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Information Distortion, Elite Capture, and Task Complexity in Decentralised Development

by

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Abstract: *A decentralised or participatory approach to development is much more complex than is often imagined by donors, and the advantages typically associated with it are not as clear as they appear at first sight. Communities exhibit characteristics that make them vulnerable to serious pitfalls, particularly in societies dominated by lineage- or patronage-based relations, or in ethnically fragmented societies. Three problems receive special attention in this chapter: information distortion, elite capture, and task complexity. The context of the central analysis is that of externally-supported aid programmes. Much of it also applies to programmes of fiscal decentralisation in which resources available to local governments mainly consist of grants received from the central government, or alternatively from taxes levied by the communities or the municipalities themselves.*

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Introduction

The main advantages associated with decentralised, participatory development lie in the better knowledge of local conditions and constraints (environmental, social, and economic) that communities or user groups possess as well as the dense network of continuous inter-individual interactions that constitute community life (often labeled 'social capital' in the recent literature). As a result of these two features, communities are assumed to be better able than a central government or an external donor not only to set up priorities, identify deserving beneficiaries, design projects, select techniques and inputs, but also to enforce rules, monitor behaviour, and verify actions. Furthermore, people's motivation to apply effort and to contribute resources is expected to be stronger when they are let free to choose their objectives and their ways to achieve them rather than being told from above what to do and how to do it (see, e.g., Hoddinott *et al*. 2001; Conning and Kevane 2002; Bardhan 2002; Platteau and Abraham 2002, 2004). In view of all these advantages, participatory development is viewed as an effective mechanism for reducing poverty and empowering the poor, for spreading democracy and accountability, and for making progress both inclusive and sustainable.

Given the above diagnosis and following the disappointing performances of development aid when channeled through central governments, it is not surprising that the donor community, bilateral donors and big international organisations alike, have laid stress on participation in the design of their development assistance programmes, and/or to funnel substantial amounts of aid money through international or local Non-Governmental Organisations (Stiles, 2002). For example, the World Bank has made the so-called Community-Driven Development (CDD) approach one of the cornerstones of its Comprehensive Development Framework, as reflected in the World Development Report 2000/2001 devoted to poverty alleviation (Mansuri and Rao 2004).

The empirical evidence available, so far as we can judge from recent surveys (Conning and Kevane 2002 ; Bardhan 2002 ; Mansuri and Rao 2003), does not unambiguously confirm the view that community-based development projects are more effective than more conventional approaches in terms of efficiency, equity (reaching the poor), and sustainability. NGOs themselves, contrary to a widespread belief, have not produced impressive results, even with respect to alleviation of poverty and promotion of participation (Carroll 1992; White and Eicher 1999: 33). The same agnostic conclusion emerges from a recent review of empirical studies of decentralised delivery of public services. For the author, indeed, although the studies available suggest generally positive effects of decentralisation, "it is hard to draw conclusive lessons". Caution is all the more required as most studies are essentially descriptive and point to correlations rather than carefully tested causal relationships (Bardhan 2002: 200). The same agnosticism emerges from other surveys more specifically devoted to assessing the impact of decentralisation on poverty reduction. According to them, indeed, there is no demonstrable impact of decentralisation on poverty (Crook and Sverrisson 2001; Jutting et al. 2004; Von Braun and Grote 2002; Asthana 2003).

What I want to argue in this chapter is that a decentralised or participatory approach to development is much more complex than is often imagined by donors, and that the advantages typically associated with it are not as clear as they appear at first sight. Communities exhibit characteristics that make them vulnerable to serious pitfalls, particularly in societies dominated by lineage- or patronage-based relations, or in ethnically fragmented societies. Three problems will receive special attention: information distortion, elite capture, and task complexity.

This chapter is composed of two parts. The first one, by far the most important, examines critically the supposed virtues of participatory development in the context of externally-supported aid programmes. These programmes involve strategic interactions between the donor agency and targeted communities or beneficiaries, often mediated by intermediaries who act as representatives of the latter. Situations in which the resources available to communities mainly consist of grants made by the central government are also relevant for a large portion of the analysis conducted in this first stage of the discussion. As for the second part, it assesses the extent to which the arguments developed in the preceding part apply to a context of fiscal decentralisation in which resources available to local governments arise mainly from taxes levied by the communities or the municipalities themselves.

In Section 1, attention is focused on the possibility of strategic distortion of local information under different circumstances. Section 2 considers the risk of embezzlement of external resources by local elites. Here, the relationship between fraudulent behaviour and the local power structure is explored and, thereafter, the role of so-called 'development brokers' is brought to light. Section 3 addresses the issue of perversion of participation under conditions of donor competition when the information gap between donors and recipients is not the problem. Finally, Section 4 argues that the effects of participation on project outcomes are not necessarily positive: besides the fact that they vary with community characteristics, such effects may be conditional upon certain project characteristics. Note that only the issue examined in Section 3 is not relevant for situations of decentralised development in which communities receive most of their resources from a central government rather than from (multiple) donor agencies. In Section 5, which forms the second part of the analysis, attention is turned to fiscal decentralisation programmes, and their respective advantages and disadvantages are underlined. One of the points made there is that the risk of elite capture does not vanish when communities are made responsible for generating their own resources for local development. Section 6 concludes the chapter.

Before embarking upon the analysis, an important caveat is in order. It is not because a critical approach to participatory development is squarely adopted that the author is opposed to it. Quite the contrary: participatory development is deemed too important to be jeopardised by a precipitous and ill-thought implementation move that underestimates the complexity of the task and runs the risk of perverting participatory processes. My critique is thus destined to provoke thinking so that the cost and time required to make decentralised development work are duly assessed. I believe that in the light of the available evidence it is important to temper present-day excessive optimism about the short-run prospects of participatory development. What we above all need are systematic experimentation with, and continuous evaluation of, participatory mechanisms rather than imposition of a new dogma based on a one-size-fits-all approach to participation.

1. Information distortion in strategic interactions between fund providers and targeted communities

In the following analysis, three cases of information manipulation by grassroot communities are examined in succession. We first consider the case of strategic distortion of information when priorities are set by the communities, then proceed to the case of strategic distortion in the presence of diverging objectives, and finally move to the most complex and interesting case in which communities are heterogeneous and are represented by their local elites in their dealings with the funding agencies.

1.1 Strategic distortion of information when communities are homogeneous and donor preferences are more or less fuzzy

In a first step, consider the simplest, ideal case in which a community is defined as a homogenous entity which (1°) has a clear idea about the way to order its priorities in terms of projects to be implemented, and (2°) needs external support to finance, at least partly, its best preferred project(s). On the other hand, there are funding agencies, foreign donors or the central government of the country concerned, which want to disburse money to the benefit of the communities and according to the priorities set by them. Under these circumstances, it seems, communities would optimally meet their development concerns while funding agencies, assumed to be altruistic (their objective is to increase the communities' welfare), would best allocate their available resources.

In fact, even under these quite fortunate conditions, a problem arises when aid resources are perceived to be scarce (communities believe that some types of projects will not be financed) and when some uncertainty exists regarding the yardsticks or the preference system underlying the funding agency's choice of projects or communities. Confronted with this source of uncertainty, communities are tempted to avoid revealing their true preferences when applying for funds so as to better conform to the perceived preference of the agency. Hence a biased revelation of information by the potential beneficiaries of aid money. The point has been shown formally by Somville (2008) under the reasonable assumptions that (i) the probability of being financed is lower the larger the distance between the preferred project declared by a community and the project perceived to be preferred by the funding agency; and that (ii) the utility obtained as a result of the implementation of a project decreases with the distance between the community's declared project preference and its true preference.

Interestingly, the greater the uncertainty about the agency's preference the smaller the bias in the declared preference of a community. As a matter of fact, an increase in the uncertainty regarding the agency's best preferred project has the effect of reducing the marginal benefit from a bias in the declared community preference, since the marginal increase in the probability to be financed when lying a little bit more about one's true preferences is smaller when the agency's objective is more fuzzy. Conversely, when communities are rather certain about the preference of the agency, they are strongly induced to make a declaration close to that perceived preference and, therefore, to depart from their true order of priorities. Such is apparently the situation that obtained in some communities of

Kerala, a southern Indian state which embarked upon an ambitious programme of decentralized development in 1996. There, indeed, some local governments called *Panchayats* thought that a project would be more likely to be financed by the central government if it was identical to those previously implemented by the state or to the sort of projects presented as models by the State Planning Board, the office in charge of decentralization (Nair 2000).

In the polar, yet frequent case in which the agency has a clear and explicit pattern of objectives and priorities that it wants to achieve by disbursing funds to communities ready to fulfil them, we expect the latter to behave opportunistically: they introduce project proposals deemed to conform to the donor's wishes so as to secure access to the available resources. In the words of a village chief from Burkina Faso, "if I give you a hen free, you won't start examining the ass to determine whether it is fat or thin. You just accept it." (Gueneau and Lecomte, 1998: 100). The extent of benefits drawn by a community will then depend upon whether the actual use of aid resources can be monitored by the agency: the more effective the monitoring the smaller such benefits. Conversely, if communities are not well disciplined into implementing the type of project that they have declared to prefer, they will be tempted to divert the resources obtained into their preferred use and their strategic distortion of information will have no welfare consequence.

There is abundant field evidence to show that, in effect, communities strategically adapt their project proposals to the explicit demands of the donors while pursuing their own agenda in the actual use of aid money. In the words of an anthropologist with a long field experience in Mossi villages of Burkina Faso:

> "Confronted with the hegemonic 'project' of the donor, the local population, for fear of losing the aid offer, prefer to remain silent about their practices and aspirations. This is because these practices and aspirations are perceived to be so far away from those of the donor that they are better not disclosed. Such is the vicious circle of development cooperation: the fear of avowing the discrepancy between the two views because it could lead to the discontinuation of the aid relationship, has the effect of strengthening the donor's confidence in the validity of its approach" (Laurent, 1998: 212 –my translation).

The same conclusion has been reached by other authors. For example, Eversole (2003), on the basis of a participatory development programme in favour of Australian aborigenes, observed the following: "Only limited dissent was voiced during the formal meeting in the presence of the funding body. But, privately and in other community meetings, many individuals expressed strongly negative reactions to the proposed project…" (p. 785). Referring to a project intended for improving the welfare of Bhil tribal people of western India, Mosse (2001) noted that choice of priority by local communities, growing eucalyptus for use as timber for housing, was decisively shaped by the villagers' perception of the objectives of the State Forest Department. In his study of NGO (Non-Governmental Organizations) interventions in rural Malawi, Tembo (2003) provides us with an elaborate account of the concrete mechanisms of information distortion that can arise in participatory development programmes. His main contention is that people and communities tend to profess the objectives, and adopt the style, methods, and language of the NGOs so as to obtain access to their support.[1] Typically, this implies pursuing the objectives of empowerment, capacity-building and sustainability, showing concern for gender and environmental issues, following training courses, abiding by certain rules and procedures (e.g., creating committees, holding regular meetings, maintaining a cashbook), etc.

Thus, for instance, training was not viewed by the people as a form of assistance, but as "a facilitating activity attached to the process of receiving some kind of NGO assistance" (ibidem: 97). In fact, people saw training not only as a condition of access to assistance, but also as a source of direct advantages in the form of training allowances. Revealingly, one of the most contentious issues between fieldworkers and villagers concerns the form in which training allowances should be paid: while, on behalf of the NGOs, the former insist that they are paid in kind as gifts of food, the latter want to receive cash allowances so that they can use them in the way they deem fit (ibidem: 64). As pointed out by Tembo:

> "… before the training commenced people demanded that they be provided with training allowances in cash and not food… When the NGO turned to the 'take it or leave it' approach, the people agreed and the training session was conducted, but with a lot of grumbling on the part of the community members. Fieldworkers were surprised and angry with the people, arguing that they were already beneficiaries of long-lasting assistance and should not demand payment for their access to the assistance" (Tembo 2003: 128).

[1] In Tembo's words: "People's preoccupation was to align their requests with what an NGO was providing, in a sense of defending their position for assistance even when the critical problem was something else… in most cases, people were co-operative, in terms of giving appropriate answers to fieldworkers, in order to please them and have access to NGO assistance. This assistance was in order to fulfill other purposes they already formed on their minds. They were negotiating with fieldworkers from a broad background of their experience in which they had critical problems to be addressed or cured… [therefore], the actual purposes of the people could not be reflected in the project design because the people's primary orientation was to successfully access assistance. If they had based their negotiations on their genuine uses of assistance, they might not have been able to access NGO assistance… they preferred to hide the actual uses as long as they succeeded to access assistance, which they could then use for their own purposes" (Tembo 2003: 93-94, 125, 131-32).

Other sources of disagreement arise from NGO preference for participatory processes and for collective rather than individual enhancement. Activities involving participation, such as registration exercises and meetings, which for NGOs were meant for the empowerment of the people, were seen by them as serving the purpose of facilitating the inflow of external resources. As a result, when an NGO phased out assistance, the people often stopped their participation in the committees and organizations built at the initiative of the fund provider. Hence the observation that village organizations set up to secure external financial support "could disband as soon as NGO assistance was over" (ibidem: 121, 146). Villages from Mayo Kebbi in Chad derisively call "groupements-minute" (instant associations) these thousands of groups, committees, associations and the like which suddenly emerge when aid funds are available and quickly vanish from the scene when the opportunity has passed (Gueneau and Lecomte 1998: 64).

Partaking of the same logic of spurious participation is the fact that village organizations and committees set up for the purpose of capturing aid are specific to the intervention of a particular NGO. According to Tembo's account for Malawi, when a new NGO came to a community to provide assistance, people did not mention previous programmes and, therefore, new committees were formed to meet the demand of this new NGO. Change thus tends to be seen in project terms rather than in the context of the people's own construction of their livelihoods (Tembo 2003: 122). Revealingly, the same sort of problems arise in the context of World-Bank supported CBD (Community-Based Development) projects: according to a recent evaluation report, "communities do not appear to have understood that their participation is meant to drive the development process, and see participation in a Bank project primarily as a requirement for them to meet part of the sub-project cost" (World Bank 2005: 50).

In some instances, such as in small-scale irrigation schemes, the requirement that aid beneficiaries are grouped together into collectives is essential because the development project involves the creation and maintenance of a local public good. Nevertheless, when groupings have been quickly formed for the sake of acceding to external assistance, these collective organisations are usually dysfunctional with the result that the public good is under-provided and is not kept in the desired state.

In an extreme case, it is possible that a community has no interest in the activities proposed by an external agency. The utility obtained from external assistance may then consist of the social prestige associated with obtaining a development project in the context of inter-community rivalry, and with enhancing the credibility of existing leadership in such a context. Many village leaders want to have a funded project in their community, just like their neighbouring villages: "In essence, they were open to have any NGO activity in their communities" (Tembo 2003: 93; see also Mosse 1997: 486). Women from the Senegal river valley thus wanted to obtain sewing machines from a foreign NGO because "that is what aid-funded development projects give" and what the neighbouring villages have actually received (Gueneau and Lecomte 1998: 99).

To conclude, conflicts of objectives between aid agencies and communities often emerge because the latter pay much less attention to long-term, strategic considerations (including the building of autonomous organizational capacities), and attach much bigger weight to immediate improvements of life conditions. In addition, they tend to place too much hope in externally-provided resources and to demand that the scale of development activities is increased beyond the limit of their own absorptive capacity. More fundamentally, meaning systems may differ so widely between donors and target groups that the very concept of development at the heart of the donors' approach may not be understood by these groups (Platteau 2004). As is evident from the above, the main divergence lies in the lack of spontaneous understanding of the sustainability concept by recipient communities. While aid agencies are concerned that improvements in people's livelihoods are sustainable over the long run, at least when they are not under pressure to show rapid results to their ultimate contributors, project beneficiaries tend to insist on quick benefits regardless of future consequences. This attitude is to be ascribed to their short-term time horizon and to strong uncertainties regarding long-term aid commitments of external donors.

1.2 Strategic distortion of information with heterogeneous communities: general considerations

In many cases, communities are not homogenous as we have assumed so far. Even in Sub-Saharan Africa, village societies are often strongly differentiated along age and gender lines, seniority of the lineage, etc. This heterogeneity compounds the problem of information manipulation because funding or aid agencies are typically motivated by the objectives of poverty alleviation and empowerment of deprived sections of the population. This gives rise to serious conflicts of objectives with local elites which are inclined to promote their own interests and do not have the same idea of eligibility to external assistance. To push their own agenda, these elites do not hesitate to exploit the information gap that exists between rural communities and donors.

In many instances, the opportunistic behaviour of local elites consists of deceptively including the poor and disadvantaged in their project activities so as to access development aid. Several social scientists have thus emphasized the ability of the village wealthy to represent their own interests as community concerns expressed in the light of project deliverables. As a consequence, donors are frequently deluded into thinking that the motivations of these elites are guided by purposes of collective good (see, e.g., Ribot 1996, 2002; Molinas 1998; Mosse 2001; Harrison 2002; Tembo, 2003). Delusion is all the more likely as the demands emanating from the elites are replete with the sort of pleas and vocabulary that strongly appeal to the donors and, in order to create the appearance of participation, they may go as far as spending resources to build community centres, hold rallies, and initiate showcase labor-intensive activities (Conning and Kevane 2002: 383). Thus, commenting on the Indian experience with village-level democracy (*Panchayati Raj*), Ajay Mehta writes: “Despite significant allocation of resources and the creation of institutions for self-governance, these interventions have not succeeded in either empowering the poor or enhancing their well-being. If anything, they have strengthened the ability of more powerful and more affluent segments of society to control and co-opt the poor to serve their interests” (Mehta, 2000: 16).

Donor agencies, including NGOs, run the risk of inadvertently facilitating the task of local elites. This happens when they rely on institutional mechanisms that have the effect of skipping the phase of empowerment of the grassroots. Typically, they ask the members of the targetted communities to form groups or partner associations and to ‘elect’ leaders to direct them. The risk is then that the most prominent members are selected and given training and control over resources for the community without any detailed and extended communication with the other members about objectives, rights, or duties. As a consequence, the agency has little or no communication with the community except through these leaders, which has the effect of entrenching a privileged minority and discrediting the idea of group action for self-improvement (Esman and Uphoff 1984: 249).

When common people are compliant enough, such as is often observed in hierarchical societies, including them in the associations required by the funding agency and exerting natural authority over them in all discussions regarding the allocation of aid resources is usually sufficient to make the preference of the elite predominate. In fact, as attested by many experiences of the World Bank's Social Funds −a major instrument for the financing of participatory development projects by the Bank−, "prime movers" of projects, such as village headmen or school teachers, often decide which project to choose and implement before any community meeting ever takes place and it is only later that they take the step of informing community members of their project choice (De Haan, Holland, and Kanji 2002; White 2002). The powerless assume the images of the powerful and, since all negotiations with the external agency take place through local leaders or intermediaries, people's priorities are presented in a manner acceptable to this agency, but also suiting the interests or objectives the village elite (Tembo 2003: 95, 145; Nygren 2005). If the poor are somewhat less passive and not so easily manipulable, the elite may have to resort to some sort of arm-twisting tactic to have their way.

Note that, if the external agency is able to effectively monitor the local use of the resources provided, the elite may be compelled to forsake access to these resources, possibly causing damage to the project itself. The story, reported by Tembo, of a self-help scheme for irrigation in a village of Malawi provides a handy illustration of how divergence of objectives between an NGO and the village elite may undermine a development project. The scheme had been devised by a few people willing to divert water from a river in order to grow rice during the dry season. An NGO then appeared which decided to expand the programme in order to allow most people, especially the poor, to benefit from it. This necessitated the construction of a more permanent main water channel made of cement and using skilled labour, both bought by the NGO. Once construction was completed, people were required to divert small channels into their fields and then organize for maintenance of the main channel. Yet, people did not comply. Instead, the original group of irrigators continued to irrigate their crops using the old channel they had built by themselves. The reason behind the boycott is that this group considered the other farmers to be lazy guys prone to free riding (they will "eat on other people's sweat") and, therefore, liable to undermine collective actions such as the maintenance of the new channel. Since it was difficult to reject anybody on the new channel given that it had been financed by the NGO, the original group opted for returning to the old channel and relying only on trustworthy people (Tembo 2003: 115).

To take another example, in a village of Uttar Pradesh (India) concerned by a water supply scheme, groups made of a few households contributed the entire capital cost portion for one handpump. It was understood that neighbouring households would pay them back their share once the pumps would be operational. This did not happen, though, and the handpumps were considered by villagers to be the property of individual households. Some of the 'owners' even go so far as to remove the chain when they are not using the pump so as to ensure preferential access (Prokopy 2005: 1815).

Incidentally, the above examples show that heterogeneity of interests and objectives does not necessarily arise from an opposition between the village elite and the common people, but may also be caused by more subtle patterns of social differentiation inside communities. In particular, different ideas of eligibility to external assistance, and different notions of social justice, may prevail because of different diagnoses about the ultimate causes of poverty and destitution. While development agencies tend to attribute poverty to bad initial conditions, or to a lack of luck and adverse shocks, relatively successful members of a community may place the blame on some behavioural traits of the poor themselves, e.g., laziness, drunkenness, indiscipline, or opportunistic proclivities. Moreover, individuals may be regarded as untrustworthy because they have broken some local social norm (a man has shown disrespect for his father, or he has a sold a piece of land to a stranger without the approval of village elders), and will therefore be considered non-eligible to aid relief whereas the donor agency thinks contrariwise on the basis of other criteria or principles of justice (Platteau 2004: 249; see also Mosse 1997).

Exclusionary tendencies often follow from the fact that rural communities are typically concerned with preserving a sense of social inclusiveness that leads them to exclude certain segments of the population (Conning and Kevane, 2002: 386). In particular, immigrants of more or less recent origin, nomadic people, erstwhile slaves in caste societies, widows may be easily precluded from benefiting from an external intervention. In a recent study of Southern Sudan, it has thus been found that local views about who should benefit from famine relief efforts were very much at variance with those of the aid workers, which caused a lot of problems in the implementation of the project (Harragin, 2003). A similar difficulty emerges from another study dealing with a CBD project designed to promote community-organized and funded schools in Kenya (Gugerty and Kremer, 1999). A more optimistic conclusion has however been reached in still another study that found a good matching in rural Bangladesh between wealth-ranking judgments arrived at through a Rapid Rural Appraisal technique, on the one hand, and ratings obtained by using standard socioeconomic indicators from a household survey, on the other hand (Adams et al., 1997).

Before looking at the empirical evidence from the economic literature, there is an important theoretical result obtained by Somville (2008) that deserves to be mentioned. What he shows, indeed, is that in heterogeneous communities in which an elite group and a target group of poor people coexist which have different preferences regarding development projects, the distance between the project submitted to a donor by the community represented by its elite group and the optimal project corresponding to that favoured by the target group depends in a complex way on the level of severity of the donor. More precisely, the relationship between these two variables is not monotonic but U-shaped. As a consequence, the donor who maximizes the utility of the target group and chooses his optimal level of severity, should avoid maximum severity and zero tolerance. This is because when the donor is too severe the elite group does not lose much by submitting a project proposal closer to its own preference and further away from the target group's preference: by doing so, the marginal benefit obtained from having a project closer to its own preference actually outweighs the marginal cost resulting from a fall in the probability of project acceptance. Note that in Somville's model the level of donor's severity is measured by a parameter which sets up a maximum distance between the project submitted and the belief of the donor regarding the best project for the poor: when the project submitted is such that this maximum distance is exceeded, the project proposal is rejected.

1.3 Strategic distortion of information with heterogeneous communities: empirical evidence from the economic literature

A glance at the economic literature on decentralized or participatory development reveals that economists have focused most of their attention on the issue of whether poverty reduction can be more effectively achieved through an allocation of resources that is decentralized (via a local government) or participatory (via a community organization representing the interests of the beneficiaries themselves) than through a centralized mechanism (for a statement of the problem, see Bardhan and Mookherjee 2000). Their theoretical framework usually assumes the existence of some form of voting process at the local or community level in which the weight of the poor, who have different preferences from the rich, is expected to play an important role. In many cases, the theory is then tested against the facts.

For instance, Rosenzweig and Foster (2003) use a model of two-party (the poor and the non-poor) representative democracy with probabilistic voting in which local governments must choose to allocate public resources among different public goods for which the preferences of the poor presumably differ from those of the rich. A key prediction of the model is that, in villages with democratic governance, an increase in the population share of the landless should result in outcomes that are, *ceteris paribus,* more favourable to the poor, that is, greater road construction or improvements (which are relatively labour-intensive) and smaller public irrigation infrastructure (which benefits the landed households especially). The prediction is borne out by the econometrics applied to a twenty-year panel data set from 250 villages in rural India. As a matter of fact, increases in the population weight of the poor appear to enhance the likelihood of receiving pro-poor projects but only in villages with elected *panchayats*. When more traditional leadership structures prevail, no such effect is observed, leading to the conclusion that local democracy seems to matter for whether or not decentralization benefits the poor.

On the other hand, evidence from a decentralized food-for-education programme in Bangladesh led Galasso and Ravallion (2005) to the conclusion that the programme was mildly pro-poor, in the sense that a somewhat larger fraction of the poor received benefits than did the non-poor. Yet, the targeting performance turns out to have been worse in more remote communities or in communities where land inequality is greater, which presumably reflects a larger extent of appropriation of benefits by the elite when the poor wield little bargaining power.[2]

Studying the impact of the Peruvian Social Fund on poverty targeting, Paxson and Schady (2002) found that this World Bank-supported mechanism for the delivery of public goods (schools, clinics, roads, water and sanitation facilities) in poor communities successfully reached the poorest districts, yet did not reach the poorest households within these districts. As a matter of fact, better-off households were more likely to benefit from the Fund's investments. From a case study on the Jamaica Social Investment Fund, Rao and Ibanez (2001) concluded that the overall quality of the match between local preferences and project achievements was poor. Only in two of the five communities studied was the project obtained consistent with the preferences of a majority in that community. Furthermore, better educated and better networked people were more likely to obtain projects that matched their

[2] To understand the behaviour that underlies the allocation of resources driving such results, the authors have assumed that a community is maximizing a positively weighted sum of utilities featuring the situation of two population groups, poor and non-poor. Communities are thus able to achieve an efficient allocation of the resources put at their disposal by a central agent (the so-called Project Office) which does not observe how much is going to the poor in each area but takes the behavior of communities into account while setting the budget allocation between them. The weights on the utilities of the poor and the non-poor are interpreted as 'capture coefficients' arising endogenously in a voting model with differences in voter information between the poor and the non-poor. Moreover, the weights are assumed to depend on characteristics of the poor and non-poor, as well as the local political and economic environment, and the programme itself.

preferences. As for Banerjee and Somanathan (2005), they emphasise the presence of serious negative discrimination against certain disadvantaged groups in India, the so-called Scheduled Castes and Scheduled Tribes which together represent almost one-fourth of the Indian population.[3] This discrimination is reflected is their low access to public goods and services.

In short, when social differentiation and power asymmetries are strong, decentralized or participatory development is tantamount to participation by the rich and the powerful at the expense of the poor who remain voiceless and helpless. It is in this sort of context that an empowerment approach is needed to help the poor not only to articulate their needs and assert their interests in front of the village elite, but also to monitor the behaviour of the latter, to confront them if needed, and to take leadership positions. A few studies seem to suggest that, where reliable empowerment mechanisms exist, poverty can be effectively reduced through decentralised development.

Thus, Pande (2003) has shown that, in the same country, when disadvantaged groups (lower castes, tribal groups and landless people) are able to elect their own representatives at the local level where allocation decisions are made, a larger share of available governmental resources accrue to them. The same result has been obtained by Chattopadhyay and Duflo (2004a, 2004b) in a study focused on the situation of women and the impact of reservations of local government positions for women in two Indian states (Rajasthan and West Bengal). They obtain significant effects on the allocation of expenditures between drinking water, roads, and education centers which are thought to better reflect women's interests.

Besley et al. (2005) have studied the relationship between participation and equity in the functioning of the *panchayat* system in four southern states of India. One of the responsibilities assigned to these village-level elected bodies is the selection of beneficiaries for the distribution of the BPL (Below Poverty Line) card, which is meant to benefit the most disadvantaged households by entitling them to subsidised food and making them eligible for various welfare schemes. A central aim of the study was to assess whether the quality of targeting has been improved when regular village meetings are held in which people get the opportunity to express their demands and hold the elected officials to account. The authors find that, indeed, the holding of these meetings did have a significantly positive effect on

[33] Lists of Scheduled Castes and Scheduled Tribes, considered as socially marginalised groups of the population, were created separately for each Indian state. The constitution in 1950 required that seats in parliament and in the state assemblies be reserved for candidates from these two groups, which, in addition, were entitled to jobs in public employment and seats in higher education, all in proportion to their share in the population (Somanathan 2007).

equity in the following sense: members of disadvantaged groups, illiterate and landless people, and individuals from the lowly scheduled castes and tribes in particular, were more likely to receive the BPL card in villages that held the meeting compared to their counterparts in villages that did not. Yet, the evidence adduced in this study is not all according to expectations based on the virtues of participation and empowerment. Thus, the reservation of local office positions for women has a negative effect on the allocation of BPL cards.

In the same line, Kumar (2008) has recently examined the impact of a community-driven project known as the District Poverty Initiatives Project (DPIP), on the targeting of another government-sponsored scheme, the aforementioned BPL card project. The area of study is another Indian state, Madhya Pradesh. Under DPIP, funds are provided to self-help groups for any approved income generating activity. The approval process occurs through a village meeting wherein all groups have to put forth their project proposals and the entire village votes. Since these meetings are similar and run parallel to the traditional village council meetings called by the elected panchayat, it can be presumed that the village meetings run under the auspices of the DPIP project help familiarise the villagers with the concept of village council meetings and their benefits. Moreover, if the elected village council bears the responsibility of allocating the BPL cards, the preliminary list of beneficiaries is ratified in the village council meeting. There is thus ground to believe that DPIP could indirectly lead to improved targeting of services administered by the panchayats by promoting awareness, encouraging attendance and active participation in the village council meetings.

In order to test this hypothesis, Kumar designed a survey that covered 6000 households across 300 villages. She is then able to show that being a DPIP village improves targeting of BPL cards among landless households by 5 percent, and by 17 percent among households belonging to lower castes. In other words, DPIP villages appear better able to target BPL cards to the most disadvantaged groups. In addition, households in the project villages are more likely to be active in village affairs and there is greater evidence of collective action. Furthermore, households in DPIP villages have greater information about the timing of village council meetings. On the other hand, belonging to a DPIP village has an ambiguous impact on attendance at these meetings. Yet, those who attend are more likely to actively participate in a project village when there is a DPIP in the village than when there is none.

Turning now to rural China, studies available (Wang and Yao 2007) present us with ambiguous results about the impact of elections in which the targeted beneficiaries are allowed to play a significant role. On the one hand, using data for 48 villages located in eight different provinces, Wang and Yao (2007) find that, paradoxically, competitive elections may actually hurt local-level performances. In the context of this study, competitive election means that the village committees are chosen in a democratic voting process rather than being nominated in the course of a government-controlled election. A series of dummy variables are used to capture the degree of competitiveness of local elections: popular (direct) election is considered to be the most competitive form of contest while government appointment is the least democratic. As for performances, they are mainly measured by the share of public expenditures in the local budget (compared to office maintenance, salaries of the members of the village committee, and revenue shared with the township government). Since public expenditures include transfers to households and spending on public projects such as local roads, village schools, irrigation systems, and healthcare facilities, they are assumed to ubiquitously benefit the majority of the villagers.

A central finding of the study is that compared with a candidate from a government-controlled election the village committee chosen in a popular election significantly reduces the share of public expenditures. Moreover, an election in which candidates are nominated by village representatives has the effect of reducing fiscal sharing with the township significantly compared to a government controlled election. The latter result is an adverse consequence of democratic elections since many public goods and services, such as schools and roads, either directly depend on the township budget or need coordination among villages. By contrast, a study based on a sample of villages from Jiangsu province (Zhang et al. 2004) found that village elections have increased the share of public investment and had no effect on the amount of fees handed over to the township. Another study (Kennedy et al. 2004), focused on Shaanxi province and relying on subjective evaluations of village leaders' performance in a restricted field of action (land matters), came to the following conclusion: compared to elections with government-appointed candidates, more competitive elections, in which candidates were nominated by villagers, produced village leaders who were more accountable to villagers in decisions regarding land reallocations.

That such results cannot be generalised is evident from a host of studies dealing with the effects of participation in the form of co-management of local-level natural resources. For example, a survey of more than 50 villages in Andhra Pradesh (India) shows that, despite concerted effort by policy makers to empower poor and weaker sections of rural population in Joint Forestry Management (JFM) programmes, one of the most comprehensive attempts at decentralization in India, richer and more educated people in the community continue to be significantly more likely to influence the decisions taken (Behera and Engel 2006). In other words, minority groups in the communities, although they may be formally given some authority in the JFM process, are still *de facto* kept out of the decision making process, which is likely to have serious repercussions on the distribution of benefits from the JFM forests" (p. 30). This finding bears all the more noticing as policies to include poorer, more marginalised groups in forest management committees have been somewhat successful. Clearly, the simple presence of disadvantaged people in a committee is not sufficient to give them a real say in the decision making process. Another study about the same JFM scheme has concluded that the poor are net losers and likely to remain so over a 40-year time horizon. If they participate in JFM, it is just to "state their loyalty to the village leadership". In behaving thus, "the poor ensure that they can partake of at least some village institutions, and they build up their stocks of social capital" (Kumar 2002: 776).

Social differentiation and power asymmetries are not the only kind of heterogeneity that make participatory schemes liable to produce disappointing results. Thus, Alesina, Baquir, and Easterly (1999) have attempted to explain the quantity of public goods supplied at local level by the heterogeneity of ethnic preferences in the context of Indian villages. Their estimates show that the share of such public goods as schools, paved roads and telephones is inversely related to ethnic fragmentation, which thus comes out as an important determinant of local public finance decisions. In the same vein, Cutler, Elmendorf and Zeckhauser (1993) stress the difficulties for collective action (the production of local public goods, in particular) that arise from ethnic heterogeneity. According to them, this is due to the fact that people do not feel concerned by the well-being of others unless they belong to the same ethnic group. It is therefore not surprising that, in highly fragmented societies, electoral competition at local level is often based on considerations of identity, whether ethnic, religious or linguistic (Keefer and Khemani 2005; see also Chandra 2004). Here, what are required to overcome the problem are subtle steps to gradually develop cooperative practices between the diverse population sub-groups.

All this being said, caution is called for when interpreting the above results in so far as most studies surveyed are based on a comparison of predicted and realized outcomes in the absence of strong direct testing of the underlying assumptions. More precisely, it is assumed that a key mechanism of elite dominance is their influence over the type of expenditure or project to be financed from the externally-provided resources. Yet, it is not so easy to identify which types of expenditures or projects benefit the poor more than the wealthy. For example, can we really take for granted that, comparatively to the rich, the poor benefit more from improved roads than from irrigation infrastructure? Thus, "it is often the case that non poor households corner most of the wage work opportunities within their home village, especially when this work is provided by government agencies at an official wage rate that is two to three times the traditional village rate" (Kumar 2002: 776).

As pointed out by Bardhan and Mookherjee (2006a), evidence derived from surveys of living standards of households or individuals classified by socio-economic status would be much more reliable, for assessing the impact of decentralized development on the poor, than reported perceptions of service delivery or evidence based on the composition of public expenditures at the local level. Reported perceptions are vulnerable to serious biases as are all subjective statements, and evidence based on public expenditures, as has just been pointed out, is too indirect to be fully convincing. Fortunately, aside from the aforementioned study by Galasso and Ravallion, works using household-specific data are becoming increasingly available (see, in particular, Björkman and Svensson, 2006; Banerjee *et al.*, 2006).

Finally, we would obviously like to know more about how village democracy works in actual practice. Indeed, in order to show that democratic governance enables the poor to express their preferences and make them prevail, there is no escape from analyzing the concrete process through which they raise their 'voice' in the relevant institutions. By relying on formal voting processes and formal rules of electoral competition, political economy models also ignore other, potentially effective local accountability institutions. It is thus revealing that, in non-democratic countries such as China and Korea, ingenious mechanisms exist at local level to develop trust and cooperation within the ambit of incentive-based organizations and bureaucratic procedures, whereas in democratic countries such as India local-level accountability mechanisms are often quite deficient (see, e.g., Wade 1985, 1990).

When attention is paid to studies that largely avoid the aforementioned methodological problem regarding the use of the composition of public expenditures to assess the needs of the poor results tend to be less encouraging. Thus, in a recent study of the poverty alleviation effects of the Ecuadorian Social Fund (Araujo et al. 2006), the authors exploit the fact that the menu offered by this Fund included basically two types of projects –local public goods (which are accessible to all although they may be valued differently across individuals) and excludable private goods–, and that by far the most important private good provided, latrines built in land plots belonging to community members with no previous access to toilet facilities, were clearly aimed at the poor. The authors propose a simple model of project choice between public and private goods when local political power is unequally distributed. This model yields the prediction that, controlling for inequality, poorer communities would select latrine projects more often than more wealthy ones. Moreover, controlling for poverty, more unequal communities would choose latrine projects less often, as a result of a concentration of power in the hands of richer people.[4] The study finds that the latter prediction is, indeed, supported by the data, strongly suggesting that the programme is captured by the elite to the extent that such a choice reflects differences in power, rather than need.

Bardhan *et al.* (2008) have assessed the impact of local governance on targeting of program benefits by resorting to a household survey conducted in 89 villages spread throughout 15 districts in West Bengal. They find that if intra-village distribution of benefits is generally pro-poor –within a village, less educated people and people from marginal social groups tend to receive more benefits than other villagers−, the opposite is true of inter-village allocation −villages with larger shares of landless and marginal people receive fewer benefits. Furthermore, reservations of seats on gram panchayats (local governments) in favour of women and in favour of scheduled castes and tribes (which in West Bengal have been implemented in 1993), and reservations of Pradhan (i.e. head of the village council) offices to the same population groups (implemented in 1998) appear to have had negative effects on the distribution not only of local public goods but also of a wide range of private goods. In particular, and in a sharp contrast with Chattopadhyay and Duflo (2004a, 2004b), Bardhan and Mookherjee do not observe that women in reserved Pradhan positions allocate more benefits to female-headed households. In addition, they find significant negative effects of women reservations on targeting of benefits to the population of scheduled casted and tribes. For example women seem to be worse at targeting BPL cards and employment benefits to the landless and on allocating housing benefits to female-headed households and households from

[4] Note that this kind of theoretical prediction is identical to that obtained by Bardhan and Mookherjee in some of their theoretical papers analyzing the determinants of the relative efficiency of decentralization. In one of these papers (1999), for example, they have investigated the determinants of relative capture of local and national governments in the context of a model of (two-party) electoral competition with lobbying by special interest groups (the non-poor are organized in a lobby and can make campaign contributions). The most salient result is that relative capture depends on heterogeneity with respect to levels of local inequality and poverty: decentralization will tend to increase elite capture in high inequality localities (since higher inequality reduces the level of awareness of the poor, decreasing the level of their political participation) and lower it in low inequality ones (see also Bardhan and Mookherjee 2005, 2006b).

scheduled castes and tribes. Results regarding the impact of reservations of gram panchayat seats are also disappointing.

The origin of such a discrepancy between the findings of Chattopadhyay and Duflo, on the one hand, and those of Bardhan and Mookherjee, on the other hand, deserves to be elucidated. The latter authors explain it by the fact that their study rests on a sounder dataset. First, geographical coverage is wider in the second study which covers all the major agricultural areas of West Bengal while the dataset of the first study includes only the district of Birbhum. Second, the data used by Bardhan and Mookherjee cover a period that includes two elections after the 1998 reform, in contrast with the dataset of Chattopadhyay and Duflo which covers only one election (over the period 1998-2000). Third, Bardhan and Mookherjee use information on benefits reported directly by households while Chattopadhyay and Duflo use gram panchayat's activities reported by the Pradhan and information provided by villagers on infrastructure investment at the village level. Four, and most critically, while Bardhan and Mookherjee's study includes a wide range of private benefits (such as credit, agricultural minikits, employment, BPL cards, housing and toilet), that of Chattopadhyay and Duflo focuses on public goods such as drinking water, roads, irrigation, and education centers.

The last study on which I want to report is a study by Labonne and Chase (2006) dealing with a Community-Driven Development programme in the Philippines. It is especially interesting because it uses ex-ante data on the preferences of both households and village officials regarding the most pressing development problems faced by their community, as well as data on the project proposals put forward for funding in communities that did not actually receive funds. One of the key findings is that inequality has a negative impact on the way household preferences are aggregated at the community level: in more unequal communities, the village official is more likely to have his preferences represented in village proposals with the effect of biasing the proposal selection process in a pro-elite direction.[5]

1.4 Strategic distortion of information with heterogeneous communities: empirical evidence from the social science literature

[5] Rather unexpectedly, they also find that in more unequal villages the elite is more able to influence inter-village competition such that project resources flow to their villages. The net effect on the poor is therefore not clear.

When it comes to assessing the impact of participatory processes, it is striking that the social science literature appears to be much less optimistic than the economic one. While explaining such a discrepancy, one has to bear in mind that the methodology used by social scientists is quite different from that used by economists. Whereas the former follow a case study approach that implies studying a few communities in a rather in-depth fashion, the latter base their conclusions on data systematically collected in a large sample of communities. The two approaches can be helpfully considered as complementary, but since there is a wide discrepancy in the pictures that emerge from them, a lot of effort needs to be devoted in the future to understanding its possible causes. At this stage, I just want to illustrate this divergence by referring to works of social scientists dealing with the specific case of India.

In an aforementioned study, Nair (2000) has studied two villages of Kerala where he observed the impact of decentralised decision-making. In one village, as many as 78 percent of the beneficiaries, and in the other village 38 percent among them, did not at all participate in the local projects destined to benefit them. Participation in the meetings of the village council is disappointingly low in the two locations. Moreover, while attendance is quite large in the meetings during which individual beneficiaries are selected, few people deem it worth the while to participate in meetings aimed at discussing local projects. This finding is confirmed by Vijayalakshmi (2003a): none among the *panchayaths* that she studied succeeded in meeting the 10 percent attendance quorum to the council meetings (see also Sethuraman 1999).

Worse appears to be the situation outside of Kerala. Thus, in the neighbouring state of Karnataka, we are told that even when women or representatives from the scheduled castes and tribes (which represent marginal social groups in the context of the caste-based system of India) have a seat in the *panchayath*, they are generally manipulated by their husbands (for the former) or their local patrons (for the latter), who ultimately decide how they should vote or express their opinions (Blair 2000). In the northern states of Rajasthan and Madhya Pradesh, participation rates in the meetings and decisions of the village councils are below 10 percent. Educated people wield a lot of influence and the president has the ultimate say in important matters. Ordinary villagers, women and members of backward classes in particular, feel quite helpless about such power asymmetry, which goes a long way towards explaining why they are not motivated to attend the meetings (Alsop et al. 2000).

2. Local elite capture

2.1 Fraudulent behaviour and the local power structure

In the above, we have considered a first form of elite capture whereby, in the presence of heterogeneous preferences, the village elite succeeds in imposing their own interests and objectives while negotiating projects with external funding agencies. Let us now turn to a second form of elite capture under which power-wielders at village level, even assuming that their objectives and preferences are identical to those of the poor, do not hesitate to appropriate an unduly large share of the external resources provided to the community. In other words, a sheer embezzlement of these resources occurs. Empirical studies by economists concerning this second and more blatant form of elite capture are simply absent for the obvious reason that embezzlement is extremely difficult to document in any systematic manner. Indeed, being a more blameworthy and less avowable practice than capture of the first kind, it tends to be subtly concealed at least from external fund providers and, a fortiori, from researchers compelled to use interviews of a rather crude kind owing to severe time and resource constraints (for a remarkable exception, see Olken 2005).

Not surprisingly, therefore, evidence of embezzlement by local elites is typically anecdotal, which does not mean that it is insignificant. In point of fact, cases of embezzlement have been uncovered by many fieldworkers with a prolonged engagement with rural communities. Because of the piecemeal character of the evidence available, however, it is hard to specify the conditions under which elite embezzlement is more or less likely to occur.

This being said, it seems a well-grounded fact that inegalitarian village societies are comparatively prone to resource misappropriation, especially if the authority structure has never been questioned by dissenting individuals or groups on the basis of progressive ideologies, and if deferential attitudes prevail among common people. Hence, perhaps, the relatively large incidence of fraudulent behaviour on the part of the chieftaincy in lineage-based societies, for example in Sub-Saharan Africa. There, indeed, a rigid hierarchy of ranks often prevails at the top layer which includes the chief and the council of elders. This council is typically comprised of aged persons belonging to the dominant lineages, foremost among which is the lineage descending from the man who cleared the bush and founded the village. It is from the founding lineage that the village chief usually originates.

What bears emphasis is that African societies have not yet gone through protracted, nationwide struggles whereby the interests of dominated social classes or groups could be asserted vis-à-vis the ruling elite and state power (Kennedy, 1988). In other words, there is no entrenched tradition of genuine civil society movements that are emancipated from the state. This is not surprising in a context where state authorities (including chieftaincies in rural areas) have preempted important channels of potentially lucrative activities in the economy, and where dynamic individuals eager to get rich and/or to exercise their entrepreneurial talents have been absorbed into the regime's rent-generating and collecting patronage networks. What is at work is a logic of "politicized accumulation" narrowly linked to the inclusionary and co-optive strategies of regime consolidation described by Bayart (1986, 1989) and Boone (1992) among others.

As a consequence, the social ideals and other-regarding norms of a generalized kind without which social struggles are doomed to failure could not evolve in Africa and in other areas with similar characteristics (e.g., Haïti, Bihar state in India, Northwestern Province in Pakistan, …). This is unfortunate in so far as such values and norms are precisely useful to promote the emergence of dedicated leaders who are moved by a progressive ideology rather than their own immediate self-interest. By contrast, in many countries of Asia and Latin America, historically-rooted ideals of social commitment are alive that have been transmitted over generations thanks to the education system and civil society movements or associations.

In rural societies dominated by a stratum of chiefs and notables, traditional leaders may choose to oppose any outside intervention that has the effect of threatening their social and economic status, thereby disrupting the local hierarchy of privileges and undermining the local power structure. As a matter of fact, there are numerous stories attesting that the village elite frequently claim priority access to the new resources brought under the auspices of a development programme. If their request is not satisfied, they attempt to appropriate the programme's assets by force or by guile and, if such a strategy does not succeed, they do not hesitate to sabotage the external intervention by manipulating community members so as to incite them to boycott it (for vivid illustrations taken from the author's own repertoire of field experiences, see Abraham and Platteau 2004: 220-21).

Part of poor people's passivity in the presence of embezzlement of aid resources by local leaders may be actually attributed to a ruling system of social norms and values which tend to legitimate elite capture. As a result, what Western donors would consider as blatant fraud or improper behaviour may not appear as such in the eyes of local people who have internalised customary norms that have evolved to vindicate an asymmetrical social structure. Thus, in Burkina Faso, the fact that a local leader, duly elected as the chairman of the local village committee acting as the partner of a foreign NGO appropriated to himself a disproportionate share of the benefits of the aid programme was not deemed unlawful or even shocking by most of the members. They indeed think that without his efforts their own situation would not have improved at all: he is the person who actually created the village association without which the local community would not have been eligible for external assistance. Given such an attitude, it is really not surprising that, when the NGO came to uncover serious financial and other malpractices clearly assignable to the main leader, and when it therefore called on the local committee to sanction these manifest violations of the rules that had been agreed upon, no punishment was meted out and the general assembly even re-elected their leader in open defiance of the NGO's request (Platteau and Gaspart 2003: 1689-90).

In a context where the ability to establish contact and to deal with external sources of funding is concentrated in a small elite group, the bargaining strength of the poor is inevitably limited, hence their ready acceptance of highly asymmetric patterns of distribution of benefits from aid programmes. 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. Revealingly, in the above story, 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 and he made the whole project possible". They believe 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 organisation and the mobilisation 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. Things were left there and the local radio even echoed the leader's viewpoint. Of course, suing him before a court was not deemed to be a realistic option (Platteau and Gaspart 2003).

Stories like this are easily multiplied. What must be stressed is that the attitudes involved are typical of rural societies dominated by patron-client or chief-subject relationships, that is, hierarchical, asymmetric, and highly personalized relations in which poor people's deference and loyalty to the leader(s) is perceived as the best way of ensuring their day-to-day livelihood. In such a social set-up, enrichment of the elite is not considered reprehensible by the poor as long as they are allowed to derive some gains from the elite's actions and they can have their day-to-day subsistence guaranteed by the well-to-do (see Scott, 1976, 1985; Chabal and Daloz 1999: 42). There is no disputing the power of the local 'strong men' and, when the poor sit in a village committee or association, it is essentially because they want to state their loyalty to them (Kumar and Corbridge 2002).

In highly unequal societies, such as in caste-based systems, elite capture is almost certain to occur in the absence of effective empowerment of the weak groups. Even in a state like Kerala where social struggles have contributed a lot to emancipating marginal people, malpractices are frequent. For example, selection criteria are often bypassed to favour politically connected individuals. In the rural communities studied by Nair (2000), almost half of the people confessed that they ignored the selection criteria, and one-third of them were of the opinion that these criteria are flouted for the benefit of individuals with good political connections or with strong ties to the local leadership. According to Isaac and Franke (2002), between 26 and 36 percent of the *panchayaths* manipulated the lists of beneficiaries of local development programmes for which resources had been obtained from the state. Such percentages may be considered rather low by people accustomed to the unfair practices of rural elites prevailing in other Indian states, particularly Bihar, Madhya Pradesh, and Uttar Pradesh. More information about the experience of Kerala will be provided in Section 5.

In egalitarian set-ups, by contrast, identification and punishment of fraudulent behaviour tend to be easier. Such conditions are especially likely to obtain when people interact within the framework of a particular social group. For example, in a Karnataka village (India), **a** caste leader who misappropriated funds collected for caste festivity was severely sanctioned. Not only did he lose his position as leader, but he was also ostracised by his caste group. In order to be re-admitted to the latter (without being reinstated in his leadership position), he had to tender a public apology, reimburse the money, and give a feast to the caste group (Pur 2007: 418).

2.2 The ominous rise of development brokers

It has been mentioned earlier that many international donor agencies tend to require the formation and training of village groups or associations as a precondition for disbursing money in the framework of community-based projects. In countries or areas where community empowerment is low, such a mechanism has the unfortunate effect of encouraging the entry of wealthier and more educated people into leadership positions because of the attractiveness of outside funding (Gugerty and Kremer 1999, 2000; Rao and Ibanez 2001; Brett 2003; Agrawal and Gupta 2005).[6]

What must now be added is that traditional or locally-based elites (elders, heads of lineage, and village chiefs) are not the only sort of leaders who benefit from external resources conveyed under participatory development approaches.[7] Frequently, urban elites 'remember' their geographical origin and reactivate their rural roots when new funds become available which are funnelled through rural groups or communities, or through local governments or municipalities. For example, in Cameroon, as soon as the decentralized programme of forestry management was launched, a 'localism fever' set in: members of the urban elite, consisting mainly of senior civil servants and politicians, began to join in local initiatives by getting co-opted or 'elected' in local committees or associations, or by featuring as resource persons for them. They then established "alliances with town-based companies, to whom they have promised their villages' forests" (Oyono, 2004: 102), giving rise to accusations of "re-centralisation". It is therefore not surprising that committee members have disconnected themselves from the rest of village communities, and that cases of financial misappropriation are widespread (in one documented case, half of the forestry fees have been embezzled by members of the management committee) (Oyono, 2005: 11).

The spawning of local (and foreign) NGOs is another recent phenomenon that must be understood in the light of the redirecting of foreign aid flows. Acting as 'development brokers', political entrepreneurs have been quick to understand that the creation of an NGO

[6] Revealingly, a major problem confronted by the community-based drive attempted during the 1950s by the Ford Foundation and US foreign assistance programmes, and which eventually led to its demise, lay in its inability to effectively counter the vested interests of local elites (Holdcroft 1984: 51).

[7] This section is largely inspired from Platteau 2004.

has become one of the best means of procuring funds from the international community (Meyer, 1995; Bebbington, 1997; Bierschenk, de Sardan, and Chauveau 2000; Lund 2006). In many instances, government officials themselves are directly involved in the formation and leadership of local NGOs. They often have two visiting cards, one showing their function and title in a government department and the other presenting them as a chairman or a chairwoman of an NGO. As pointed out by Chabal and Daloz (1999: 22-24), a massive proliferation of NGOs is "less the outcome of the increasing political weight of civil society than the consequence of the very pragmatic realization that resources are now largely channelled through NGOs". As a consequence, "the political economy of foreign aid has not changed significantly…the use of NGO resources can today serve the strategic interests of the classical entrepreneurial Big Man just as well as access to state coffers did in the past…".

Thus, in the case of Benin, a West African country especially spoiled by the donors, local NGOs and associations, which are often "empty shells established with the sole purpose of capturing aid", have multiplied within a short period of time to number several thousands. Many others wait to receive the approval of the Ministry of Interior (Le Monde, 26 February 2001). In Mali, there were 1,467 NGOs registered locally in December 2001 (Coulibaly 2003: 24). In non-African countries, also, NGOs often constitute "an opportunistic response of downsized bureaucrats, with no real participation or local empowerment" and, inevitably, programme officers themselves become involved in the creation of community institutions (Conning and Kevane 2002: 383-84; see also Meyer 1995; Bebbington 1997; Gray 1999).

The Economist's allegorical statement that NGOs "often sprout up, like plants in the sunlight, solely to bathe in this foreign money" (Special Report *Aid to Africa*, July 2-8 2005, p. 26) seems well-justified in the light of the above sort of evidence, yet it singularly contrasts with the contention of a sociologist of the World Bank according to whom "NGOs insert themselves not as a third and different/independent actor, but as an emanation and representation of the community" (Cernea 1988: 10). What needs to be stressed is that the risk of capture by opportunistic development brokers is high when self-conscious, organized local communities do not actually exist prior to the opening up of new development opportunities by state agencies or international donors (see Li 2001, for a well-documented illustration of this possibility), while donors simultaneously assume *a priori* that the beneficiary communities are strong and their leadership accountable (McDermott 2001).

3. **Perversion of participation under donor competition**

In a genuine participation process, people should contribute toward the production of the private or public goods and services that external assistance makes possible. Indeed, if these goods and services carry a high value for them, and if they have the wherewithal to finance part but not all of the production expenditures involved (in particular, they can bear expenses in kind, such as supplying the labour required for the construction of some village facility), the beneficiaries should be willing to participate in the investment. Leaving the free rider problem aside (everyone would like others to carry the burden of cost contribution), one would actually expect people's contributions to signal the intensity of their preference and positive motivations for the project at stake and, hence, to have a positive impact on the aid project outcomes.

The available studies do not, however, lead to unambiguous conclusions in this regard. While some studies show that capital cost contribution (measured, say, by the percentage of households in the village who have contributed) is positively related to the effectiveness of project outcomes, other studies lead to the opposite conclusion, or show no significant impact (Prokopy 2005: 1801-1806, for a survey of the literature on water supply projects). The ambiguity of these results is perhaps not surprising in so far as cost contribution is typically not voluntary but imposed by many donor agencies as a precondition for releasing aid funds. It is, therefore, possible that beneficiaries contribute only reluctantly so that the presumed favourable effect on project effectiveness does not take place.

But why should they be reluctant to participate? Two possible explanations spring to mind. First, as discussed in Section 2, the aid-assisted project may not belong to the people's top priorities (thus violating the above-made assumption), or it may be a priority objective, but only for the village elite which has the power to shift the entire burden of the local contribution to the poor. Second, people may think that they could get the (desired) project for free. This is likely to happen (i) if they feel that the donor agency is rich enough to provide all the necessary resources instead of insisting on a local contribution, and/or (ii) if donor competition is sufficiently stiff to make villagers hopeful that the local contribution requirement can be somehow circumvented or tampered with.

There is suggestive evidence to show that, in contexts where competition between donors is acute, such as is observed in many poor countries with a rather good record of political stability and human rights, local contributions are difficult to extract. Worse, potential beneficiaries are often found to demand from the aid agency extra payments for themselves in the form of *per diem* or special allowances. Here, again, Tembo's findings regarding Malawi are instructive and, according to my own experience, can be safely extended to a great part of the African continent.

The villagers' image of foreign donors, NGOs in particular, rests on a perception of them as humanitarian agencies that have plentiful resources at their disposal to alleviate poverty and improve the levels of living in economically backward regions of the world. By way of consequence, beneficiaries believe that these agencies have enough money to cover what they are asked to pay or to supply on account of local contribution. Naturally enough, they may be easily led into thinking that local contributions or their equivalent are pocketed by fieldworkers or agents acting on behalf of the aid organizations. As expressed vividly by a villager: "what we perceive is that these organizations are using our villages to eat their money because when a lion catches a cow it goes hiding far away in the forest. This is what happens with these organization officials. When money comes to assist us in the village they just use it themselves and report to donors that they have assisted such and such areas" (cited from Tembo 2003: 105). The suspicions of dishonesty thus aroused are not conducive to effective project implementation.

In the same manner as they cannot imagine that aid agencies ask for local contributions, since they are thought to have plentiful resources at hand, they cannot imagine either that these agencies choose to give loans instead of grants, especially so if loans carry interests. As explained by Tembo, the realization that NGOs give loans instead of grants immediately creates the image of "NGOs making their profits" in the minds of villagers, including traditional leaders, committee members and better-off people (Tembo 2003: 109). When NGOs started demanding repayments from people and did not hesitate to use coercive means, such as confiscation of the defaulter's property, the villagers were shocked and conflicts erupted. Again, the suspicion emerged that fieldworkers or NGO agents must have concocted this stratagem in order to steal money intended for the grassroots.

The pervasive presence of *per diem* and other allowances is to be seen in the same perspective of aid organizations perceived as richly endowed agencies driven by humanitarian considerations. Yet, it can be properly understood only in a context of stiff competition between such agencies, as reflected in the actual or potential presence of several donors in the same community.[8] Under these conditions, indeed, the village elite or the leaders of the village 'partner' associations feel emboldened to ask for additional advantages from the

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[8] Such a situation gives rise to substantial confusion because donor agencies typically act in an uncoordinated manner (World Bank 2005: 35-36).

donors. This demand is typically justified on the ground that they have to devote time (and resources) to the project, and that this time has a substantial value for which they ought to be compensated. There is an obvious parallel between this way of arguing and the reasons put forward by a local leader to vindicate his fraudulent use of NGO funds in an above-told story (see supra, Section 3.1). This is forgetting that external assistance is aimed at benefiting local people (including the elite), so that compensation is not really justifiable. Hence the understandable surprise and anger of fieldworkers when they find themselves confronted with the pressing demands of local leaders or beneficiaries for particular advantages, such as personal vehicles, training allowances (see supra, Section 2), or *per diem* for the attendance to committee meetings.

The essential difference between allowances (*per diem*) and aid embezzlement is, of course, that the former is an official payment whereas the latter is an illegal, hidden practice. Since allowances are official, their level is determined as a result of a bargaining process between an aid organization and a local leader or village elite. What we then expect is that the stiffer the competition between aid donors the more attractive the exit opportunities for a local leader in the event of failure of the negotiation, and the higher the rent (say, under the form of explicit allowances) he will be able to extract from the donor agency. On the other hand, when analyzing aid embezzlement, one has to consider that an information gap exists between the donor and the local leader. The leader's fraud can be detected with a probability that increases with the size of the fraud and, in the event of fraud detection, the leader is punished by the donor (through withdrawal of the subsequent tranche of aid money in a multi-period framework, or through imposition of a fine in a one-period setup). Under such conditions, it can be shown that the leader will capture a positive share of the aid resources at equilibrium, and his share increases with the extent of donor competition. At least, this is true if the leader attaches more weight to his own well-being than to that of the other community members, or if his accountability to the latter is limited. If local leaders are benevolent −a possibility suggested by Rao and Ibanez (2001)−, the problem of elite capture obviously disappears.

4. The positive effects of community participation on project outcomes: a conditional result

A central question when dealing with the participatory approach to development is the impact of participation of beneficiaries in project decisions on the effectiveness of outcomes achieved. The common assumption is that a greater community participation should promote projects and assets (both private and public) that are more responsive to the needs of the poor, better adapted to local expertise and know-how, and more properly maintained. Community participation is expected not only to improve the circulation of information, either in the bottom-up (e.g., about the preferences and technical knowledge of local people), or in the top-down manner (e.g., about the external opportunities available), but also to enhance the bargaining power of the beneficiaries by getting them involved in project initiatives and decisions at all relevant levels (design, planning, mobilization of resources, etc). This is the so-called 'ownership' aspect of participation.

Serious methodological problems need to be overcome in order to assess correctly the impact of community participation on project outcomes. In addition to measurement problems related both to independent (how to build adequate indicators of participation) and dependent (outcome) variables, tricky endogeneity problems must be confronted. A first source of endogeneity lies in reverse causation: better projects may lead to greater participation at the same time as greater participation may yield better projects. A second source arises from missing variables: project outcomes and participation may be jointly determined by an exogenous factor (Isham and Narayan 1995). Due to all these difficulties, there are only a few reliable empirical studies to document the effects of participation on project effectiveness (for a recent survey of the whole literature, see Pozzoni and Kumar 2005).

Among those few studies are those of Isham and Kähkönen (2002a, 2002b) devoted to water supply projects in Indonesia, India and Sri Lanka. The authors reach the conclusion that 'design participation' and people's involvement in project decisions are significant predictors of community satisfaction with service design, thus confirming the results obtained by Katz and Sara (1997) on the basis of a broader set of countries.[9] Also, household participation led to different technology choices and levels of service, while project outcomes were positively influenced by user contributions to monitoring activities (for construction as well as operation and maintenance tasks). Contrasting with these findings are those attained by Hoddinott et al. (2001) who studied the effects of participation in public work programmes

[9] On the other hand, Katz and Sara found that in numerous cases little effort was made to involve households in decision mechanisms, and the benefits of water projects were appropriated by local leaders.

in the Western Cape Province in South Africa. Their results indicate that participation has no effect whatsoever on any of the (employment) outcome variables that they have considered.

The work of Khwaja (2003, 2004) deserves special mention because it underlines the need to take project characteristics (in addition to community characteristics) into account while assessing the impact of participation on project outcomes. Based on primary data collected for 132 infrastructural projects funded by the Agha Khan Rural Support Programme (AKRSP) in Northern Pakistan, the study uses the current state of project maintenance as the main outcome measure. For participation, the measure chosen is the fraction of five randomly selected respondents in each community who responded that their household had participated in a particular project decision. This information was collected for several key decisions made from the inception of a project to its operation. Clearly, some of these decisions (e.g., the decision regarding the type of project to choose, how to use and manage it) require a good deal of local information yet do not involve much technical/engineering input. In contrast, decisions such as selecting a particular site for the project, its scale and design are likely to have the opposite characteristics.

The (econometric) results obtained by Khwaja appear to be quite robust. Whether participation levels are considered separately for each type of decision or are averaged in non-technical and technical decisions, they consistently show that greater community participation in non-technical decisions is associated with higher project outcomes whereas in technical decisions it actually leads to worse project outcomes. In conclusion, participation may not always be desirable, and it would be wrong to place too large a burden on community participation because its limitations are ignored (Khwaja 2004: 436).

There are actually plenty of examples showing that technical choices favoured by villagers may be mistaken owing to a lack of knowledge about general conditions in which a project takes place. For example, there are common problems with local priorities for network infrastructure services that depend on the reliability of activities further up the chain. A rural community may thus identify as their top priority the rehabilitation of an irrigation canal or an agricultural access road, but if the main irrigation channel that feeds the local canal or the main highway to primary markets is in disrepair (and other actors are responsible for the higher level service), the community may be building a useless irrigation canal or a road to nowhere. In addition to the knowledge problem, some local services have spillover benefits, and higher level rules on such services or conditional transfers to meet these needs are perfectly legitimate. To take another example, community participation might identify health services as the top priority, but the replacement of a contaminated water supply that citizens are unaware of (because water is plentiful and it tastes fine) could be a more important factor in promoting improved community health than a new health centre.[10]

Let us return to Khwaja's study in order to consider the impact of community characteristics. His conclusion in this respect is that socially heterogeneous communities have lower project outcomes than more homogenous ones, at least over a certain range (see also, e.g., Molinas 1998; La Ferrara 2002; Bardhan and Dayton-Johnson forthcoming).[11] The latter finding is not always obtained, however. Thus, from the work of Somanathan *et al.* (forthcoming) on Indian forestry, we learn that communities that are more heterogeneous in terms of caste composition do not have lower outcomes in matters of pine forest conservation. Mosse (1997), who has studied water tanks in South India, has observed that development projects are not necessarily better managed in traditionally cohesive or rather egalitarian village communities. In some areas, at least, tanks seem to be managed more effectively when there exists a strong caste authority that creates order and discipline among users, in particular, when it comes to mobilizing individual and communal labour. Moreover, motives and constraints considerably differ if collective action concerns a public good that carries special meaning in the context of local culture (and even productive physical assets, such as irrigation tanks, can be the repositories of symbolic resources), or if it is a development project based on imported concepts such as equality, democracy, and efficiency (see also Laurent 1998; Platteau and Abraham 2002).

In some important instances, the relevant meaning of heterogeneity may be the fact, largely overlooked in the economic literature, that an individual forms part of several communities, not all of which have a clear geographical location (Conning and Kevane 2002: 381; Lund 2006: 693-95). In the presence of multiple communities and multiple, possibly conflicting identities, it is difficult to say *a priori* whether heterogeneity is a good or a bad thing for local cooperation. The circumstances surrounding participation must be spelled out in detail before one can figure out the plausible effects of heterogeneity. For example, if the leaders of a village community belong to networks of relations outside the village, their position may either strengthen or undermine collective action and (democratic) participation at the level of the residential community depending on the nature of the external networks (e.g., do they include 'development brokers'?), the manner in which they are mobilized by the

[10] Thanks are due to Paul Smoke for suggesting these examples to me.

[11] Khwaja also found that community managed projects are better maintained than projects managed by the local government.

leaders for development projects, the extent to which they serve as exit opportunities for them, etc.

In short, the concept of community must be viewed as a deeply contextual and endogenous construct, rather than as a fixed datum onto which participation mechanisms can be readily grafted. Furthermore, the influence of heterogeneity on project outcomes cannot be stated in any general manner, because heterogeneity may exist along many different dimensions and its impact is likely to vary according to the historical, social and political environment (Baland and Platteau 2003; Mansuri and Rao 2004).

5. Fiscal decentralisation

Many of the aforementioned failures of participatory development could apparently be surmounted if communities and their leaders could be drawn into an infinite rather than a finite game. Repetition of the game over an unlimited or indefinite period, so the argument runs, would allow reputation effects and punishment mechanisms to come into play with the consequence of disciplining self-serving local leaders and intermediaries. The ideal situation here is that of fiscal decentralisation under which communities have to generate by themselves a substantial portion of the resources required for locally-defined development purposes. An alternative situation would have the central government provide grants to local communities or municipalities, and let them more or less freely decide how to allocate them. Yet, transfers are conditional in the sense that government complies with local requests for new grants only if performance achieved with the help of previously released tranches is deemed satisfactory. The second scheme, however, is fraught with a serious difficulty known as the soft budget constraint: this is the risk that the central government, moved by political considerations, does not abide by his commitment to deny new tranches of funds in the event of bad performance by local agencies. If they anticipate such behaviour, the latter would not feel constrained by the conditional transfer mechanism, and allocation of centrally provided funds is likely to be both inefficient and inequitable.

The first mechanism, which compels communities to raise taxes to finance their own needs, looks much more appealing. The idea is that, if local voters are not satisfied with the behaviour of their local representatives and elected councils, they would be able to sanction them by not returning them to power, and/or refusing to pay taxes or supply their contributions (in cash or in kind) in subsequent rounds of the game. In other words, it is hypothesized that under a local democracy common people would succeed in disciplining their leaders by making them accountable, which implies that they can inspect their actions and punish them whenever they detect significant fraud or blatant misuse of the locally provided resources. As is typical in repeated games, a good equilibrium is expected to prevail –here, an efficient and equitable use of funds– if the future consequences of present decisions are properly taken into account (the discount rate of future benefits is not too high), and if information circulates well at the local level. The latter assumption, in particular, is believed to be well satisfied in the context of fiscal decentralisation. Indeed, problems of information distortion between communities, local leaders, and external fund-providing agencies do not arise any more since the latter do not play any major role in supporting community development.

Unfortunately, fiscal decentralisation may easily fail to meet the expectations placed in it in the light of the predictions of repeated game theory. In the following, attention will be focused on five problems likely to thwart the success of fiscal decentralisation schemes or to reduce their attractiveness. This list is not exhaustive since stress is deliberately put on those problems that bear an obvious relation to the preceding dicussion of the pitfalls of participation when resources are externally provided.

The first thing to note is that, when a game is repeated infinitely, we know from the Folk Theorem that the good equilibrium is not certain to be established since there is a multiplicity of possible equilibria. If agents do not devise the sort of strategies that lead to cooperation, say because of adverse norms and beliefs, cooperation will never become an equilibrium outcome. In particular, norms that have evolved under a patron-client system and do not prescribe punishment against leaders as long as they are not guilty of blatant disregard for their clients' predicament (see supra, Section 2), are evidently not susceptible of producing cooperation in a repeated interaction framework. In these circumstances, it is not surprising to hear that, in Nepal, for example, decentralization has created opportunities for elites to dominate decision making at the local levels (Bienen et al. 1990: 72-73). Also bear in mind the above-reported evidence of manipulation of beneficiary lists in Kerala. This again shows that empowerment of the poor is often impossible if they do not learn to emancipate themselves from the tutelage of the rich, and to call traditional ways of thinking into question.

Second, the disciplining logic of the repeated interaction framework is broken if leaders have no long-term interest in their local constituency. In this case, their behaviour resembles that of the so-called development brokers (see supra, Section 2). Unlike community members whose well-being depends very much on local conditions, elected leaders may thus have a small interest in the future of their locality because they have valuable outside options. In these conditions, the assumption of low discount of future results stands violated, and the efficient equilibrium outcome cannot prevail.

It bears emphasis that the problem may come not only from flying leaders but also from corrupt bureaucrats who are largely out of control of the villagers. In Kerala, much like in Indonesia (Olken 2005), it has thus been found that a critical aspect of resource embezzlement lies in the special connections existing between private entrepreneurs, on the one hand, and political leaders and bureaucrats, on the other hand (Isaac and Franke 2002; Sharma 2003; Vijayalakshmi 2003b). These privileged contacts create a lot of room for malpractices consisting of falsifying invoices and over-reporting costs, cheating on quality standards, etc. In order to overcome this problem, the government of Kerala provided that the beneficiaries themselves, through special committees, should be responsible for the carrying out and monitoring of public works such as the construction of village roads, schools and dispensaries. However, this system has not worked according to expectations. In one-fourth of the cases examined by Isaac and Franke (2002), the committee was completely manipulated, being actually formed at the initiative of the entrepreneurs with the approval of politicians eager to preserve the corruption system that benefitted them. Around one-half of these committees had simply ceased to operate while others had to work under the strong pressures of entrepreneurs and politicians. Here is a particularly awkward problem: when they are assigned implementation responsibilities, ordinary villagers or the targeted beneficiaries potentially threaten the vested interests of established entrepreneurs and they are all the more vulnerable to their lobbying as their political friends are acting behind the scene.

Third, local authorities may be nominated through an electoral process that is dominated by political parties which have a nationwide basis. There is then a high risk that these parties attempt to capture local agencies and councils in the same way as they do it at the national level. As a consequence, political competition mainly centers around the question of how to allocate patronage between contending political machines. In this regard, the aforementioned experience of Kerala state with decentralization is especially instructive. Her left-coalition government decided in 1996 to allocate 35-40% of its annual budget for new development plans to projects designed by the local bodies themselves (Véron 2001 : 606). Yet, the central government (the State Planning Board, more precisely) has remained ultimately responsible for setting the national and regional priorities under which the programme is to operate (e.g., priority to productive investments), defining the eligibility criteria, fixing the representation of various population groups or strata in the local decision-making bodies as well as their mode of operation, providing guidelines on what village reports should contain, etc. (Isaac 1998; Isaac and Harilal 1997; Véron 2001). It must also be borne in mind that, following a long period of intense social struggles starting in the 1930s and a widespread literacy and conscientisation campaign, the weakest sections of the rural population, –especially agricultural labourers (always belonging to the lowest castes) and women–, learned to articulate and express their aspirations, assert their rights, and bargain with local power-holders.

These two factors seemed to provide ideal conditions for an effective operation of a programme of decentralised development. Unfortunately, however, such a programme has rapidly become a platform for political favoritism in a country plagued by excessive party-politicization down to the local level. When a political party dominates a panchayat, it thus tends to reward its sympathisers exclusively with the result that many villagers became disillusioned with the participatory process and began to absent themselves from meetings in the gram sabhas (Das 2000: 4302-3). Inbanathan and Gopalappa (2002) tell us a similar story about the interference of patronage politics in local governance programmes of the neighbouring state of Karnataka state (see also Inbanathan 1999, 2000). Recent evidence presented in the aforementioned study by Bardhan and Mookherjee (2008) also suggests that in West Bengal program benefits, at least those of a recurring nature (subsidised credit, employment on public works programs, distribution of minikits of agricultural inputs) and personalised help by the local government correlated positively with the likelihood of voting for the Left Front. Dominated by the Communist Party, the Front has won consecutive elections over more than three decades, a unique feature of the history of democracy. In theory, causation can run both ways, from benefits to voting (simple voter gratitude), or from voting to benefits and from benefits to voting (two-way clientelism). Since voters seem to respond more to recurring than to one-time benefits, clientelism is probably stronger in voter behaviour than gratitude or loyalty.

What the above evidence suggests is that no participatory development can achieve its objectives and realize its potential, especially in the context of economically differentiated rural societies, (i) if an effective and impartial state, genuinely devoted to the protection of the poor, is not available to impose and enforce directions and strictures regarding the *modus operandi* of the decentralisation programme, and (ii) if no real empowerment of the weaker sections of the population takes place that enables them to obtain relevant information, influence policies and monitor the state's instructions at the local level. A genuine dilemma actually arises from these conditions. Indeed, participatory development is deemed especially necessary in countries where the state is inefficient and corrupt and where the civil society is weak (such as numerous countries of SubSaharan Africa) that is, in countries where it is the least likely to be successful. The fact of the matter is that participatory development is no ready-made solution to circumvent or overcome the drawbacks resulting from the absence of an effective state and the lack of organisation among the poor. If the latter are not present, such an approach is bound to be perverted and to miss at least some its main objectives. The experience of Kerala is again useful here because the poor have been genuinely empowered in this Indian state, with the consequence that they were able to express their dissatisfaction at the way the Communist party managed the decentralised programme. This party was, indeed, defeated in the subsequent elections and the most blatant dysfunctionings of the programme could be amended as a result of this signal democratically sent by the voters.

Such was not the case in Indonesia where the new devolution system has resulted in a situation where the provincial regents "exercise their new administrative and financial clout so imperiously that locals refer to them as 'little kings'. Stories abound of reckless extravagance or outright corruption… regents have simply seized companies belonging to the central government, or imposed arbitrary new rules on businesses. Fears of decentralization run amok are beginning to replace fears of Indonesia's disintegration" (The Economist February 15-21, 2003: 54-55). In Bangladesh, likewise, we learn that, under Ershad's decentralization reforms, although people were mobilized at the local (upazila) level, the decisions over allocation of resources continued to be made by elites of politically based factions that controlled the local governments (Westergaard and Alam 1995).

Regarding the disciplining role of the central state, a detailed inquiry into the reasons underlying Brazil's success in decentralization of public service from state to municipal government (in the state of Ceara in the Northeast) has shown that "it had at its core a strong and new role played by central government" (Tendler 1997: 73). More precisely, the (state) government 'kept an iron hand' on some crucial components of the decentralised programmes so as to substantially reduce the opportunities for mayors and local power-holders (especially large landowners) to exercise patronage. Simultaneously, it worked actively (through educational and information-spreading campaigns) to raise the hopes of rural communities about what to expect from their government. The result was a profound change in the dynamics of patronage politics as it related to public service at the local level. That the ability of the central government to set directions and strictures regarding how programmes of decentralised development should operate locally can create much-needed constraints on rent-seeking behavior by local elites (and government workers) is also evident from the experience of Bolivia's Emergency Social Fund (ESF). Here, we are told that "Decentralization worked because centralization worked. The ESF centralized the appropriate things: information, negotiations with international donors, and incentive systems for ESF employees. This in turn enabled it to decentralize the design and construction of rural projects" (Klitgaard, 1997: 1965-67 –quoted from Hoddinott *et al.*, 2001: 12 ; see also Stavis, 1982-83, for Taïwan).

A fourth problem that may plague fiscal decentralisation programmes is the sheer administrative complexity of assessing, levying, and collecting local taxes. Devolution of property tax, to local governments, for example, involves many intricacies that may prove insurmountable when administrative capacity at local level is low. This gives rise to a new paradox: fiscal decentralisation is especially necessary in countries where the administrative capacity of the central state is weak, yet in these countries tax assessment and collection tasks are likely to prove equally hard at the local level.

Finally, by promoting autonomy of local constituencies, fiscal decentralisation is almost certain to encourage local identification, including ethnic differentiation, to weaken allegiance to the central government, and to increase inter-regional inequalities. Bear in mind here the aforementioned experience of fiscal decentralisation in rural China (Wang and Yao 2007), which has the effect of reducing fiscal sharing with townships. Lack of fiscal solidarity is problematic not only because it encourages local selfishness, but also because it undermines the financing of valuable public goods in the presence of externalities that extend beyond the area of localities.

6. Conclusion

This chapter has been aimed at tempering, not defeating, the enthusiasm of the advocates of participatory development. To encourage participation of the intended beneficiaries of pro-poor development is undoubtedly a commendable objective that deserves to be striven for. What has been argued throughout the discussion is that measurement of the impact of participation on development project outcomes is methodologically complex, and, at this stage, there are still few conclusive statements that can be made about the importance and the *modus operandi* of this impact. None the less, we hope to have succeeded in convincing the reader that there is no such thing as a one-size-fits-all approach to participatory development. In fact, a proper participation design needs to be based on rather detailed knowledge of the characteristics of the targeted communities and the environment in which they live. The discussion has drawn attention to the critical role of heterogeneity which varies from place to place along several dimensions (social differentiation, political domination, ethnic fragmentation).

When heterogeneity reflects deeply entrenched power hierarchies, there is a considerable risk that the local elite will distort information in a strategic manner and opportunistically capture a substantial portion of the benefits of external assistance. The problem in many poor countries, is that inequalities, particularly power asymmetries, are often embedded into strong local patriarchies that are not easily called into question. It is, therefore, not surprising that these countries show considerable proneness to elite capture −whether in the hands of local leaders, or in those of development brokers operating from higher up the patronage network− as well as a great readiness on the part of the commoners to accept and even legitimate the unequal apportioning of externally provided resources. In contrast, participatory projects appear to be comparatively effective in areas where economic development is more advanced and more widespread, and where social movements aimed at countering inequalities and oppression have a rather long history. This indicates that characteristics of the institutional environment matter a lot as a support for decentralized development (Finsterbusch and Van Wincklin 1989; Bardhan and Mookherjee 2006: Chap. 1).

Clearly, therefore, participatory approaches to development, such as the World Bank's Community-Based or -Driven Development approaches (CBD and CDD), are no magical medicines susceptible of curing all the ills attributed to the (previously) existing centralized mode of governance. In the end, the following dilemma cannot be avoided: the areas where inequalities are the highest and the most entrenched, and where one would like to implement participatory approaches in order to correct them, are also those where these approaches are least likely to succeed.[12] Other kinds of interventions are then needed to complement and support community-based development. Among those complementary measures, employment-creation schemes directed to the poor should figure out prominently

[12] This conclusion is close to that reached by Mansuri and Rao (2004) for whom the formation of homogenous communities, such as are needed for ensuring effective participation, is much less likely in contexts where mobility is low making communities more likely to be characterized by deeply entrenched power hierachies. Unfortunately, this is where poverty programmes are most needed.

since they may be expected not only to increase their incomes but also to enhance their bargaining strength by helping them to wean themselves off the dependence of local patrons. The fact that, so far, top priority has been given to social sector expenditures under most decentralized development initiatives must therefore be a cause of concern. It is particularly worth stressing that in all successful cases of participatory development, such as in Kerala, West Bengal, and Brazil, "the ground for effective participation was created by years of social and political activism by progressive political parties aimed at mobilizing the weaker segments of the society in a wider enterprise in social transformation" (Osmani, 2008: 35).

Another dilemma that may arise in the context of participatory development projects is the following: greedy village elites may happen to simultaneously capture aid benefits and supply effective leadership for the management of local projects. In this case, the poor may eventually draw benefits from aid interventions even though there is unequal sharing of the externally provided resources. There then exists a trade-off between the objective of poverty alleviation and considerations of equity and social justice to which Western donors typically attach great importance. If priority is given to breaking structural inequalities in social relations and to helping subject people to emancipate themselves from a culture of domination and poverty, mechanisms of collective empowerment (starting with learning to work together, to debate, to make decisions, to keep records, and to implement development projects) and individual advancement (say, through self-employment) must receive primary attention.

Lastly, a long-term horizon is absolutely necessary. Impatience with results and poor designing of the components of participatory programmes −such as moving too rapidly in a way that confronts upfront those who risk losing power and influence, or that overwhelms the capacities of those who gain power−, are highly likely to produce perverse effects and to cause disillusionment on the part of both the external agencies and the beneficiary groups or communities.

It is true that programmes of fiscal decentralisation may bring more discipline on unruly leaders because they create a repeated framework interaction that allows for reputation effects and punishment mechanisms. Information distortion problems are also likely to be less important when local communities rely mainly on their own resources to develop. Nevertheless, such programmes are still plagued by serious problems among which the risk of elite capture figures out prominently. Moreover, local autonomy produces a number of negative side effects that a state bent on reinforcing national integration may wish to avoid.

Finally, success of such programmes critically hinges on a right distribution of tasks between the central state and decentralised bodies, and on sufficient strength of both agencies. In the absence of strong administrative capacities at local level, in particular, fiscal decentralisation programmes are bound to fail.

More generally, effective participation requires the adoption of a multifaceted strategy involving state, society, and the common people. The state must play an important role on several fronts. Not only must the state credibly work toward creating the enabling conditions for civil society and social movements to operate adequately. This involves implementing a whole range of human rights so that weaker segments of the society can participate confidently and independently in the presence of entrenched asymmetries of power; and providing space for civil society and social movements to mobilise and educate common people for participatory enterprises (Osmani, 2008: 36). But the central state must also play a disciplining role so as to substantially reduce the opportunities for mayors and local power-holders (especially large landowners) to exercise patronage.

We are then taken to the logical conclusion that a sound participatory governance implies the existence of a sound governance at the macro level. In other words, effective participatory governance and macro governance are complementary goods rather than substitutes.[13] In the light of the afore-mentioned experiences of successful decentralization, it bears emphasis that good macro-governance does not imply that all the attributes associated with good governance in the present donors' agenda ought to be present. Such a condition would present an insurmountable challenge to most if not all developing countries where poverty needs to be reduced. What seems to matter most is the capacity of the state to set clear priorities, provide leadership, and tame private vested interests that possibly conflict with the objective of medium to long-term growth. It is interesting to notice the similarity between this final conclusion and the findings obtained in recent, innovative studies of the relationship between governance and development understood as economic growth sustained over a

[13] Clearly, the participatory approach is bound to fail in Baluchistan (Pakistan), for example, because there the tribal chiefs tax their people heavily and rule them autocratically. "It is a singular novelty of Baluch politics" that these chiefs "are always in the forefront of every 'democratic' movement to restore the rights of their people". "Yet almost every such leader has a jail to put away his poor tribesmen who dare to transgress against his authority, but none has as yet been known to have built a school or a medical clinic for his people. They are not known to have allowed anyone else to do so either, and frequently those making any such attempt are liable to be kidnapped or at least chased out of the area. They would like to have democracy to the extent that it enhances their own power, but would check any advance by civilization in areas under their control" (Abbas, 2005: p. 80).

medium to long period of time (Khan, 2000, 2004; North, Wallis, and Weingast, 2006; Meisel and Aoudia, 2008).

What comes out of these studies, indeed, is that institutional indicators that best differentiate between successful and unsuccessful developing countries are factors relating to the state's capacity to offer a strategic vision of the foreseeable future for its citizens, to provide them with credible forms of coordination, and to manage divergent interests in the light of this vision so as to stabilise anticipations and reduce uncertainty. Thus, in the study of Meisel and Aoudia based on a new dataset elaborated by researchers from the French Ministry of the Economy, Finance and Employment (MINEFE) and the Agence Française de Développement (AFD), the following institutional variables have been found to matter most for economic take-off: the priority put on development objectives by the national elite; its ability to develop a strategic vision; effective coordination efforts to make common interests prevail over particular interests; the country's aptitude for innovation; competence of political authorities; effective coordination between ministries and political authorities; technological environment of non-financial firms. In addition, the quality of public goods and the security of agricultural property rights and contracts also seem to matter. Other factors such as decentralisation, trade union freedom, efficiency of administrations, effective control of corruption, transparency of public action, formalisation of property rights, regulation of competition, observance of labour laws, security of transactions in the financial system, and social mobility appear to play a role only at a later stage, when the challenge is to catch up with developed countries rather than to embark on a path of rapid and sustained economic growth.

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