

Chapter 4 Building Social Institutions and Removing Social Barriers

4.1 In chapter 3 we looked at how state institutions at the national and local levels could be made more pro-poor in their operation. Social interactions between individuals and communities and between communities and societies also influence poverty outcomes. Customary practices with respect to gender roles, the exclusion of particular groups from certain occupations, social networks among members of an ethnic community—all have an important effect on poverty. They do so by affecting the productivity of economic assets, the strategies used to cope with risk, the capacity to pursue new opportunities, and the extent to which particular voices are heard when decisions are made. Social institutions thus play a vital role in helping the poor “get by” and “get ahead.”¹

4.2 Social institutional arrangements interact very closely with state institutions, for better and for worse. States can legitimize and perpetuate gender exclusion by codifying it into law, or they can help overcome discrimination by making it illegal. Government actions can also be both constructive and destructive with regard to civil society. They can help build and support a vibrant civil society, or hinder it through various restrictions. Unanticipated consequences of state actions such as taking over the management of common property resources can even destroy existing social institutions in communities. Private sector actors can also affect social institutions. Development that is inclusive and effective thus entails forging dynamic complementary relationships between states, firms, and communities.²

4.3 The process of economic development necessarily entails a major transformation of social institutions.³ Feudal and agricultural economies are based predominantly on informal family and community ties, while industrial and information-based economies require more formal organizations and legal systems to sustain vast quantities of complex and less personalized exchange. Development requires the construction of new political loyalties, extending those originally based on clan and caste to include state and nation.⁴ Managing these transformations—and ensuring that the most vulnerable members of society are not left behind during them—is a major challenge for practitioners, policymakers, and vulnerable groups. It entails the difficult task of building new social institutions while removing the barriers that preclude all members of society from being active and equal participants.

4.4. Perhaps the most important barrier is inequality. Where members of a community or society are divided on the basis of wealth, gender, ethnicity, or religion, their capacity to resolve conflicts, address problems that require collective action, and undertake new activities is greatly compromised.⁵ These effects disproportionately hurt marginalized groups. Recognizing that differences within and between different groups

¹ Briggs 1998; Hirschman 1984.

² Brautigam 1997; Narayan 1999.

³ Stiglitz 1998.

⁴ Weber 1976; Collier 1999b.

⁵ Rodrik 1999; Woolcock 2000.

exist—and may even be desirable—policymakers must try to forge durable, mutually beneficial coalitions across social and economic divisions.

4.5 In this chapter we focus on the opportunities and constraints that social institutions present to development generally and to poverty reduction in particular. Drawing extensively on the recent literature on social capital—the resources created by social networks—we explore how different dimensions and combinations of social capital contribute to a range of development outcomes. Specifically, we examine the nature and extent of relationships within communities and between communities and formal institutions. These relationships affect who is included in and excluded from the development process and the level of social cohesion.

4.6 We begin with an overview of the social capital literature as it pertains to poverty and development, which we use to frame a general discussion on the manner in which social divisions—and efforts to overcome them—shape economic outcomes. We then look at several examples of gender inequality and ethnic fragmentation.

Social capital, social networks, and poverty

4.7 As noted in chapter 2, there is growing recognition that differences in individual, community, and country economic outcomes cannot be fully explained by differences in traditional inputs, such as land, labor, and physical capital. Growing attention is being paid to the role of social capital in affecting the well-being of households and the level of development of communities and nations. An emerging theme from these studies is that the acquisition of human capital and the establishment of physical infrastructure need to be complemented by appropriate institutional development at the local and national level in order to reap the full benefit of these investments. Establishing a well-functioning parent-teacher association, for example, may be a necessary complement to building schools and training teachers.⁶ Promotion of social cohesion among farmers may need to complement provision of irrigation, seeds, and fertilizer, in order to encourage the adoption of these new technologies.⁷

4.8 Definitions and interpretations of the concept of social capital differ widely (box 4.1), but there is a growing consensus that social capital refers to the ability of individuals to secure benefits as a result of membership in social networks or other social structures.⁸ At the micro level, social capital includes local associations and networks and the underlying norms of trust and reciprocity that govern interactions among individuals, households, and firms.⁹ At the meso level, social capital refers to the nature and extent of ties within communities. At the macro level, it is often defined to incorporate institutions such as the rule of law and civil and political liberties which affect national economic performance and poverty reduction (chapter 3).

⁶ Coleman 1988.

⁷ Isham 1999.

⁸ Portes 1998.

⁹ Grootaert 1997; Fafchamps and Minten 1999.

Box 4.1 How does social capital affect development?

There may be no precise and uniformly agreed upon definition of social capital, but all share several common elements. In common parlance, the essence of social capital is captured by familiar maxims such as “It’s not what you know, it’s whom you know” or the practice of networking at professional meetings. All definitions of social capital refer to some type of network of people who derive some benefit from interacting with one another.

There are at least four views on the relationship between social capital and development.¹⁰ The narrowest view associates social capital with local community associations and the underlying norms (trust, reciprocity) that facilitate coordination and cooperation for mutual benefit. This view highlights the positive aspects of social capital for members of these associations; it remains largely silent on the possibility that social capital may not impart benefits to society at large and that group membership itself may entail significant costs.

A broader view of social capital recognizes that it can have both positive and negative effects.¹¹ This approach broadens the concept of social capital to include vertical associations, in which relationships among members may be hierarchical and power sharing unequal. These forms of associations and networks address a wider range of objectives, positive as well as negative.

A macro view of social capital focuses on the social and political environment that enables norms to develop and shapes social structure. This environment includes formalized institutional relationships and structures, such as government, the political regime, the rule of law, the court system, and civil and political liberties. According to this view, institutions have an important effect on the rate and pattern of economic development.¹²

An integrating view of social capital recognizes that micro, meso, and macro institutions co-exist and complement each other.¹³ Macro institutions can provide an enabling environment within which micro institutions develop and flourish. In turn, local associations help sustain regional and national institutions by giving them a measure of stability and legitimacy and by holding them accountable for their actions.

While the mechanisms by which social capital operate are generally well understood, there is less consensus as to whether these qualify social capital to be considered as “capital.” In many cases norms and institutions have the durability and lasting effects associated with capital.¹⁴ On the other hand, some have argued that the sacrifice of a present for a future benefit, typical of capital, is not present in social networks to the extent that these networks are often built up for reasons other than their economic value to the participant. In any event, it is clear that social networks and organizations are key assets in the portfolio of resources drawn on by the poor to manage risk and opportunity.

Bonding, bridging, and linking social capital

4.9 Distinguishing different types of social capital proves useful for understanding the problems faced by the poor. At the micro and meso levels, the strong ties connecting family members, neighbors, and close friends can be referred to as “bonding” social capital. The weak ties connecting individuals to work colleagues, fellow members of religious or civic organizations, and business associates can be referred to as “bridging” social capital.¹⁵ “Bridging” social capital implies horizontal connections, to people with similar economic status and political power. “Linking” social capital—refers to vertical ties between the poor and people in positions of influence in formal organizations (such as the state).¹⁶ This dimension enables us to capture a vitally important additional feature of life in poor communities, namely, that its

¹⁰ Serageldin and Grootaert 2000; Woolcock and Narayan 2000.

¹¹ Coleman 1990; Burt 1992; Portes 1995; Massey and Espinoza 1997.

¹² North 1990 and Olson 1982.

¹³ Evans 1996; Woolcock 1998; Narayan 1999.

¹⁴ Collier 1998; Narayan and Pritchett 1999.

¹⁵ Gittel and Vidal 1998; Narayan 1999.

¹⁶ Woolcock 1999.

members are usually excluded—by discrimination or lack of resources—from the places where major decisions regarding their welfare are made.

4.10 The poor typically have a plentiful supply of bonding social capital, a modest endowment of bridging social capital, and almost no linking social capital. That is, the poor typically know many people like themselves and may have some scattered connections to people in other localities, but they have very few “friends in high places” to help them deal with commercial, educational, legal, and political organizations. (The poorest of the poor are outcasts, abandoned by everyone, including their families. Says a poor person in Ghana, “It is neither leprosy nor poverty that kills the leper but loneliness.”¹⁷)

4.11 Weak bridging and linking social capital leave the poor very vulnerable to natural disasters and economic shocks, because a geographically confined social network will be able to mobilize few external avenues of support or sources of information.¹⁸ Misfortune, when it strikes, may wipe out an entire village, not for want of bonding social capital offering immediate practical support but for lack of bridging social capital that might provide longer-term support in the form of shelter, jobs, or credit. Where bridging social capital exists, it can be a powerful means by which poor communities address problems requiring collective action, such as maintaining roads (box 4.2). Linking social capital can play a critical role in mitigating the effects of disasters.

4.12 Research on the roles of different types of social networks in poor communities confirms their importance. An analysis of poor communities in rural north India, for example, shows that social groups among poor villagers serve vitally important protection, risk management, and solidarity functions. In contrast, the more extensive leveraged networks of the nonpoor are used for strategic advantage and the advancement of material interests.¹⁹ Crudely put, the networks of the poor play defense, while those of the nonpoor play offense. Strikingly similar results emerge from work on the relationship between enterprise performance and the structure of business networks in Africa. Poor entrepreneurs operating small local firms in traditional industries form “solidarity networks,” sharing personal information about members’ conduct and intentions, in order to reduce risk and uncertainty. In contrast, larger regional firms form “innovation networks,” which share knowledge about technology and global markets in order to increase productivity, profits, and market share.²⁰ Studies of agricultural traders in Madagascar show that social relationships are more important to traders than input prices. Close relationships with other traders are used to lower the transactions costs of exchange; ties to creditors and other individuals who can help out during times of financial hardship are vital sources of security and insurance.²¹

4.13 Recent studies have tried to correlate household income and consumption measures with an index of a household’s social capital (capturing the number of local associations in a village, kin and income heterogeneity, and effective group functioning).

¹⁷ Cited in Narayan, Chambers, Shah, and Petesch 1999: 37.

¹⁸ Wilson 1996. See also Besley 1995.

¹⁹ Kozel and Parker 1998.

²⁰ Barr 1998, 1999. See also Van Dijk and Rabellotti 1997.

²¹ Fafchamps and Minten 1999.

Three studies²² collected comparable data on household participation in associations in Bolivia, Burkina Faso, and Indonesia. They found that social capital had a positive effect on household welfare (as measured by per capita consumption) and that the effect was several times greater than that of human capital. Social capital was particularly beneficial for the poor when they participated actively in the decisionmaking processes of local associations and joined associations with a socioeconomically diverse membership. Although poor households were found to have less social capital than the rich, the returns to social capital were found to be systematically higher for the poor and for small holders than for the rich and for farmers with large holdings. Social capital thus plays a more critical role in poor people's portfolio of assets than it does in the portfolios of the rich. In this sense, social capital is the capital of the poor.

Box 4.2 Indigenous organizations among the Kuna in Panama

The Kuna have a long tradition of organizations and associational networks. On one Kuna island community members meet every day and hold a congress every Monday and Friday. In their daily meetings they discuss issues related to the work all community members owe the community (maintaining the roads and airstrip, constructing houses, boats unloading). On another island the community holds regular meetings once a month. Additional meetings are held after their leader attends a congress or visits other islands so that he can report to the rest of the community. Smaller groups meet more often. One group meets weekly to discuss social or economic problems and activities to promote development. The eight-person housing committee, which builds about four houses every three months, also meets regularly. Women meet to discuss, among other things, sweeping the streets. They form a special group to help families prepare for the traditional party held when a girl reaches puberty. In the indigenous community of San Ignacio de Tupile, as many as eight different community organizations cover such issues as schools, cleaning of local roads, nutrition, and water.

Source: World Bank 1999.

4.14 Researchers and practitioners have long recognized that the bonding and bridging social capital within local organizations are a necessary but insufficient condition for long-term development. The creation of linking social capital is essential. External support has often played an important role in its emergence.²³ Sensitive and sustained external support, by NGOs and churches for instance, can help create social capital that increases the voice and economic opportunities of poor people (box 4.3). This support is most effective when it is sustained over time, emphasizes capacity building, and is based on sensitive understanding of the local conditions and a relationship of trust and partnership. The creation of social capital takes time. People are more willing to make the necessary investment when the benefits are large and visible to participants.²⁴

4.15 Bolivia, Ecuador, and Peru, for example, have more than 30 years of experience with supracommunal federations, which link community-based groups with shared economic, political, or cultural interests. Building on social relationships and shared identities at a community level, these supracommunal federations have created a distinctive form of social capital at micro-regional and regional scales, that can leverage the social capital embedded in community groups, and create linking social capital, reflected in interactions with government agencies, civil society organizations, and markets. In some instances, these linkages have increased regional capacities to manage natural resources (especially water) and to gain access to external financial and technical

²² Grootaert 1999; Grootaert and Narayan 1999; Grootaert, Oh and Swamy 1999.

²³ Bebbington and Carroll 1999.

²⁴ Bebbington 1997, 1999; Bebbington and Perreault 1999.

resources controlled by other actors. They have helped increase people's participation in decisionmaking on local development, in many cases improving relationships between government and local groups. Some specialized federations have removed barriers to market access by adding value to rural products, increasing their quality, and establishing linkages with new market outlets.

Box 4.3 The federation of comedores in Peru: a case in point in the creation of linking social capital

The movement of community-based kitchens, known as *comedores* (community kitchens), emerged in the mid-1980s and has been one of the most dynamic women's groups in Peru. During that period the *comedores* sought to move beyond their traditional survival strategy and make demands in the political system. Federations were formed at the neighborhood level, then at the district level, and finally at the metropolitan and national level. Centralization of the movement lowered the cost of inputs, such as food and kitchen equipment, and increased the availability of educational workshops. The highest-level organization, the CNC (National Commission of Comedores), became the officially recognized representatives of the *comedores*. One of its central demands was the inclusion in welfare programs of all poor women, not just those with connections to the ruling party. In addition to influencing policy-making, the *comedores* have had a significant impact on local power relations in the shantytowns and by extension structural influence on the political system. Although their action has been limited by the structure of the Peruvian state (in which few channels of leverage for political action are formalized), the network of *comedores* represents a form of social capital that has enhanced poor women's value as an electoral constituency. The *comedores* have also increased the negotiating power of women within their families.

Source: Houtzager and Pattenden 1999.

Improving program effectiveness by building social capital

4.16 The state plays a vital role in shaping the context and climate within which civil society organizations operate (chapter 3). In some cases the state can also actively create social capital. In 1987 the Department of Health of the State of Ceara, Brazil, launched a rural health program that increased vaccination rates significantly and reduced infant mortality. The success of the program has been attributed largely to the building of trust between government workers and the poor. Building trust was made an explicit part of the health workers' mandate by adopting a client-centered, problem-solving approach to service delivery. Workers were helped by government media campaigns that publicized the programs regularly and gave the program and its workers a sense of calling. The result was a total reversal of attitude: mothers who once hid their children from government workers saw the agents as true friends of the community.²⁵

4.17 Many case studies have shown that social capital plays a role in improving project design and enhancing project sustainability (box 4.4). Recent efforts to evaluate the impact and effectiveness of World Bank rural development projects on social capital show that outcomes turn heavily on the nature of the power relations between key stakeholder groups. How these relations evolve over time has an important bearing on the generation of trust among these groups. Project and community leaders who create confidence and goodwill are crucial in this respect, suggesting that high turnover among field staff can greatly undermine project effectiveness.

4.18 A key lesson for practitioners and policymakers that emerges from these experiences is the importance of using existing forms of bonding and bridging social capital in poor communities as a basis for "scaling up" the efforts of local community-

²⁵ Tandler 1997.

level organizations.²⁶ Earning the confidence of the poor is an important first step in these efforts. This requires trust in external organizations, including government departments and NGOs. Creating linking social capital therefore involves both “scaling up” local organizations and “scaling down” formal institutions in order to make them accessible and useful to marginalized groups. Creating more accessible institutions helps the poor articulate their interests to those in power more clearly, confidently and persuasively.

Box 4.4 Harnessing and creating social capital in development projects

Development programs have relied on local groups of project beneficiaries or local associations to improve the success of development projects for more than two decades.²⁷ What is new is the umbrella label of social capital to refer to the underlying social force or energy. The Grameen Bank relies on groups of poor women, the Bangladesh Rural Advancement Committee on groups of village workers with little or no land to implement their programs. The Aga Khan Rural Support Program gives assistance to village organizations to supplement their self-help efforts. The Kenya Tea Development Authority worked with grower committees to promote production, obtaining a one-third share of the country’s tea exports within 15 years. The 6-S movement in nine countries in West Africa organized peasant federations in more than 2,000 communities to help farmers overcome the hardships of the dry season. The Center for Social and Economic Development in Bolivia has supported more than 250 peasant organizations that promote programs in agriculture, livestock, forestry, artisan production, and community infrastructure.²⁸

Local groups have also been used frequently in irrigation, water supply, and sanitation programs. The Orangi Pilot Project in Pakistan provided low-cost self-help sewerage facilities and other services to poor settlements and helped autonomous local institutions implement projects. The Gal Oya Irrigation Project in Sri Lanka turned a dysfunctional irrigation system into a sustainable national program that eventually included 250,000 farmers. The key to success was “institutional organizers,” who facilitated cooperation by farmers and the formation of farmer groups.²⁹ In Côte d’Ivoire rural water supply improved significantly when responsibility for maintenance was shifted from the national water distribution company to community water groups. Breakdown rates were reduced from 50 percent to 11 percent, while costs fell nearly 70 percent. These results were sustained, however, only in villages in which well-functioning community organizations existed and demand for water was high.³⁰ These and other cases illustrate that projects are more likely to succeed where there is a tradition of community organization through which social capital has been built.

Perverse social capital

4.19 The returns to social capital accrue to groups, whose members may reap significant benefits from group membership. Group membership may also entail significant costs, however, for both members and nonmembers (box 4.5). Where groups or networks are isolated, parochial, or working at cross-purposes to society’s collective interests (as do gangs and drug cartels), productive social capital is replaced by perverse social capital, which undermines development.³¹ Organized crime syndicates such as those in Latin America and the Russian Federation may generate large negative externalities for the rest of society in the form of lost lives, wasted resources, and pervasive uncertainty.³²

²⁶ Fox 1992; Bebbington 1999.

²⁷ Among the first systematic evaluations of community participation was Esman and Uphoff 1984.

²⁸ These and other cases are cited in Uphoff 1993 and Krishna, Uphoff and Esman 1997.

²⁹ Krishna, Uphoff and Esman 1997.

³⁰ Hino 1993.

³¹ Rubio 1997.

³² Rose 1999.

Box 4.5 The downside of social capital

Some of the literature on social capital has been characterized by unbridled optimism about the role of social capital in development. For some writers, “social capital has become the latest elixir within discussions about development, becoming ‘all things to all people’ in a fashion not dissimilar to the fate of ‘human development’ and ‘sustainable development’ in recent years.”³³ From this perspective, social capital is inherently “good.” Most development scholars and practitioners, however, recognize that social capital can have a down side.³⁴ When members of a network or group divert resources from society for their own benefit, “bonds” within the group are neither complemented nor held in check by “bridges” to other groups.³⁵

Some businesspeople have established networks of trust that reduce their transactions costs and business risk and increase their profits.³⁶ Chinese businesspeople in East and Southeast Asia have used such networks to establish an advantage in the marketplace.³⁷ These networks increase the social capital of the Chinese community, but they exclude other ethnic groups from their line of trade.³⁸ Research on the “bonds” driving this type of ethnic entrepreneurship has shown that significant claims are made on members, sometimes siphoning off resources that might otherwise have been used to expand businesses.³⁹ Settled urban migrants, for example, face considerable pressures and obligations to support new migrants from their villages.

Cartels and organized crime reduce overall productivity while generating large benefits to their members. And military dictatorships can create perverse social capital by replacing a society’s social capital with their own hierarchical social capital, aimed at preservation and enrichment of the regime.⁴⁰

Changes in the legal environment and the economic incentive structure can turn positive outcomes into negative ones. The Antioquia region of Colombia was long considered a positive example of social capital’s effects on economic development. A weakened legal system and growing profits from illegal activities, however, turned existing networks and norms away from productive endeavors toward rent-seeking and criminal activities. The same trust that underlay legitimate economic activities facilitated relationships between partners in crime.⁴¹

4.20 An enormously difficult policy challenge associated with the dark side of social capital is overcoming entrenched hostilities and pervasive social mistrust. What actions can be taken to encourage the formation of more positive relations between groups when—as in Bosnia and Rwanda—genocide has been committed? How can the negative aspects of strong communal ties be dissipated? How can social capital be created where it does not exist? There are no easy answers to these questions, but finding them will first entail earning the trust of all stakeholders. Some success in reconciling blacks and whites in South Africa, Catholics and Protestants in Ireland, and Israelis and Palestinians in the Middle East suggest that such efforts can succeed and are worth pursuing.

Disruptions to social capital

4.21 Building social institutions and removing social barriers may fundamentally change long-established ways of life. Indeed, creating new social institutions may actually cause some forms of social capital to be lost. Powerful vested

³³ Putzel 1997.

³⁴ Portes and Landolt 1996.

³⁵ Narayan 1999.

³⁶ Greif 1994.

³⁷ Weidenbaum and Hughes 1996; Unger 1998.

³⁸ Putzel 1997.

³⁹ Portes and Sensenbrenner 1993.

⁴⁰ Ostrom 1997.

⁴¹ Rubio 1997.

interests—themselves a repository of social capital—can be expected to mobilize against reforms that seek to erode their position in the name of the poor. Helping the poor forge more bridging and linking social capital may reduce their dependence on their traditional bonding social capital, a phenomenon observed in several studies of immigrant communities.⁴² Where communities are strong only because they are substituting for weak, hostile, or indifferent formal organizations, an intervention that makes formal organizations more effective and accountable may render the community's social capital obsolete. While there may be a net positive gain to the poor and powerless from such interventions in the long run, they may entail short-run costs. Projects such as dams may entail resettling people that have resided in a particular area for generations. Resettlements of this kind, especially if they are involuntary, will inevitably have a major impact on the village's social capital.⁴³ While resettlement may also provide an opportunity to improve conditions within a village, a common result is loss of identity and connection, leading to impoverishment.⁴⁴

4.22 Economic development necessarily entails a fundamental transformation in the nature and extent of a society's social relationships. Should policymakers try to mitigate the effects of relationships that undermine efforts to enhance the well-being of the poor? Well-intentioned external agents who remove one set of barriers may unwittingly contribute to unanticipated negative consequences for the poor. The sudden infusion of money into a farmers organization, for example, can create internal stress and struggle for control. As a result, service to members may become less efficient and the organization may become less sustainable than it was before the organization received external funding. Many organizations become dependent on external funding and collapse when the funding ceases. The National Federation of Herders in the Central African Republic was one of the most powerful federations of herders in Africa in the 1970s and 1980s. Donors "contaminated" the federation by giving it too much money. Members lost control of the organization, and herders went back to smaller local associations.⁴⁵ Even well-intentioned and carefully conceived pro-poor development projects, in short, can be expected to cause social disruption, even conflict.⁴⁶

4.23 Development researchers and practitioners must recognize these tensions and respond appropriately to them. Finding solutions that are satisfactory to all parties will entail the participation of all key stakeholders. Development policy should thus seek to help marginalized groups build more diversified "portfolios" of social assets rather than merely preserve their existing social assets. Responsibility for managing these assets should be transferred as soon as possible to the groups themselves. Such an approach should respect the importance and integrity of these groups' bonding social capital while simultaneously working with them to forge new stocks of bridging and linking social capital.

⁴² Portes and Sensenbrenner 1993, Portes 1995.

⁴³ Downing 1996.

⁴⁴ Colson 1999.

⁴⁵ Delion 1999.

⁴⁶ Fox and Gershman 1999.

Discrimination, social fragmentation and development

4.24 The literature on social capital reveals that households, communities, and societies that have low stocks of bridging and linking social capital are greatly constrained in their efforts to pursue coherent and effective development strategies.⁴⁷ Societies that have weak political systems and are highly stratified along ethnic, gender, and economic lines face the difficult task of forging the sense of cohesion that is needed to embrace new opportunities and (especially) to weather crises.⁴⁸ Divisions can themselves weaken political systems. Values, norms, and social institutions may lead to persistent inequalities between different groups in society—as the caste system in India, race relations in the United States and South Africa and gender-based prejudice throughout much of the world have done.⁴⁹ In the extreme, these social divisions can become the basis for severe deprivation and conflict.

4.25 Social inequality at the village level also undermines efforts to manage collectively managed goods, such as water.⁵⁰ Where these resources are controlled by village elites, they can be used to further discriminate against the poor. One of the most glaring manifestations of inequality is access to land. In most developing countries, laws and customary practices make it virtually impossible for the poor to rise above the status of sharecroppers. Efforts to bring about real land reform in developing countries can significantly reduce rural poverty (box 4.6).

Box 4.6 Enhancing the capacity for collective action through land reform

Land reform, including mere strengthening of tenants' rights, helps diversify sociopolitical hierarchies. It also facilitates the participation and local monitoring that are essential for effective community collective action. The Republic of Korea experienced rapid rural development in the 1970s through a participatory community movement. According to researchers, the 1949-53 land reforms—together with equal access to primary schooling—created the social and psychological preconditions necessary for cooperation among farmers by facilitating the eradication of class conflicts between landlords and tenants. Collective action improved living conditions by building village infrastructure, developing income-generating projects, and improving domestic and community hygiene.

In the Indian state of West Bengal, many positive spin-offs have followed from state efforts to protect tenants' rights, breaking the hold of the rich on power. Low-caste people in West Bengal feel that local government is no longer captured by the local elites.⁵¹ This contrasts with eastern Uttar Pradesh, India, where little progress has been made in land reform. A case study from a village in this region shows that the landowning elites seek to keep the benefits of development programs for themselves and prevent the poor from accessing opportunities for upward mobility:

The socioeconomic hierarchy of the village is apparent even before the bus arrives at the village: there is one large brick white-washed mansion, standing out among a sea of mud huts. The mansion is the home of the *talukdar* family, the landlords whose overwhelming social superiority was acknowledged by the villagers as they prefaced every interaction with the greeting "Touching your feet, Lord....".

For this family, well-educated and well-connected, it was easy to divert development funds to their own benefit, and the other villagers would typically not even come to know of the entitlements of which they were being deprived. Even if they did come to know of it, they

⁴⁷ Woolcock 2000.

⁴⁸ Rodrik 1998, 1999; Easterly 1999.

⁴⁹ Banton 1999.

⁵⁰ Wade 1987.

⁵¹ Dreze and Gazdar 1997; Mitra 1997; Kohli 1987; Boyce 1987.

could hardly protest about it when the *talukdars* had guns and were known to rape and maim at will.

When extension information about tubewells finally reached some middle-level peasants, they pooled resources to sink a tubewell to irrigate their contiguous plots. Eager to maximize their profits, they began to sow cash crops and raised the wages they offered agricultural labor. The *talukdar*'s son responded by striding around at the weekly market with a gun slung over his shoulder, threatening that he would shoot anyone who offered laborers more than the going rate. This threat was difficult to ignore, given people's experience of landlord violence.

Source: Das Gupta and Romani 2000.

4.26 The literature on social fragmentation in developing countries overlaps with an extensive literature on discrimination and social exclusion in industrial countries as well as literature in economics on group membership and its interrelationships with inequality and poverty.⁵² In the sections that follow, we examine the findings of studies that have sought to examine the effects of ethnic fragmentation and gender discrimination on development outcomes.

Ethnicity, ethnic diversity, and development

4.27 Ethnicity is a multidimensional phenomenon and a controversial notion.⁵³ It is a powerful source of identity and a frequent basis of political mobilization, yet its importance for understanding development outcomes has only recently been appreciated. Among the most important aspects of ethnicity for development is the manner in which it can become a basis for competition for political power and the material resources to which such power yields access.⁵⁴ This point is particularly important to new countries, such as those in postcolonial Africa and post-Cold War Europe, where the very idea of a nation must be fashioned from a disparate collection of interests, identities, and loyalties. A new imagined community⁵⁵ of nation and state comes to replace the more primordial community of kin and clan. Ethnic tensions in some countries have been manipulated by colonial rulers⁵⁶ and local politicians⁵⁷ for private gain, sometimes leading to gruesome civil wars. Over time ethnic minorities, especially those that have faced discrimination, inequality, or conflicts as a result of their ethnicity, may become ethnoclasses,⁵⁸ whose ethnicity-based sensibilities and demands become autonomous causes of conflict.⁵⁹

4.28 At the individual level, the relationship between ethnicity and poverty is multifaceted. Some scholars have treated ethnicity as a form of capital, a resource or asset that members of a particular ethnic community call in their business and political dealings.⁶⁰ A common ethnic affiliation is a basis for trust and the lowering of

⁵² Durlauf 1996.

⁵³ Horowitz 1999.

⁵⁴ Turton 1997.

⁵⁵ Anderson 1983.

⁵⁶ Austin 1999.

⁵⁷ Reno 1998.

⁵⁸ Gurr 1993.

⁵⁹ See Chua 1998 on the cases of "ethno-nationalism" in Thailand, Philippines, South Africa, Kazakhstan and Vietnam.

⁶⁰ Borjas 1997; Casella and Rauch 1997.

transaction costs when markets are imperfect, but it also limits the extension of markets.⁶¹ Membership in an ethnic community can generate positive externalities, for example by providing incentives that facilitate the flow of resources across generations. However, it can also generate negative externalities, as when it leads to conflict between ethnic groups (see box 4.7).⁶²

4.29 Exclusion of some ethnic groups from some economic activities may lead to specialization. Indeed, some ethnic minority networks have developed comparative advantages in the modern private sector.⁶³ A well-known example is the Chinese diaspora, which has prospered in international trade.⁶⁴ Even after antipoverty and affirmative action programs favoring Malays were adopted in Malaysia, the Chinese continued to earn more than Malays.⁶⁵ Membership in an ethnic group may be a way of sharing risk, providing insurance when there are market failures and people have no access to other financial arrangements.⁶⁶ Ethnic groups that use political power as an instrument for rent-seeking and ethnic patronage may increase their incomes relative to other groups. Recent studies in Ghana show that locally dominant groups receive a 25 percent wage premium over other groups in the public sector—a discrepancy that leads to poor public sector performance.⁶⁷

4.30 Earnings disparities may reflect ethnic discrimination. In Latin America, for example, poverty among indigenous groups is pervasive. The disproportionately high poverty rates partly reflect the fact that indigenous people receive less education on average than nonindigenous people. Returns to schooling are also lower among indigenous people. Health status is also likely to affect earnings. The fact that indigenous people in Latin America are more likely than others to be sick and less likely to seek medical treatment may also account for part of the difference in earnings.⁶⁸ This is a vicious circle, as lower income in turn reduces the probability of improving health status. In Brazil life expectancy at birth is lower among Afro-Brazilians than among whites, a gap not explained by socioeconomic disparities alone.

4.31 Wage differentials also reflect ethnic differences in human capital endowment.⁶⁹ In 1987, 13.9 percent of whites and only 5.3 percent of Brazil's black population had completed high school. More than 9 percent of whites and just 1 percent of blacks attended university.⁷⁰ Similar results can be found in Asia. A survey in China found that only 21.5 percent of the majority Han people are illiterate, compared with 30.8 percent for minorities.⁷¹ A study of a rural region of northern Vietnam found 80 percent of minorities and 60 percent of the rest of the population to be poor. They also have larger households, fewer children in school, and fewer nonfarm opportunities than others.

⁶¹ Greif 1994.

⁶² Bates 1999.

⁶³ Collier 1999b.

⁶⁴ Rauch and Trindade 1999.

⁶⁵ Gallup 1997.

⁶⁶ Berry 1989; Grimard 1997.

⁶⁷ Collier and Garg 1999.

⁶⁸ Psacharopoulos and Patrinos 1994.

⁶⁹ Lowell and Wood 1998.

⁷⁰ Meerman 1999.

⁷¹ Lamontagne 1999.

4.32 A large part of the disadvantage of ethnic minorities can be attributed to spatial isolation: minority ethnic groups live farther from markets, schools, hospitals, and post offices than nonminority groups (figure 4.1). Even after controlling for lack of schooling, land, and other factors that stem partly from location, however, ethnic minorities still have lower living standards than nonminority households. The difference may reflect the fact that minorities respond to economic discrimination by retreating into particular (low-income) activities or working in low-paying occupations such as farming, in which it is more difficult for employers to discriminate against them.⁷²

4.33 In Sub-Saharan Africa boundaries between ethnic groups are somewhat fluid. Nevertheless, there is some evidence of disparities between ethnic groups, showing that those which are politically more powerful are relatively advantaged. For example, the Northern Voltaic in Côte d'Ivoire exhibited lower levels of welfare than other groups in the late 1980s.⁷³ Child mortality rates in Côte d'Ivoire, Kenya and Senegal are lower among elite ethnic groups than among the rest of the population (figure 4.2).⁷⁴

4.34 Geographical (or spatial) poverty traps may overlap with ethnicity. Neighborhoods generate externalities and have powerful influences on individuals' income and acquisition of human capital. Living in a good neighborhood exposes individuals to social and cultural factors that increase their productivity.⁷⁵ Children in different neighborhoods experience different types of human capital accumulation: neighborhood effects can reduce economic mobility, and widen income disparities across neighborhoods, as in Ethiopia.⁷⁶ Similar results have been reported in industrial countries, where the rich often live apart from the rest of the population. Spatial poverty traps may be the direct result of discrimination against minority groups, as they are in the United States, or even against majority groups, as during the apartheid regime in South Africa.⁷⁷ Lower educational and health outcomes may reflect lower levels of public spending on ethnic minorities or the zones in which they live (worse infrastructure, or less access to resources).

4.35 The relationship between ethnicity and development outcomes at the macro level is complex (box 4.7). Ethnicity may influence the internal organization of government and the allocation of public expenditure, leading to an unequal supply of services. The coexistence of several ethnic groups may lower the efficiency of public spending allocations through higher rent-seeking expenditures and a higher level of redistributive taxation.⁷⁸ Ethnic fragmentation may also lead to lower participation in civic activities, as it has in the United States, and weaken the capacity of minority groups to engage in collective action.⁷⁹

⁷² van de Walle and Gunewardena 1999. See also Minot 1998.

⁷³ Glewwe 1991.

⁷⁴ Brockhoff and Hewett 1998.

⁷⁵ Borjas 1992.

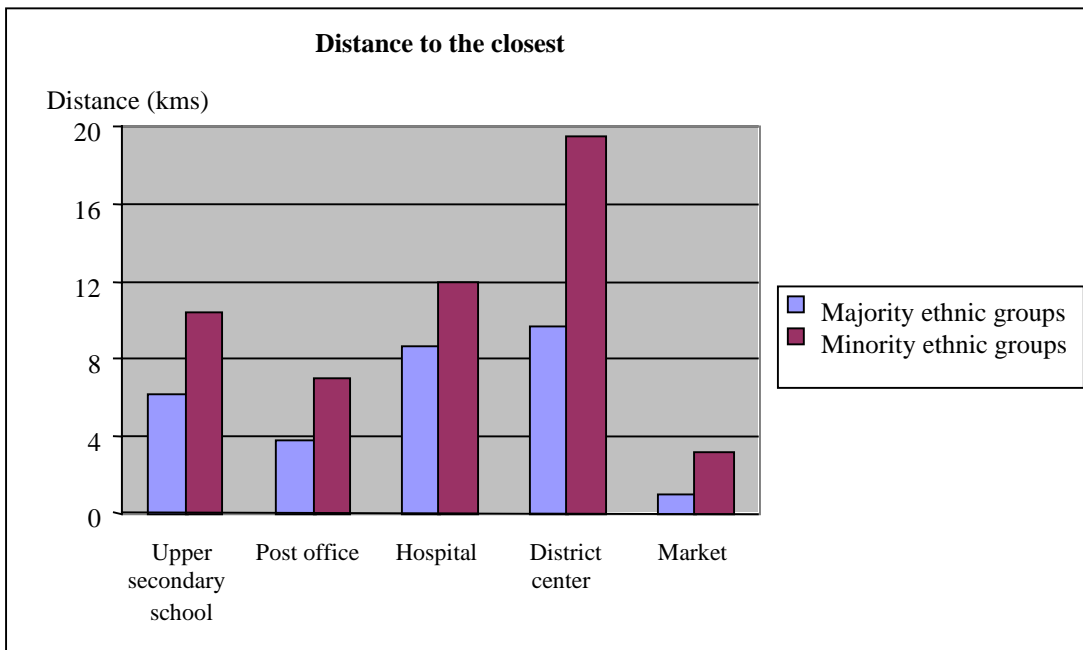
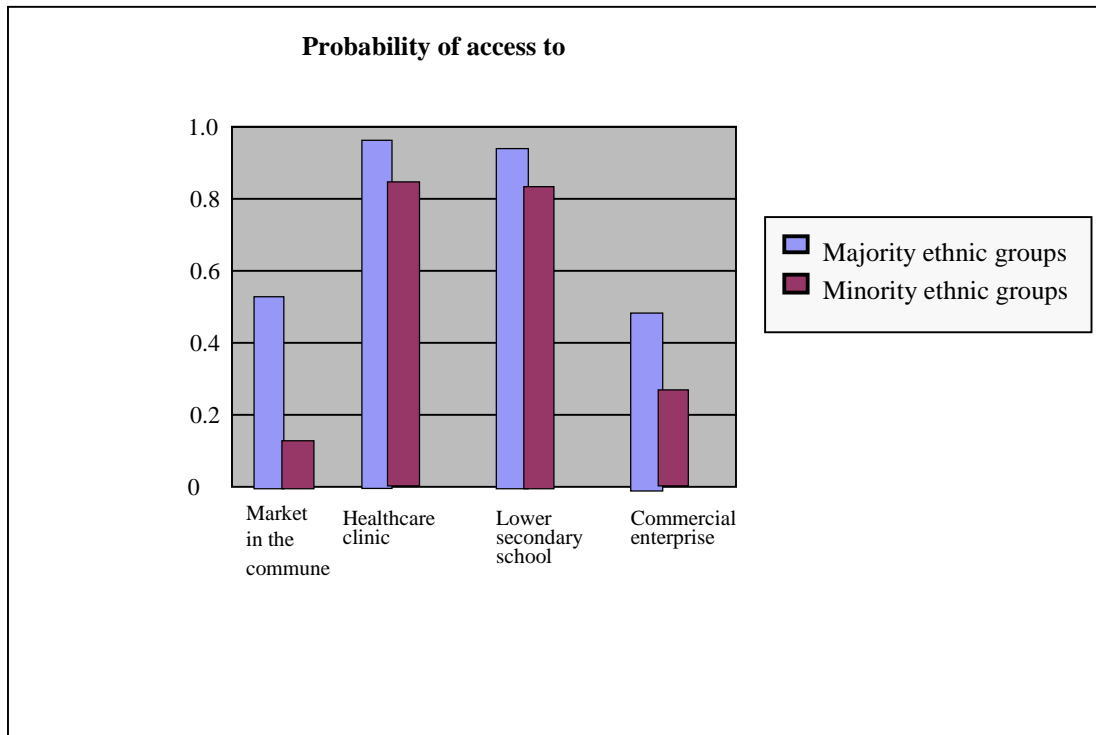
⁷⁶ Jones 1998.

⁷⁷ Borjas 1997, Borjas and Sueyoshi 1997, Turok 1999.

⁷⁸ See Alesina, Baqir and Easterly 1998 on the case of US cities.

⁷⁹ Alesina and La Ferrara 1999.

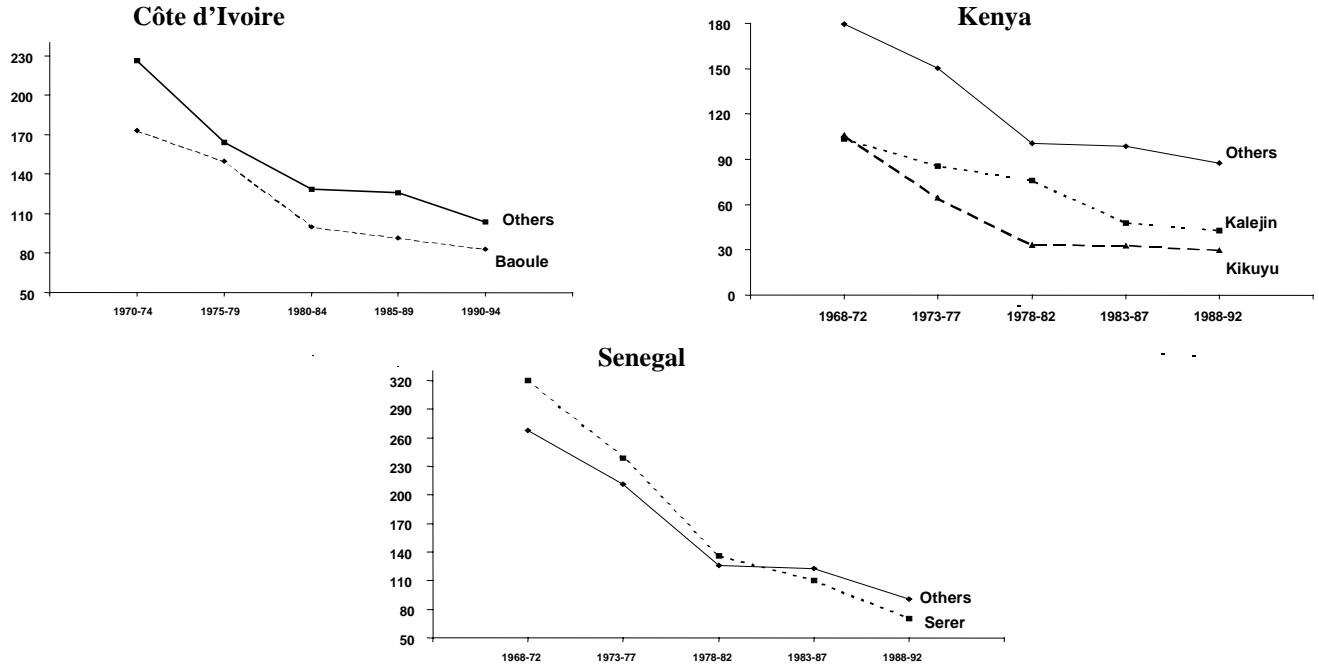
Figure 4.1 Minority groups in Vietnam have less access to services than nonminorities



Source: Adapted from Van de Walle and Gunewardena 1999.

Figure 4.2 Politically powerful ethnic groups enjoy lower childhood mortality rates than other ethnic groups

Mortality rates of children under 2 (deaths per 1,000 live births) by ethnic groups



Source: Brockerhoff and Hewett 1998.

Box 4.7 Does ethnic diversity help or harm development outcomes?

Various attempts have been made to understand the role of ethnic diversity on development outcomes, most notably economic growth and policy reform. Early work on this question supported the hypothesis that social cohesion is lower, and collective action more difficult in societies with high levels of ethnic diversity, thereby predisposing these societies to conflict and undermining their capacity to deal with shocks.⁸⁰ More recent work has shown that ethnic diversity leads to conflict, reduces project effectiveness, and erodes growth only when political rights are weakly enforced and there are a small number of sizable ethnic groups.⁸¹ According to this view, large numbers of small groups are unlikely to be a source of conflict because no single group has the critical mass needed to dominate all the others.

Most of these studies rely on an index of ethnolinguistic fractionalization compiled from ethnographic data collected by a team of Soviet researchers in the early 1960s. Using this index is problematic because it includes both large, politically relevant groups, competition among which affects economic policymaking, and tiny ethnic communities that play little or no role in shaping economic outcomes.

Recent work has attempted to correct for the deficiencies in the index by creating a new measure, the politically relevant ethnic groups (PREG) index.⁸² When the PREG index is substituted for the ethnolinguistic fractionalization index, the data show a more significant negative correlation between ethnic diversity and growth.

⁸⁰ Easterly and Levine 1997; Schiff 1998; Rodrik 1998.
⁸¹ Collier 1999a; 1999b.
⁸² Posner 1999.

4.36 A key finding from the recent empirical literature on ethnicity and development is that societies characterized by both weak conflict management institutions and high levels of social fragmentation are more vulnerable to macroeconomic shocks than other societies.⁸³ Countries that are ethnically highly diverse appear to have more difficulty building the necessary social coalitions to resolve national crises. Civil society organizations can be instrumental in averting conflict. In India the decline of mediating institutions has been associated with an increase in ethnic conflict.⁸⁴ In contrast, in environments with dense networks of overlapping group memberships, potential crises are averted before they descend into violence.⁸⁵ The effects of ethnic diversity also depend on the type of political regime: it is more damaging in nondemocratic regimes, where there are fewer mediating institutions and checks to redistributing resources to specific ethnic groups (box 4.8).⁸⁶

Box 4.8 Ethnic divisions and civil conflict

In its most extreme form and under conditions of economic deprivation and non-democratic governance, ethnic fragmentation can descend into civil conflict. Ethnic conflict intensified in the second half of the twentieth century, with the pattern of conflict shifting from wars between nations to conflicts within states. More than 85 percent of all conflicts recorded between 1987 and 1997 took place within rather than between states.

Civil conflict is overwhelmingly a phenomenon of poor countries.⁸⁷ Sixty percent of low-income countries experienced civil conflicts between 1960 and 1990.⁸⁸ Eight of the poorest 20 countries suffered a major conflict in the past 25 years.⁸⁹ Civil conflict is both a source and a consequence of low economic performance. Research has shown that during civil wars per capita output falls on average by more than 2 percent a year relative to pre-conflict levels.⁹⁰

The most important cost of civil conflict is loss of life. In addition to the humanitarian tragedy of death, loss of life affects the quantity and quality of the labor force. Other costs of conflict include the destruction of physical, human, and social capital, declining levels of investment in physical and human capital; the disruption of markets and other forms of economic and social order; the diversion of manpower and public expenditure away from productive or production-enhancing activities; the migration of highly skilled laborers and the transfer of financial assets abroad. The enormity of these costs means that civil conflict can trap countries in poverty.

Civil conflict can also accelerate the process of state collapse, which disproportionately affects the poor.⁹¹ The problems of civil conflict also spill across borders, placing additional burdens on neighboring countries whose resources are already severely strained. In 1998 there were an estimated 12.4 million international refugees and 18.0 million internationally displaced people,⁹² almost half of which were in Africa.

4.37 Over generations the ethnicity-location-poverty nexus creates norms of behavior for members of ethnic groups. Both antidiscrimination and affirmative action policies have been proposed as a means of restoring social justice and reducing inequalities that occur as a result of ethnic prejudice. Positive discrimination or affirmative action programs, such as job quotas and preferential treatment for business

⁸³ Rodrik 1998.

⁸⁴ Bardhan 1997.

⁸⁵ Varshney 2000.

⁸⁶ Collier 1999a.

⁸⁷ Collier and Hoeffler 1998, Austin 1999.

⁸⁸ Stewart, Humphreys and Lea 1997.

⁸⁹ Stewart, Humphreys and Lea 1997.

⁹⁰ Collier 1999a.

⁹¹ Luckham 1999.

⁹² International Federation of Red Cross and Red Crescent Societies 1999.

contracts and admission to higher education⁹³ may help reduce prejudice and provide discriminated groups with incentives to acquire skills.⁹⁴

4.38 Do such programs reduce efficiency? Evidence suggests that minorities hired under affirmative action programs perform just as well as other employees. In the United States affirmative action has significantly redistributed income toward women and minorities, with minimal loss of efficiency.⁹⁵ Affirmative action may be costly in the long term, however. Job quotas for minorities may distort the allocation of labor, impede efficiency, lower incentives for workers to acquire skills if they expect to face biased rules, and intensify negative perceptions, because employers can perceive minority workers as unequally productive.⁹⁶ It can also create tensions between “favored” people and others, as it has between castes in North India.⁹⁷ Policies that seek to reduce segregation or reserve employment for particular groups can be manipulated by political elites seeking to benefit from political clientelism. Ensuring representation of discriminated groups in democratically elected organizations and assemblies carries similar risks. These policies must therefore be accompanied by adequate supporting legislation and a strengthening of legal institutions.⁹⁸

4.39 Lack of education and isolated locations often create poverty traps which persist over generations. The cumulative effect of discrimination generates negative externalities for people living in poor neighborhoods, where educational facilities, job opportunities, and information are limited, creating self-fulfilling prophecies confirming that members of these groups are not able to find good jobs. Positive discrimination policies fail to address this racial discrimination based on beliefs and inferences about groups, on one side, and the peer and network effects of groups on their members, on the other. Developmental affirmative action—measures aiming explicitly at enhancing the performance of members of these groups—appears to be more appropriate than preferential affirmative action.⁹⁹

4.40 Can the goals of affirmative action be achieved by other policies with less social tension? The most neutral way of acting on poverty legislatively seems to be to frame the legal system in a way that excludes no citizen. Instead of creating barriers, legal systems should facilitate the full participation of the entire population. The design of citizenship laws also affects ethnic tensions and participation of groups in political life.¹⁰⁰ In some countries, creation of accountable judicial institutions would be a significant step toward protecting disadvantaged ethnic groups.

Gender discrimination and poverty

4.41 As we argued in chapter 1, gender inequality is a major cause of poverty. The costs of gender discrimination are perhaps most dramatically captured in Amartya

⁹³ Bardhan 1997.

⁹⁴ Coate and Loury 1993.

⁹⁵ Holzer and Neumark 1999.

⁹⁶ Coate and Loury 1993.

⁹⁷ Bardhan 1997.

⁹⁸ Collier 1999b.

⁹⁹ Loury 1999.

¹⁰⁰ Herbst 1999.

Sen's famous finding that the world has roughly 100 million fewer women than it would if gender relations were more equitable.¹⁰¹ Around 1990, an estimated 7 percent of girls in South Korea and China and over 4 percent in India were "missing" as a result of sex-selective abortion, abandonment of infant girls and discrimination in medical care.¹⁰² Sometimes several manifestations of gender equity go hand in hand. In India states such as Kerala have a long history of equitable gender relations, and levels of education and mortality show little gender difference. Inversely, in states such as Uttar Pradesh where gender discrimination is high, female literacy rates are less than half those of males, and the female-male ratio is a disturbing 87.9 to 100.¹⁰³

4.42 There have been some encouraging trends in gender equity during recent decades (figure 4.3). In all regions of the world, women are living longer and being enrolled in school at higher rates. The gender gap in schooling has narrowed. Women's normal biological advantage over men in life expectancy has manifested itself clearly in all regions of the world. Labor force participation data are notoriously unreliable because of problems of definition and reporting, but the estimates indicate an increase in reported female activity rates. The gap between women and men on most dimensions, however, remains large, and regional variations persist.

4.43 Gender inequality is created and reproduced through the structure of institutions. It is also perpetuated through the rules, norms, and practices by which resources are allocated, tasks and responsibilities assigned, value given, and power mobilized.¹⁰⁴ The formal and customary laws that apply in communities, firms, and households have the potential to create asymmetries between men and women in terms of their freedom to own and manage property, allocate their labor in different activities and move about freely. Domestic violence against women—and the associated consequences for the well-being of children—is perhaps the most serious outcome of such inequities.¹⁰⁵

¹⁰¹ Sen 1992.

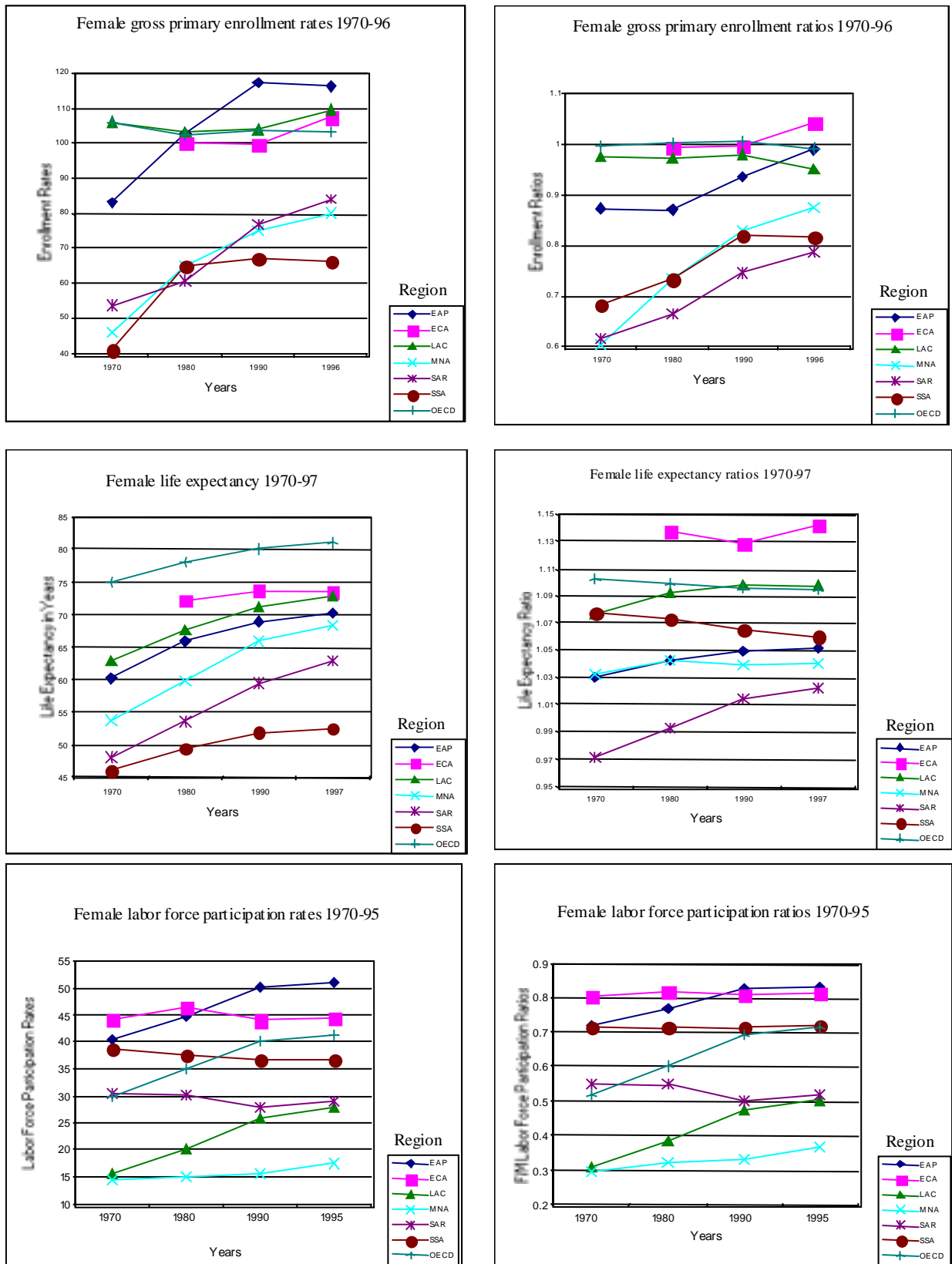
¹⁰² Das Gupta, Jiang, Xie and Li 1997.

¹⁰³ Dreze and Sen 1995.

¹⁰⁴ Kabeer and Ramya 1996; Narayan and Shah 1999.

¹⁰⁵ Rao 1998, Chang 19.

Figure 4.3 Trends in female education, employment and life expectancy



Source: World Bank 2000.

4.44 Legal systems constrain women in several ways from being independent economic actors. In Botswana, Lesotho, Namibia, and Swaziland, women are under the permanent guardianship of their husband and have no independent right to manage property.¹⁰⁶ In several African countries married women lack the right to own land, obtain only usufruct rights through marriage,¹⁰⁷ and are unable to bequeath assets to their children. In India, laws mandate equal rights of inheritance for sons and daughters, but this can be circumvented by designating heirs in a formal will. This essentially gives people the freedom to implement their own cultural norms with regard to children's inheritance.¹⁰⁸ In Bolivia and Guatemala husbands can restrict the kind of employment their wives can accept outside the home. In some Arab countries a wife needs her husband's permission to obtain a passport and move about freely.¹⁰⁹

4.45 Elsewhere in the world, women are often considered the property of male family members (box 4.9), and they cannot assert independent rights to property. Says a poor woman in Tanzania, "Men own everything because when they were born, they just found it like that." A Rwandan woman laments, "My husband's parents are like strangers. Yet one day they may leave their land and claim my fields."

4.46 The structure of property rights, especially over land, is a field in which official legislation mixes with customary rules and the implicit rules of marriage. In some countries, especially in Latin America, the situation has greatly improved during the past two decades, thanks mainly to agrarian reforms and the introduction of joint land titling. Colombia, Costa Rica, El Salvador, and Nicaragua have been pioneers in granting rights to women. The 1994 Colombia Agrarian Law gave top priority to redistributing land to households headed by women and to women who lacked protection or were displaced by war (including single and childless women).¹¹⁰ The scheme—called "a parcel of one's own"—was the only guarantee of security of livelihood for women and their children upon separation or divorce.

4.47 Gender inequalities and appropriate forms of intervention are particularly difficult to identify when the source of the problem is the customary application of the law rather than the law itself. While the political and legal equality between men and women has improved in most regions of the world, the ability of laws to force change within households is limited.¹¹¹ The Communist government in China made several legislative attempts to give women and men equal rights to land, but had little success in implementing this in face of vigorous opposition and even homicidal violence by local communities.¹¹² Similar events took place in Northern India when women tried to claim their legal rights to inherit land.¹¹³

¹⁰⁶ World Bank 2000.

¹⁰⁷ Gray and Kevane 1996.

¹⁰⁸ Das Gupta et al 2000; Agarwal 1994.

¹⁰⁹ UNDP 1995.

¹¹⁰ Deere and Leon 1999.

¹¹¹ Gopal 1999.

¹¹² Das Gupta et al 2000, summarizing many sources including Davin 1976, Andors 1983, Park 1990.

¹¹³ Das Gupta et al 2000.

Box 4.9 Poverty and discrimination against women

Despite gains in women's education, health, and earnings, gender inequities remain widespread and tenacious. Deeply held norms and values about women's "inferior" status as well as marked differences in men's and women's access to resources and institutions combine to keep women disadvantaged. Gender, poverty, and exclusion interlock to make poor women especially vulnerable to abuse and injustice.

Gender norms governing women's household roles and social rules that shape attitudes and behaviors toward women run deep and are constantly reinforced by socialization processes. "In our culture women tend to feel small. Men have always been the leaders; their voice is final," observed a South African woman.

Social norms and practices often mean that women lack control over even their personal belongings. "Even if a woman is given a chicken or a goat by her parents, she cannot own it. It belongs to her husband. A wife may work hard and get a chicken. If it lays eggs, they belong to the husband," a woman from Uganda noted. In Pakistan, the first items to be sold in a crisis are women's jewelry and other belongings.

The profound dependency and insecurity of poor women is perhaps most poignantly manifest in widows' tales of sudden destitution and abandonment. According to a middle-age widow in Kenya, "When my husband died, my in-laws told me to get out. So I came to town and slept on the pavement."

Inequities also persist because women are more disconnected than men from state and other formal institutions and the services they provide. Research shows that women are much less likely than men to seek formal medical care, and girls are much less likely than boys to be educated. Poor women report having little recourse to police or to judicial protection when faced with abuse or threats to property or their lives. Women are also often excluded from men's informal networks, community-level associations, and village meetings.

Lack of access to formal institutions often means that women rely on their own informal networks with other women. These networks provide vital arenas for solidarity, mutual support, and the exchange of information, but with limited resources they rarely can lift women out of poverty.

Source: Narayan and Shah 2000; Narayan et al. 2000.

4.48 Poor women face a double burden of disadvantage. Even when formal laws seek to protect men and women equally, the poor may be outside the realm that is covered by the law. Labor legislation about wages, unionization, and benefits often apply only to the formal sector and thus misses the very poor.

4.49 Once the patterns of norms, values, and institutions that lead to the perpetuation of discrimination are identified, interventions can be designed to remove such bias. Evidence shows that such policies can not only increase gender equity but also have the potential to increase the overall efficiency of the economic system. Results from Burkina Faso, Kenya, Nigeria, and Zambia Africa show that if agrarian resources were reallocated more equitably between men and women farmers, overall productivity would increase 10-20 percent.¹¹⁴ Legislation could improve women's access to credit, machinery, and innovative crops. Even apparently intractable issues such as altering the intrahousehold allocation of resources between men and women can be influenced indirectly. Pricing policy and transfer policies can be used to alter allocations and investments within the household. Increasing women's access to income, assets, education, credit strengthens their bargaining power within households.

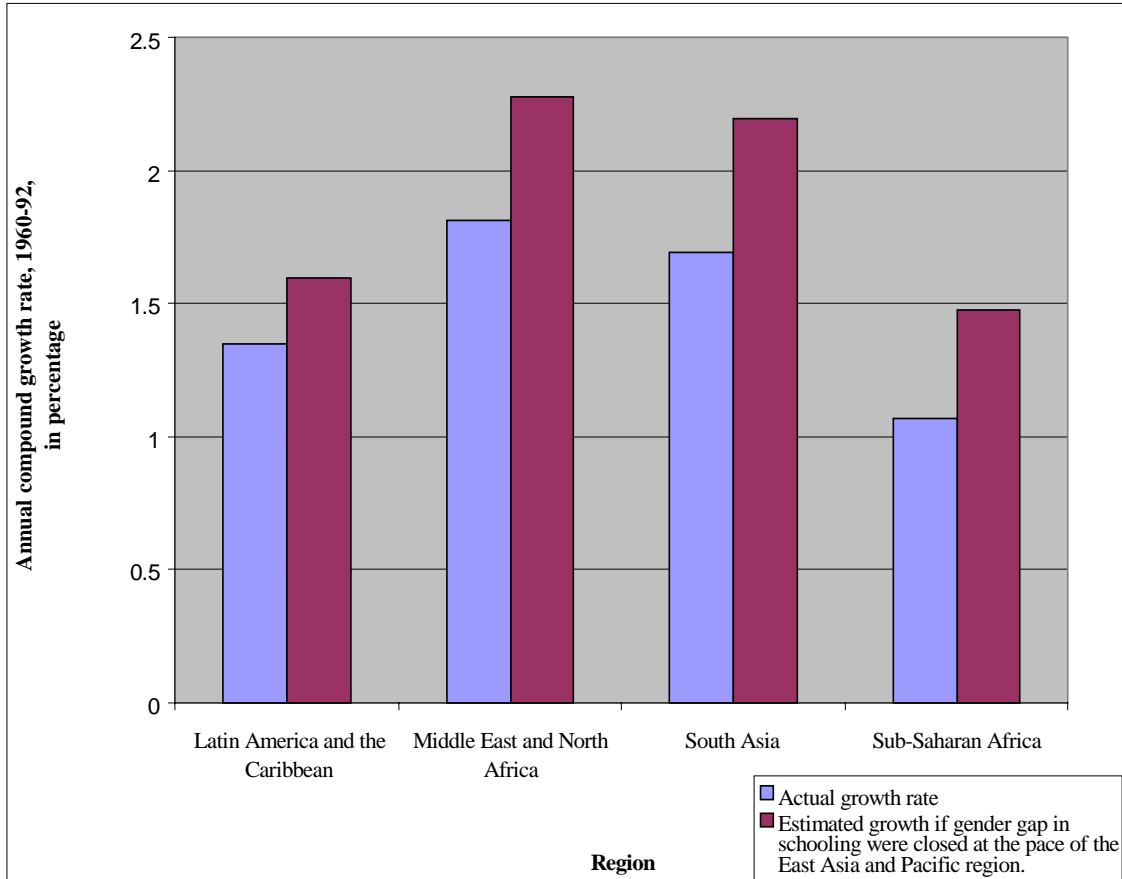
4.50 Gender discrimination undermines both economic growth rates and the level of social opportunity available to women. Recent work found that countries that underinvest in girls' education grow more slowly than other countries.¹¹⁵ Figure 4.4 shows the growth rates that would be attained in the various regions of the developing

¹¹⁴ Udry 1996; Saito, Mekonnen and Spurling 1994; Alderman and Gertler 1997; Quisumbing 1996.

¹¹⁵ Klasen 1999.

world if they had closed the gender gap in years of schooling at the rate achieved by the most progressive region, namely East Asia and the Pacific, between 1960 and 1992. These findings suggest that interventions to address the sources of inequality are warranted.¹¹⁶

Figure 4.4 Closing the gender gap in schooling more rapidly would increase economic growth



Source: World Bank 2000, estimated from Klasen 1999.

4.51 Ensuring that girls receive a comparable education to boys is central to poverty alleviation. The returns to girls' education are significant, especially once countries reach moderate levels of development. Evidence from India shows that female literacy is a key determinant of the extent to which growth reduces poverty.¹¹⁷ Educated women are more likely to gain access to powerful positions in the public and private sectors. Crosscountry evidence from household surveys carried out in a dozen developing countries during the 1980s and 1990s suggests that women who control power are less likely than men to offer or accept bribes.¹¹⁸ Where women's economic and human rights are honored, lower overall corruption levels prevail.¹¹⁹ Corruption is also less severe in developing countries where women comprise a larger share of the labor force or are better represented in Parliament.

¹¹⁶ Dollar and Gatti 1999.

¹¹⁷ Ravallion and Datt 1999.

¹¹⁸ Dollar, Fisman, and Gatti 1999.

¹¹⁹ World Bank 2000.

4.52 Studies of the effect on poverty of networking schemes such as group-based microcredit, seem to indicate that these schemes have enormous potential as poverty reduction tools. Some of these credit programs, such as the Grameen Bank in Bangladesh, are targeted more intensively to women than to men.¹²⁰ Using peer pressure and group obligations rather than legal contracts, group-based schemes seek to mobilize the high levels of bonding social capital among poor rural women, in effect using social collateral instead of traditional assets as security.¹²¹ Micro-credit schemes in Bangladesh have helped women acquire nonland assets and have also been associated with positive effects on girls' schooling.¹²²

4.53 Critical to the success of these programs are efforts to provide services that complement credit and saving facilities, such as training in entrepreneurial skills. This is especially important for women, as they are typically cut off from the normal paths through which such skills are acquired. Given the opportunity, women often become successful entrepreneurs. In Southern Africa the number of small businesses in the informal sector run by women is impressive: women own 67 percent of small and microenterprises in Zimbabwe, 73 percent in Lesotho, and 84 percent in Swaziland.¹²³ The next step would be to ensure that women obtain greater access to business opportunities in the formal sector.

4.54 Underinvestment in women has dire consequences for their children. There is a great deal of evidence that strengthening women's economic and legal position and increasing their human capital is associated with better health, nutrition and education outcomes for children, thus helping reduce the intergenerational transmission of poverty. Studies in both developed¹²⁴ and developing¹²⁵ countries find that the larger the share of household income or assets controlled by women, the larger the budget shares devoted to food and lower budget shares for alcohol and cigarettes. Women's control of assets is also often associated with higher budget shares devoted to education, health, and expenditures on children's clothing.¹²⁶ In Brazil, large improvements in child survival and growth were associated with mothers' control of household income, holding household income level constant.¹²⁷ Data from most countries provide robust evidence that the children of educated women tend to have lower average mortality rates than the children of uneducated women.¹²⁸ Similarly, relatively greater female control of assets, including education, is associated with improved schooling outcomes for children.¹²⁹

¹²⁰ Pit and Khandker 1998.

¹²¹ Besley and Coate 1995.

¹²² Khandker, Khalily and Khan 1999.

¹²³ Rhyne and Holt 1994.

¹²⁴ Lundberg et al. 1997; Ward-Batts 1997.

¹²⁵ See, for example, Bourguignon and Chiappori 1992; Haddad and Reardon 1993; Hoddinott and Haddad 1995; Phipps and Burton 1998; and Quisumbing and Maluccio 1999.

¹²⁶ Thomas 1997; Quisumbing and Maluccio 1999.

¹²⁷ Thomas 1990, 1997.

¹²⁸ Hobcraft 1993, Murthi, Guio and Dreze 1995.

¹²⁹ Quisumbing and Maluccio 1999.

Conclusion

4.55 To reduce poverty and empower the poor the key issue is to find ways of creating synergies between civic and state institutions and between formal and informal institutions. Formal institutions, governance structures, and public policies have a major bearing on the quality of life of the poor. Informal social institutions are an important resource the poor use to manage risk and vulnerability and to advance their interests. Social institutions in poor communities characterized by internal solidarity and cohesion are a necessary part of a long-term poverty reduction strategy, but they are not sufficient. They may provide an important measure of protection, but they are unlikely to provide access to the broader range of networks and formal organizations needed to sustain complex exchange. The long-term goal of development policy should thus not be simply to increase the number of groups in poor communities. Rather, such groups should be seen as an important first step in building broader coalitions among the poor and forging alliances between the poor and those in positions of power.

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