

Rushing to Help the Poor Through Participation May Be Self-Defeating

by

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1. General considerations

A key problem today arises from the fact that most donor agencies, including governments from developed countries, are rushing to adopt with a lot of enthusiasm the so-called participatory approach to development. In order to persuade their constituencies or supporters that the new strategy works well, they need rapid and visible results. Moreover, they have sizeable financial resources at their command that they want to disburse within a short time period. The temptation is great to spread them widely so as to reach as large a number of village communities as possible. Such a rush is problematic in so far as communities need to evolve and be institutionally strengthened if they are to achieve the objectives of the participatory approach: economic growth, democratic governance, sustainability, equity and protection of the poor. The risk is then high that the decentralization approach will be subverted and deflected from its intended purpose.

Confronted with such a hard dilemma, donor agencies have the tendency to maintain their 'diluted' approach, which implies that they downplay the task, and minimize the cost, of institutional support to target communities. It is revealing, for example, that lack of capacity-building, especially the building of organizational skills at community level, and lack of 'ownership' of the projects by the beneficiary groups, are among the main limitations of the World Bank's social funds program. As a consequence, the program remains too much driven by a supply-led approach rather than being responsive to the needs of rural people as a participatory approach should be (Narayan and Ebbe, 1997). Underlying this situation lies the aforementioned dilemma. As pointed out by Tendler, indeed, enhancing 'demand orientation' and community participation in social funds' programs would require a significant increase of the social funds' agency presence in the countryside in terms of time, personnel, resources and effort. Such a change would nevertheless compromise some of the social funds' "most acclaimed strengths –their 'leanness' and low administrative costs" (Tendler, 2000: 16-17). Moreover, a heavy presence in the countryside of the separate agency that administers social funds is unlikely to be the right solution to the problem of 'ownership' of projects and community participation.

In addition, when strong local communities or organizations do not exist or when the required leadership is not available, there is a big temptation to ask communities or specific groups within them to 'elect' leaders. For a reason well explained by Esman and Uphoff (1984), however, such a solution is bound to produce perverse results and to be self-defeating :

“The most prominent members are invariably selected and then given training and control over resources for the community, without any detailed and extended communication with the other members about objectives, rights, or duties. Creating the groups through these leaders, in effect, establishes a power relationship that is

open to abuse. The agency has little or no communication with the community except through these leaders. The more training and resources they are given, the more distance is created between leaders and members. The shortcut of trying to mobilize rural people from outside through leaders, rather than taking the time to gain direct understanding and support from members, is likely to be unproductive or even counterproductive, entrenching a privileged minority and discrediting the idea of group action for self-improvement” (Esman and Uphoff, 1984 : 249).

If acting through local leaders enables outside agencies to channel considerable amounts of resources towards rural communities in a short span of time, it increases the probability of misuse of these resources by local elites which stand reinforced in the process. In lineage-based societies, local chiefs and elders from dominant lineages are ideally positioned to thus ‘capture’ the benefits of decentralized development programs or projects. Instead of ‘father figures’ clinging to their traditional duties of guaranteeing people’s livelihoods, redistributing wealth and settling conflicts in such a way as to maintain the existing social order, the erstwhile elite become greedy individuals who show all the less restraint in enriching themselves at the expense of their community as they are actually legitimated by outside actors¹. By virtue of their dominant position, they can thus manipulate participatory methods by subtly representing their own interests as community concerns expressed in the light of project deliverables (Mosse, 2001). In Senegal (in the Petite Côte and Casamance, in particular), for example, municipal bodies or rural councils used the new prerogatives accorded them under the decentralization scheme to get involved in dubious dealings such as sales of rural lands to touristic and other business interests without consulting the communities concerned as they should have done.

The traditional elite are not the only category of persons to benefit from the newly channeled resources since they are frequently involved in tactical alliances with educated persons and politicians operating outside the village domain. Thus, in SubSaharan Africa, it is a frequent practice for chiefs to coopt new elites in their village ‘associations’, for example by creating neo-traditional titles that are then sold to the new rich eager to acquire a political base in the countryside (Geschiere, 1994: 110; Bayart, 1989).

In the other way around, the urban, rather than the rural elite may be responsible for initiating the process that deflects the participatory development program from its intended purpose. Witness to it is the rapid multiplication of national NGOs that are created at the initiative of educated unemployed individuals, politicians, or state employees who may have been laid off as a result of structural adjustment measures. These people, acting as ‘development brokers’, have been quick to understand that the creation of an NGO has become one of the best means of procuring funds from the international community

¹ In some areas, they have been accustomed to just doing that since colonial or pre-colonial (slavery) times (see Bayart, 1989).

(Bierschenk, de Sardan, and Chauveau, 2000). It is thus ironical that budget cuts in the public sector at the behest of international multilateral organizations may be made good for through the capture of resources intended for the grassroots, possibly by the same organizations². As pointed out in the context of non-African countries, NGOs often constitute “an opportunistic response of downsized bureaucrats, with no real participation or local empowerment” and, inevitably, program officers themselves become involved in the creation of community institutions (Conning and Kevane, 1999: 20; see also Meyer, 1995; Bebbington, 1997).

That the above difficulties ought not to be underestimated is evident from the story below. In the late nineties, a Western European development NGO (whose identity is not disclosed for the sake of discretion) established a relationship with a village association in a Sahelian country. This association, which is a federation of several peasant unions, had been initiated by a young and dynamic school teacher, the son of a local chief. The NGO decided to follow a gradual participatory approach consisting of strengthening the association institutionally before channeling financial resources to it. This decision was the outcome of a carefully worked out diagnosis. It brought to light important weaknesses of the partner association that had to be corrected before genuine collaboration could take place: proclivity to view aid agencies as purveyors of money which can be tapped simultaneously, lack of analysis of local problems and of strategic vision for future action, loose and undemocratic character of the association (ill-defined objectives, ill-defined roles and responsibilities of the office bearers, absence of internal rules and reporting procedures, etc.).

After two years during which institutional support was provided in the form of guidance to improve the internal functioning of the partner association and to help define development priorities and the best means to achieve them, funds were made available for different types of investment. Within the limits of the budget set for each priority line of investment, the association could choose the project deemed most useful. A special committee was established to prepare rules regarding the use of the budget and enforce the abidance of such rules by different projects. In this way, the group could hopefully appropriate the process of decision-making, preparation of project proposals and programming of the activities involved (all aspects traditionally undertaken by the foreign donor agencies). Continued support at different levels (technical, administrative, organizational, and methodological) was found necessary to help in the effective implementation of the projects.

In spite of all these efforts to strengthen the partner association institutionally, things turned out badly. Thanks to the collaboration of two

² Whereas, before, state assets were often put to private use by state officials, the same officials can now manipulate local NGOs or other types of associations to get access to cars, computers, telephones, foreign travels, and various perks.

active members of the General Assembly (actually two animators) and the local accountant, the foreign NGO discovered serious financial and other malpractices that were committed by the main leader of the African association: falsifying of accounts and invoice over-reporting, under-performance by contractors using low-quality materials, etc. It reacted by calling on the local committee to sanction these manifest violations of the rules, yet at its great surprise no punishment was meted out and the general assembly even re-elected their leader in open defiance of its request. The two dissident animators were blamed for being driven by jealousy and envy, while the accountant was fired. Here is a clear illustration of the support that poor people are inclined to give to an elite member on the ground that they have benefited from his leadership efforts. That he appropriated to himself a disproportionate share of the benefits of the aid program is considered legitimate by most of them. They indeed think that without his efforts their own situation would not have improved at all. In particular, he created the village association which had to be formed in order to be eligible for external assistance.

In a context where the ability to deal with external sources of funding is concentrated in a small elite group, the bargaining strength of common people is inevitably limited, hence their ready acceptance of highly asymmetric patterns of distribution of programs' benefits. If the intervention of the elite results in an improvement of the predicament of the poor, however small is the improvement, the latter tend to be thankful to their leader(s): the new outcome represents a Pareto improvement over the previous situation and this is what matters after all. In the above example, it is thus revealing that the ordinary members of the association defended their leader on the ground that "everybody around him benefited from the project and, if he benefited [much] more than the others, it is understandable because he is the leader". They think it is highly unfair on the part of the foreign NGO to have withdrawn their support to the existing team and to have "humiliated their leader" by depriving him of all the logistical means (jeep, scooters, etc) previously put at his disposal.

As for the leader himself, he openly admitted (during a conciliatory meeting organized by the high commissioner of the province) to have used a significant portion of the money entrusted to him for his own personal benefit. Yet, he did not express any regret since it was his perceived right to appropriate a large share of the funds. Did he not devote considerable energies to the setting up of the local organization and the mobilization of the local resources as required by the foreign NGO? By attempting to curb his power to allocate funds in the way he deemed fit, the latter exercised an intolerable measure of neo-colonialist pressure. This criticism was voiced in spite of the fact that the NGO paid him a comfortable salary to reward his organizing efforts.

2. A mechanism to discipline local leaders

Let us consider the following three-agent decision framework. At the top is an altruistically motivated donor agency (labelled *A* below) which wants to disburse a given amount of funds. At the bottom are the grassroots (labelled *G*) who are the intended beneficiaries of this aid effort. And between the two is a local leader (labelled *L*) who tries to organize the grassroots into a group or association for the sake of securing the funds on offer. As a matter of fact, the participatory character of the program makes it mandatory that beneficiaries are organized into a collective to be eligible for funds. In other words, the donor agency will not disburse funds unless it has received evidence that a cohesive group of intended beneficiaries exists through which these funds can be channelled. Yet, at the same time, it is ill-informed about what is happening at the level of the grassroots and this information gap is exploited by the local leader for his own benefit. More precisely, the latter can lie to the donor agency about the manner in which the funds are being disposed of, pretending that they have safely reached the grassroots while they have been largely misappropriated.

In dealing with *G*, *L* is essentially playing an ultimatum game. That is, *L* has the first move since he makes a proposition to the *G* group which he has formed or helped form about the way to share the funds offered by *A*. *G* have to accept the transfer or forsake it. Indeed, as explained above, it is in the nature of the game that *A* will not disburse the money unless an agreement has been struck between *L* and *G* to the effect that the former is empowered to represent the latter. The prediction of economic theory in such a situation is that the agent with the first move will make a proposal whereby he appropriates most of the funds on offer while the agent with the second move will accept it since getting something, however small is the gift, is always better than ending up with nothing. That the grassroots may actually behave in the way anticipated by economic theory is borne out by the above-reported evidence regarding an African community-based project funded by a foreign NGO.

In the setting of a one-period interaction framework, anticipating that the local leader will embezzle most of the funds, the donor agency should refrain from disbursing money. (The agency is assumed to have a good grasp of the game being played). In order to discipline the leader, an appropriate mechanism is clearly required. One such mechanism is competition. This would imply that funds are channelled through, say, two groups organized by two different leaders. The grassroots would then be able to shift group if they find that their present leader is exploiting them beyond any reasonable level. This solution is fraught with problems, though. As a matter of fact, resources are likely to be needed to finance the production of indivisible local public goods (a village school or dispensary, a rural road or irrigation infrastructure). By channelling resources through different organizations, the coordination and the pooling of

resources required to produce such public goods would be made extremely difficult. The outcome will be all the more damaging if an intense rivalry, such as is common occurrence in rural societies, develops between the competing leaders. And if such an outcome can be averted, there is then a serious risk that the leaders collude, thereby destroying the beneficial effect of competition.

Another, hopefully more effective mechanism is suggested by the aforementioned experience of a Western European NGO operating in a Sahelian country. It consists of repeating the aid transfer over several periods so as to bring sanctions into play in the event that the leader misappropriates funds in an excessive manner. Of course, this is possible only if a technology is available to detect fraudulent practices committed by the leadership. A reasonable assumption here is that the probability of detecting a dishonest leader increases (most probably, at a rising rate) with the extent of his embezzlement. The idea is therefore that, if L is found to have misappropriated the first tranche of aid money channelled through the local organization that he leads, A will punish the recipients by withholding the payment of the second tranche. The shortcoming of such a mechanism is obviously that not only L but also G are sanctioned in the event of a detected fraud. Yet, there is a logic in this since the threat implied can be expected to induce G to watch their leader and monitor his actions in the most effective way.

The funding agency has to choose the manner in which the resources it wants to allocate to a particular community or group will be divided between the first and the second tranches. There is an obvious tradeoff to be confronted here. On the one hand, A would like to spend as much as possible during the first period because it is impatient to see the results of its intervention. Such a motive may actually arise from both altruistic and selfish considerations. Altruism guides A 's behaviour in so far as it is eager to see the poverty of G alleviated as soon as possible. But selfishness rules when A 's concern is about demonstrating its usefulness to the general public or the organizations (national or international) that are the ultimate purveyors of its financial resources, so as to be able to mobilize their support again in the future. On the other hand, A wants to defer disbursement of aid money as much as possible till the second period, since late payment serves to discipline L . In other words, the higher the relative amount of the second tranche the more L is encouraged to use the first tranche according to A 's prescriptions (that is, for the benefit of G). But note that the amount granted under the first tranche must be positive so as to ensure that L 's behaviour can be effectively tested before making a decision about whether or not to disburse the second tranche.

A also chooses the level of tolerance it will display vis-a-vis L . More precisely, it decides the extent of fund misappropriation beyond which the threat of not disbursing the second tranche will be applied in the case of fraud detection.

Knowing the amounts of the first and the second tranches committed by A as well as its tolerance level, the leader chooses the manner in which the funds disbursed by A will be apportioned between him and G , both during the first and the second periods. As for the grassroots, they decide the minimum shares of aid money to be accrued to them in the first and second periods. If these shares are not accepted by L , they quit the local association, thereby signalling to A that participatory development is not feasible in their village. If G have a genuine bargaining power in the first period, the same is not obvious during the second period. They can exercise a genuine leverage in the first period because they know that A 's objective is to help them and too much exploitation by L can be possibly detected at the end of this period with harmful consequences for him (and for themselves). As a matter of fact, the continuation of the game beyond the first period ensures that they are no more simple followers in the decision sequence. During the second period, however, they again find themselves in the situation of an ultimatum game precisely because the game is now going to end.

Under the threat of not receiving any benefit at all, G , acting rationally, should accept a low share of the donated funds during the second period. But this would undermine the usefulness of the whole mechanism since a large second tranche ought to be set by A in order to discipline L in the first period (see above). The problem evidently arises from the finite duration of the game envisaged so far: we know from repeated game theory that socially efficient outcomes may only occur if the framework of interactions has an infinite or indeterminate duration. We nevertheless assume that G do not behave in the aforesaid way because they will not accept that their share of the aid money in the second round goes below the one received in the first round. Such behaviour on the part of G stems from fairness considerations —if they consider it unfair that L enhances his income from aid transfers over time when this is done at their expense—, or from long-term rationality, —if they are keen to defend their future interests because they anticipate that other games are going to be played later. In those cases, a norm of sharing tends to be established and L has to abide by it, which implies that he must set an intertemporally constant division rule. The share granted by L to G is predicted to be just equal to the minimum demanded by the latter if the former is rational.

It bears emphasis that, by assuming L to be constrained by the normative behaviour of G , we have surreptitiously ushered a long-term horizon in the mechanism. In other words, the two-period game presented above is actually the reduced form of an infinitely repeated game. This is also true because of another feature of the mechanism, namely the fact that A 's threat of punishing an association led by a dishonest L is (assumed to be) credible. Such punishment, it must be pointed out, carries a cost for A since the funds earmarked for a failing community-based project can be re-allocated only at a cost. Therefore, for the threat of withdrawing funds to be credible, it must be the case that A derives gains, presumably long-term gains, by strictly enforcing threats in the present

circumstances. Again, this assumption amounts to embedding into our mechanism long-term considerations that are played over an infinite or indeterminate period of time.

There are essentially three main results obtained from modelling the above mechanism (for more details, see Platteau and Gaspart, 2002). First, the more impatient the donor agency (the more it discounts the benefits enjoyed by the target population during the second period) the lower the share accruing to the grassroots and the smaller the relative amount of the second tranche. To put it in another way, to rush to help the poor is counter-productive.

Second, the less effective the technology of fraud detection the lower the share accruing to the grassroots but the larger the relative importance of the second tranche. The latter result is explained by the fact that late disbursement conditional upon good behaviour in the previous round acts as a substitute for a low-performing detection technology. Note furthermore that the satisfaction level of the donor agency is certain to decrease when such a technology is less effective.

Third, the more difficult it is to recycle development funds, —say, because there is an intense competition between donor agencies for access to well-functioning communities—the lower the share accruing to the grassroots and the smaller the second tranche in relative terms.

On the basis of the model, it is possible to simulate the share of aid money accruing to the poor (henceforth called s), and the share of the total aid budget disbursed in the second round (labelled g) under different sets of assumptions regarding parameter values. For example, if (a) the level of effectiveness of the detection technology is minimum ; (b) the donor agency attaches to aid reaching the poor in the second period a weight equal to only 40 percent of that associated with immediate relief ; and (c) only 40 percent of the aid money can be recycled in the event of fraud detection followed by withdrawal of the second tranche, we find that s is just about $\frac{1}{3}$ while g is as high as 77 percent. The probability of fraud detection is then equal to 0.44. If the values of the parameters mentioned under (b) and (c) are raised to 0.80 instead of 0.40, and if the effectiveness of detection is eight times as high as the minimum level, the portion s works out to $\frac{3}{4}$ while g is $\frac{2}{3}$. As for the probability of detection, it rises to $\frac{1}{2}$.

Note that at equilibrium the leader unduly appropriates for himself an excessive share of aid money and, as a result, there is a positive probability that fraud will be detected. In the aforementioned example of a European NGO working in a Sahelian country, embezzlement has occurred and has been detected. The reaction of the grassroots to the withdrawal of aid by the funding NGO, as has been documented at the end of Section 1, is revealing of the large measure of their agreement with, or understanding for, the leader's behaviour. Informed they were, or they have become, yet knowledge about the exact nature

of the leader's wrongdoings did not prevent most of them from siding with him against the European NGO.

3. Conclusion

We have learned that, in the presence of a potential 'elite capture' problem, participatory development is more likely to be successfully implemented—in the sense of reaching the poor more effectively—if it is carried out by donor agencies which are patient, equipped with a good detection technology (that is, endowed with an organization well-suited for effective monitoring of on-the-ground activities), and not subject to intense competition from rival agencies. Unfortunately, the present rush for community-based development, a massive entry into the field of agencies with very little experience in participatory approaches, as well as the pressing need for quick and visible results, especially on the part of new entrants, are ominous trends that contribute to undermine the prospects of poverty alleviation.

It must moreover be pointed out that many donor agencies do not actually implement the sort of two-stage mechanism described in Section 2. This irresponsible attitude stems either from ignorance—they do not understand the game that is being played—or from cynicism—they have a good grasp of the game but are ready to lie to their finance purveyors in order to stay in business whatever the risks incurred in the long run. As a consequence, not only stiff but unhealthy competition grows between agencies promoting participatory development. What happens, indeed, is that in the same way that "bad money chases good money", ill-designed interventions by ill-experienced agencies tend to undermine the work of good ones. This is because the latter are tempted into giving up gradual and conditional disbursement procedures and opt for the easy way of trusting whichever collective structures spring up to mobilize externally provided financial resources. Such a perverse evolution unavoidably leads to an erosion of the share accruing to the poor and to the strengthening of a rentier class inimical to development. In addition, it has the effect of slowing down learning processes whereby the grassroots acquire experience over time about how to defend their rights and monitor the actions of their leaders.