activities, which make such events inherently political, and what is reflected is often strongly shaped by local relations of power, authority, and gender. Second, outside agenda get expressed as local knowledge. Third, there is local collusion in the planning exercise. And fourth, the concept of participation is used to legitimize the project’s previously established priorities and the needs of donors to include such processes in their projects.

Finally, there is a likelihood of conflicts among members in a community that is often ignored in most analysis of social capital. It seems that once the social norms of trust and reciprocity have been established in a community, members will continue to act collectively and harmoniously for the benefit of the community as a whole. Conflicts among members in such a community are either assumed away or not given important weight or bearing. The truth is, in the real world, community conflicts happen all the time, even in a small community.

In all, it can be summed up that poverty reduction policies based on CDD with an aim to creating social capital and further using this acquired social capital to further enhance the effective outcomes of the policies do not always work as planned. Some groups of the people in the community may be left out of the participatory decision-making process, especially the ultrapoor in the community; the collective decisions may actually follow the guidance, even coercion, of village leaders or community elites; the unequal wealth and income distribution in the community can pose a problem of unequal benefits; and so on. If the policy makers and development practitioners are not aware of these pitfalls, an attempt to generate social capital may backfire and may actually create greater harmful effects on the community, or at least waste the resources and time of the people in that community from doing more useful things.



#### **4. Thailand's Social Investment Projects (SIP) and Poverty Reduction: A Case In Point?**

In this section, I will refer to the case of the Social Investment Projects that the Thai government had adopted in 1998 to cope with the social and economic effects of the financial and economic crisis of 1997, and to show that this is an example of a CDD project that is expected to generate social capital by promoting participation from the local population and to use the acquired social capital to further enhance economic development of the community; in the end, however, it is not as effective as it should be because it was designed with a misplaced emphasis on the welfare of the community in a situation where a large number of individual families in the community were not able even to cope with their very own immediate existence. While the overall evaluation of the effectiveness of these projects is satisfactory, it has overlooked the lost opportunities associated with the delayed financial assistance and the selective assistance that did not go to the root of the problems. It is a CDD project such as this that gives social capital a bad name.

Following the financial crisis that hit the Asian region in mid-1997, the Royal Thai Government has urgently sought World Bank's assistance in developing the 'Social Investment Project' to alleviate the social problems faced by a significant percentage of the Thai population.<sup>9</sup> The main objectives of the SIP, as stated in the Project Appraisal Document, were to (a) provide rapid creation of employment opportunities and essential social services to the unemployed and poor, and (b) support bottom-up service delivery through financing locally-identified and managed development initiatives and through promoting decentralisation, local capacity building and community development. In July 1998, it signed a loan contract totaling USD 300 million with the World Bank and another contract totaling JPY 3,412 million with the Japanese Overseas Economic Cooperation Fund (OECF). Moreover, the Ministry of Finance had set aside an additional government budget for projects of public agencies and state enterprises,

<sup>9</sup> The information on the SIP contained here is derived and adapted from the World Bank (2005).

at 10% of the above loan amounts mentioned above (as the condition of the World Bank loan stated that the Thai government had to contribute 10% of the total cost). A USD 2 million grant was also received from UNDP and the Australian government aid agency (AusAID). For details on the breakdown of expenditure items, see Table 1.

The Project had three components. The first component (Channel 1) provided short-term support to existing government programs which targeted job creation and provision of basic social services to the unemployed and poor. This channel involved 7 executing agencies and was expected to close after 28 months—with estimated costs of USD 244.35 million. The second component (Channel 2) provided grant and loan financing for locally-generated projects through two new institutions, namely, the Social Investment Fund (SIF) and the Regional Urban Development Fund (RUDF). The executing agency for Channel 2, which was originally expected to be operational over a 40-month period with an estimated cost of USD 174.14 million, is the Government Savings Bank (GSB). The third component focused on project management and supported the operation, staffing, and activities of the SIP's Project Coordination Unit (PCU) and Policy Steering Committee (PSC).

While we are interested in the outcomes of the Social Investment Project as a whole, we will be paying more attention to the work of the SIF because this is part of the loan that has a direct link to local social capital generation and utilization. The Social Investment Fund Office, which was set up to operate the SIF, had established four areas in which proposals could be submitted from the communities for funding. The four areas (which later had added the fifth area) are known as “Menus,” and the four menus include the following community activities:

- Menu 1: Acquisition and/or development of physical assets to support the community economy (i.e. demonstration center for agricultural production).
- Menu 2: Welfare and security of the communities, such as childcare centers, health clinics for the elderly, or hospices for AIDS patients,
- Menu 3: Conservation of natural resources, protection of the environment,

and preservation of cultural assets.

- Menu 4: Accumulating capacities of community organisations and networks.

Understandably, the above menus reflect the orthodox thinking of CDD and social capital—that local authorities are given opportunities to plan and implement projects that satisfy community needs, with moral support and blessing from the central authorities. But in a situation where local leaders who act on behalf of the community can submit community projects quickly but have no idea whether these projects are ones that the community urgently needs, where the central bureaucracy is unqualified to assess and evaluate proposals such as these, and where the needy people in the community are too preoccupied with their immediate economic problems that arose out of their basic poverty conditions that they neither have the time, nor the interest, to participate in community efforts to come up with such community-based projects that represent a desirable case of social capital promotion, the above four menus would lead nowhere.<sup>10</sup>

Ammar Siamwalla and Srawooth Paitoonpong (2002) of the Thailand Development Research Institute (TDRI) conducted an evaluation of these SIF activities in 2000. They reported that despite huge responses from the communities, the approval and disbursement of the projects were exceeding slow. By December 1999, 14 months after the SIF began its operation, the Social Fund Office received 8,293 applications, of which a total of 1,626 sub-projects were approved with a total budget of about US\$43 million or less than 15 percent of the SIF loan. Precious time was lost for the state to help people that suffered from the economic crisis or were in need of family help. Facing the likelihood that the SIF was unable to help people in crisis in a timely manner, the central authorities changed their plan by adding Menu 5, which aims at providing help and welfare to vulnerable groups of people in the community. The emphasis was therefore

<sup>10</sup> Here lie seeds of the danger that eventually diminish the usefulness of CDD poverty policies. The aim of generating social capital quickly by untrained and unqualified central and local authorities is simply too ambitiously unrealistic, and the majority of the village people would find a better use for this SIF doing other things that are outside the four menus.

placed on transfer payments to the poor rather than investments, thereby expediting the distribution of funds. Within a few months, Menu 5 had the largest share of disbursements from the SIF, as can be seen in Box 2.

It is possible that we are too critical in our assessment and evaluation of the SIF plans and implementations. To be fair, we should also look at other evaluations of the overall Social Investment Project by other analysts.

The Fiscal Policy Office, under the Ministry of Finance, had asked the TDRI<sup>11</sup> to carry out a special monitoring assessment in order to assess the implementation of the sub-projects under the seven Project Implementation Units (PIU). The PIUs were set up in each public agency and state enterprise to take care of administration and management, including the procurement process and loan withdrawal for the projects' implementation. Through many interviews with the PIU's staff both in the Bangkok offices and in 8 other provincial offices<sup>12</sup>, the TDRI research teams found that several projects had slow progress due to "the delay on loan agreement effective date, tardy preparation, unfamiliarity of the officials with the procurement procedure and loan disbursement documents as required by the World Bank." The first phase of the SIP during November 1998 to the first half of 1999 has been focused on the working preparation of agencies. They also found that the physical work had more progress than the disbursement; at the end of 2000, the loan disbursement rate was only 56% for the World Bank's portion, and 14% for the OECF's portion. The delayed projects are those under the responsibility of the Tourism Authority of Thailand, the Ministry of Industry, the Bangkok Metropolitan Administration, and the Ministry of Public Health. In addition, the research teams also interviewed 1,000 workers who worked under the SIP projects and found that the employment creation objectives were adequately met, although only 20-30% of those employed were unemployed persons who lost their job during the economic crisis. The TDRI recommended that the PIUs with delayed project not be given extra loan money to carry out new projects and be encouraged to strengthen their work plan and improve their disbursement effort. Moreover,

<sup>11</sup> Nipon Poapongsakorn, TDRI Special Monitoring Program for the Social Investment Project.

<sup>12</sup> The eight provinces are Sakaew, Ratchaburi, Chiang Mai, Nakhon Sawan, Khon Kaen, Ubon Ratchathani, Songkhla, Surat Thani.

it was recommended that the long delay in the Project Coordination Unit has to be improved since it was crucial for monitoring purposes.

Since the SIP intends to respond to the critical social needs emerging from the crisis, it is crucial that the disbursement of the funds should be managed in a timely manner, especially to provide for part of the population with emergency needs. However, according to the World Bank<sup>13</sup>, “the SIP came after a decade of very minimal Bank engagement in Thailand, so the rapid scaling up of support during the crisis meant working with agencies that were unfamiliar with Bank process.” Although technical assistance for procurement, financial management, and evaluation was planned to help strengthen the capacity of the implementing agencies, the Channel 2 SIF subcomponent had to be modified in 1999 as part of the Thai government’s response to the slow pace of disbursements in the early stages of the project. This subcomponent was expanded to include Immediate Community Welfare for the Needy (Menu 5) to support needy groups whose demands were not met by other Channel 1 activities.

In hindsight, the World Bank agreed that the quality and the effectiveness of the projects could have been strengthened through greater emphasis on outcomes and their linkages to development objectives; explicit recognition of the tradeoffs involved in the project (such as speedy employment generation versus the quality and durability of infrastructure created); and a more realistic assessment of implementation capacity. There were suggestions that the SIP should have been designed as a hybrid operation, with an adjustment component delivering prompt short-term crisis relief and an investment component supporting longer-term elements—it would have been rather difficult to implement the adjustments as long as the team still focused on very specific targeting of resources and community involvement.

The World Bank has concluded that the SIP seems to have satisfied most of its first objectives of responding to the crisis through the rapid creation of employment opportunities (Channel 1)—mainly via temporary employment and the

---

<sup>13</sup> World Bank. 2005. “Implementation Completion Report on a Loan in the Amount of US\$300 Million to Thailand for a Social Investment Project.” Human Development Sector Unit, East Asia and Pacific Region. Report No. 30237 February 15<sup>th</sup>, p. 3.

provision of other social safety net benefits to the poor and vulnerable. Nevertheless, there were implementation delays and capacity constraints which affected the speed and extent to which that assistance was delivered and hence reduced the projects' benefits at the height of the crisis. Channel 2 projects were relatively successful in promoting decentralization and in strengthening the capacity of local governments, communities and NGOs. The summary evaluation of the World Bank on the Thailand Social Investment Project is given in Box 3. Although the overall evaluation is satisfactory, this does not take into account the loss in time and opportunities associated with the slowness in project approval and fund disbursements.

## 5. Concluding Remark

I would like to make my concluding remark by saying that social capital is something all development policy makers and practitioners should aspire to have as an important factor to reach desirable and sustainable development. But social capital can be an elusive concept that is difficult to understand and measure. A community-based or community-driven development is said to be both the manifestation and generator of social capital, but not all CDD projects or policies can achieve that. First, the poverty conditions in the community can be so dire that the priority is to help these poor, especially the chronic poor or the ultrapoor of the community, to get out of this extreme poverty first before they could think of anything else beyond their very daily subsistence. Second, the distribution of income can be so disparate in a community that it is not possible to reconcile the share of community benefits without some community conflicts. In other words, to be able to have a harmonious social capital, the distribution of income and welfare of the people in the community should maintain a reasonable degree of equality so that the rationale for collective efforts and share of benefits can be more easily justified. Third, it is fallacious to think that in today's world, local communities can bind together and act as if they were independent from other local communities around them, or from the central government that looks after the development and welfare of the country as a whole. Social capital, at whatever level, must take into account possible impacts from the surrounding environment, which include not only other communities in the same nation but perhaps other communities in other nations as well.

**Table 1** Thailand Social Investment Project—Project Description Summary (World Bank, 2005, p. 3)

Component	Objectives	Subcomponents/Executing Agencies	Est. Cost (USD mn)
Channel 1	To mitigate the immediate effects of the crisis through short-term support to existing government programs that provide jobs and basic social services to the unemployed and poor	<u>Ministry of Public Health</u> 1. Public Assistance Scheme 2. Community-Based AIDS Program <u>Ministry of Labor and Social Welfare</u> 1. Local Job Training for Unemployed Workers 2. Local Job Training for Disadvantaged Women and Persons with Disabilities 3. Local Job Training for Women and Youth <u>Ministry of Interior</u> 1. Construction of Village Roads 2. Construction of Small-Scale Weirs and Foreground Dredging <u>Ministry of Industry</u> 1. Program for Rural Industrial Development <u>Bangkok Metropolitan Administration</u> 1. School Renovation Program 2. Occupational and Vocational Training Program 3. Small-Scale Infrastructure Program <u>Tourism Authority of Thailand (OECD/JBIC-financed)</u> 1. Tourist Facility Construction	244.35



Table 1 (continued)

Component	Objectives	Subcomponents/Executing Agencies	Est. Cost (USD mn)
		2. Tourism Training <u>Royal Irrigation Department of the Ministry of Agriculture and Cooperatives (OECF/JBIC-financed)</u> 1. Small-Scale Irrigation Improvement and Rehabilitation Project	
Channel 2	To promote fiscal and administrative decentralization and build local capacity and social capital for longer-term development; to finance local projects with employment and service benefits during the crisis	<u>Social Investment Fund</u> (5 Subproject menus) 1. Capacity and Learning Development in Community Economy 2. Community Welfare and Safety 3. Restoration, Protection, Management and Promotion of Culture, Environment, and Natural Resources 4. Community Capacity Building and Networking 5. Immediate Community Welfare for the Needy through Community Organization Networks <u>Regional Urban Development Fund</u>	174.14
Project Management	To support the Project Coordination Unit and Policy Steering Committee	PCU/PSC	2.80

Source: The World Bank (2005), p. 3.

**Box 1: An Earlier Analysis of the Social Investment Project (SIP) of Thailand**

In early 1999, when it seemed that Thailand had weathered the worst part of the economic crisis that began in July 1997, I managed to write a long account on the origin, course, and correction of this crisis, which was later published as a chapter in a book by Chu and Hill (2001). In that chapter, I made a brief analysis of the Social Investment Project which was a key feature of the Thai government at the time in coping with the crisis. On rereading it today, I have found that my thought on the potential negative side of improper social capital had already taken shape. This is what I wrote:

“The government is expected to receive about 21.7 billion baht worth of loans and grants from the World Bank, ADB, the OECF, UNDP and the Australian Agency for International Development (AusAid) in a project called Social Investment Project (SIP) for the purpose of helping those who are affected by the crisis. The immediate aims of the SIP are reduce the rate of unemployment in the country by creating jobs, and to improve the delivery of social services by strengthening local governments and local authorities; inviting participation from the local people, and in encouraging transparency in policy making.

The first part of the funds will be managed by the Ministry of Finance with money to go to the Ministries of Interior, Public Health, and Labour and Social Welfare; the Tourist Authority of Thailand, and the Bangkok Metropolitan Administration (BMA). The second portion (about 6 billion baht) will go the Social Investment Fund (SIF) and the Regional Urban Development Fund (RUDF) and will be managed by the Social Fund Office (SOFO) under the responsibility of the Government Savings Bank. The SIF with the budget allocation of about 5 billion baht will be administered as grants to community development projects to be carried out by the community organisations, whereas the RUDF with about 1 billion baht budget will be used in the form of loans to municipal

**Box 1: (continued)**

administrations throughout the country to spend on urban development projects. The SIF projects will be proposed and prepared by local community organisations under the guidelines provided by the SOFO. These project may be classified into four types or categories. Project Type 1 will aim at encouraging career education and community economic development. Project Type 2 is about social welfare and community security. Project Type 3 concerns natural resources and environmental management and cultural support. And finally, Project Type 4 will promote community capability and networking development.

The SIF has generated a great deal of interest among academics and other development practitioners. As mentioned above, this fund will be managed by a special office set up under the overall administration of the GSB. Many had doubted the ability of the officers of the GSB to screen and monitor public works or community-oriented projects. Even when the ability to do so was never in doubt, many had suspected whether this was a proper job for the GSB officers. Reference was made to the Rural Job Creation Programs (RJCP) which preceded this SIF projects and a question was raised whether the Department of Local Administration with its extensive staff and prior experience in conducting this kind of rural public works projects would be more suited to do this kind of social spending. Some scholars had criticised this SIF as a pilot project to be used for business expansion of foreign investors, and, eventually, it will do more harm than good to local communities.<sup>14</sup> These types of questions and criticisms have been raised before with regards to past rural public works programs such as the RJCP and the Green Esan Programs (GEP).<sup>15</sup> The conclusions from these rural public works programs seem

<sup>14</sup> View from Dr. Worapol Promigabutr of the Faculty of Sociology and Anthropology, Thammasat University, as reported in **The Bangkok Post**, 26 July, 1998.

<sup>15</sup> See analysis about these two famous public work programs in Chapter 5 in 'Thailand: Poverty Analysis', a special supplement to this Report.

**Box 1: (continued)**

to show that, while this type of public expenditure was based on capital intensive techniques, the local people and communities did not totally object to it because they can make use of the complete infrastructure projects later. On the whole, the rural population were in favour of rural public works projects such as those in the RJCP or GEP. However, the SIF projects will be different from the earlier public works projects in that, in a crisis situation like present, the supply of local labour may be available to work in the projects. Moreover, the size of the budget for this SIF projects is much larger than the RJCP or GEP so that it can make difference in terms of the impact on local economies or societies.”

**Box 2: The Thai SIF at a Glance: Total Lending Portfolio (as of August 7, 2001)**

Sub-Project Category	No. of Sub-Projects	Total \$ Approved (US\$mil.)
Menu 1: Community Economy	3,093	18.0
Menu 2: Community Welfare and Safety	1,177	8.25
Menu 3: Natural Resources Management and Cultural Preservation	763	4.35
Menu 4: Community Capacity Building and Networking	1,126	15.72
Menu 5: Emergency Community Welfare for the Needy	457	48.63
Total	6,616	94.95
Memo item:		
Number of Beneficiaries: 12,121,192		
Number of Completed Subprojects: 2,351		

Source: Salim (2001).

### Box 3: Overall Assessment of the Thailand Social Investment Project (SIP) by the World Bank

The World Bank's internal performance ratings of the Thailand Social Investment Project are as follows:

Outcome:	Satisfactory
Sustainability:	Likely
Institutional Development Impact:	Substantial
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

Key Dates	Original	Revised/Actual
- Effective start	01 August 1998	09 November 1998
- Mid-Term Review	31 December 1999	07 November 2000
- Closing	30 April 2002	30 April 2004

## References

- Ammar Siamwalla and Srawooth Paitoonpong (2002) "Rebuilding Social Capital: Social Investment Fund in Thailand," in **Social Investment Funds: The Thai Experience**, The Japan Program Asia Series, Inter-American Development Bank, Issue Number 2.
- Australia Productivity Commission (2003) "Social Capital: Reviewing the Concept and Its Policy Implications: Commission Research Paper," July.
- Chase, Robert (2003) "Can Community Driven Infrastructure Programs Contribute to Social Capital? Finding from the Rural North East of Brazil," World Bank Institute, 5 December, <http://info.worldbank.org/etools/bspan/PresentationPrint.asp>
- Chu, Yun-Peng and Hal Hill (eds.) (2001) **The Social Impact of the Asian Financial Crisis**, Cheltenham: Edward Elgar.
- Coleman, James S. (1988) "Social Capital in the Creation of Human Capital," **American Journal of Sociology**, vol. 94, pp. S95-S120.

- Dahl-Ostergaard, Tom, David Moore, Vanessa Ramirez, Mark Wenner, and Ane Bonde (2003) "Community-Driven Rural Development: What Have We Learned?," Sustainable Development Department Technical Papers Series, Washington DC.: Inter-American Development Bank, October.
- Dongier, Phillipe (2005) "Community Driven Development," The World Bank Webpage on participation, <http://www.worldbank.org/participation/CDDprinciples.htm>
- Fukuyama, Francis (1995) **Trust: the Social Virtues and the Creation of Prosperity**, New York: the Free Press.
- Fukuyama, Francis (1999) "Social Capital and Civil Society," paper presented at the IMF Conference on Second Generation Reforms, at the IMF Headquarters, Washington DC., November 8-9.
- Grootaert, Christian (1998) "Social Capital: the Missing Link?," Social Capital Initiative Working Paper No. 3, Social Development Family, Environmentally and Socially Sustainable Development Network, the World Bank, April.
- Mansuri, Ghazala and Vijayendra Rao (2004) "Community-Based and -Driven Development: A Critical Review," **The World Bank Research Observer**, vol. 19, no. 1, pp. 1-39.
- Narayan, Deepa et al. (2000) **Voices of the Poor: Can Anyone Hear Us?**, Oxford University Press for the World Bank.
- Putnam, Robert D. (1995) "Bowling Alone: America's Declining Social Capital," **Journal of Democracy**, vol. 6, no. 1, January.
- Salim, Maryam (2001) "Social Funds Innovations Updates," vol. 1, no. 1, Human Development Networks—Social Protection Unit, World Bank, September.
- Winter, Ian (2000) "Towards a Theorised Understanding of Family Life and Social Capital," Working Paper no. 21, Australian Institute of Family Studies, April.
- Woolcock, Michael and Deepa Narayan (2000) "Social Capital: Implications for Development Theory, Research, and Policy," **The World Bank Research Observer**, vol. 15, no. 2 (August), pp. 225-49.
- World Bank (2005) "Implementation Completion Report on a Loan in the Amount of US\$300 million to Thailand for a Social Investment Project," Report no. 30237, Human Development Sector Unit, East Asia and Pacific Region, the World Bank, February 15.