

*Local Level Institutions*  
*Working Paper No. 1*

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# **THE LOCAL LEVEL INSTITUTIONS STUDY**

## **OVERVIEW AND PROGRAM DESCRIPTION**

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# THE LOCAL LEVEL INSTITUTIONS STUDY

## OVERVIEW AND PROGRAM DESCRIPTION

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Social institutions are the building blocks of development. These institutions — traditional and modern; at the community, local, regional and national levels; and in the public, private and “civil” sectors — are the vehicles through which social change and social action occur. Social capital, as discussed by Putnam and others, is the network of horizontal connections which leads to mutual commitment and trust and enables people and their institutions to function effectively. To be successful, development needs to both strengthen institutions and enhance the social capital on which they depend.

The Social Development Department of the World Bank is undertaking a program of comparative research on local level institutions and social capital. With financial support from the Government of Norway, resources have been used to develop and pilot a core set of questionnaires that collect data on the institutions that function at the local level in the provision of various services, including health, education, agricultural extension, and credit.

This initiative represents a significant effort to increase our understanding of the role of local level institutions in the sustainable development process. It is the first attempt by the Bank to develop a framework for data collection and analysis on local level institutions and social capital, to determine how they are patterned within and between countries, and to evaluate the implications of this information for development.

## Rationale and Justification

There is a growing interest in local level institutions and social capital. This interest is the result, in part, of converging work on a number of topics of interest to development institutions and the countries they support. For example,

- (a) *Decentralization*: the decentralization of decision making and resources is widely advocated in development circles on the assumption that decentralization helps increase effective resource use and accountability. Relatively little has been done, however, to understand the variety of institutions at the local level to which resources might be devolved, or to understand the circumstances under which one type of institution (public, private, NGO) might be more effective and accountable than others.
- (b) *Community Based Development*: to foster poverty alleviation and improve local level resource management, many programs have supported and encouraged collective action at the local level. However, the context for collective action, the nature of existing institutions which can facilitate it, and the social capital which might be expected to underpin it, are poorly understood.
- (c) *Civil Society*: non-government institutions and the private sector (formal or informal) often provide development goods and services and play a major role in promoting accountability in government, yet the incidence and effectiveness of such institutions in sectors such as health, education, and credit has not been systematically described on a country-by-country basis; and it has not, to our knowledge, ever been looked at comparatively.
- (d) *Social Capital*: case studies such as Putnam's study of Italian communities suggest that social capital is an important facilitator of economic development. Social capital generated through past social and economic activities has been found to accumulate and if properly used, to enhance development effectiveness. What is not clear is how this concept can be expressed in operational terms and fostered in a development context.

## Data Collection

The Local Level Institutions (LLI) Study is designed as a comparative study across three countries: Bolivia, Burkina Faso and Indonesia. Data have been collected at three levels: communities, districts and households.

At the level of the *community*, interviews with focus groups of households and with community leaders establish a map of functioning institutions in the community. Three instruments are used:

- Information on community services (health, education, water supply, road maintenance) is obtained through interviews with key informants such as village chief, teacher, health provider, etc. This is supplemented with information on the local economy (principal sources of income), local society (ethnic/religious composition) and local institutions. Recent experience with selected development projects is also discussed.
- The community services are also discussed with groups of households, with as objective to learn the community's perspective on the quality of services, its experience with collective action, and its views on local institutions and development projects.
- For the most important local institutions, interviews are held with leaders, members, and non-members to understand the role of the institutions in the village, their development over time, their main activities, leadership and membership, relations with other institutions and government, and their main strengths and weaknesses.

At the *district* level (defined as the administrative level above the village or community), data are collected about the institutional arrangements for the provision of services and the extent of service coverage. A section also collects information on the general functioning of the district administration and its relation with civic organizations, through interviews with general and sectoral managers at the district level.

The third and critical part of the data collection is a *household survey* which aims to capture households' actual participation in local institutions, their use of the services in question, and information that identifies the welfare level of households and their coping strategies. The questionnaire consists of six sections:

- demographic information on household members
- participation in local institutions
- characteristics of the most important groups
- service provision profiles
- perceptions of community trust and collaboration
- household economy and coping strategies

The limited resources available did not make possible a *sampling framework* such that the studies would be representative of the countries at the national level. Instead, three or four areas were selected in each country (municipios in Bolivia, departments in Burkina Faso, and provinces in Indonesia), which represent different economic, social and institutional environments.

Within each area, 10-12 villages were selected which cover a socioeconomic spectrum in terms of sources of income, level of wealth, level of association, etc. Lastly, within each village, 20-25 households were selected randomly. This leads to a sample size of 1000-1200 households for each country, which is adequate to derive empirical conclusions about the patterns of local institutions and the relation with household living conditions and access to services.

## Analytic Themes

The proposed analysis is focused around five analytic themes.

- *The landscape of institutions involved in service delivery: what institutions are out there, what do they do, and what are they good for?* The analysis will provide an inventory of local institutions for each area covered by the study. Institutions can be classified by affiliation and function, origin (community or state initiated), type of organization (formal/informal), and degree of importance to the household. Each of these dimensions can be cross-tabulated with the type of services provided. This will show the relative importance of government, NGO and local organizations in delivering a range of services. For the three most important groups of which a household is a member, further analysis is possible on the extent of active involvement in decision making and internal homogeneity (by kin, age, gender, religion, etc.) of the group, and the relationship to access to services.
- *The relationships between the nature of the state and the form and importance of local institutions.* This analytic theme will rely primarily on the comparative nature of the study. The basic hypothesis is that the form of the state and its role in local development influence the nature of local institutions and their significance for local development. The relationship between state and local institutions can be one of substitution, in which case a greater capacity and role of the state in local service delivery tends to reduce the role local institutions play in delivering services. However, a complementary relationship is also possible, whereby an administratively competent state increases the effectiveness of local institutions by transferring resources to them and encouraging their development.
- *The relationships between social capital and poverty: do poor households have more or less social capital than others? What is the direction of causality between poverty and social capital?* The objective of this analysis is to demonstrate empirically that participation in local associations constitutes social “capital”, which like other forms of capital, contributes to household welfare and to access to services, and reduces poverty. Different aspects of this participation will be examined separately as well as jointly: density of associational life, degree of active participation in decision making, internal homogeneity, membership fees and attendance to meetings. The effects from households’ direct participation in associations will be distinguished from effects occurring at the village level. Since it is likely that there is two-way causality, whereby income level determines in part the likelihood to participate in certain types of associations, econometric methods such as instrumental variables

estimation, will be used in an effort to disentangle different directions of interaction between variables.

- *How do local institutions enhance the effectiveness of development projects in the areas of education, health, credit, and extension service?* This aspect of the research is most strongly developed in the Indonesia case study where a record is available of development projects which have taken place in the study areas over the past ten years. Information on the extent of community involvement in the most recent projects (from the key informant interviews) will be combined with this historical record in an effort to assess, at least qualitatively, the relationship between effectiveness of development projects and participation of local institutions. It might be possible to establish a social capital index for each village and to relate this to indicators of project effectiveness. However, since many factors other than social capital determine project outcomes, a more in-depth case study approach will be combined with the analysis of correlations across indicators.
- *Donor relations with local institutions: how can one work with local institutions most effectively?* This last theme aims to extract the operational lessons from the previous analyses and to illuminate whether and how donor organizations can invest in social capital by supporting local institutions. A first lesson will relate to the range of local institutions relevant for a specific type of service delivery. There might well be spillover effects between, e.g., community organizations for education and effective delivery of health services. A second lesson has to do with interaction between district government and community-level organizations. What is the importance of this interaction relative to the internal organization of a community group? A third lesson will be derived from the pattern of organizations which people find most important and in which they are most active. This will suggest focal points for supporting organizations in the context of specific programs of service delivery.

These five analytic themes provide a starting point for exploiting a potentially very rich data base. Subsequent themes and issues will no doubt emerge as the analysis proceeds.

As a by-product of the analytic work, two issues relevant for future data collection will also be addressed:

- What are suitable indices for social capital, both at the household and the community level? Some of the variables collected in the study will prove more useful than others for measuring social capital and explaining access

to services and poverty outcomes. On the basis of this, a limited number of indicators will be identified by which social capital can be monitored.

- What are the lessons learned regarding data collection on social capital? The instruments of this study cover three levels (community, district, household) and a variety of interview methods (focus groups, key informants, household respondents). The lessons learned from the relative usefulness of each approach will be used to design an improved data collection instrument.