

CHAPTER 7

Removing Social Barriers and Building Social Institutions

Social institutions—kinship systems, community organizations, and informal networks—greatly affect poverty outcomes. They do so by affecting the productivity of economic assets, the strategies for coping with risk, the capacity to pursue new opportunities, and the extent to which particular voices are heard when important decisions are made. Social institutions can help poor people get by and get ahead.¹ But they can also place barriers between poor people or the socially disadvantaged and the opportunity and resources they need to advance their interests. Discrimination on the basis of gender, ethnicity, race, religion, or social status can lead to social exclusion and lock people in long-term poverty traps.

Values, norms, and social institutions may reinforce persistent inequalities between groups in society—as with gender-based prejudice throughout much of the world, the caste system in India, and race relations in South Africa and the United States.² In the extreme, these social divisions can become the basis of severe deprivation and conflict. Legal and other measures to over-

come these inequalities must be accompanied by efforts to raise awareness about culturally based attitudes such as those toward women and people of different races, religions, or ethnic origin. Otherwise these measures will be unable to produce real change. Social barriers can take many forms. Here the focus is on key barriers arising from gender inequality, social stratification, and social fragmentation.³

Gender discrimination and poverty

Until we became organized as a SEWA cooperative, the middlemen could cheat us. But now I can negotiate with them as the representative of our cooperative and as an elected member of our local council. One day near the bus stop, I heard a couple of men saying, “There’s the woman who is giving us all this trouble. Shall we beat her up?” I told them, “Go ahead and just try it. I have 40,000 women behind me.”

—Woman laborer, speaking at World Summit for Social Development and Beyond, Geneva, June 2000

The extent and manifestations of gender inequality vary among societies, shaped to a considerable degree by kinship rules.⁴ Rules of inheritance determine ownership of productive resources. Rules of marriage determine women's domestic autonomy: if these rules require that women join their husband's family, women have far less autonomy than if they are able to form a new household or live with their own family (which is uncommon). The most pervasive forms of gender inequality appear where both inheritance and marriage rules are heavily weighted in favor of men. By contrast, where such rules are more gender balanced, women have greater voice in the household and in public spaces and face fewer constraints on becoming independent economic and social actors.⁵

Norms for gender roles and rights form part of the moral order of a community and permeate other institutions, including those of the state. This further reinforces gender inequities, unless conscious efforts are made to avoid it. Legal systems play a key part, either reinforcing customary gender rights and roles—or deliberately seeking to alter them. Also important is the provision of public goods and services, which often bypass women unless specific efforts are made to reach them.

Inequalities in voice and access to resources

Customary gender norms and values can lead to political, legal, economic, and educational inequalities that perpetuate women's lack of access to resources, control over decisionmaking, and participation in public life. Greater political representation could help change this—in no country do women hold more than a very small share of the seats in parliament.⁶

Legal systems can constrain women from becoming independent economic actors. In many countries family laws are heavily stacked against women, restricting their rights in divorce and in inheritance of land and other productive resources. In most developing countries titles to land are normally vested in men.⁷ Since the great majority of the world's poor people live in agrarian settings, this is a fundamental source of vulnerability for poor women.

Some countries use the legal system to formalize customary rules that explicitly limit women's rights. In the Republic of Korea, for example, customary laws restricting women's rights were formalized in the Civil Code of 1962, and women's legal rights have been very slow to improve. After decades of struggle by women's organizations, key amendments in 1990 gave women the right to inherit their parents' and husband's property.⁸ Di-

vorce laws were changed to allow women equal rights to property acquired during marriage, and child custody is no longer granted automatically to the father. But the law continues to insist on male household headship, which women's organizations see as the main source of gender inequality in the family and in other social institutions. So while women in Korea have become educated and participate actively in the labor force, their unequal status serves to maximize their economic contribution while minimizing advances in gender equity.⁹

In many countries women continue to be denied even basic legal rights. In Botswana, Lesotho, Namibia, and Swaziland married women, according to both customary and common law, are under the permanent guardianship of their husband and have no independent right to manage property (except under prenuptial contract).¹⁰ In Guatemala men can restrict the kind of employment their wife can accept outside the home. In some countries women need their husband's permission to obtain a passport and move about freely.¹¹

Poor women face a double disadvantage in access to resources and voice—they are poor, and they are women. Poor people have much less access to education and health care than the nonpoor, and the gender gap in these services is larger among poor people.¹² The same is true for credit and agricultural extension services: unless strong countervailing measures are taken, the poor receive less than the nonpoor, and women receive the least. Studies from many countries show that agricultural extension agents focus on male farmers, even though women are often the primary cultivator because husbands work off the farm.¹³ So women face disadvantages not only in land ownership, but in gaining access to the resources and information that would improve yields.

The toll of gender inequality on society

If the rights of men and women are flagrantly unequal, it is very difficult to establish a democratic and participatory sociopolitical order and an environment of equal opportunity. Moreover, the more extreme manifestations of power inequality between men and women constitute gross violations of human rights. Domestic violence has been shown to be startlingly prevalent around the world—among people at all income levels (see box 8.1 in chapter 8).

In some societies the lower value assigned to women and girls translates into excess mortality. Estimates based on official national censuses find that as a result of ex-

cess female mortality, about 7 percent of girls under age five are “missing” in China and Korea and more than 4 percent in India and other parts of South Asia.¹⁴ Without such discrimination there would be an estimated 60–100 million more women in the world.¹⁵

Gender inequality also has strong repercussions for human capital in the next generation, because the burden of bearing and rearing children falls largely on women. Women deprived of education and decision-making power in the home face serious constraints in rearing healthy, productive children. They also tend to have more children than they wish, compounding the pressures on themselves and their family. Better-educated women are able to communicate better with their spouse about family size decisions, use contraception more effectively, and have higher aspirations for their children.¹⁶

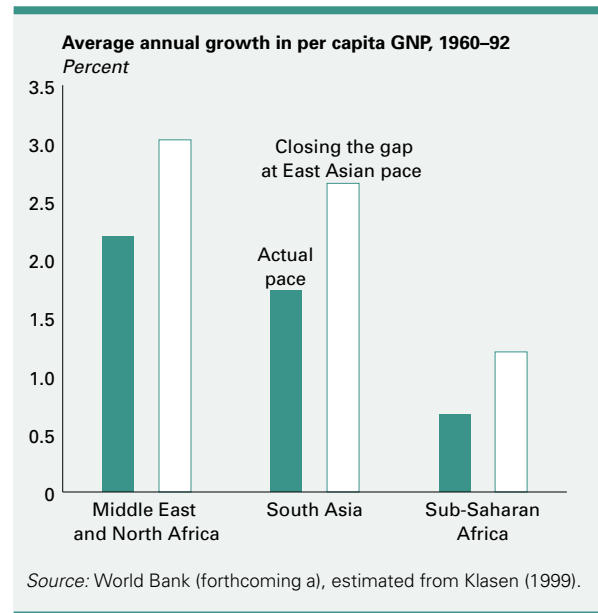
Low autonomy for women takes an independent toll. Studies in China and India find that even controlling for education, household income, and other socioeconomic characteristics, low domestic autonomy is associated with higher infant and child mortality rates.¹⁷ Studies consistently show that women’s education improves child survival.¹⁸ And longitudinal studies in the United Kingdom and the United States find that, controlling for other household-level factors, mother’s education is associated with better child cognitive development.¹⁹

Among children of women who have greater financial autonomy, either because they earn cash incomes of their own or have a greater role in domestic decisionmaking, nutrition and education are higher. Studies in Brazil show that more income in the hands of mothers is associated with better nutritional outcomes and physical development.²⁰ Microcredit programs in Bangladesh find that giving income-generating loans to women improves the nutritional status of their children, a result that does not hold for men.²¹

Education and autonomy reinforce each other. Women with more education and greater domestic autonomy are better able to nurture and protect their children.²² Low education and low autonomy make it more difficult for women to obtain medical care, comply with instructions, and follow up with the health care provider if the instructions seem ineffective. They also make it more difficult for women to obtain healthcare information, prevent illness, and care for the sick.

More equitable distribution of opportunities and resources between men and women also leads more directly to higher economic growth and productivity.²³ Cross-

Figure 7.1
Closing the gender gap in schooling more rapidly would boost economic growth

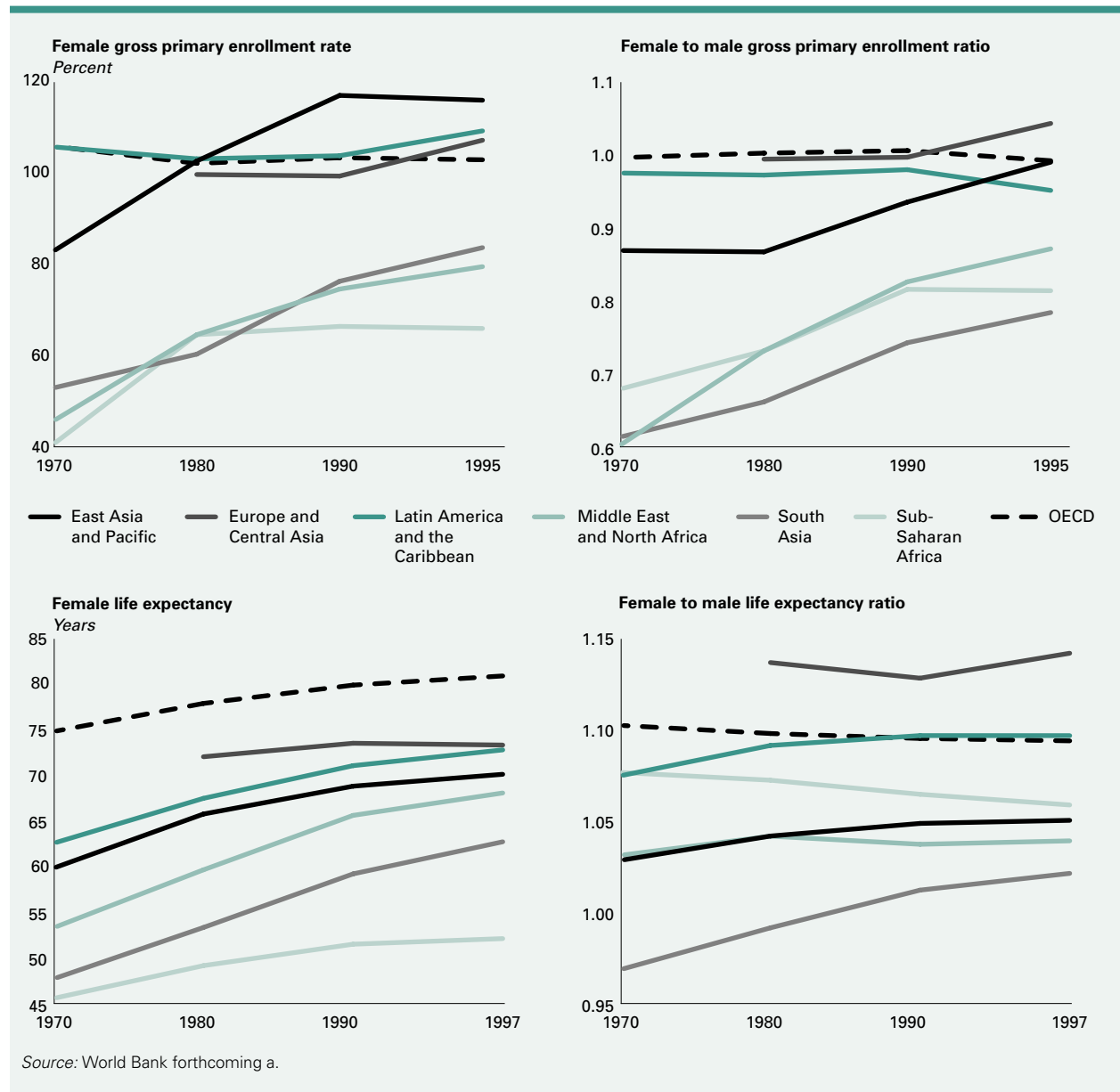


country analysis indicates that countries that invest in girls’ education have higher rates of economic growth (figure 7.1).²⁴ Country studies show the benefits of increasing women farmers’ access to agricultural extension, credit services, and other productive inputs.²⁵ Raising their education increases their efficiency as producers, by increasing their adoption of new technologies and their efficiency in using resources. Analysis from Kenya suggests that giving women farmers the same education and inputs as men increases yields by as much as 22 percent.²⁶ For Burkina Faso analysis of household panel data suggests that farm output could be increased 6–20 percent through a more equitable allocation of productive resources between male and female farmers.²⁷ Further analysis is needed to determine the impact of such a reallocation on overall household income and nutritional well-being.

Scope for change

While political and legal equality between men and women have increased in most regions, it takes effort and perseverance to change people’s gender values and beliefs.²⁸ But much can be done—and much has been done—to improve women’s voice and access to resources by increasing their political representation, their legal rights, and their command over physical, financial, and human capital (figure 7.2). Efforts are

Figure 7.2
Trends in female education and life expectancy reflect increasing equality between women and men



under way in at least 32 countries to increase women's political representation by reserving seats for them in local and national assemblies.²⁹ In India two amendments to the constitution reserve a third of local council seats for women, giving rise to a new class of women (some 600,000 strong) with political influence; similar reservation is under consideration for higher political levels.³⁰ In Argentina at least a third of the candidates on national election lists must be women.³¹

Women's legal rights have been broadened considerably in many countries. In a growing number of countries daughters and sons now have equal legal rights to inherit from their parents. The existence of such legal rights does not mean that deeply rooted cultural norms immediately change, however. Moreover, the legal system often gives people scope for implementing their own norms. For example, the option of writing a will allows people to maintain cultural norms on inheritance favoring sons.³² When

Box 7.1 Making land titling less gender biased in Latin America

The land titling process, rife with inequities, has often reduced women's access to land. Statutory law in several Latin American countries required that the beneficiaries of earlier land reform programs be heads of household. Since custom dictated that men were the head of the household, it was difficult for women to benefit from such programs. During the 1980s and 1990s, however, reform measures changed, and the more progressive agrarian codes of the 1990s gave special attention to this problem.

A study based on gender-disaggregated data for six countries (Chile, Colombia, Ecuador, Honduras, Mexico, and Peru) shows that women make up a larger share of beneficiaries under current land titling programs than under past agrarian reforms. Still, several obstacles to improving women's formal rights to land remain:

- Women often are unaware of their rights or of the land titling program.
- Land titling projects are often arbitrary. The problem usually starts with lack of clarity about the bundle of property rights to land within one household: those of the wife, those of the husband, and those to jointly acquired property. At the enforcement stage, this confusion often works to women's disadvantage.
- Some legal dispositions are gender biased. Procedures ceding rights to land often aim at individualizing land rights—one person per household. To work in favor of women, land titling programs need to give female heads of household priority, as in Chile.

Two sets of measures are particularly important for preventing gender bias in land titling and promoting the rights of women:

- Making joint titling of land to couples mandatory. Joint titling guarantees married women property rights to land that has been jointly acquired. In Colombia land titled jointly to couples accounted for 60 percent of land adjudications in 1996, up from 18 percent in 1995. Land titled exclusively to men declined from 63 percent to 24 percent over the same period.
- Fostering partnerships between government departments and NGOs that defend the rights of women—to increase women's awareness of their rights and support them in claiming title to land in the face of a possibly hostile bureaucracy or family. In Bolivia and Ecuador, where women's land rights featured little in the negotiations leading to new agrarian codes and where there was no movement toward joint titling or special rights for women, the reforms did not improve women's land rights.

Source: World Bank forthcoming a (based on Deere and Leon 1997, 1999); Deere and Leon forthcoming.

legislation conflicts too sharply with customary law, problems can surface.³³ Still, even if laws are not self-enforcing, they are a necessary first step toward gender equity.

More direct efforts to ensure women's access to productive resources include recent land titling programs to grant land rights to women. The 1994 Colombian Agrarian Law gave top priority to redistributing land to households headed by women and to women who lacked protection or had been displaced by war (including single and childless women).³⁴ The scheme—"a parcel of one's own"—was the only guarantee of secure livelihood for women and their children upon separation or divorce. Several other Latin American countries have been working on this issue, with varying success (box 7.1).

Women also need more equitable access to credit and associated productivity-enhancing services. Studies of the effect of networking schemes, such as group-based microcredit, suggest that these schemes have enormous potential for reducing poverty. Some of these credit programs, such as Grameen Bank in Bangladesh, are targeted more to women than to men.³⁵ Using peer pressure and group obligations rather than legal contracts, group-based schemes rely on social collateral rather than traditional financial assets as security.³⁶ The schemes have helped women acquire nonland assets and have also been associated with positive effects on girls' schooling.³⁷

Critical to these programs are services that complement credit and savings facilities, such as training in entrepreneurial skills—especially for women, who are typically cut off from the normal paths for acquiring such skills. Given the opportunity, women can become successful entrepreneurs. In southern Africa women own an impressive share of small, informal sector businesses: 67 percent in Zimbabwe, 73 percent in Lesotho, and 84 percent in Swaziland.³⁸ The next step is to ensure greater access for women to business opportunities in the formal sector.

Recognizing the constraints women face in gaining access to public services and other opportunities makes antipoverty interventions more effective. In education, female teachers and separate sanitary facilities—or even single-sex schools—can boost girls' enrollments in some regions.³⁹ Demand-side interventions can also be effective (box 7.2). In agricultural extension, efforts to hire and train female extension agents—and to focus extension efforts on women farmers—help make new agricultural methods and technologies more accessible to them and increase productivity.

Box 7.2 Using subsidies to close gender gaps in education

Evaluations of recent initiatives that subsidize the costs of schooling indicate that demand-side interventions can increase girls' enrollments and close gender gaps in education. A school stipend program established in Bangladesh in 1982 subsidizes various school expenses for girls who enroll in secondary school. In the first program evaluation girls' enrollment rate in the pilot areas rose from 27 percent, similar to the national average, to 44 percent over five years, more than twice the national average (Bellew and King 1993). After girls' tuition was eliminated nationwide in 1992 and the stipend program was expanded to all rural areas, girls' enrollment rate climbed to 48 percent at the national level. There have also been gains in the number of girls appearing for exams and in women's enrollments at intermediate colleges (Liang 1996). While boys' enrollment rates also rose during this period, they did not rise as quickly as girls'.

Two recent programs in Balochistan, Pakistan, illustrate the potential benefits of reducing costs and improving physical access. Before the projects there were questions about whether girls' low enrollments were due to cultural barriers that cause parents to hold their daughters out of school or to inadequate supply of appropriate schools. Program evaluations suggest that improved physical access, subsidized costs, and culturally appropriate design can sharply increase girls' enrollments.

The first program, in Quetta, the capital of Balochistan, uses a subsidy tied to girls' enrollment to support the creation of schools in poor urban neighborhoods by local NGOs. The schools admit boys as long as they make up less than half of total enrollments. In rural Balochistan the second program has been expanding the supply of local, single-sex primary schools for girls by encouraging parental involvement in establishing the schools and by subsidizing the recruitment of female teachers from the local community. The results: girls' enrollments rose 33 percent in Quetta and 22 percent in rural areas. Interestingly, both programs appear to have also expanded boys' enrollments, suggesting that increasing girls' educational opportunities may have spillover benefits for boys.

Source: World Bank forthcoming a; Kim, Alderman, and Orazem 1998.

Increasing gender equity has enormous benefits in establishing a culture of human rights as well as more immediate material benefits through its effects on productivity and the human capital of the next generation. Paths to gender equity include giving men and women equal rights under the law, equal access to education and health care, and equal access to services related to income generation. Gender budgeting and publication of gender-disaggregated development indicators can help generate

Box 7.3 Toward stronger female voice in policymaking: women's budget initiatives in southern Africa

The South African Women's Budget Initiative began as an innovative "joint venture" between several NGOs and new parliamentarians in the first post-apartheid government. The parliamentarians were members of the Gender and Economic Policy Group of the Joint Standing Committee on Finance, while many of the NGO representatives were involved in budget-related and more general policy research. The purpose of the initiative has been to highlight the gender dimensions of the government's budget—including in taxation, expenditure, and the budget process itself—and to ensure that gender equity is better served by the budget process and allocations.

The initiative has undertaken four rounds of budget analysis on a range of sectors. While the early rounds focused largely on the national budget process, the fourth has begun to focus on local government and on dissemination of findings and messages to a broader constituency of South Africans—to better equip ordinary citizens to engage in policy discussions.

The South African initiative has inspired several others. A three-year gender budget initiative was started in Uganda in 1997, led by the Parliamentary Women's Caucus in cooperation with the Forum for Women in Democracy, an NGO. Like the South African program, the Ugandan initiative involves the coordinated efforts of parliamentarians and NGO researchers. Already a powerful force in Uganda, the Women's Caucus has pushed through several legislative changes, including the clause in the local government law requiring that women constitute at least a third of executive committee members at the parish and village levels. The gender budget initiative has focused on macroeconomic policy and gender, including the effects of structural adjustment on poor women.

In Tanzania another three-year initiative, also started in 1997, is spearheaded by a coalition of NGOs led by the Tanzania Gender Networking Program. It focuses on understanding the budget processes of the National Planning Commission and the Ministry of Finance, how those processes affect government spending on basic services, and how government spending decisions affect women's and men's access to health and education services. The initiative has begun disseminating key findings in simple language to make them broadly accessible.

Source: World Bank forthcoming a; Budlender 1999; TGNP 1999.

public support for such efforts (box 7.3). All these interventions need to be backed by efforts to increase the political participation of women, so that they can contribute more fully to society.

Antidiscriminatory legal, institutional, and policy reforms for increasing gender equality have both instrumental value for development and poverty reduc-

tion and intrinsic value for furthering human rights and well-being. More equitable access to material resources and to needed services increases economic productivity and growth. More generally, increasing gender equity is an important component of efforts to encourage greater citizen participation in public life and in monitoring state institutions.

Social stratification and poverty

Because we had no schooling we are almost illiterate. Sometimes we cannot even speak Spanish; we can't add. Store-owners cheat us, because we don't know how to count or anything else. They buy at the prices they want and pay less. They cheat us because we are not educated.

—Indigenous woman in *Asociación de 10 Agosto, Ecuador*

Economic inequalities reinforced by social barriers make it especially difficult for poor people to move out of poverty. When social distinctions between groups are used to perpetuate inequalities in access to material resources, they generate rigid sociopolitical hierarchies, which constitute powerful social barriers explicitly aimed at preserving the status of the better-off. They place crippling constraints on individuals. For poor people, naturally risk averse because they live close to the margin of survival, the prospect of incurring the wrath of powerful elites by challenging these barriers is intimidating. Rigid stratification also creates obstacles to collective action: if the distribution of power in a community is too skewed, prospects for trust and cooperation are low.

Social inequality in villages undermines efforts to manage collective goods such as water.⁴⁰ In the hands of village elites, control of these resources can be used to further discriminate against poor people. One of the most glaring manifestations of inequality is in access to land. In most developing countries large inequalities in land ownership make it virtually impossible for poor people to rise from the bottom of the agrarian hierarchy. But land reform and broader efforts to diversify economic opportunities can break some of these barriers and reduce rural poverty (chapter 5; box 7.4).

In many settings discrimination and social inequality are the outcome of entire social groups having little political voice. These groups are discriminated against or neglected in the distribution of public goods, which translates into lower access to education and health—and lower income. Most damaging are the poverty traps that arise from

Box 7.4

Using development programs to break the power of agrarian elites: a case study from eastern Uttar Pradesh, India

The socioeconomic hierarchy in the village is apparent: there is one large white-washed brick mansion standing out among a sea of mud huts. The mansion is the home of the *talukdar*, the large landowner whose duty it was to collect land revenues for the colonial power. The *talukdar's* family lost some of its holdings when land ceilings were imposed in the 1950s, although it held onto much of its land through fictitious division.

For the next couple of decades the *talukdar's* family consolidated its relationships with the new power structures of the state. In a typical pattern of diversifying family networks, the father arranged for one son to be in the police service, while another managed the land. They continued to be the main source of credit and employment for the villagers, who acknowledged their social superiority by prefacing every interaction with the greeting "Touching your feet, Lord."

For this family, well educated and well connected, it was easy to divert development funds for its own benefit. The other villagers generally never knew about the entitlements they were being deprived of. Even if they did know, they could hardly protest, because the *talukdar's* family had guns and was known to rape and maim at will.

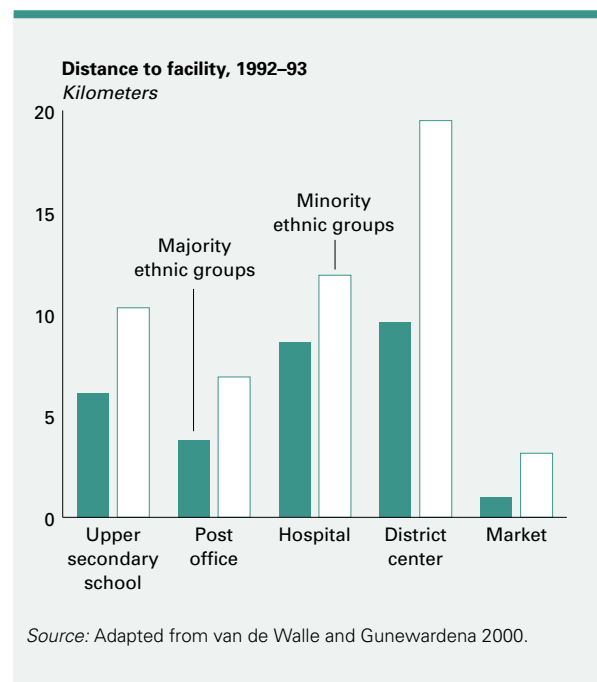
Around 1970 agricultural extension agencies brought information on tubewells to the village. Some middle-level peasants pooled their resources to sink a tubewell to irrigate their contiguous plots. Eager to maximize their profits, they began to sow cash crops and raised the wages they offered agricultural laborers. The *talukdar's* son responded by striding around at the weekly market with a gun slung over his shoulder, threatening to shoot anyone who offered laborers more than the going rate. That temporarily thwarted the peasants' efforts.

But new opportunities offered by tubewells and the opening of a government milk collection center in the village made it more difficult for the *talukdar's* family to retain its position. Over time the middle-level peasants increased their incomes and offered new sources of employment and credit for poor people. The village shifted away from a bipolar polity toward a broader distribution of power.

A study of another Uttar Pradesh village noted similar tensions. There the *talukdar's* family had tried such methods as arson and election rigging to maintain its power, but the middle-level peasants' determined use of new agrarian opportunities eventually weakened that power. By the 1990s the middle-level peasants had become prosperous and educated and formed a serious political challenge to the *talukdar's* family, defeating them in local elections. The hegemony of the old colonial landowning elite has been effectively challenged through continuing development programs and participatory political institutions.

Source: Das Gupta, Grandvoinet, and Romani forthcoming; Drèze, Lanjouw, and Sharma 1998.

Figure 7.3
Minority groups in Vietnam have less access to services than nonminorities



active discrimination, which can inflict psychological damage on those discriminated against.

Some poverty traps are created in part by geographic isolation. Differential outcomes based on geographic isolation are a form of stratification, even if not consciously designed. For example, the disproportionately high poverty among indigenous groups in Latin America partly reflects their greater distance than others from markets, schools, hospitals, and post offices. Similar constraints are documented for minority ethnic groups in Vietnam (figure 7.3). Indigenous groups in Latin America also receive less education on average than non-indigenous groups. Ethnic discrimination exacerbates the effects: returns to schooling are lower among indigenous groups. Indigenous people are more likely than others to be sick and less likely to seek medical treatment, which may also help account for the difference in earnings.⁴¹ This is a vicious circle, as low income reduces the probability of improving one's health.

Isolation and lack of education can create poverty traps that persist over generations, as children living in different locations experience different types of human capital accumulation. Even the neighborhood in which one lives can have a powerful influence on income and

human capital.⁴² Living in a better-off neighborhood exposes individuals to social and cultural factors that increase their productivity.⁴³ Neighborhood effects can also reduce economic mobility and widen income disparities across communities, as in Ethiopia.⁴⁴ Similar results have been reported in industrial countries, where the rich often live apart from the rest of the population.

Other poverty traps result directly from prolonged discrimination against minority groups, as in the United States, or even against majority groups, as during the apartheid regime in South Africa.⁴⁵ In these countries, as in Latin America, blacks have lower education and income than whites. But their disadvantages run even deeper: their life expectancy at birth is also lower, a gap not explained by socioeconomic disparities alone.⁴⁶

The cumulative effects of discrimination in education, employment opportunities, and information weaken the opportunities for members of these groups to find good jobs.⁴⁷ This dynamic is powerfully boosted by the psychological damage from discrimination—and the psychological obstacles to upward mobility add to the physical and financial obstacles to obtaining qualifications. People cease to believe in their abilities and stop aspiring to join the economic and social mainstream. This social dynamic emerges forcefully in the context of race relations in the United States (box 7.5).

Mitigating the impact of social stratification requires multifaceted approaches. Ensuring that public agencies and other state institutions serve all sectors of the population equally can make a big difference. This practice can be furthered by mobilizing excluded groups to be more assertive of their needs and rights. In situations of active discrimination, carefully designed affirmative action policies can help equalize access to opportunities.

Reforming institutions

In societies not deeply stratified, reform of state institutions can increase social equity. A fairly simple reform is to ensure that delivery of public services does not neglect disadvantaged groups. Broader reforms involve making legal systems equitable and ensuring that administrative and political institutions are accessible and responsive to all. Rather than create barriers, these systems should facilitate the full participation of the entire population. Citizenship laws may also need reform—to reduce social tensions and enable disadvantaged groups to participate in political life, which is important to their ability to organize on their own behalf.⁴⁸ In some countries, having

Box 7.5 Discrimination is psychologically devastating

In an analysis of social exclusion and the need for affirmative action in the United States, Glenn Loury draws attention to the psychological havoc that long-standing discrimination can wreak on black ghetto dwellers:

Here is a youngster to whom one says, "Why don't you marry the girl you got pregnant? Instead of standing on the street corner hustling, why don't you go to the community college and learn how to run one of these machines in the hospital? You could learn that with a couple of years at the community college instead of being a misfit," and the answer is not, "I have done my sums and the course you suggest simply does not pay." Instead, his answer is, "Who, me?" He cannot see himself thus.

Black ghetto dwellers in the United States are a people apart, susceptible to stereotyping, ridiculed for their cultural styles, isolated socially, experiencing an internalized sense of helplessness and despair, with limited access to communal networks of mutual assistance. In the face of their despair, violence, and self-destructive behavior, it is morally obtuse and scientifically naive to argue that if "those people" would just get their acts together we would not have such a horrific problem. Social processes encourage the development of self-destructive behavior. This is not to say that individuals have no responsibility for the wrong choices they may make. Instead, it is to recognize a deep dilemma, one that does not leave us with any good choices.

Because the creation of a skilled workforce is a social process, the meritocratic ideal—that in a free society individuals should be allowed to rise to the level of their competence—should be tempered with an understanding that no one travels that road alone. "Merit" is produced through social processes. For this reason, there should be a collective public effort to mitigate the economic marginality of those blacks who languish in the ghettos of America. Public goals ought not to be formulated in race-neutral terms, even if the instruments adopted for the pursuit of those goals are, in themselves, color-blind.

Source: Passages excerpted from various sections of Loury (2000).

accountable judicial institutions would also help protect disadvantaged groups from discrimination.

Poor, marginalized communities can be mobilized to help reduce their poverty by drawing on and strengthening their social institutions. Groups with a strong collective identity—and a willingness to collaborate with outside agents to forge new solutions—can work to in-

crease their access to health, education, and other public services, improving their living conditions and raising their incomes. Early results from innovative "ethno-development" programs in Ecuador show the importance of cultivating genuine demand, enhancing self-management, and building local capacity—instructive lessons for development practitioners and policymakers.⁴⁹

Taking affirmative action

In deeply stratified societies these efforts need to be supplemented by affirmative action programs—to counter the disabilities from long-standing discrimination. To compete in economic and political arenas, those discriminated against need special assistance in acquiring education, information, and self-confidence. Affirmative action begins with legislation against discrimination in access to public and private goods and services, such as housing, credit, transport, public places, and public office.

Prominent in affirmative action are efforts to reduce the cumulative disadvantages of low access to education and employment. This typically involves helping members of discriminated-against groups acquire skills and access to opportunities through financial support for education, preferential admission to higher education, and job quotas.⁵⁰ These policies, of two main types, make a big difference in outcomes:⁵¹

- *Developmental policies* seek to enhance the performance of members of disadvantaged groups. Examples are financial and other inputs to improve educational qualifications, and management assistance for those establishing their own business.
- *Preferential policies* seek to reduce cumulative disadvantages more rapidly by giving members of disadvantaged groups opportunities even when they may be less qualified than others. Although the quickest way to social and economic mobility, these policies can backfire by reinforcing negative stereotypes about the lower abilities of the disadvantaged.⁵² Even qualified members of disadvantaged groups cannot escape this shadow.

A crucial role for affirmative action policies is to create role models who can alter the deep-rooted beliefs about different worth and abilities that permeate segregated societies (box 7.6). Such beliefs, psychologically devastating for the disadvantaged, are also shared by those who offer jobs and promotions, reducing the likelihood that they will give equal consideration to minority candidates, even when they have the necessary qualifications.

Box 7.6 Using affirmative action against caste-based discrimination in India

The caste system in India separated people into economic and social strata by birth, reinforcing these divisions through differences in ritual status. This rigid hierarchy remained largely in place for many centuries, despite periodic challenges from social and religious reform movements. But in 1950 the newly independent government of India set out to transform the system. The constitution abolished untouchability in private or public behavior and empowered the government to take corrective action by reducing the social and educational disadvantages faced by lower-caste people and introducing affirmative action in employment. Seats in the national parliament and state assemblies were reserved for members of scheduled (lower) castes and tribes, and an act was adopted making the practice of untouchability a criminal offense.

The process of change has been fraught with difficulties. Legal challenges have been mounted against the policies on grounds also reflected in the public debate—that lower-caste people have no monopoly on poverty and that the gains of affirmative action have been cornered by a subgroup of the lower castes. And political resistance arose when the scope of preferential policies was expanded in recent decades to reserve larger shares of government sector jobs for lower-caste people. By contrast, the developmental policies aimed at helping lower-caste people gain access to education for upward mobility have been effective and less contentious.

Despite these difficulties, the affirmative action programs have done much to lower the barriers faced by lower castes. Lower-caste people now occupy positions in the highest walks of life, serving as role models for others. Still, a great deal remains to be done, as economic and educational inequalities persist. A survey in 1992–93 found that 57 percent of heads of household were illiterate in scheduled castes, compared with 35 percent in other castes. And special efforts are needed in the few remaining regions where the police are still dominated by upper-caste interests. Nevertheless, the experience of affirmative action in India illustrates how, with political will, the effects of long-standing patterns of discrimination can be overcome.

Source: Deshpande 2000; Dushkin 1972; Galanter 1972; Srinivas 1987; Tummala 1999.

Affirmative action seeks to alter these perceptions of different worth by bringing some members of discriminated-against groups into the mainstream economy and society. This has an important demonstration effect: having black or low-caste doctors, for example, shows everyone, including their own group, that members of this group can be good doctors.

Do affirmative action programs reduce efficiency or engender political strife? Evidence shows that these

negative effects are largely associated with preferential policies and can be averted through greater use of developmental policies. In the United States affirmative action has redistributed income to women and minorities, with minimal loss of efficiency.⁵³ Preferential policies may be costly in the long term. Job quotas for minorities may distort the allocation of labor, impede efficiency, and create tensions between the “favored” and the others.⁵⁴ Preferential policies can also have negative political repercussions. Political elites, seeking to benefit from political clientelism, can manipulate policies aimed at reducing segregation or reserving employment for particular groups. Developmental policies, less likely to elicit resentment from other groups, are politically less challenging than preferential policies, and have enormous potential for reducing the cumulative disadvantages of longstanding discrimination.

Social fragmentation and conflict

Group differentiation by such characteristics as ethnicity, race, religion, and language can sometimes result in social fragmentation, with groups perceiving themselves as having distinct interests even though they may have similar socioeconomic status. Ethnicity—a multidimensional phenomenon and a controversial notion—is based on perceived cultural differences between groups in a society, differences that form a powerful source of identity and a base for political mobilization.⁵⁵ Some scholars have treated ethnicity as a form of capital—a resource or asset on which members of a particular ethnic community call in their business and political dealings.⁵⁶ Common ethnic affiliations can be a basis for bonding social capital (see next section), providing community members with a range of benefits (credit, employment, marital partners) while imposing significant obligations and commitments (financial support, conformity). Membership in an ethnic community can also generate negative externalities, as with conflict between ethnic groups (box 7.7).⁵⁷ Such divisions can be obstacles to collective action: in the United States greater ethnic fragmentation is associated with lower participation in civic activities.⁵⁸

Ethnicity can become a basis for competition for political power and for access to material resources.⁵⁹ Unless institutions of the state and civil society offer forums for mediating intergroup rivalries and forging cross-cutting ties among diverse ethnic groups, these ethnic

cleavages can lead to conflicts, tearing a society and economy apart, leaving everyone vulnerable to poverty.

The extent to which social fragmentation leads to conflict depends largely on administrative and political institutions. To create a functioning society, a whole range of social and political institutions must work together. By contrast, breakdowns in governance and in the delivery of public goods and related social services create conditions for social unrest and conflict—as do breakdowns in the institutions of conflict mediation, such as representative politics and the rule of law.

Ethnic cleavages can affect development outcomes in many ways. They can influence the internal organization of government and the allocation of public spending, leading to unequal distribution of public goods and services. They can encourage rent seeking, reducing the efficiency of public spending.⁶⁰ Further economic distortions enter when powerful ethnic groups use their political power to increase their incomes relative to those of others. Recent studies in Ghana show that locally dominant groups receive a 25 percent premium over the wages of other groups in the public sector—a discrepancy that leads to

unrest and poor performance in the sector.⁶¹ Such distortions in the distribution of resources and the efficiency of their use show up in development outcomes. In several African countries, for example, child survival is higher in dominant ethnic groups.⁶²

Building political alliances

Countries with high ethnic diversity need to build the political conditions for integrating diverse groups so that they can function collectively.⁶³ With well-functioning administrative and political institutions, multiethnic societies can be effectively shaped into an “imagined community” of nation and state.⁶⁴ Knitting diverse communities together through a multiplicity of civil and state channels—to avert conflict—was a major goal of the early designers of European unity.⁶⁵ The communist regimes of the Soviet Union and Yugoslavia, despite their economic and political failures, not only reduced economic inequalities but also managed ethnic conflict. With their collapse, violent ethnic conflicts broke out because no alternative ideological and institutional framework had evolved to mediate them.

In Sub-Saharan Africa nation-states were fashioned out of arbitrary divisions of territory by colonial powers—divisions often based on convenient geographic markers such as lines of latitude and longitude, with no consideration of the social units of local populations. With disparate groups and few supraethnic institutions to mediate among them, the creation of nation and state has been fraught with problems. Colonial rulers and local politicians have often manipulated ethnic tensions for private gain, sometimes leading to gruesome civil wars.⁶⁶ Inflaming ethnic tensions and civil unrest is a frequent strategy for gaining and keeping power in these circumstances, since it justifies expanding brutal military forces while undermining the capacity of opposition groups demanding reform. Over time ethnic minorities, especially those facing discrimination, inequality, or conflict, can become ethno-classes,⁶⁷ groups whose ethnicity-based sensibilities and demands become independent causes of conflict.⁶⁸

Building good institutions

Constructing high-quality public institutions is essential for ensuring that diverse identities become a developmental asset, not a source of political division and violence (figure 7.4).⁶⁹ This is especially important in countries with abundant natural resources, such as oil, diamonds, and minerals.⁷⁰ In environments with little institutional

Box 7.7 **Ethnic divisions and civil conflict**

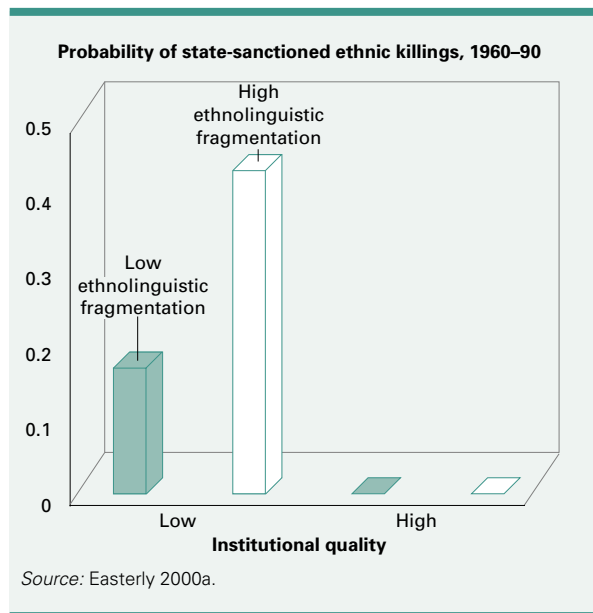
Ethnic fragmentation, in its most extreme form and under conditions of economic deprivation and nondemocratic government, can descend into civil conflict. Ethnic conflict intensified in the second half of the 20th century, as the pattern of conflict shifted from wars between nations to conflicts within states. Civil conflict is both a cause and a consequence of poor economic performance. Research has shown that during civil wars per capita output falls by more than 2 percent a year on average.

The most important cost of civil conflict is loss of life—a humanitarian tragedy and an obstacle to reconstruction. Other costs include destruction of physical, human, and social capital; lower investment in physical and human capital; disruption of markets and other forms of economic and social order; diversion of human resources and public expenditure away from productive or productivity-enhancing activities; migration of highly skilled workers; and transfers of financial assets abroad. These costs can trap countries in poverty—and in conflict.

Civil conflict can also accelerate the collapse of the state, disproportionately hurting poor people. And the problems of civil conflict spill across borders, increasing the burdens of neighboring countries. In 1998 there were an estimated 12.4 million international refugees and 18 million internationally displaced people, almost half of them in Africa.

Source: Collier and Hoeffler 1998; Austin 1999; Stewart, Humphreys, and Lea 1997; Collier 1999c; Luckham 1999.

Figure 7.4
Ethnic diversity is associated with violence
where institutional quality is low



accountability and transparency, the exorbitant rents from these resources become a primary source of competition among ruling factions.

Civil society organizations and the state can do much to lay the institutional foundation for groups to cooperate for the common good. Institutions need to be participatory, credible, and accountable, so that people can see the benefits of cooperation. Underpinning these institutions need to be constitutional and legal systems and representative political systems, which allow groups to work out their interests through mechanisms other than violence. Some social integration can be achieved by encouraging people to learn each other's languages. Another important requirement for effectively helping excluded groups is to collect accurate data on them.⁷¹

Building social institutions and social capital

Whenever there is a funeral, we work together . . . women draw water, collect firewood, and collect maize flour from well-wishers . . . while the men dig the grave and bury the dead. . . . We work together on community projects like molding bricks for a school. . . . Women also work together when cleaning around the boreholes.

—From a discussion group, Mbwadzulu, Malawi

In addition to removing social barriers, effective efforts to reduce poverty require complementary initiatives to build up and extend the social institutions of the poor. Social institutions refer to the kinship systems, local organizations, and networks of the poor and can be usefully discussed as different forms or dimensions of social capital.

Bonding, bridging, and linking social capital

Distinguishing among different dimensions of social capital within and between communities is useful for understanding the problems faced by poor people (box 7.8).

- The strong ties connecting family members, neighbors, close friends, and business associates can be called *bonding social capital*. These ties connect people who share similar demographic characteristics.
- The weak ties connecting individuals from different ethnic and occupational backgrounds can be referred to as *bridging social capital*.⁷² Bridging social capital implies horizontal connections to people with broadly comparable economic status and political power. A theory of social capital that focuses only on relations within and between communities, however, opens itself to the criticism that it ignores power.⁷³
- A third dimension, *linking social capital*, consists of the vertical ties between poor people and people in positions of influence in formal organizations (banks, agricultural extension offices, the police).⁷⁴ This dimension captures a vitally important additional feature of life in poor communities: that their members are usually excluded—by overt discrimination or lack of resources—from the places where major decisions relating to their welfare are made.

Research on the roles of different types of social networks in poor communities confirms their importance. An analysis of poor villages in rural North India, for example, shows that social groups play an important role in protecting the basic needs of poor people and mediating against risk (chapter 8). In contrast, the more extensive, leveraged networks of the nonpoor are used for strategic advantage, such as procuring better jobs and higher wages and seizing new economic opportunities (in some cases by directly mobilizing to secure a disproportionate share of public resources and services).⁷⁵

Strikingly similar results emerge from work on the relationship between enterprise performance and the structure of business networks in Africa. Poor entre-

preneurs operating small local firms in traditional industries form “solidarity networks,” sharing personal information about members’ conduct and intentions in order to reduce risk and uncertainty. In contrast, larger regional firms form “innovation networks,” which share knowledge about technology and global markets in order to increase productivity, profits, and market share.⁷⁶ Studies of agricultural traders in Madagascar show that social relationships are more important to traders than input prices. Close relationships with other traders are used to lower the transactions costs of exchange, while ties to creditors and others who can help out during times of financial hardship are vital sources of security and insurance.⁷⁷ In Bolivia, Burkina Faso, and Indonesia field surveys attempting to measure

household social capital have found a positive association with household consumption, asset accumulation, and access to credit.⁷⁸

Researchers and practitioners have long recognized that the bonding and bridging social capital in local organizations is necessary but insufficient for long-term development. In Kenya a participatory poverty assessment found more than 200,000 community groups in rural areas, but most were unconnected to outside resources and unable to help poor people rise out of poverty.⁷⁹ The creation of linking social capital is essential, and external support has often been important in its emergence.⁸⁰ External support—from NGOs and religious organizations, for example—can help create social capital that increases the voice and economic op-

Box 7.8 How does social capital affect development?

There are at least four views on the relationship between social capital and development (Serageldin and Grootaert 2000; Woolcock and Narayan 2000). The narrowest holds social capital to be the social skills of individuals—one’s propensity for cooperative behavior, conflict resolution, tolerance, and the like (Glaeser, Laibson, and Sacerdote 2000).

A more expansive meso view associates social capital with families and local community associations and the underlying norms (trust, reciprocity) that facilitate coordination and cooperation for mutual benefit. This view highlights the positive aspects of social capital for members of these associations but remains largely silent on the possibility that social capital may not impart benefits to society at large and that group membership itself may entail significant costs.

A more nuanced meso view of social capital recognizes that group membership can have both positive and negative effects (Coleman 1990; Burt 1992; Portes 1995; Massey and Espinoza 1997). This approach broadens the concept of social capital to include associations in which relationships among members may be hierarchical and power sharing unequal. These forms of associations and networks address a wider range of objectives: some of them serve only the private interests of members, while others are motivated by a commitment to serve broader public objectives. This view emphasizes that groups, in addition to providing benefits to members, can make significant noneconomic claims on them.

A macro view of social capital focuses on the social and political environment that shapes social structures and enables norms to develop. This environment includes formalized institutional relationships and structures, such as government, political regime, rule of law, the court system, and civil and political liberties. Institutions have an important effect on the rate and pattern of economic development (North 1990; Fukuyama 1995; Olson 1982).

An integrating view of social capital recognizes that micro, meso, and macro institutions coexist and have the potential to

complement one another. Macro institutions can provide an enabling environment in which micro institutions develop and flourish. In turn, local associations help sustain regional and national institutions by giving them a measure of stability and legitimacy—and by holding them accountable for their actions (Evans 1996; Woolcock 1998; Narayan 1999; Serageldin and Grootaert 2000; Putnam 1993).

While the mechanisms by which social capital operate are generally well understood, there is less consensus on whether they qualify social capital as “capital.” In many cases norms and institutions have the durability and lasting effects associated with capital (Collier 1998; Narayan and Pritchett 1999). Some argue, however, that the sacrifice of a present for a future benefit, typical of traditional forms of capital, is not present in social networks—to the extent that these networks are built for reasons other than their economic value to participants (Arrow 2000). Even so, social networks and organizations are clearly key assets in the portfolio of resources drawn on by poor people to manage risk and opportunity. They are also key assets for the rich, who advance their interests through such organizations as country clubs and professional associations, but their relative importance is greater for poor people.

Social capital has its dark side, however. Where groups or networks are isolated, parochial, or working at cross-purposes to society’s collective interests (gangs, drug cartels), the social capital within them serves perverse rather than productive purposes, undermining development (Rubio 1997; Levy 1996; Portes and Landolt 1996). Organized crime syndicates, such as those in Latin America and Russia, generate large negative externalities for the rest of society—lost lives, wasted resources, pervasive uncertainty (Rose 1999). And in India, for example, obligations to family members and pressures to fulfill community expectations lead many young girls to drop out of school (Drèze and Sen 1995; PROBE Team 1999).

Box 7.9
The federation of *comedores* in Peru:
the creation of linking social capital

The *comedores* (community kitchens) movement, one of the most dynamic women's groups in Peru, emerged in the mid-1980s. Participants sought to move beyond their traditional survival strategy and make demands on the political system. Federations were formed at the neighborhood level, then at the district level, and finally at the metropolitan and national levels. Centralization of the movement lowered the cost of inputs, such as food and kitchen equipment, and increased the availability of educational workshops.

The highest-level organization, the CNC (National Commission of Comedores), became the officially recognized representative of the *comedores*. One of its central demands was to include all poor women in welfare programs, not just those with connections to the ruling party. Besides influencing policymaking, the *comedores* have had a significant impact on local power relations in the shantytowns and, by extension, on the structure of the political system.

Although the movement's actions have been limited by the structure of the Peruvian state (with few formal channels for political action), the network of *comedores* represents a form of social capital that has enhanced poor women's value as an electoral constituency. The *comedores* have also increased women's negotiating power in their families.

Source: Houtzager and Pattenden 1999.

portunities of poor people (box 7.9). This support is most effective when it is sustained over time, emphasizes capacity building, and is based on a sensitive understanding of the local conditions and a relationship of trust and partnership.

This approach characterizes the work of Myrada, an Indian NGO delivering microfinance services. Myrada acts as a medium-term intermediary between poor people and commercial banks.⁸¹ Its initial task is to mobilize the bonding social capital within village communities to form credit management groups and then over time to form regional federations made up of representatives from each credit group (thereby enhancing each group's bridging social capital). From the outset credit management groups hold accounts with commercial banks, progressively gaining the confidence and skills they need to participate independently in formal institutions (linking social capital). After five years of training and hard-won experience, group members are able to manage these accounts—and even arrange for annual external audits—without the involvement of Myrada staff, who move on to start the process afresh.

Using social capital to improve program effectiveness

The state plays a vital role in shaping the context and climate in which civil society organizations operate (chapter 6).⁸² In some cases the state can also create social capital. In 1987 the Department of Health of the state of Ceara, Brazil, launched a rural health program—since then expanded to most of the country—that increased vaccination rates significantly and reduced infant mortality. The success of the program has been attributed largely to the building of trust between government workers and poor people. The program made building trust an explicit part of the health workers' mandate by adopting a client-centered, problem-solving approach to service delivery. Workers were helped by government media campaigns that publicized the program regularly and gave them a sense of calling. The result was a total reversal of attitude: mothers who once hid their children from government workers saw the agents as true friends of the community.⁸³

Many case studies show that social capital can improve project design and sustainability (box 7.10). Recent evaluations of World Bank rural development projects show that outcomes turn heavily on the nature of the power relations between key stakeholder groups and on the fit between external interventions and local capacities. How relations between stakeholders evolve over time has an important bearing on the generation of trust. Project and community leaders who create confidence and goodwill are crucial, suggesting that high turnover among field staff can undermine project effectiveness. The Gal Oya irrigation project in Sri Lanka has succeeded in a destitute region with high levels of ethnic violence because of the patience and long-standing commitment of field staff (aptly called institutional organizers). The project's key contribution has been integrating local knowledge with external expertise and forging cooperation between NGOs and government officials.⁸⁴ In Africa recent innovations in community-driven development programs have shifted responsibility for maintaining hand pumps and latrines directly to communities.⁸⁵ Where previously such items broke down quickly and took months to repair, they are now in good condition.

A key lesson for practitioners and policymakers is the importance of using existing forms of bridging social capital in poor communities as a basis for scaling up the efforts of local community-based organizations.⁸⁶ Creating more accessible formal institutions helps poor people articulate their interests to those in power more clearly, confidently, and persuasively.

Box 7.10 Mobilizing and creating social capital in development projects

Development programs have relied on local groups of project beneficiaries or local associations to improve the success of development projects for more than two decades.¹ What is new is the umbrella label *social capital* to refer to the underlying social force or energy.

In Bangladesh Grameen Bank relies on groups of poor women to implement programs, and the Bangladesh Rural Advancement Committee on groups of village workers with little or no land. In Pakistan the Aga Khan Rural Support Program gives assistance to village organizations to supplement their self-help efforts. The Kenya Tea Development Authority worked with grower committees to promote production, obtaining a one-third share of the country's tea exports within 15 years. The G-S movement in nine West African countries organized peasant federations in more than 2,000 communities to help farmers overcome the hardships of the dry season. The Center for Social and Economic Development in Bolivia has supported more than 250 peasant organizations that promote programs in agriculture, livestock, forestry, artisan production, and community infrastructure (Uphoff 1993; Krishna, Uphoff, and Esman 1997).

Local groups have also been used frequently in irrigation, water supply, and sanitation programs. The Orangi Pilot Project in Pakistan provided low-cost self-help sewerage facilities and other services to poor settlements and helped autonomous local institutions implement

projects. In Côte d'Ivoire rural water supply improved significantly when responsibility for maintenance was shifted from the national water distribution company to community water groups. Breakdown rates were reduced from 50 percent to 11 percent, while costs fell nearly 70 percent. These results were sustained, however, only in villages in which well-functioning community organizations existed and demand for water was high (Hino 1993).

In many cases, challenging existing norms and practices increases the social capital of previously excluded groups while decreasing the power of local elites, helping reduce obstacles to poverty reduction. Development programs such as women's microfinance in Bangladesh change the social relationships in a village—indeed, their success depends on it. Breaking the grip of moneylenders, overcoming the resistance of certain religious leaders, and giving women more decisionmaking power within their household all require a fundamental realignment of traditional social relationships. Many development programs are inherently political (Fox and Gershman 1999), and powerful vested interests can be expected to mobilize against reforms that seek to erode their position in the name of poor people. Development researchers, policymakers, and practitioners must recognize these tensions and respond appropriately.

1. Among the first systematic evaluations of community participation was Esman and Uphoff (1984).

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Many aspects of social norms and practices help generate and perpetuate poverty. Discriminatory practices associated with gender, ethnicity, race, religion, or social status result in the social, political, and economic exclusion of people. This creates barriers to upward mobility, constraining people's ability to participate in economic opportunities and to benefit from and contribute to economic growth. It also constrains their effective participation in political processes and civil action to ensure that state institutions are accountable to citizens and responsive to their needs.

Policies and programs for mitigating social exclusion depend on the nature of the exclusion. In some cases exclusion can be addressed simply by improving the outreach of public services to neglected areas. Where more active discrimination is involved, it is important to ensure equity in the law and in the functioning of state institutions. In addition, affirmative action policies may be needed to reduce the cumulative disadvantages of discriminatory

practices and create visible role models for others to follow. Where there is considerable ethnic heterogeneity and social fragmentation, conflict can be averted through efforts to increase the civic interaction of different groups and engage them in resolving potential conflicts through political processes. Gender-based discrimination is qualitatively different from these other forms of discrimination because it involves intrahousehold distinctions in assigning value to people and allocating resources accordingly. Reducing gender-based social barriers requires changing deep-rooted beliefs about appropriate gender roles, as well as taking action to ensure greater gender equity in the functioning of formal public institutions.

Increasing the participation of the poor in development and reducing social barriers are important complements to creating an environment in which they have greater opportunity and security. This empowerment is enhanced by scaling up social institutions, increasing the capacity of poor people and the socially disadvantaged to engage society's power structure and articulate their interests and aspirations.