
IV. SOCIAL CAPITAL AND ADB OPERATIONS

The author interviewed ADB staff to understand their perspectives on social capital and elicit suggestions for incorporating related issues into ADB operations. This chapter summarizes their comments and suggestions, and outlines recommended activities and innovations pertinent to promoting social capital enhancement, including stakeholder analysis and social analysis.

STAFF EXPRESSIONS

Thirty-two staff members commented on the usefulness of social capital concepts in general and on local capacity building in particular. The major points were as follows:

1. Overall, they acknowledged that user groups and other community-level associations contribute positively to ADB's work and its new participatory approach, but many wished to know more about the concept of social capital before evaluating its usefulness for ADB.
2. A majority agreed that building the capacity of community-based organizations to engage in collective action (as a structural form of social capital) should be stressed by ADB in the future.
3. They asserted that local institution building is important for sustainability and demand, but most tended to regard the capacity of local associations in terms of what they contribute to projects, rather than view their strengthened capacity as a valued project output.

Their opinions also concerned a number of other areas as follows:

- Social dimensions of projects should be fully integrated with technical and financial issues in project design. This requires

appreciation of the importance of cultural and institutional factors that impact on project outcomes. Demonstrations of projects involving close collaboration between interdisciplinary team members would be useful.

- Assessments should focus on critical analysis of social, cultural, and institutional problems and recommend elements for project design. Studies should be done by consultants with operational as well as social analytical skills and their results must be taken seriously. Sufficient time, care in hiring, high valuation of the social dimensions of development, and sensitivity toward discussing social/political issues with government officials are all needed.
- Assessments should include realistic analysis of political economy issues, for example power patronage and conflicting interests, which always affect community empowerment. There is a conflict between the confidentiality needed to address delicate political issues and the efforts to make ADB's work more transparent and accessible.
- Social scientists are deployed most successfully when they are full members of teams at headquarters and in field missions.
- Among the criteria for recruiting professional staff, ADB might consider "value-orientation." Applicants' experience in working with NGOs or doing voluntary work on behalf of disadvantaged groups might be assessed.
- Successful and pioneering initiatives in this area in ADB should be thoroughly recorded and disseminated, perhaps as mid-term or final evaluations or even in a regular newsletter.
- Relevant experiences of consultants on ADB projects should be captured and provided to ADB staff to enhance their understanding in this area.

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- For socially complex projects with considerable uncertainty and risk, the project cycle needs modification. Pilot testing would be good, and there is great need for relatively small grants or concessionary resources. RETAs, in this respect, have been very useful and the RETA model could be expanded to special grants for innovative and experimental approaches.
 - Lessons from sector projects in varying contexts should be collated to develop an institutional memory in this field to disseminate in an easily accessible manner so that learning can be readily applied to subsequent projects in the same sectors.
 - A number of staff stressed the value of partnerships with large foundations, international NGOs, and other multilateral agencies to help sensitize governments and build institutional capacity to work in an "enabling" mode.²¹
 - One staff member shared a proposal promoting a more proactive ADB strategy to assist self-improvement capacity-building efforts of poor communities and groups. It recommends offering matching grants and loans to user groups and other local membership organizations for projects or aspects of projects that enable them to mobilize local resources for self-development. Consonant with the ideas in this report, it resembles the social funds model, but focuses on capacity building rather than service provision. It suggests creation of a new category of project that would receive extra staff time and resources, and have great flexibility in application of ADB management systems and control procedures for processing. After a trial period of a few years, the demonstrated viability of such operations might warrant a new generalized approach and expansion

21 These staff opinions are consistent with the author's findings on the quality and relevance on social assessments in a sample of ADB projects, reported at the end of Chapter II. There are other examples of excellent work, such as reported in the Group Development Annex of the Feasibility Study of the 3rd Livestock Project in Nepal.

of their scope, including adjustment of ADB's financial and project strategies (Annex 5).

According to staff members with prior experience in people-oriented development, two conditions support the development of good participatory practices. First, exceptionally skilled and motivated team leaders, with special support from managers, have persisted in promoting participatory practices. Second, government departments that have been reoriented and professionalized after years of outside help, including the sustained work of other donors, may contribute significantly.

SOCIAL ASSESSMENTS²²

High-quality social assessments are imperative for ADB operations. Issues related to social capital may be examined in both initial and subsequent social analyses and built into consultants' terms of reference under the headings of

- empowerment;
- local capacity building;
- local institutional development;
- self-managed, sustainable user groups; and
- community-based groups and organizations.

Social Capital, as an ADB category, could also be integrated into the study of women's groups under Gender Analysis, reconstitution of displaced community organizations under Resettlement, and indigenous/ethnic networks and associations under Indigenous People.

Social assessments are important in two ways related to social capital.

22 In his 1995 Malinowski Award Lecture, Michael Cernea asked: "Does good social analysis lead to better projects?" (Cernea 1996). He answers by citing a study of 57 World Bank-financed projects that shows that when socio-institutional analysis was applied at appraisal, rates of return at completion were on the average higher. Cernea was referring here to specific contributions of development anthropologists rather than to what USAID practiced for years under "social soundness analysis," a kind of sociological environmental assessment, which was found to be weakly and inconsistently correlated with USAID project impact (Klitgaard 1996).

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- They help ascertain how and to what extent the project may have an adverse impact on traditional networks and local organizations that have provided economic security and cultural cohesion. In certain countries it is important to judge whether the project might exacerbate existing social conflicts and cleavages at the community or neighborhood level.²³
 - Most effort should go into exploring the positive opportunities that the project presents for strengthening and building local membership-based institutions. The guiding principle is that wherever possible, the role of community-based groups becomes intrinsic, not merely instrumental, to project success.

Local institutional analysis—a fundamental feature of stakeholder analysis—is the key to useful social assessment. This first step consists of mapping or profiling the "institutional landscape" in project areas to identify existing formal, semi-formal and informal groups among the intended beneficiaries. This could be accomplished using secondary data, key academic and practitioner informants, and/or quick reconnaissance visits to the field. In subsequent stages, sample surveys and systematic participatory consultations are typically employed.

Local institutional analysis should focus on those groups identified as directly relevant to the project, either because they are likely to be affected by it or because there is a special opportunity for the project to contribute to building their capacity.

Groups that include poorer, more disadvantaged persons and households, such as women, indigenous or tribal people, low-caste individuals, and urban squatters, must be included, as well as organizations with mixed membership through which the poorer groups can derive substantial benefits.

23 This point is strongly made by Bardhan (1997): "International lending agencies have to be much more sensitive than before to the displacement effects of development projects and to the dismantling of the preexisting patronage-based social contract (not to mention the already emaciated programs of economic security for the poor) which they tend to promote in their zeal for market reforms and efficiency."

Analysis should include the historic development of major local institutions, distinguishing between local and external influences. Have "modern" organizations, or the traditional solidarity groupings on which they may have been superimposed, been more successful and durable? How representative and legitimate is the leadership of the institutions in question?

It is important to assess the previous experience of community-based groups with development programs or projects. Have some larger NGOs had experience with "enabling" or "empowerment" strategies in support of smaller organizations? To what extent can lessons from smaller-scale activities be applied to larger efforts? Where scaling-up has already been attempted, what capacity-building strategies, including the mix of investments between hardware and software components, have worked best? Which type of NGOs should be incorporated into the project design?

Similarly one must ascertain the roles of state agencies in previous projects that involved local organizations and identify the lessons that emerged about their activities. What has been learned from previous attempts to decentralize by sensitizing and reorienting different levels of bureaucracies to support local groups and devolve responsibilities to them? Are there opportunities for local empowerment as a consequence of changes among key elites?

The extent to which the macro "enabling environment" favors or hinders the creation and development of local autonomous organizations must also be explored. Are government agencies already sharing or coproducing services with local entities? What supportive institutional linkages exist at the meso (regional) level? Any negative political attitudes and policies affecting independent local organizations should be candidly evaluated²⁴.

24 While lack of laws can be a deterrent to the growth of local organizations, often the problem is that existing laws and policies are dilatory, inefficient, intrusive, opaque, overly complex, and discriminatory. For example, some of the major areas of policy reform in Thailand appear to be: (1) associations have to register with multiple ministries and the police, each of which has a cumbersome bureaucracy; (2) the requirement that a sizeable endowment be lodged in an association's bank account from the outset deters many small groups or federations or small groups from registering; and (3) the annual reporting requirements (including the need for audited accounts) are unrealistic for small cooperatives and other associations.

Specific points to be incorporated into Social Analysis include:

- How do unifunctional or multifunctional groups fit into the project framework?
- What is the possible role in the project of multicommunal federations or unions?
- What is the optimal level and quality of the TA component to achieve a realistic capacity-building objective?
- How should a capacity-building objective be introduced into the project's logical framework and what practical criteria (indicators) of progress/verification of institutional performance can be developed? If it is not possible to develop the relevant performance indicators a priori, provisions should be made to evolve the respective monitoring and evaluation criteria during the early phases of project implementation.

In all cases, the institutional analysis and the proposed design features should be discussed with the stakeholders using participatory techniques. It is essential that the capacity-building goals and processes reflect the perceptions and aspirations of the groups themselves.

In case the relevant agenda of the Social Analysis exceeds the time and resource constraints established by the project team, some of the more detailed and complex institutional analysis could be continued as part of the project itself and financed from project resources. This requires a more flexible design either involving a free-standing pilot project or breaking the implementation into several sequential phases.²⁵

²⁵ Even competently performed assessments often fail to connect the diagnosis to the project design. This is especially true in the employment of local consultants who may have intimate knowledge of their own societies but are unfamiliar with ADB. For example, a study of pre- and postconflict social capital in Cambodian villages, while good at identifying strengths that can be built upon, failed to operationalize its findings (Krishnamurthi 1999).

POSSIBLE ADB PRIORITIES FOR INVESTING IN SOCIAL CAPITAL

It is not proposed that ADB launch any major social capital research or policy initiative in this area, or establish new guidelines. Rather, it is suggested that it should build on what it is already doing under other labels and frameworks, such as participation, decentralization, demand-orientation, and community development. For the time being, the best opportunities for ADB to involve itself with social capital issues are in the micro and meso dimensions of building local organizational capacity, closely linked to its poverty reduction mandate. Following are some ways in which this can be done.

- Expanding and improving ADB's investments in user groups and local membership organizations. This effort could be called "capacity building for local institutional development."
- Avoiding damage to traditional networks and associations that represent important social resources for poor people to achieve security and survival in scarcity situations. These traditional forms of organizations may also be a good basis for developing other, more modern types of group systems and should be identified at the design stage.
- Experimenting with promoting and investing in supra-community and supra-local institutional arrangements, especially federations of rural and urban grassroots groups, and interinstitutional partnerships and coalitions whenever these are essential for the support of poverty-oriented initiatives. Optimal organizational choices need to be sought on a case-by-case basis. It is important to know when it is desirable to combine different functions in a single organization and when separate institutional forms work better.

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- Expanding policy dialogue and incorporating improvement of the enabling environment for local community organizations in the project framework.
 - Introducing social capital concerns into ADB's governance agenda, possibly under the label of "civil society." The most important point is understanding the relationship between state and local citizens' organizations, and to what extent the policy environment permits or encourages local organizing without government opposition or domination. This is a corollary to the issues of civil liberties and individual human rights.
 - Gradually introducing social capital issues into existing policy and operational instruments. Present guidelines provide scope for moving in the direction suggested in this report. Social capital strengthening should be made an integral part of the logical framework and monitoring and evaluation. Practical measures and indicators are needed for monitoring and evaluating changes in social capital.
 - Incorporating local capacity building as a key part of the poverty reduction work of ADB. Member governments would need to fully appreciate and promote this as one of their own goals, and resolve the many issues related to the legal status of local organizations including property rights, taxes, and incentives.
 - Integrating social capital into the participatory development agenda of ADB. Ultimately this would entail a reorientation of the intermediary agencies through which ADB channels its assistance to institutionalize new forms of partnership.
 - Monitoring the evolving literature on social capital worldwide and actively participating in events and networks that discuss its practical applications. This implies establishing a permanent information exchange and a system of maintaining and disseminating useful

documentation to staff. A central point of contact would also facilitate exchange with institutions engaged in similar work.

- Creating an interagency effort to develop practical programs for capacity building in targeted groups, similar to the consortium including ADB that supports capacity building for NGOs. The Ford Foundation might be interested to cofinance the collection and publication of lessons that have accumulated in NGOs with an empowerment orientation.²⁶
- Bringing the collective action capacity of the poor to center stage: a shift from a subsidiary instrument to a legitimate goal and output of development interventions, as a consequence of ADB's focused poverty strategy.²⁷
- Exploring whether and how a major initiative such as the proposal for special projects might be launched, possibly on a pilot basis. A targeted social fund-type approach seems indicated. A new RETA might be established to complement RETA 5692 dealing with participatory processes. The new RETA could finance such items as the design of imaginative pilot projects for local capacity building; develop specific criteria to monitor social capital accumulation; ascertain what training approaches work best for certain types of institution building; determine how costs and time can be reduced in "software" and technical assistance components; identify promising enabling policy initiatives; and provide lessons by rapid appraisals of experiences deemed successful.

26 A rare example of such work is a newly issued report by the Institute of Development Studies in Sussex, based on eight studies from Africa and Asia (Howes 1999). But there are no comparative reports on how small-scale empowerment initiatives can be scaled up for application in larger programs relevant to the work of multilateral agencies such as ADB.

27 See Project Feasibility Study Annex 1 TA 2129 - NEP.