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## Calling on Friends and Relatives: Social Capital

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The urban poor in Latin America, like their counterparts elsewhere in the developing world, rely heavily on their friends and relatives to help them both “get by” and “get ahead.”<sup>1</sup> Faced with institutions, policies, and services that are frequently hostile, inadequate, or indifferent to their concerns, the urban poor have little choice but to valiantly deploy a range of coping strategies, chief among them the use of their social networks, to provide everything from credit and physical security to information about housing and employment opportunities (Thomas 1995).

The norms and networks upholding these support mechanisms are often referred to as *social capital*, to distinguish them from other forms of capital, such as technology, material assets, and education (World Bank 2000). These other forms of capital are, almost by definition, in short supply in poor communities. In contrast, certain forms of social capital, such as kinship and intracommunity ties (popularly referred to as *bonding social capital*), may be in abundance. Other important forms of social capital, such as ties spanning spatial and demographic divides (*bridging social capital*) and power differentials (*linking social capital*), may be lacking.

From a social capital perspective, the challenge for those seeking to identify appropriate policy or project interventions is to maintain the integrity, strengths, and identities of poor communities while enhancing their capacity to engage a more socially, politically, and economically diverse range of actors and institutions. There are no universal prescriptions for achieving this, but three considerations are paramount. The first is to understand how different relational configurations (that is, social relations within and between different groups) both influence and are influenced by the local context in which poor communities reside. The second is to discern how best to articulate the resources of external actors with these relational configurations in poor communities in ways that are consistent with the communities’ interests and aspirations. This is especially critical for delivering services that inherently require ongoing face-to-face relations between clients and providers, such as teaching and curative

health care (see World Bank 2003b and Pritchett and Woolcock 2004). The third consideration is to recognize that success or failure will likely change the nature of those configurations, necessitating the cultivation from the outset of dynamic feedback and accountability mechanisms.

This chapter addresses three interrelated themes. The first section articulates a conceptual framework for thinking about social capital and urban poverty reduction in Latin America that builds on the distinguishing features of risk experienced by the urban (as opposed to the rural) poor. The second section explores how poor urban communities in Latin America and in Latin American immigrant communities in the United States have mobilized different forms of social capital in response to these risks. It reviews the policy and programmatic interventions that have been implemented. The third section considers a broader array of policy initiatives that stem from social capital theory and their application to poverty reduction initiatives in Latin American cities. These initiatives—such as slum upgrading programs—center on mobilizing community support, expanding economic opportunities, and improving relationships of accountability between citizens and the state. The last section concludes.

### **Social Capital and Urban Poverty in Latin America: A Conceptual Framework**

Social capital has simultaneously become one of the most popular and one of the most contested concepts in contemporary social science in general and in development studies in particular (Bebbington and others 2004). Usually defined as the networks and norms facilitating collective action and access to resources (Woolcock and Narayan 2000), social capital draws on a wide range of theoretical traditions and has been applied to a wide range of analyses. In the process, it has generated a literature that critics (and even some erstwhile supporters) find confused and confusing. Before proceeding, it is therefore worth charting a clear path through this literature, in order to provide a useful and coherent framework within which to analyze how social capital (properly understood) shapes survival and mobility strategies in the cities of Latin America.

#### *Defining and Clarifying Social Capital*

Where some (for example, Fukuyama 1995) have portrayed social capital as a feature or property of entire countries or cultures (a view that is popular in Latin America), the emerging consensus in the literature is that both theory and evidence more strongly support understanding social capital as a “micro” phenomenon (that is, one that describes the nature and extent of relationships between individuals and groups). Having

taken that step, a number of important issues arise that need to be addressed. First, it is crucial to recognize that the poor are often forced by necessity to use their social resources, because of hostility, indifference, or lack of accessibility on the part of formal institutions (both public and private) and because there are so few safe and stable employment opportunities available to them to sustain a viable livelihood. Prevailing social relationships do not exist in a political and economic vacuum.

Second, social relations can be a part of both the problem of and the solution to poverty. Just as a hammer can be used to build a house or vandalize it (and is no less a form of capital because it can yield both positive and negative outcomes), social relations can both constrain and liberate. Moreover, it is in and through people's immediate social networks that their identities, expectations, and self-worth are nurtured and sustained. These networks thus have a powerful influence on the type, range, and quality of information people receive and the options and opportunities to which they are exposed. In poor, violent communities, the often restricted but powerful networks characterizing or presiding over the lives of its members may reinforce destructive behavior (Fernandez-Kelly 1995), perpetuate distrust, or limit their "capacity to aspire" (Appadurai 2004). Not all social groups are working in society's best interests, and many of the world's most unsavory activities are planned, financed, and executed by members of (clandestine) networks. All that is "social" is not always "good."<sup>2</sup>

Third, important methodological implications stem from how one conceptualizes social capital. Even if we adopt a more micro focus, the question remains as to whether social capital is primarily an individual resource (levels of which may, like the unemployment rate, be able to be aggregated to larger units of analysis) or a group or community resource (that is, an ecological resource). The evidence from the public health literature shows clearly that it is both: individuals make explicit efforts to nurture and extend their networks, in the process generating unambiguously positive effects on their physical and mental well-being. By the same token, even the most isolated individuals are better off if they happen to live in communities with high levels of trust and participation (Klinenberg 2002).

Even if one accepts this evidence, the question remains as to how best to incorporate larger structural (or macro) dimensions. Some researchers (especially in Latin America) eschew the problem altogether by simply equating social capital with "institutional quality," "good governance," and "generalized trust." But this perpetuates the unhelpful notion that social capital is anything and everything (and hence nothing). A neater and ultimately more useful solution is to maintain a more restricted micro-definitional focus while embedding the story one tells about the form and function of networks within a larger framework of state and private sector institutions. This approach is adopted here.

Understanding how social capital “works” in poor urban communities in Latin America is thus not merely a matter of measuring rates of participation in soccer clubs or toting up civic membership lists or asking people whom they “trust,” though these things have their place. It is about understanding how, within a particular historical, cultural, and political-economic context, the social networks and norms of poor communities are shaped and deployed as part of a broader portfolio of risk management strategies for facilitating survival and mobility in environments in which those risks are high, numerous, and often difficult to anticipate. Such an approach recognizes that the same networks and norms can be used to perpetuate fear, isolation, and elite domination. It also acknowledges that this approach has a rich historical foundation in a range of studies from a variety of disciplines that do not employ the social capital terminology *per se* but are nonetheless the richer for being able to integrate these different perspectives across time and discipline (see, for example, Roberts 1973; Perlman 1976). From a policy standpoint, the overriding task in seeking to understand these portfolios of risk management is to better identify ways and means by which external agents of various kinds can work with governments, firms, and the poor themselves to craft more informed, politically supportable, and administratively implementable solutions.

### *What Is Different about Risks and Networks in Poor Urban Communities?*

Policy makers and practitioners are increasingly recognizing that social networks represent a key risk management strategy of the poor.<sup>3</sup> This recognition is based in part on a large empirical literature showing that households often devise various cooperative strategies to deal with poverty and uncertainty (Besley 1995), that they form networks and develop various other strategies to pool risk, and that access to informal sources of credit can play a crucial role in income smoothing during times of crisis (see, for example, Udry 1994 and Morduch 1999). In societies with limited assets, social collateral and reputation play a crucial role in determining access to credit (Coate and Ravallion 1993). Households devise various strategies of collaborating with other households, both within and outside the family, to pool risk (Rosenzweig and Stark 1989).

This literature is based largely on studies of rural households in developing countries (and, to a lesser extent, on urban households in developed countries). Do the survival and mobility strategies employed by the urban poor in developing countries differ from those of their counterparts in rural areas and the inner cities of developed countries? If they do, should policy makers and practitioners be concerned?

A fruitful point of departure is to consider the types of risks the urban poor face. Instead of risks associated with crop failure and often nonexistent public services, the urban poor are much more likely to suffer from the following types of risk:

- Poorly defined property rights, resulting in housing demolition and re-settlement.<sup>4</sup>
- Higher susceptibility to contagious and waterborne diseases, which are a product of unsanitary, high-density living conditions.
- Exposure to organized crime, drugs, and gang violence.<sup>5</sup>
- Unemployment, underemployment, and unsafe working conditions.
- Overwhelmed (as opposed to absent) public services.
- The adverse effects of regional and national macroeconomic shocks.

The use of networks to respond to these risks tends to be very different in poor urban communities in developing countries. To look at these issues, it is useful to take a step back and think about what we mean by a “network” and what roles we might expect it to fulfill.

One way to think about a network is as a series of communication links within a group of people (see, for instance, Chwe 2000). In this sense, a network is a method of disseminating information among a group of individuals. Once such a network has been formed, it may perform one or more functions. A network can be purely informational; it can be used to provide goods, such as credit or housing; or it can be used to provide services, such as security and child care. The outcomes that a network produces depend both on the nature of the communication links and the functions that the network was designed to serve. Considerable work by sociologists during the past decade has shown that outcomes that emerge as a result of network communication depend both on the number and the nature of linkages among the members of the network (Chwe 2000; McAdam 1986; McAdam and Paulson 1993).

A priori one would expect networks in urban areas to differ from those in rural villages in terms of their size, diversity, and primary functional role, for several reasons. First, urban regions (especially those in which the poor reside) tend to have much higher population densities than their rural counterparts. One consequence of this high density is that even if services are provided equally to urban and rural regions—so that, for instance, the number of doctors per capita is the same in an urban slum and a village—the number of choices that a person in an urban area faces is much higher than their rural equivalent. As a result, the informational requirements of making an appropriate choice (conditional on options) are much higher in urban areas. This magnifies the importance of a network as a means of disseminating information.

The outcomes that networks produce can be very different for urban areas. In rural areas, characterized by smaller bonding social capital networks, people tend to interact with those who have largely similar knowledge pools to draw on. Considerable effort thus has to be made to find and engage people with nonredundant information. In cities the costs of doing so are much lower, but the corresponding challenge is that competing for (often very) finite resources means that there are strong pressures to secure access to a diverse, information-rich network. Recent arrivals to the city from rural areas, for example, draw on previous cohorts of emigrants from their village to help find initial housing and employment, but they need to gain access to different and more diverse networks to secure better housing, better employment, and formal markers of citizenship (such as ration cards and property titles) (see Jha, Rao, and Woolcock, forthcoming).

Networks in urban regions tend to be less stable than those in rural communities (largely due to the fluidity of urban populations), which may change the ways in which they operate. Ethnographic research in a Jakarta slum notes that the structure of social networks may move away from kinship ties to those based on friendship and individual relations (Jellenik 1991).<sup>6</sup> Urban slum living is very dense, with multiple families often living in the same house. This density tends to move social relationships away from the traditional forms that characterize village networks. Marriages are much less stable, and both women and men are more likely to engage in serial monogamy. As a result, they have several circles of relatives. Relationships are forged more on the basis of the quality of reciprocal links between individuals and friends than on familial obligations. This is precisely the finding that Roberts (1973) reports for Guatemala City, where 58 percent of couples reported not marrying (even though their Catholic beliefs strongly encouraged it), because in a highly uncertain world, the costs of permanent attachment to someone who may turn out to be unreliable or irresponsible were simply too high. Eames and Goode (1973) draw a similar conclusion in their review of studies of urban poverty in Central America and the Caribbean.<sup>7</sup>

### **How Can Recognizing the Social Capital of the Urban Poor Help Craft More Effective Policy?**

Much of the empirical foundation for the framework outlined above is informed by an extensive literature on how social capital in different Latin American communities shapes the direction and size of migration flows to the United States. This section considers these studies before exploring in more detail how the framework can be usefully applied to understanding contemporary responses to urban poverty in Latin America. It

then shows how the lessons from both can be integrated to make recommendations for future policy initiatives.

### *Social Networks within Latin American Emigrant Communities*

Migration is a prime risk management strategy, undertaken to diversify and increase household income streams. The success of migrant entrepreneurs from different ethnic groups in the United States constitutes the largest body of research on the urban poor in developed countries. This work focuses on the important policy question of international migration, investigating not just its demographic features (number of migrants, their skill levels, age distribution, and country of origin) but the explicit role that social networks play in shaping where migrants go, how they initially procure resources to establish housing and employment (often small businesses or farm labor), and whether and how they seek to become assimilated into their new country.<sup>8</sup>

Consider, for example, the case of Mexicans in San Diego and Haitians in Miami. Both groups display low levels of internal cohesiveness, despite sizable ethnic communities that could potentially offer them considerable economic resources and social opportunities. As Portes (1995, p. 264) puts it,

neither community possesses a well-developed ethnic economy that can generate autonomous opportunities for its members. Both communities have large numbers of transient and recent arrivals and individuals without legal status...[T]he institutional development of [these] ethnic communities has been hampered by its recency, the tenuous legal status of much of its population, and widespread discrimination from outsiders.

Without a strong community group to provide initial financial resources, small businesses fail to get started or quickly go bankrupt. With “too much” freedom and “not enough” community, immigrants begin to display a short-term commitment to their host country, establishing a cycle that undermines their sense of ethnic identity and commitment to its institutions (Roberts 1995). Classic signs of alienation and indifference emerge, and the end result is, not surprisingly, modest economic performance.

It is not necessarily the case that short-term commitments to the host country result in weaker network ties. Recent work by Munshi (2003) suggests that despite the widespread prevalence of recurrent migration, Mexican immigrants maintain a dense network based on *paisanaje* (belonging to a community of common origin) that benefits incoming migrants in a



number of ways. Munshi examines the impact of network status on migration and employment opportunities of Mexican immigrants in the United States using data from the Mexican Migration Project. He finds that migrants with a "better" (that is, larger and older) network are more likely to find jobs as well as financial support and housing assistance. Munshi's results suggest that the impact of these networks is large: shutting down the networks would increase unemployment from 4 percent to 11 percent and decrease nonagricultural employment by almost 25 percent (from 51 to 28 percent).

Other immigrant groups, such as the Koreans in Los Angeles (Light, Kwoun, and Zhong 1990) and the Chinese in San Francisco (Light and Karageorgis 1994), have been able to call upon and develop both cohesive internal ties and more extensive networks into the mainstream economy. Excluded from mainstream financial and civic institutions, recent arrivals move into co-ethnic enclaves (such as Chinatown), in which a range of indigenous social institutions exist for meeting basic credit and security requirements. But these resources often come at a price: longer term members of such communities have on occasion had to resort to such drastic measures as anglicizing their names in order to avoid having their modest but diligently acquired assets siphoned off by subsequent cohorts of co-ethnic immigrants (Portes and Sensenbrenner 1993).<sup>9</sup> Thus not only do "the same social relations that...enhance the ease and efficiency of economic exchange among community members implicitly restrict outsiders," as Waldinger points out (cited in Portes and Landolt 1996, p. 19),<sup>10</sup> they also explicitly restrict insiders.<sup>11</sup> Those who are able to forge new social ties into the wider business community, however, even in less dramatic circumstances, enjoy greater economic success. This also suggests that the need for and obligations toward group members in poor communities changes as one's economic status increases.<sup>12</sup> Paradoxically, then, the more successful the indigenous social institutions are in providing their members with financial and other resources, the less necessary those institutions become.<sup>13</sup> The regularity with which large new cohorts of low-skilled immigrants arrive, however, and their immediate need for security, housing, employment, and financial support ensures that these social institutions endure.

Granovetter (1995, p. 137) captures the essence of these dilemmas of development in his review of the ethnic entrepreneurship literature in anthropology and economic history, observing that

individuals and groups attempting to assemble firms may face on the one hand the problem of insufficient solidarity among themselves, which produces a failure of trust, and on the other hand the problem of uncontrolled solidarity, which produces excessive noneconomic claims



on an enterprise. Under what conditions can these mirror-image problems be overcome?

Citing the example of rotating savings and credit associations (RoSCAs), Granovetter proposes a social mechanism he calls "coupling and decoupling." In this mechanism, members of economic groups draw initially on the resources of family and peers but then attempt to forge broader and more autonomous ties beyond the group as their need for larger markets and more sophisticated inputs expands.

A parallel strand of research has looked at the social structures of persistently poor urban communities and the survival strategies of the homeless. Extending the classic work of Wilson (1987, 1996), Sampson and his colleagues emphasize the role of an urban community's "collective efficacy"—its capacity to work together to address joint problems—in responding to crime, juvenile delinquency, and other social ills (Raudenbush, Sampson, and Earls 1997; Sampson, Morenoff, and Earls 1999).<sup>14</sup> Here again the story centers on the importance of integrated social networks and kinship systems. On the one hand, these networks and kinship systems help young people engage in pro-social behaviors, such as staying in school and resisting the temptations of drugs and gang membership. On the other hand, however, because the poor are spatially, economically, and politically isolated, these networks and systems deprive them of access to key decision makers and information about job and other opportunities. Even the most destitute of the urban poor, the homeless, have "something left to lose," namely, the close social relations they have with other homeless people, which are a crucial source of moral and material support (Dordick 1997).<sup>15</sup>

In short, for development to proceed in poor urban communities, the initial benefits of intensive intracommunity ties (bonding social capital) must be complemented over time by more extensive extracommunity linkages to markets and (crucially) polities (bridging and linking social capital).<sup>16</sup> This gradual shift in the strength, form, and direction of social ties as economic exchange becomes more complex is a highly problematic and conflict-ridden transition (Woolcock and Narayan 2000). It has tremendous importance for understanding the prospects for medium-term economic growth and governance in poor communities, especially those in which poverty alleviation strategies centering on the formation of small groups, such as microfinance, agricultural, and environmental management programs (Radoki and Jones 2002), are becoming increasingly popular.

The insights derived from the classical social theorists and contemporary studies of urban poverty and ethnic entrepreneurship suggest that a key survival and mobility strategy in poor communities entails managing the tension between the claims of kinship and locality with economic

imperatives to build a more diverse “portfolio” of social and political assets. In the face of broad technological, corporate, and political forces conspiring to marginalize and isolate them, the poor need to forge and maintain linkages that transcend their communities. Doing so will enable them to resist the economic and noneconomic claims of community members when those claims undermine (or threaten to undermine) the group’s economic viability and expansion. It will facilitate entry into more diverse markets and allow the poor to initiate and sustain formal political processes, especially by individuals with superior ability and ambition. Once they organize as a political force for recognition and change, their aspirations and interests are more likely to be taken seriously by those in positions of power.

A corresponding policy implication is that in successful community-level development programs, linkages to outside institutions need to be forged incrementally. A community’s stock of social networks in the form of internal ties can be the basis for launching development initiatives, but it must be complemented over time by the construction of new networks, that is, connections to “outsiders” in possession of nonredundant information and resources, especially as they pertain to labor markets, factor and product markets, and public services. The construction of these networks is the task of both broad public policies that expand economic opportunities and access to services for poor people (that is, making “top-down” institutions more pro-poor) and specific programs that support front-line field workers as they seek to engage poor communities, building relationships with them that can become the basis for enhancing their confidence and organizational competence (that is, making “bottom-up” initiatives more empowering). Coordination and integration between both domains is crucial: on their own “bottom-up” initiatives are likely to be implemented piecemeal (and hence inefficiently) rather than as part of a coherent long-term regional or national strategy, while “top-down” approaches alone are unlikely to reflect the priorities of the poor or to secure the necessary mix of incentives, legitimacy, and sense of ownership required to implement and maintain service delivery mechanisms in a sustainable manner.

“Participatory” policy and project responses to urban poverty in Latin America (and elsewhere) should be seen as part of, not a substitute for, a coherent development strategy. Top-down coordination and resources need to be complemented by bottom-up information flows and accountability mechanisms. Policy makers should be wary of expecting successful participatory (and other) development projects in one setting to automatically achieve comparable results elsewhere; project success in any given environment is heavily dependent on the quality of context-specific social relationships forged between clients and providers. An innovative urban development project in Bolivia bears out these lessons (box 7.1).

### **Box 7.1 Participatory Budgeting in Bolivia: Getting Top-Down and Bottom-Up Right**

The passage of the People's Participation Law in Bolivia in 1994—a national initiative that established 250 new municipalities in rural and urban areas across the country—had a dramatic effect on the form and management of service delivery budgets. Previously, the entire budget had been controlled at the national level. Under the new law, 20 percent was now devolved to the new municipalities (according to their population share) and within them to legally recognized area-based community organizations. These organizations assumed responsibility for priority setting and local oversight, and they contributed some of their own resources as part of the preparation of annual and five-year investment plans.

Unlike its counterpart in Brazil, the Bolivian model of participatory budgeting is a national program that determines the amount to be allocated to each municipality. By ensuring continuity, coherence, predictability, and cross-regional equity, the program is less prone to the idiosyncrasies of local political whims. It establishes incentives that encourage communities to take a strategic and long-run approach to managing their affairs rather than one that has to continually optimize in the short run. While program performance has been uneven across Bolivia—with local factors shaping the degree and form of uptake—in general the impact has been positive. Integrating top-down institutional mechanisms and bottom-up organizational structures has been key to both making the Bolivian municipal participatory planning process work and to understanding subregional variations in performance.

In the quest to scale-up and expand, the development community should not focus exclusively on the highest profile cases of participatory budgeting (such as the Brazilian city of Porto Alegre; see Santos 1998). It should also be wary of taking the Bolivian example at face value. The strengths and weaknesses of both—indeed, virtually all—projects are specific combinations of components that are technocratic (professional skills), bureaucratic (standardized procedures), and idiosyncratic (context-specific knowledge).

While every effort should be made to learn from successful and unsuccessful projects elsewhere, in the end the viability of new initiatives will turn on their capacity to craft their own appropriate mix of these elements and, perhaps most important, to set up effective feedback mechanisms that enable them to learn from themselves as their efforts unfold.

*Sources:* Imparato and Ruster 2003; Pritchett and Woolcock 2004.

### *Urban Poverty, Social Capital, and Policy Responses in Latin American Cities*

A distinctive feature of urban poverty in developing countries is the nature and extent of risks experienced by the poor and the different types of social networks that can be called upon to address those risks. In rich and

poor countries alike, it is largely the capacity to manage transitions between the claims of “survival” networks and entry into different and more diffuse types of “mobility” networks that determines their long-term welfare. Especially important are networks providing access to improved housing, employment, and public services, by securing various forms of “citizenship” and becoming active participants in formal political structures. The goal of policy and project interventions should be to work directly with the poor to help them more smoothly and rapidly manage these transitions, all the while remaining conscious of the broader political and economic factors (such as the availability of basic employment opportunities) that make particular risk management and transition strategies more or less necessary (Sojo 2003).

Improved public service provision can play a central role in facilitating this process (World Bank 2003b). Implicitly or explicitly, it is this general understanding of the dynamics of social capital that has informed several recent policy initiatives in response to urban poverty in Latin America. Successful slum-upgrading projects from around Latin America provide ample evidence of the importance of combining public service delivery reform with initiatives to enhance the collective capacity of the poor by expanding their networks and political participation. In a well-integrated environment, reforms to the legal code and to service delivery mechanisms provide the framework within which community organizations operate. At best, these organizations serve to put pressure for reform on policy makers and service providers and to hold them accountable for their actions (see Imparato and Ruster 2003; World Bank 2003b) (box 7.2).

## **Implications for Future Policy Considerations**

The central message of this chapter is the importance to policy makers and practitioners of recognizing both how dynamic the prevailing risk management strategies of the poor are and how limiting their networks can be. Different types of social networks are at the core of their strategies. Policy and project responses need to be designed so that they complement their strengths and provide a point of articulation for more formal services providers. The networks of the poor cannot be understood in isolation, and they cannot be the sole focus of attention: their capacity to function effectively is greatly enhanced by policies and institutions that expand employment opportunities and provide good-quality services.

There is another sense in which social capital matters for poverty reduction in urban communities. Beyond understanding the social foundations of the survival and mobility strategies of the poor, social capital theory also points to the importance of social relationships more generally. In

### **Box 7.2 The Astonishing Success of Villa El Salvador in Lima, Peru**

Villa El Salvador (VES) in Lima, Peru, was constructed in 1971 in response to that city's massive population growth.<sup>a</sup> Founded to accommodate 4,000 families occupying land on the southern outskirts of Lima, VES was the initiative of a grassroots campaign to respond to a housing crisis. The project came to fruition through the joint efforts of grassroots organizers and representatives of the government's social development agency. From modest beginnings, in which initial residents were simply given plots of land, VES grew within the first year to a population of 70,000. Through active dialogue with the government, roads, electricity, and schools were soon provided, enabling economic opportunities in the form of small businesses and the construction of an industrial district to be started and sustained.

Though similar to other *barriadas* (informal settlements) in Lima, VES is distinctive in a number of important respects. First, from the outset it forged strong ties with the state that not only ensured political support but, crucially, gave residents the knowledge and confidence to engage the state. Second, the area was designed to function as an urban public space, not a "slum," and was able to do so because of direct community input into the design process. Third, as the need to expand VES and address ongoing development concerns emerged, strong ties between residents, NGOs, firms, and the state enabled the area development plan to be adhered to. Today, VES is a bustling city, with a population of 350,000; though it remains a low-income community, most of its members have secure property title and access to basic services.

a. This and other case study material on slum upgrading in Latin America and the Caribbean is drawn from Imperato and Ruster (2003).

matters pertaining to the provision of public services, certain services—or at least certain key aspects of a given service, most notably education and health care—can be delivered only through ongoing social relationships (Pritchett and Woolcock 2004).

As a host of World Bank (2003b) and other studies have shown, the well-being of the poor turns crucially on their access to public services. As such, the nature of the social relationship—between teachers and students, between health care providers and clients, between community and slum leaders and municipality representatives, between police and citizens—is central to determining whether and how services are delivered. Where and when this relationship breaks down—when mothers have to bribe doctors for medicines, when teachers fail to show up for work, when the police are part of criminal networks—the solution lies not in simply procuring more resources or upgrading training programs, though these may be useful, but in repairing, building, and sustaining a

mutually respectful social relationship. Teaching, curative care, and social work simply cannot be provided except through such relationships.

Efforts to respond to youth unemployment and urban crime in Jamaica, Guatemala, and Colombia have adopted such an approach. In Kingston a range of civic groups (many headed by women whose sons, brothers, and fathers have been lost to violence) have emerged to try to stem the violence. These programs provide mentoring programs, sports facilities, music instruction, and small business training in order to strengthen pro-social ties among community members (Duncan and Woolcock 2002). The Jamaica Social Investment Fund (launched in part in response to the work of Moser and Holland 1997) explicitly seeks to harness such ties to better identify and implement community development projects.<sup>17</sup> In Guatemala City (Grant 2001) and Bogota (McIlwaine and Moser 2001), similar community-based initiatives have been launched in response to endemic urban violence. In both cities the initiatives have sought to work through key front-line staff members able to build durable relationships of trust between themselves and communities. These relationships have helped strengthen service delivery, improve information flows regarding employment and training opportunities, and more constructively address issues that otherwise would have given rise to conflict. Such approaches are especially important in settings such as Guatemala, where social fragility borne of civil war, high ethnic diversity, and wide economic inequality has created a low level of generalized trust (World Bank 2003a).

## Conclusion

The way in which scholars and policy makers understand the role that different types of social relationships (or social capital) play in the lives of the urban poor in Latin America has evolved over the past 40 years. The persistence of primordial kinship systems and “inefficient” informal institutions was initially held to be symptomatic of the failure of the once-rural poor to adapt to the pace and conditions of urban life (the “marginality” view). This perspective gradually gave way to one in which more attention was paid to the many and varied ways the social capital of the poor was harnessed to cope with adversity (“the resources of poverty” view). Most recently, as heightened economic integration across the region and the globe has generated greater uncertainty (even if it has also created new opportunities), the limits of these network-based strategies in poor urban communities have, according to some, been reached.

This chapter argues for (and provides examples of) a twofold policy response. The goal of this response is to expand economic opportunities and make key services more accessible and accountable to the urban poor and to enhance the capacity of the urban poor to diversify their social

networks and participate (directly or indirectly) in the design, implementation, and maintenance of projects affecting them. Both responses are needed, in their own right and to enhance each other's effectiveness. Increasing the quantity and quality of top-down initiatives and delivery mechanisms (by providing more resources and making them more accessible, accountable, and effective) while simultaneously striving to make bottom-up processes more inclusive and capacity-enhancing is needed to forge and sustain the spaces in and through which a broad alignment of interests and incentives to serve the poor (and the nonpoor) can occur. To deliver on these goals, it will be necessary to sustain the political will, to mobilize the administrative infrastructure, to conduct the necessary background research, and to disseminate the lessons from demonstrated successes (and failures). These tasks are vital—and ones the international community can usefully support.

As the examples provided in this chapter and elsewhere demonstrate, some of the most innovative and effective responses to the challenge of urban poverty have emerged from harnessing the respective comparative advantages of formal institutions (their resources and reach) and informal social mechanisms (their proximity to the specific concerns, capacities, and aspirations of the poor), achieving together what neither could achieve alone. The heterogeneity of the urban poor, combined with the inherently discretionary and transaction-intensive nature of the services they most need (education, health care, conflict mediation), mean that standardized policy responses can be only one part of the optimal development strategy. In addition to broader policies for encouraging economic growth and attendant employment opportunities, crafting effective context-specific solutions (whose precise form is hard to predict *ex ante*) to the challenge of urban poverty in Latin America and the Caribbean requires the political willingness and ability to procure adequate resources and establish adequate accountability mechanisms while devolving as much decision making responsibility as possible.

## Notes

1. This terminology comes from Briggs (1998). Where possible, reference is also made to urban areas in the Caribbean.
2. See, for example, Rubio (1997) on the "perversity" of social capital in Colombia.
3. Portions of this section draw on Das, Rao, and Woolcock (2003).
4. On the broader role of weak property rights in development, see de Soto (2000).
5. See the more detailed discussion of these issues in chapter 4. See Rodgers (2003) on the rise of violence in slums in Nicaragua, in particular on the ways that in the aftermath of the civil war poor urban communities became territory to be



controlled by an entire class of young, male, ex-military personnel left without status, income, and direction. On the unusual mixture of democratic politics and urban violence in Jamaica, see Duncan and Woolcock (2002).

6. For a depiction of similar dynamics in Cairo, see Singerman (1995).

7. In a controversial book on life in the *favelas* of Brazil, Scheper-Hughes (1992) argues that extreme poverty can erode even the most primal of social attachments, that between a mother and child.

8. On this point, see, among others, Waldinger (1996), Light and Gold (1999), Portes and Rumbaut (2001), and Massey and Durand (2002).

9. For a model of "passing" and "identity switching" in this context, see Bloch and Rao (2001). For earlier ethnographic work on the benefits and burdens of social ties among the urban poor, see Hannerz (1969).

10. Waldinger (1996); Waldinger, Aldrich, and Ward (1990); Portes and Zhou (1992); and Light and Karageorgis (1994) make similar arguments. For a detailed empirical assessment, see Massey and Espinosa (1997).

11. Munshi (2003) argues that a "bad" network externality is imposed by the need to provide for newcomers, since newcomers will typically be employed in lower paying jobs.

12. Munshi (2003) suggests that this is one of the reasons for the low levels of education among Mexican migrants, despite a long tradition of migration to the United States.

13. This applies to small businesses in poor communities; ethnic enterprises already well established in the commercial sector (such as Jewish diamond merchants in New York) may benefit considerably, as may consumers, by being able to control entry and exit into their industry through informal social mechanisms (Coleman 1990).

14. This work continues a long and distinguished tradition of urban research at the University of Chicago. See also Jargowsky (1998) and Venkatesh (2000).

15. Other studies (for example, Scheper-Hughes 1992) depict a harsh world in which urban poverty is both a product of and exacerbates fragmented social networks. In this view, a vicious circle is established in which low social capital, violence, unemployment, and poverty negatively reinforce each other.

16. See Briggs (1998), Woolcock (1998), Gittel and Vidal (1998), World Bank (2000), and Saegert, Thompson, and Warren (2001).

17. On the efficacy of the Jamaica Social Investment Fund, see Rao and Ibáñez (forthcoming).

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