

**Operationalizing Social Capital:**  
A Strategy to Enhance Communities'  
“Capacity to Concert”

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Abstract

*This paper addresses a concern increasingly being voiced in the donor establishment: fifty years of development assistance programs have failed to produce conclusive evidence that they can foster sustainable economic and social development in poor countries. The nature of donor programs is such that it emphasizes economic remedies and orients aid to finite projects. Yet recent evidence suggests that sustained development may be more a continued civic process whereby communities form their capacity to come to their own understandings about public ways of behaving and relating, whereby they develop their **capacity to concert**<sup>1</sup>. This translates into a practical capability to pinpoint underlying problems, assess alternative approaches and devise solutions most likely to be sustained. This micro capability may also have important macroeconomic implications in terms of institutional predictability and --through it-- in terms of scale economies, transaction costs, transparency, incentive to innovate and climate to implement public policies. The paper suggests an alternative approach to development assistance and offers concrete recommendations to donors.*

The Challenge

International development assistance is in search of a new paradigm. If we rigorously define development as a society's capacity to determine and sustain its own progress, then development assistance has largely failed. With notable exceptions largely in East Asia, aid-recipient countries seem no less dependent on foreign assistance now than they were two generations ago when such programs started. And where successes have occurred, few of them can be directly traced to the intervention of international donors as opposed to good internal governance sustained over time. Yet, aside from the unresolved issue of optimal market openness, there is considerable agreement among development economists as to the basis of good development policy.<sup>2</sup> So if the policy

recipe is not the secret, the constraint seems to reside in the political and institutional capacity to sustain such policies. Our experience leads us to believe that such institutions are best forged as the covenants of citizens and not directly as the result of external interventions.

We propose that for over half a century development assistance has operated under a questionable premise. The condition of underdevelopment was defined as essentially economic and hence mainly susceptible to economic remedies and to jump-starting by well-placed economic interventions. The challenge to donor organizations then lay in designing the right intervention and choosing the right moment to intervene.

It was further assumed that the donor community could supply all of the conditions of development that were lacking in underdeveloped societies. Countless billions were invested over five decades for this purpose. Yet results have been disappointing: most recipient countries seem no more capable of *sustaining* their own infrastructure, education or credit-making programs on their own now than they were at the beginning. Economic development is evidently about more than economics.

Worse yet, the development “industry” spawned a pattern of behavior to manage and exploit the foreign aid programs. As the thinking on development evolved since the 1950s, the programs of the aid agencies were modified to incorporate the new knowledge. Each step in this thinking contributed to a richer understanding of the development challenge. But as the guidelines of the aid programs changed, recipient governments and service agencies, as well as technical support specialists in the donor countries, redefined their structures to a great extent according to the donor philosophy

*du jour*. The continued adaptation to the donor agenda made countries perhaps too attentive to what donors wanted and thus less capable of setting their own agendas.

Meanwhile by the turn of the century foreign aid budgets began drying up amidst fiscal belt-tightening in the donor countries—just as the collapse of the socialist camp was increasing the number of potential claimants. As human crises surged in Africa and Eastern Europe, aid programs became more “assistential” and less “developmental”. With the 1990s and the rising interest in globalization, the mantra of “trade, not aid” further justified the drop in aid budgets. Development assistance had fewer and fewer defenders among political constituencies in donor countries.<sup>3</sup> What was wrong?

#### The Concept of “Social Capital”

Some recent thinking on development is focusing on how a strong civic life in communities allows certain important factors in the economy to operate better. It hypothesizes that the social cohesion provided by an engaged citizenry will enable them to come to important understandings about public ways of relating and behaving. This structure of relational norms would then be capable of evolving into connections and institutions through which large-scale economic activity can be more easily and productively carried on.<sup>4</sup> It allows a less costly way than formal coordinating mechanisms (such as contracts, hierarchies or bureaucratic rules) for initiating projects to serve the public interest, for monitoring one another’s behavior, for enforcing understandings (whether contractual or informal), for settling differences, for allocating resources more efficiently, for resolving disputes more amicably and for responding to broad concerns more promptly.<sup>5</sup>

In general, *social capital* has referred to the web of relational norms of behavior and reciprocity that connect individuals. The concept encompasses three distinct aspects: (1) the institutions that people use to regulate their relationships, (2) the norms or covenants that are the essence of these institutions, and (3) the capacity to re-shape these covenants in response to changing needs and circumstances.

This civic infrastructure refers to unwritten norms as well as formal regulations. But it exists only as it is used in relationships; it is a composite of *working* norms, not just a code.<sup>6</sup> It is about accepted understandings, shared covenants among people to behave a certain way, a touchstone whereby people understand “how things are done”. It resides in three contexts of relationships: formal organizations, informal networks and the general environment and civic culture that provide the context for the first two.<sup>7</sup> And while formal organizations can be built and informal networks can be fostered, it is changing the civic culture that offers the greatest challenge to development assistance programs.

Through these behavioral covenants community’s social cohesion is manifested. This cohesion refers both to the norms applicable to acquainted individuals within circles of reciprocal trust (which we may call “community” or “bonding” social capital) and to those applicable to unacquainted strangers in a broader group (which we may call “public” or “bridging” social capital across such circles of trust). A society’s *political* culture refers to the latter level of public norms.<sup>8</sup> We feel that the latter has the economic impact, as it is the context within which covenants—and institutions built upon them—are generated that allow effective transacting between strangers.

Bonding social capital exists in every society. Humans have a natural proclivity to associate in comfort groups or circles of trust for mutual support. We are all familiar with the “traditional” or village-type civic infrastructure that typically provides strong reciprocal support to individuals within it but has a limited radius of trust beyond it; outsiders tend to be automatically mistrusted. This social capital provides strong enforceable behavioral rules within its inner circle, where individuals know each other, but allows for a different moral standard when dealing with strangers outside the radius of trust. “One protects one’s family” is often heard in traditional societies, presumably even at the expense of written laws. This willingness to differentiate rules within one’s circle is consequently expected in circles other than one’s own, so in practice the codified rules of behavior are understood to be inoperative when dealing with strangers. This would make the entire institution of the law suspect, as everyone is expected to violate it if circumstances warrant it. This absence of shared covenants beyond the circles of trust discourages connections across these circles. It provides cultural reinforcement for unreliability in public institutions and as a result leaves open spaces for corruption in the broader, public sphere.

On the other hand, a complementary trust in the behavior of strangers based on a shared covenant would allow transacting on a much broader range with greater and better choices and greater economies of scale than when operating just within the limited circle of acquaintances. This would make transacting more efficient and thus enhance economic life. Economist Douglass North (1997: 19) has indicated how “learning to trust the behavior of strangers may be the greatest challenge to social and economic

development; the major historical obstacle to economic growth has been the inability of societies to move from personal to impersonal exchange....”

If this were the case, then a complementary social capital that is embodied in the norms and networks of *anonymous* civic engagement would therefore be a necessary – albeit not sufficient—condition for economic development. We propose that societies work better economically when they are able to regulate the behavior between strangers by *internalized* (as opposed to simply *codified*) standards of behavior. “Civics matters”.<sup>9</sup>

### A Community’s Capacity to Concert for Economic Development

We have posited that people and their capacity to orchestrate their own development are the foundation of sustainability—that economic development is not only about economics but also about people’s capacity to concert. We believe that this concerted effort works powerfully. Experience confirms that the broad acceptance of shared covenants makes public behavior more predictable and in so doing reduces the uncertainty that otherwise increases the difficulty—the cost—of everyday transacting.<sup>10</sup>

This uniformity of norms would have four important economic effects:

First, it produces greater reliability in the institutional environment, offering greater incentive for risk-taking and allowing greater economic efficiency as uncertainty costs are reduced.

Second, it permits greater economies of scale as uniformity and transparency of norms allow operations in markets beyond the immediate community.

Third, this capacity to undertake exchanges far beyond the circle of trusted acquaintances encourages rewarding impersonal merit instead of personalized loyalty. This promotes

risk-taking and innovation. One could see how its inverse, a culture of accommodation to personal loyalties, might in addition allow more spaces for corruption.

Fourth, it facilitates the implementation of public policies, as the level of citizen confidence and sense of ownership over public institutions derived from social cohesion arguably gives the government some “room” of trust in which to operate.<sup>11</sup> If in fact verified, this refreshed trust in the public institution of government could be the single most significant effect of a vibrant civic life. Its opposite, the absence of such social covenants, would deny government this operating space in a sea of suspicion and dilute by such mistrust the impact of the best-laid plans. Good policy without a civic covenant results in bad governance.

Instead, trusted institutions allow for an *anticipated* behavior rather than just a directive. This predictability from effectively internalized public standards, even if not codified, would facilitate adaptability and by so doing decrease costs. In contrast when trust relies on personal loyalty it mandates extreme codification when dealing with strangers. This will complicate procedures, is still likely to leave some eventualities without guidance and will increase costs by limiting the reactions available to respond to changing or unforeseen circumstances.<sup>12</sup>

**This civic-economic connection via various mechanisms gathered under the generic term “social capital” appears broadly agreed. The relevant challenge now for those many communities who are not presently beneficiaries of rich civic lives (and consequent economic success) is how to create these conditions and make this process operative in the first place. If, in fact, economic success hinges on certain**

**civic capabilities, the present challenge for development assistance programs is not how to do economics (which they have done for years) but how to do civics.**

A Strategy Needed: The Citizens' Political Process for Economic Development<sup>13</sup>

A key to the development of social capital as a community's capacity to concert is the creation of social spaces in which citizens can learn the practices of interacting that can generate such norms and relationships. That is the setting in which people can develop the capacity to concert with strangers.

This approach assumes, of course, that such collective behavior can be learned. F.A. Hayek (1945) first introduced this notion of collective learning (crediting markets as the mechanism through which the social process of acquisition of necessarily dispersed knowledge is engaged). The issue has received much attention recently in the context of research on public institutions,<sup>14</sup> particularly as collective *acting* might lead to collective *learning*.<sup>15</sup>

The framework we offer as one way of illustrating what can happen in these spaces is what we have come to call *the citizens' political process*. The process is our conceptualization of how a number of communities under varied circumstances have come together in the past to deal with their internal divisions in a trust-building process to achieve common ends. It also borrows directly from the work of the Kettering Foundation and more recently from an assessment under this light of selected experiences supported over the years by the Inter-American Foundation.<sup>16</sup> The conceptualization is based on our individual experiences over the past three decades in three arenas: (1) development and articulation of a process of deliberative politics through which citizens

outside government come together to solve their own problems; (2) evolution of the process of sustained dialogue through hundreds of hours of dialogue among peoples in deep-rooted human conflict; and (3) conventional grant-making work in grass-roots development and related research in various contexts.

The Kettering Foundation has researched the mechanics of this civic conversation, and over the years has evolved two mechanisms that encourage it. First is the *deliberative dialogue* practiced by the National Issues Forums in the United States, the Inter-American Democracy Network in Latin America, and other organizations belonging to the International Civil Society Consortium for Public Deliberation.<sup>17</sup> Second is *sustained dialogue* which follows a phased progression conceptualized from the experience of people in deep-rooted human conflict whose relationships are so tense that they cannot work together to name and frame a problem in a shared, orderly exercise when they first come together.<sup>18</sup> Rather than focusing on the problem, as the deliberative dialogue does, the sustained dialogue places more attention initially on the underlying relationships that cause the problems and must be changed to resolve them. The *citizens' political process* is an adaptation of both mechanisms to the development assistance context.

For working purposes, we visualize this political process as unfolding through five phases. These stages are neither rigid nor unidirectional; a group may move back and forth between them as its thinking and experience unfold; one stage need not end completely before the next begins; a new group may stay in a stage for several meetings while an experienced group may move through several stages in a single meeting. The stages simply reflect the progression of experiences through which human beings seem to

move in general as they work through a problem together:

- One: they come together around a concern
- Two: they define the confines and dynamics of the real problem and frame possible approaches
- Three: they weigh possible courses of action (and may engage the community)
- Four: they design a plan (and may invite expert assistance)
- Five: they implement, evaluate and—possibly—re-cast.

Clearly, the phases are not always observed. Some citizens may consciously exclude others from the conversation; or a powerful one among them may have a preconceived idea of the problem or a pre-selected path of attack and make her/his ideas prevail; or some expert may come in and define a program for the community.

Nevertheless, our observation suggests that communities that engage effectively and thoroughly through these phases are likelier to produce and implement solutions that will be sustained. The capacity to judge progress once implementation is ongoing may lead communities to go back and re-design parts of the strategy, or choose a different approach altogether, or define the problem in a different way, or even to incorporate voices not present in the first pass. In fact, evidence suggests that communities learn and perfect the process of such conversations by continually engaging in it.<sup>19</sup>

Conceptually, the process achieves two things. First it invites communities to devote time and attention to deserving issues and provides an effective mechanism to do so. Second, in so doing the citizens come up with guidelines to manage the relationships with other members of the community who are outside of each person's normal circle of

confidants. This networking, this weaving of the civic cloth inherent in such broad conversations develops the capacity to create the covenants on which we believe development is based.

### **First Phase: Coming Together Around a Concern**

Some degree of collective action to address a shared concern appears to be common in all human groups, particularly in response to a crisis. We have also argued that a community's capacity to come to understandings for such shared action, its capacity to concert, will make a critical difference in its capacity to deal with *other* issues, and presumably also in its economic and social success.<sup>20</sup> It seems clear that only a concerted conversation among strangers, in a community or across communities, will produce the kind of social capital that will foster development. The question for aid donors, then, is how to get that facilitated conversation going in the first place. Fukuyama (2000: 103) considers that "the systematic study of how order and thus social capital can emerge in a spontaneous and decentralized fashion is one of the most important intellectual developments of the late XX Century".

Donors have long relied for this on local intermediary organizations. They might now consider also devolving to their target populations the authority to concert and design development initiatives autonomously, that is, relinquish the donors' power to plan the development of others. Ultimately, we believe that development is about the internal capacity to identify one's own problems and carry out one's own solutions. The challenge to donors is to encourage communities to invest the necessary time and effort before they arrive at their own definition of their problems and their own formulation of

projects, rather than simply producing a formulation that responds to the donors' guidelines more than to their own.

In our conceptualization, a group coming together for such a conversation revolves around a central core of a handful of initial instigators, plus a group (ideally of maybe a dozen or so) of recruited adherents who represent various voices in the community, each outside the instigators' circles of trust. Each of these persons will in turn rely on a series of everyday informal contacts, their normal intimate circle of trust, as their eyes and ears in each respective part of the community. This should be seen as a source of community feedback for the activities of the central group. Ideally this group will make a commitment to meet on a regular basis.

An important *caveat* to keep in mind is the representativeness of this initial group. We find that the more representative the voices, the likelier the sustainability of the effort, as the formulation of the problem and the design of the solution would more closely reflect the values of all. But there might be engrained resistance to initially include some voices for reasons of race, social class, gender or historical animosities. If aware of the exclusion, the catalysts and conveners of this initial group would decide either to pursue the inclusion before proceeding, propose a different conversation on the nature of that strained relationship<sup>21</sup>, or simply proceed without the excluded group. In the latter case the group should be aware that the problems identified and the solutions proposed will lack the viewpoint of the missing voice, and that a re-casting of the problem might be necessary at a time in the future when the full community can be brought together. It is also important that in the search of all of the communities' voices, in addition to class, race, gender and age diversity, some voices from the business sector

and some from government also be present, albeit as individuals and not in official capacities.

A Role for Outsiders. A critical consideration is the useful role that actors from outside the community can play. While the ownership of the conversation should always remain with the community, a non-directive outside actor such as an intermediary service NGO can provide the “glue” holding it together, particularly as it moves from one phase to the next.<sup>22</sup> International “grassroots development” organizations typically rely on domestic NGOs for such roles, although foreign organizations or individual “Peace Corps type” volunteers could well play them too.

The outside agent can be the initial instigator or *catalyst spark* of the process that conducts background fact-finding and maps the community, identifies the leavening agents and injects ideas about the process and its relationship to economic development. Once the process is underway, the outside agent can continue to serve as the *connector* that brings different groups together and helps create the space for such an ongoing interaction. A respected outside party can also serve as *legitimizer of the process and its actors* in the eyes of the official structures, of the international donors and of other community members who might initially see it with misgiving. Fourth, the external agent can be a *continuing trainer* for needed skills as the conversation moves along. Fifth, the agent can be *procurer of funding* and an aid to resist the usual urgency to submit a proposal before the community has had a chance to discover on its own what it wants and needs to do. Finally, the outside agent can be a *neutral monitor* of the process itself and of the success of its implementation.

## **Phase Two: Mapping the Problem and Framing the Choices.**

Once the conversation is underway, the group of citizens can talk about the problem in ways that permit them to probe the root causes and behaviors that underlie the problem. As they identify these underlying issues and sort them, the community's deep-rooted differences will become evident, the dynamics of relationships will be revealed. If their dialogue evolves, particularly with the leadership of a moderator, they will be able to "name" the problem in a way that is broad enough to respond to the key perspectives in the community so that most citizens can see their concerns reflected in the definition of the problem. This is not at all automatic, yet it provides a sense of ownership over the problem that is of critical importance. Subsequently they can begin to consider possible approaches to the problem. Again, those approaches must reflect what different participants consider most important to them. They thus may "frame" their options in ways that permit each of them to feel legitimized and thus able to listen to what others deeply value. This process of naming a problem and framing approaches for dealing with it in ways sensitive to a range of concerns itself provides a space in which citizens begin to talk and to relate in constructive and sensitive ways.<sup>23</sup>

## **Phase Three: Deliberating and Assessing to Set a Direction.**

The group needs to perform two tasks at this stage of the conversation: First, the original group needs to engage the larger community in deliberation to weigh the choices among possible directions framed for dealing with the problem under scrutiny. The initial group could even go back and engage a larger group of citizens in the same kind of exercise to frame choices that they have already completed just in order to develop broader "buy-in". Whatever the exact approach, the purpose in this phase is to get a sense of direction—not

necessarily consensus—from which to begin tackling the problem or some aspect of it.

Second, the community needs to take stock of the resources citizens themselves can muster for dealing with the problem prior to seeking outside help. Communities tend to have more capacities than they realize, including possibilities for partnerships with government and the business sector. They need to recognize them and come to agreement on how to marshal them for specific purposes. There is a variety of ways this resource assessment can be accomplished, but in the citizens' political process the key is to engage citizens in ways that help them realize that their own capacities are of primary relevance. A cardinal principle is to find what is already there and build on it.

#### **Phase Four: Designing a Course of Action.**

After interpreting the judgments derived from deliberative meetings and forums and internalizing the knowledge gained from the assessment of civic and economic potential, the core group should lay out a sequence of interactive steps to bring elements of the community together around specific actions. Sometimes we call the work in this phase “scenario-building” because it is the task of the core group to design interactions—not just actions. Their overriding purpose is to engage the largest possible number of elements of the community in consciously complementary, explicitly collaborative, mutually reinforcing actions so as to strengthen the covenants and habits that are the essence of future success. Of course, a critical effort in this design phase is constantly engaging the widest possible range of citizens and their associations in the design process so that they will almost begin to move before the design is complete. In fact, it may be more realistic and creative to regard the design phase as a rolling process that continues to grow as the process unfolds.

### **Phase Five: Taking and Judging Action.**

Implementation of the plan is an open-ended political process. One might almost see it as the artistry of the jazz ensemble: we know what direction we are starting in, and we know what our larger purposes are, but our specific actions evolve and develop as new possibilities open before us. Only citizens, not experts, can carry this out. What is important is cultivating a sense of “minds at work” at the heart of the process, to ask repeatedly: “Are we accomplishing what we set out to accomplish?” If not, developing a practice of rethinking—even if they have to go back to the earliest stages to rename the problem—develops a capacity for making mid-course corrections.

It is critical to note that this point of judging the community’s own progress is the moment when collective learning best occurs.<sup>24</sup> When institutionalized in practice, this habit of judging and—if necessary—re-casting a plan of action solidifies the community’s sense of ownership over its own development and promotes innovation and the willingness to try out new forms of associating, a dynamic capacity to concert.

This framework is both diagnostic and operational. It is diagnostic in offering ways of organizing analyses of social, political, and economic experiences. It is operational in that one can look at the consequences for social cohesion of entering this process at any point and learn the elements of strategies for developing that cohesion most effectively. It is not a rigid roadmap to be followed scrupulously. All of its elements need to be included in a political process, but each community must internalize these elements and develop them in ways useful to their particular traditions and needs.

### Implications for Development Assistance

**We must underscore at this point our thought that the earlier stages of this process may be the long-missing element in economic development practice.** We find from experience that funders tend to enter the process late in what would be Phase Three or early in Stage Four as experts with a tool-kit of solutions for problems already identified. Donors either identify the problems themselves<sup>25</sup> or—for the more enlightened among them—assume that the community has given careful thought to what they want.<sup>26</sup> They thus give little attention to the earlier stages where a broader representation of voices or a careful prior process of weighing options might have given the problem a different definition. Funders come with ideas for projects. As a result when the funding ends, all too often the project ends. One challenge for donors may be to insist that communities do the work of the earlier phases (or help them to do it) before funding is considered, but without being so intrusive as to prejudice them towards the donors' preferences.

Even enlightened aid donors wishing to work directly with community organizations habitually approach their potential grantees with technical solutions to be implemented. Unfortunately the larger aid programs—large bilaterals and multilaterals—must be put together along topical lines built around the agencies' best assessments of aggregate country needs. Their size precludes finer tuning. Thus programs like education, health, micro credit or environmental-NGO strengthening are made available to potential community candidates who may decide that they need them. Smaller programs and foundations may have more flexibility to first help communities get their voice together and to anticipate the many problems that will undoubtedly arise when

communities are unaccustomed to shaping their own agendas. Cultural change happens slowly.

The potential damage otherwise goes far beyond a possibly wasted resource. By opting around the donor's *perception* of the beneficiaries' needs, the community in effect realigns its own internal relationships to suit the outsider's view. Its capacity to discuss internally its own issues and define its problems in its own terms is thwarted by a packaged offer of projects. There is, of course, a role for such projects, but they should only come into play after the community has had a chance to define its own problem, consider alternative approaches to deal with it and choose among them. Only then should expert help be brought in, and then only to help design the project that the community wants, *not* to urge them to opt into an existing program simply because it is readily available. The implications for the large donors are quite important. Their programs should be higher on flexibility and lower on definition. *Build to suit* should be the guideline, *not off the rack*. It would seem, moreover, that their focus ought to be more on hands-on staff dedication and less on strategic planning. They should be more responsive, less strategic. This, however, makes their effort more staff-intensive and might imply a higher staff-to-funding ratio. Their contributions should rely more on staff effort to help and train communities do their own thing and less on simple transfers of funds.

A careful *naming* of the problem is critical, and only an engaged community can give its own problem a name. This is the first act of ownership over one's own individual circumstance. Chronic poverty, ultimately, is the lack of control over one's

circumstance. Communities, like individuals, must discover a sense of shared ownership of their problem.

In a survey of the literature on the construction of this civic ownership, the Research Work Group at the Kettering Foundation (2001) elaborated on the connection between ownership and efficacy in *public* action. First, they found that only a sense of ownership over the shared issue allows discovery of the *potential* for efficacy, that something can possibly be done. The sense of potential in turn encourages actual engagement with others, which over repeated instances leads to learning, to the capacity to create new agreements about new ways of relating and doing things.

We feel that it is these dynamic covenants, this social cohesion, this *public* social capital, on which the efficacy of community development initiatives depends. Donors might therefore consider taking advantage of their privileged experience and be willing to support in communities this necessary process of discovery of their common ownership of the “problem beneath the problem” and of the alternative paths to deal with it, *before* a project is formulated. While the process will be laborious and the outcome anything but predictable, the actual resources needed would be minimal and the payoff could be enormous in terms of enhancing the community’s capacity to draw its own designs, to concert. Donors might consider the phasing of this conversation and determine in which of the phases and in what manner it would be most effective to assist.

Two final considerations should be made as to the manner of intervening. First, development assistance is mistakenly often seen as only a transfer of money. Yet funds are perhaps the least important of the three factors that foreign aid donors can contribute. The other two are networking connections and advice. Donors are continually in touch

with a broad range of development experiences and specialized practitioners. While donors do often facilitate contacts between their grantees under controlled circumstances like conferences, they seldom make networking a primary activity of their grants.

Donor agencies are also constantly in touch with development processes and carry in their institutional memories a wealth of experiences as to what works and what does not in a wide variety of settings. Probing questions and elicitive interventions would be of inestimable help while a community is convening, defining its problem and identifying possible approaches. While this experience is presently used in making judgments whether to fund or not, a misguided sense of non-intervention often keeps it from being passed on early to grantees.

Keep in mind, however, the important distinction between offering advice and telling the grantees what to do. If the grantees have come to the design of a project as a result of a participatory process that went to the root of the problem and a deliberation about alternative routes to address it, the actual design becomes a technical issue. This means, of course, basing the funding commitment on the general merits of the *process* before the project is fully known and then using the process to strengthen the funded project. Making technical advice available in these early definition stages would be a welcome contribution by the donor. Note that this is different from the “planning grant” mechanism often used by donors to support worthwhile grantees to turn a good idea into a workable project. The latter never questions whether the “good idea” is democratically and deliberatively arrived at in the first place.

This point leads to a final consideration as to the manner of intervening. While donors are by necessity limited to supporting defined *projects* and not general *processes*,

we feel that the projects should only be justified in the context of the civic processes that generate them. It is our contention that normally only projects born of a civic process will produce a community's learning to engage further in development. Only projects that leave a residue of learning will be sustainable in the long term. The donor should therefore demonstrate an awareness of the broad process that underlies a project, and then choose where and how often in the process it deems most effective to intervene. The donor's long-term commitment would be to walk with the community throughout this process, to be available for networking assistance and development advice, even when it is no longer funding it. This may imply funding smaller projects over a longer period but, again, a donor's main contribution to development is not the funds it brings. It is in helping to develop the communities' capacities to act in concert to define their own needs, devise their own solutions and mobilize their own resources to the maximum extent. The possibility of external—particularly foreign—funding, while indispensable, should not be the driving force of development efforts.

### Conclusions and Recommendations

#### **1. That ALL development projects have as a required by-product the residue of an increased capacity to concert.**

Trustworthy public institutions govern economic and social life in a way that permits reasonably predictable behavior among unacquainted individuals—the basis of a society that can function beyond the intimate circles of trust based on personal familiarity. While these institutions can be created by fiat and enacted by edict, they will in fact not achieve a level of trust comparable to when they are created and implemented by those who will be governed by them. Finally, this capacity to concert and create trustworthy public institutions can be learned by exercising it. Every time a community

engages as a *public* to deal with an issue of shared concern, it leaves behind a residue on which this capacity can be further built, what Hirschman (1983) called the “creation and conservation of social energy”. If we accept that this heightened capacity to concert, this culture of engaged citizenship, is the *sine qua non* for sustainable development, then all development projects should leave this residue as a required by-product. A principal criterion for consideration of support for development activities therefore ought to be their potential to generate this residual capacity, this culture of democracy.

## **2. Do no harm.**

Inversely, development projects should not *diminish* this democratic culture. It is quite conceivable that otherwise “successful” economic development projects might detract from a community’s capacity to concert on its own. This would be the case if a community’s needs were defined by outside observers, or if experts selected the direction of a problem’s solution, or if the plan of action to follow was designed solely on technical terms and without fully considering the community’s values. In any of these cases the community’s capacity to be master of its own development would be diminished.

Sadly, this behavior may be common in development assistance. Projects are placed in the context of a development strategy for the country that is forged by “topical” experts in consultation with “country” experts to ascertain the specific needs and characteristics of the recipient. The strategy is then made available, either as a package in the case of the large donors (e.g. the international banks or large bilaterals) or as a frame of reference for individual projects in the case of smaller ones (e.g. foundations). In terms of the phased sequence described above, the possibility for a financed project normally emerges during *what ought to be* the third phase, setting direction or even the

fourth, designing the project. The project may be either accepted or rejected on its own merits and its relevance to the donor's strategy. However, in our combined experiences the community process that preceded and spawned it has seldom—if ever—been a factor in the decision to support a project.

In special situations such as a natural disaster or recovery from war, in which donor money must be committed quickly, donors may even show up in communities with a finished project in hand, at what should be the fifth or implementation phase. While the nature of such crises leaves little doubt as to the immediate problem, and while the urgent situation demands quick emergency measures and precludes extended deliberation, the community should not be compelled to accept more permanent remedies that it did not have a chance to ponder.<sup>27</sup> Even to the most virtuous community, under the circumstances the temptation would be enormous to conclude that it needs a program just like the one being offered!

The effect of the exclusion of a civic process can be disastrous for connectedness, akin to bringing a magnet near a box of iron filings. The relationships based on personal familiarity would be reinforced, as all vie to help their intimate circles get a piece of the offered action. Meanwhile the relationships via impersonal institutions would be strained as fragile new covenants lose meaning in the face of important outside resources being offered through other channels. This is certain to delay the community's capacity for self-sustained development and might go far to explain the apparent failure of development assistance in general.

### **3. Support communities, not just projects.**

Development happens in communities and is the result of complex interactions therein. It is not an aggregation of projects. Individual projects may serve this community building but should always be seen in the context of the communities they serve. Externally supported projects always impose a price inasmuch as they bring to question a community's capacity to fend for itself. This downside can be offset if the project mobilizes the community in a joint action that would not have happened otherwise and which generates civic learning. So, more than the intrinsic merits of the project itself, it is this civic learning at the service of the process that ultimately justifies the project. Hence, while it is impossible to use donor mechanisms to support broad processes directly, projects should be supported only at the service of a community process and not on their own merit alone, no matter how well conceived.

#### **4. Funding is the least useful of what a donor has to offer.**

For understandable reasons, both donors and beneficiaries tend to focus on the funds above all else. Yet arguably funding is the least useful of the three things that a donor has to offer a grantee community: its experience, its networks, and its money. And while funds can only be committed in the context of delimited projects, the donor can remain with the community and offer the other two for a longer time. In fact, this “accompanying” can also be useful before a project is defined and extremely effective in offering probing questions—rather than outright advice—and networking information to a community in the initial phases of the conversation.

#### **5. Stay with the process.**

Likewise, civic development is a slow process far beyond the funding horizon of any one project. A commitment to *accompany* a community should ideally extend to five

or even ten years and well past the phase of implementation. At this point communities will find useful the kind of probing questions and networking information that a donor has to offer. This does not mean a commitment to *fund* for that long, but rather to be available to the community well after the project has ended. Given the choice and limited budgets, donors might do better from the beginning to opt for duration over intensity of their involvement. In any event, they should stay with the process.

#### **6. Bank on flexibility and depth of staff more than on funding.**

If the purpose of development assistance is to encourage the civic processes that make development sustainable, then the structure of donors should suit that purpose. A donor must have sufficient depth and breadth of staff skills to be able to accompany a community constructively over a reasonable length of time and to have the sensitivity to ascertain the proper moment of intervention. This includes either providing or identifying ancillary opportunities for training indigenous staff, making occasional visits, and alerting the community to contacts and happenings elsewhere that may contain useful lessons. If there were a tradeoff between program funding and staff service, the latter would appear to be more significant as a tool for development.

#### **7. Be more responsive and less strategic.**

It is critically different to help a community plan its own strategy rather than to plan that strategy for it. To plan its own strategy the community has to develop mechanisms to concert: it has to home in on the underlying problems, identify alternative paths to address them, choose among those paths, and only then construct a strategy for which outside technical help will be useful. The donor must therefore be responsive to the prior needs before it offers advice on strategy. In any event most of its advice should

be presented as questions for the community's consideration rather than as proposals. Most of all, the donor should be responsive and supportive, not directive.

#### **8. Encourage and help communities to take their time in designing their project.**

Community organizations are typically motivated by a pressing need to act in the face of urgent social needs. Similarly, development support organizations as well as donors have an administrative need to put projects in place. Both factors combine to predispose communities toward premature formulation of action projects. This produces first a possible misallocation of scarce resources. Second, inasmuch as the project might not address the underlying need, the benefits will stop when the project ends and the symptoms re-emerge. This destroys credibility and promotes cynicism about development assistance in general, undercutting its support among donors. Most destructive perhaps, it denies communities the necessary experience of thrashing their issues about, digging to discover the problems beneath the problems, identifying possible courses of action and judging the pros and cons of each, and designing a specific program based on those choices. Finally, it denies communities the learning that is achieved at each passing and which will be used to handle more effectively the next issue that is sure to arise.<sup>28</sup>

Therefore, the donor ought to make the first contact with a community attracted by its intrinsic characteristics as a potential model for replication, not by the initial quality of a project. The donor can then encourage the community to discover within itself the true nature of its development priorities, identify alternative strategies and deliberate and choose among them before it designs what would most likely now be a better project. Most important, perhaps, the donor can be extremely helpful at this stage

in probing the community to ascertain that as many as possible of its voices are represented in the conversation and that each of these voices gets a hearing in defining the underlying problems and determining priorities.

**9. Encourage communities to go back and rethink rather than urging them to conclude and report.**

Indicated termination dates for projects often urge communities to forge ahead when at times it may be wisest to return and re-think. Project design should consider the possibility of these halfway re-directions as unanticipated learning occurs over the course of a project. This is particularly true if projects have been designed without adequate preliminary deliberation.

**10. Donors cannot develop countries; only their citizens can do that.**

Sustainable social and economic development is first a matter of civic culture and attitudes before it is one of economic resources. Even the largest donor lacks all the resources needed to address the fundamental development needs of even small countries.<sup>29</sup> Only the mobilization of domestic resources accomplished via the commitment of citizens can accomplish that. Development assistance can help that mobilization. But absent a culture of responsible democratic citizenship the contribution of development assistance will be limited to its projects. This has been the history of a half-century of foreign aid programs.

The nature of development assistance should therefore be reassessed. Its projects should be evaluated to the extent that they produce models of civic behavior replicable within a country. We believe that only this horizontal expansion of civic action can mobilize the internal economic resources needed for a sustainable process of development. Meanwhile citizens must learn to make the hard choices needed to carry

out that mobilization, to make the public decisions to focus on priorities. Only a culture of engaged civic conversation can produce those choices, those decisions and those sacrifices. Development assistance should play a critical role in facilitating that conversation.

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## NOTES

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<sup>1</sup> This concept of a dynamic capacity “to arrange or settle by mutual understanding, to contrive or plan together, to devise” (Webster’s New World Dictionary, 2<sup>nd</sup> College Ed., New York: Prentice Hall, 1986) is commonly understood in Latin America. We propose a similar use for it here.

<sup>2</sup> See: Lindenberg (1993) for a good summary of what had become a broad policy consensus even by the early 1990s.

<sup>3</sup> See: Doble Research Associates (1996) for a focus-group-based study on Americans’ perceptions and misperceptions about foreign aid programs.

<sup>4</sup> For a succinct presentation of this argument see: Kurey (2000).

<sup>5</sup> See: Woolcock (1998).

<sup>6</sup> See: Fukuyama (1999).

<sup>7</sup> See: The Harwood Group (1996).

<sup>8</sup> Note that “bridging” social capital may apply also in relatively small communities, as long as it allows bridging across circles of personalized trust among individuals and transfers some of that trust to the impersonal covenants and the institutions built upon them. An example might be trust in the political “system” as opposed to trust in the individuals in a certain faction.

<sup>9</sup> See: Putnam (1993) for the seminal work on this argument.

<sup>10</sup> See: North (1997).

<sup>11</sup> See: Ritzén, Easterly and Woolcock (2000).

<sup>12</sup> The fundamental argument for the impact of trustworthy public institutions based on a covenant among citizens was presented in Fukuyama (1995).

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<sup>13</sup> See Daubon and Saunders (2001) for an overview of the theoretical arguments for civic life as the foundation of economic possibility.

<sup>14</sup> For recent surveys from various viewpoints on civic learning see: Parson and Clark (1995) Chapter 10 and Research Work Group (2001).

<sup>15</sup> For a recent reference see: Falk and Harrison (1998).

<sup>16</sup> See: Daubon (forthcoming).

<sup>17</sup> It reflects the philosophy and practice of deliberative democracy described in Mathews (1999) and practiced in the National Issues Forums.

<sup>18</sup> See: Saunders (1999).

<sup>19</sup> See: Falk and Harrison (1998).

<sup>20</sup> See: Daubon and Saunders (2001). Recent interest in this connection was first inspired by Robert Putnam's seminal work (1993). Indications of the importance of this "capacity to concert" were previously made by Hirshman (1984) with what he termed the "generation and conservation of social energy". These were elaborated by Rodwin and Schon (1994: 70, 73). Considerable attention has recently been devoted to this connection at the World Bank (see for instance Woolcock (1998) particularly with efforts to gauge the depth of social capital in communities and its economic implications. See for instance Narayan and Pritchett (1999) and Grootaert and van Bastelaer (2001).

<sup>21</sup> The mechanism of the Sustained Dialogue facilitates this very difficult conversation under conditions of even severe stress. See: Saunders (1999).

<sup>22</sup> From: Slim (2001).

<sup>23</sup> The Inter American Democracy Network gathers over 200 organizations involved in this kind of "naming and framing" exercises. Visit: [www.RedInter.org](http://www.RedInter.org).

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<sup>24</sup> Korten (1980: 480-511) elaborates a similar “holistically perceived learning process” based on five Asian case studies and concludes with similar recommendations to donors to accommodate and encourage this learning with their funding.

<sup>25</sup> Bilateral donors typically prepare “country strategies” for meeting perceived needs. These are increasingly developed in consultation with local stakeholders, but nevertheless still reflect the donors’ perceptions.

<sup>26</sup> “They Know How” was for years the operating motto of the Inter-American Foundation, among the most responsive of donors. Still, the Foundation implicitly took for granted that the process that led to “their knowing” had been both inclusive and deliberative. See Daubon (forthcoming).

<sup>27</sup> Colletta and Cullen (2000: 116-118) argue of the potentially damaging impact of relief funding on a community’s integrative relationships if it focuses only on the more immediately evident bonding needs.

<sup>28</sup> See Korten (1980) on this “learning process approach”.

<sup>29</sup> In the wake of the 1994 Summit of the Americas, USAID informally calculated that the cost of Bolivia fulfilling its education commitment of universal primary and 80% secondary coverage was in the order of \$800million annually. This is beyond the capability of any donor and particularly of Bolivia’s borrowing capacity. Yet it amounts to \$100 or about twelve days of volunteer labor per Bolivian, a task that Scandinavian countries accomplished in a generation or two from internal resources in the XIX Century from a base of underdevelopment not too different from Bolivia’s present.