

## Research Project

# The Role of FAO and IFAD in building Social Capital in Rural Areas

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## 1. Preface

### 1.1 The social capital debate

Social capital represents one of the most popular metaphors in the current social science debate. In 1993, Robert Putnam tried to explain the different institutional and economic performance of the Italian regions as the result of the influence exerted by some aspects of the social structure, summarized into the multidimensional concept of “social capital”. This study has received wide criticism in the social science debate of the 90s. However, it posed a milestone for social capital theory, which registered an explosive development in the following decade, rapidly involving the attention of economists. During last ten years, the concept of social capital has been invoked almost in every field of social science research, and has been used to explain an immense range of phenomena, from political participation to the institutional performance, from health to corruption, from the efficiency of public services to the economic success of countries. Such perspectives on social capital are markedly different in origins and fields of application, but they all agree on the ability of certain aspects of the social structure to generate positive externalities for members of a group, who gain a competitive advantage in pursuing their ends.

Recently, social capital has become particularly popular in the design of development policies and, more in general, in the post-Washington policy agenda largely promoted by the International Financial Institutions (IFIs). The idea is that formal and informal social networks may be a resource enabling people to carry out collective actions, with the aims to participate in effective local decision making, better monitor government agencies, lobby for improved services, and where these fail, to secure informal insurance from friends, neighbours, and the community (Narayan, 2002; Narayan and Pritchett, 1996; Gittel and Vidal, 1998; Woolcock, 1998; Kozel and Parker,

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2002; World Bank, 2001). Actually, most local development projects funded by the World Bank are based on the strengthening of voluntary organizations, as a mean to promote an effective management of public services and common pool resources

## **1.2 The debate on rural development and poverty reduction from IFIs to UN agencies.**

IFIs' hints on the role of social capital in development processes have been received by UN agencies, and social capital has rapidly become a popular keyword in FAO's and IFAD's documents and papers designing these institutions' strategies to overcome poverty, inequalities and underdevelopment, with a particular focus on rural areas. For example, FAO's Sustainable Development (SD) Department considers rural organizations (member-run and financed rural cooperatives, agricultural producer and rural workers associations, rural credit unions, women and youth associations and other self-help groups) as important forms of rural social capital that empower collective self-help action that makes rural development happen. The claim is that, acting through their own organizations, small-scale rural producers and workers may access inputs, markets and government services more efficiently. At the same time, poor may gain a new strategic tool aimed at improving their livelihoods and undertake other self-help action to improve their communities (FAO, 2002; 2003; 2004a; 2004b; 2005a; 2005b; 2005c). In the light of such arguments, the SD Department explicitly aims to foster the accumulation of social capital and to assist "governments' own efforts to promote decentralization, foster farmers' and rural people's organizations and strengthen their capacity to participate, at local, regional and national levels, in defining and implementing rural development policies and programmes, as well as in the sustainable management of natural resources"<sup>1</sup>. In its Rural Poverty Reports, the IFAD stresses the need to focus poverty reduction strategies mainly on rural areas, and to improve rural poor's capabilities through securing entitlements to assets (specially land and water), providing access to markets and microfinance, and fostering the accumulation of social capital (IFAD, 2001; 2002).

## **2. Motivation, aim and scope of the research project**

### **2.1 Motivation**

However, the great emphasis posed by IFIs and UN agencies on the role of social capital in poverty reduction and rural development processes is not convincing, for three main reasons:

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<sup>1</sup> From the SD Department's web site, at the address [http://www.fao.org/sd/in3\\_en.htm](http://www.fao.org/sd/in3_en.htm).

1. Despite the immense amount of research that to date has been done on social capital, its definition remains elusive and, also due to the chronic lack of suitable data, there is neither an universal measurement method, nor a single underlying indicator commonly accepted by the literature. From a historical perspective, it is possible to argue that social capital is not a concept but a *praxis*, a code word used to federate disparate but interrelated research interests and to facilitate the cross-fertilization of ideas across disciplinary boundaries. As pointed out by Brown and Ashman (1996), one of the primary benefits of the idea of social capital is that it is allowing scholars, policy makers and practitioners from different disciplines to enjoy an unprecedented level of cooperation and dialogue. While conceptual vagueness may have promoted the use of the term among the social sciences, it also has been an impediment to both theoretical and empirical research of phenomena in which social capital may play a role. FAO's and IFAD's approaches suffer from such weakness as well, in that they lack reliable methods to evaluate projects' effectiveness and consequences, in terms of social capital's accumulation and of its effects on a range of *supposed* outcomes.
2. It has been argued (Fine, 2001; Harriss, 2002; Cleaver, 2005) that the interest of international organizations in social capital must be interpreted mainly as a symptom of the shift from the neo-liberal Washington consensus to the more state-friendly and poor-friendly post-Washington consensus (PWC). The PWC argues a case can be made for state economic intervention if market imperfections are sufficiently intractable. However, social capital is considered as necessary to get the economy and everything else going and compensate for those market imperfections through civil society. In other terms, the Post-Washington agenda justifies social interventions, but preferably they have to be other than by the state or via formal politics more generally. From this point of view, social capital may be seen just a new analytical and policy tool in the hands of IFIs to provide a theoretical justification for the extremely market-oriented policies which poor countries are encouraged to adopt within their poverty reduction strategies (Fine, 2001; 2003; Harriss, 2001; 2002).
3. Even admitting social capital's ability to improve life conditions of the poor, it is not clear, in FAO's and IFAD's approaches, which type of social capital has to be strengthened, and through which mechanisms.

Social capital is a multidimensional concept, and its diverse aspects can in turn nurture or hamper people's well-being and, at the macro level, development processes. The "dark side" of social capital, the possibilities of association leading to exclusion of people of particular

identities, or of building trust and capacity amongst networks of people with inherently antisocial norms and activities is widely analyzed in the scientific literature (Levi, 1996; Portes and Landolt, 1996; Molyneux, 2002; Streeten, 2002; Cleaver, 2005), but rather skated over in policy.

Development literature stresses the positive role of collective action in supplying public goods that neither the state nor the market can effectively provide. This positive view of the constant building of social capital through collective action is partly challenged by studies which illustrate the ad hoc and intermittent nature of cooperative endeavour, and the exclusionary as well as inclusive processes involved (Benjaminsen and Lund, 2002). Additionally, several studies illustrate the inability of local groups and associational activities to compensate for the activities of failed governments, or to operate equitably in inequitable communities (Stewart, 1996; La Ferrara, 2000). Cooperation and collective action are arguably less motivated by strategic rationality, more by deeply held social norms and perceptions of the “right way of doing things” (Cleaver, 2000; 2005). The adherence to such social norms may serve to preclude the poorest from effective participation.

## **2.2 Aim and scope of the project**

The aim of this research project is twofold. On the one hand, I am interested in analyzing the use of social capital as an analytical and policy tool that to date has been made within FAO’s and IFAD’s development and poverty reduction strategies. Such analysis aims to point out the main weaknesses actually affecting these institutions’ approaches, and to provide an adequate background for a critical assessment of their social capital-based local development projects.

On the other hand, the project aims to provide useful insights for the design of a new generation of effective and well-balanced social capital-based poverty reduction strategies to be carried out by UN Agencies on the field.

To these purposes, the following sub-objectives must be reached:

1. The provision of an operational definition of social capital, to be handled within the empirical research on the topic. It is necessary to distinguish between different types of social capital and, more in particular, to detect those social networks and cultural norms that can constrain the poor’s social relationships, reproduce relations of inequality and marginalization and, at the macro level, nurture or hamper economic development.

2. The design of a new framework for measurement, properly taking into account the multidimensionality of social capital, and allowing us to distinguish the good from the “dark side” of the concept.
3. An in depth analysis of poverty reduction and rural development strategies suggested by FAO and IFAD to poor countries; this part of the project will be articulated in the following steps:
  - a. an in depth comparison between FAO’s and IFAD’s development strategies, with a special focus on those policies aimed at building social capital in poor rural areas. Such analysis serves to point out the main similarities and differences characterizing these institutions’ approaches to rural development and poverty reduction and their use of social capital as a policy tool.
  - b. A critical assessment of theoretical claims raised by FAO and IFAD within their policy agenda on the use of social capital as a poverty reduction tool.
  - c. An in depth evaluation of a sample of social capital-based local development projects promoted by FAO and IFAD on the field, with a particular focus on South East Asia. In these regions, both UN agencies and the IFI’s have carried out a wide range of interventions aimed at strengthening social capital’s accumulation processes at the community level. Thus the possibility exists to pick up representative case studies and to carry out a valuable empirical comparative analysis. More in particular, this part of the research project aims to assess:
    - i. the projects’ ability to effectively strengthen the social capital of the poor in rural areas;
    - ii. the influence of social capital’s accumulation processes on poverty reduction within involved communities.
4. The final aim of the research project is the provision of a policy framework for the elaboration of a new generation of strategies to be implemented within FAO’s and IFAD’s initiatives on the field.

The process through which social interactions shape social networks and people access institutions must be carefully defined. As already pointed out in section 1, institutions can both include and exclude, and social relationships can reinforce or ameliorate such impacts. The poorest people are both more dependent on their ability to exercise agency than others, and less able to do so effectively. They have fewer embedded expectations of cooperation and reciprocity, and their social relations are often fragile and dependent on heavy investments of time and effort to secure very limited benefits.

Every attempt to overcome poverty through promoting participation, institutional engagement, and the formation of social capital cannot work without a deeper consideration of the structural disadvantages of the poor and the constraints on their agency. Indeed a scrutiny of the lives of poor people throws doubt on the utility of the concept of building social capital as a policy prescription. Social capital is not automatically created from association, trust does not magically emerge from repeated interaction, and representation of the poorest is difficult to secure even through decentralized institutional structures.

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