

Reshaping Institutions: Evidence on External Aid and Local Collective Action

Katherine Casey, Brown University • katherine.e.casey@gmail.com

Rachel Glennerster, Massachusetts Institute of Technology • rglenner@mit.edu

Edward Miguel, University of California, Berkeley • emiguel@econ.berkeley.edu

Institutions are important determinants of economic development. However, there is little evidence about how best to 'improve' institutions that are already in place. Moreover, is it possible, or even desirable, for external actors like foreign aid donors to attempt to restructure local power dynamics in less developed countries? This research project uses a rigorous randomized experimental design to assess the impacts of a well-implemented CDD program on local public goods and institutions in post-war Sierra Leone.

Key Messages:

Community driven development (CDD) had positive impacts on development 'hardware' in Sierra Leone in that it enhanced the stock and quality of local public goods, increased village-level market activity and improved household economic welfare.

We find no evidence for CDD impacts on the 'software' aspects of development, including participation in decision-making, the capacity to engage in collective action beyond the immediate project sphere, and the voice of women and youth.

Additional rigorous evidence is needed about the kinds of local reforms and external interventions that can enhance collective action while simultaneously boosting inclusion and accountability.

Summary

We find that treatment communities have more public goods, like latrines, community centers, traditional birth attendant houses and seed banks, and that these goods are of better construction quality, than in control communities.

Across a large and diverse number of outcomes, we find precisely estimated zero treatment effects on measures of social capital (like trust, collective action, group membership, and information), participation in local governance, conflict, and political and social attitudes.

Our empirical results are based on one project in one country. However, they provide an interesting contrast to research from India which shows that attitudes to women can change quite dramatically when they are given positions of formal power over local village councils (at random) and when more high paying jobs for educated girls become available.

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International Growth Centre

London School of Economics and Political Science
4th Floor, Tower Two
Houghton Street
London WC2A 2AE
United Kingdom

For media or communications enquiries, please contact Adam Green
adam.green@theigc.org

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Policy Motivation:

Many scholars agree that institutions are important determinants of economic development. However, there is little evidence about how best to 'improve' institutions that are already in place. Moreover, is it possible, or even desirable, for external actors like foreign aid donors to attempt to restructure local power dynamics in less developed countries? Among donors, non-governmental organizations (NGO) and governments today, arguably the most popular strategy to promote accountability, competence and inclusion in local governance institutions is 'community driven development' (CDD). CDD programs combine block grants for local public goods and small enterprise development with intensive, long term facilitation that aims to reduce the coordination costs that impede collective action and empower marginalized groups, like women and youths (18 to 35 years), in decision-making. This research project uses a rigorous randomized experimental design to assess the impacts of a well-implemented CDD program on local public goods and institutions in post-war Sierra Leone.

Project Summary

This research was conducted as a randomized experiment, where a computerized lottery system selected 118 treatment and 118 control communities from a large pool of eligible villages. Treatment communities received the 'GoBifo Project' which consisted of a block grant (US \$4,667 or roughly \$100 per household) and considerable facilitation to build transparent and participatory processes within the community. In particular, women and youth were actively brought into decision-making on how to spend the grants and given positions of responsibility (eg, treasurer).

All 236 communities were tracked over time, through detailed baseline surveys fielded in late 2005 and post-program surveys in 2009. A number of novel ways to measure the level of participation, collective action, and other elements of social capital were developed including 'structured community activities' (SCAs). These latter SCAs are perhaps the most innovative feature of our research and provide standardized tools that we hope will be useful to other researchers exploring similar topics. More specifically, in the first SCA the research teams presented each community with a choice of two equally valued assets and observed

how the deliberation unfolded. Enumerators recorded things like how many people attended the meeting, the number of women and youths who made public statements, and whether the community held a vote. For the second SCA, the research team gave each community six vouchers that could be redeemed, with co-pay, at a local building materials store (for a maximum of \$100 subsidy plus \$200 in community contributions). Take-up of this matching grant opportunity provides a concrete measure of collective action. For the third SCA, we gave communities a large tarpaulin, or plastic sheeting that can be used as temporary roofing or as a make-shift drying floor for agricultural goods. Focused on measuring elite capture, an unannounced follow-up visit five months later recorded who within the village had access to the tarp, and whether the tarp was used for public or private purposes.

Implications:

- **Our results suggest that CDD has positive impacts on development 'hardware' in that it enhances the stock and quality of local public goods, increases village-level market activity and improves household economic welfare.** We find that treatment communities have more public goods, like latrines, community centers, traditional birth attendant houses and seed banks, and that these goods are of better construction quality, than in control communities. These villages also show signs of greater market activity, including an increase in the presence of formal community bank accounts, a larger number of petty traders, and more common items on sale. Similarly, we find that beneficiary households have more assets and amenities, and that respondents were more likely to have attended a skills training session. These findings suggest that CDD is a reasonable mechanism for delivering small scale public goods and may leave communities materially better off.
- **We find no evidence for CDD impacts on the 'software' aspects of development, including participation in decision-making, the capacity to engage in collective action beyond the immediate project sphere, and the voice of women and youth.** Across a large and diverse number of outcomes, we find precisely estimated zero treatment effects on measures of social capital (like trust,

collective action, group membership, and information), participation in local governance, conflict, and political and social attitudes. To provide some concrete examples from our SCAs, we find no impact on: i) the inclusiveness of local decision-making, measured as the number of women or youths who spoke publicly during the deliberation between the two assets, was no higher in treatment communities; ii) the capacity to engage in collective action, as we see identical take up rates of the matching grant opportunity in treatment and control areas; and iii) elite capture, as both treatment and control communities were equally as likely to have used the tarpaulin and put it toward a public as opposed to private purpose. These results suggest that CDD did not lead to any lasting changes in local collective action, village institutions or gender inclusion. However, we cannot rule out that the project's emphasis on participatory practices may have been partially responsible for the positive hardware effects noted above.

- **Additional rigorous evidence is needed about the kinds of local reforms and external interventions that can enhance collective action while simultaneously boosting inclusion and accountability.**

Our empirical results are based on one project in one country. However, they provide an interesting contrast to research from India that shows that attitudes to women can change quite dramatically when they are given positions of formal power over local village councils (at random) and when more high paying jobs

for educated girls become available. A tentative conclusion from our research in this context is that the comparative advantage of the World Bank and similar external agents may lie more in implementing development 'hardware' than in instigating social change.

Implementation

- Consider incorporating CDD methods emphasizing community participation and accountable financial practices into projects aimed at providing small scale public goods.
- Conduct more research and policy experiments aimed at increasing the inclusiveness and accountability of local institutions. Consider a broad range of programmatic approaches, from changing the rules of formal institutions (like political reservations for women) to other grassroots mobilization strategies, to see what works best in different contexts.
- Structure future research into CDD projects in a way that disentangles the effects of facilitation from grants: for example, provide some communities with both and some with only one or the other to evaluate the value added of facilitation above and beyond the financial assistance.
- Use and further develop research tools like our SCAs that create standardized, real world opportunities to directly observe and measure nuanced community dynamics that are difficult to capture with lab experiments, hypothetical vignettes or survey reports alone.

Further Readings

For an evaluation of a similar post-war community reconstruction project in Liberia, see: Fearon, J, M Humphreys and J M Weinstein, 'Development Assistance, Institution Building, and Social Cohesion after Civil War: Evidence from a Field Experiment in Liberia,' Center for Global Development Working Paper 194, 2009.

For an overview of the CDD approach and history of participatory development, see: Mansuri, G and V Rao, 'Community-Based and -Driven Development: A Critical Review,' The World Bank Research Observer, 19:1(2004), 1-39.

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