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OUTSIDE FUNDING OF COMMUNITY ORGANIZATIONS: BENEFITING OR DISPLACING THE POOR?

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ABSTRACT

In response to the widespread consensus on the importance of social capital, and to concerns about the scarcity of institutions giving voice to disadvantaged groups, some donors have begun programs designed to strengthen indigenous community organizations. We use a prospective, randomized evaluation to examine a development program explicitly targeted at building social capital among rural women's groups in western Kenya. The program increased turnover among group members. It increased entry into group membership and leadership by younger, more educated women, by women employed in the formal sector, and by men. The analysis suggests that providing development assistance to indigenous community organizations of the disadvantaged may change the very characteristics of these organizations that made them attractive to outside funders.

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There is a widespread consensus that social capital is important for development (see, for example, Coleman 1990, Putnam 1993, Woolcock 1998, Ostrom 1996, Woolcock 1997, Francis and others 1998, Heneveld and Craig, 1996). Moreover, indigenous organizations of the poor and disadvantaged are often seen as a form of social capital that promotes justice and equality. Baland and Anderson (1999), for example, argue that women's rotating savings and credit associations in Kenya improve women's bargaining position within the household.

The policy implications of this are unclear. Many donors are actively trying to support the development of civil society in developing countries through their funding programs. This funding from governments and nongovernmental organizations (NGOs) could potentially enhance social capital among poor and disadvantaged groups, but could also potentially crowd it out, or lead to takeover of their organizations by elites.

A limited body of research examines the production of social capital, but little research examines the impact of funding or project assistance on social capital in organizations, particularly in developing countries. Putnam's work on Italy (1993) suggests both that social capital produces more effective, accountable government, and that social capital is the result of long–term institutional development and may be very difficult to produce. Other literature suggests that organizational social capital can be eroded or reshaped, for example by economic restructuring (Heying 1997, Schulman and Anderson 1998) and may also be created in a relatively short period either through community organizing in face–to–face interactions (Wood 1997), or through the infrastructure of more impersonal national organizations (Minkoff 1997). Much of this literature is based on the United States. There is little direct evidence on the impact of development assistance on organizational capacity and social capital in developing countries.

In this paper we examine the impact of a development program explicitly targeted at building social capital among rural women's groups in western Kenya. Our results indicate that, at least in the short run, outside funding leads to more turnover among group members and increases entry into groups and group leadership by younger, more educated women, by women employed in the formal sector, and by men. This at least raises the possibility that if assistance to indigenous organizations of the poor is not carefully thought through, it may lead to capture of these organizations by outsiders.

The analysis in this paper is based on a prospective, randomized evaluation, something rare in the social sciences. Since the NGO that implemented the program had limited financial and administrative resources, the program was phased in gradually. The order of phase–in was determined randomly. We compare program groups with groups that have not yet entered the program. Because the order of program participation was decided randomly, differences between the groups after one year should be attributable to the effects of the program. In the absence of a prospective study, it would be difficult to determine if elite–led groups attracted more funding, funding led to elite capture, or some third factor were responsible for correlations in the data.[1]

The paper is organized as follows. The next section gives background on women's groups and the development project. The following section describes the impact of the project on group membership, leadership, and operations, and the final section concludes.

The **Setting and the Project**

[1]The women's groups and evaluators were all aware of which groups had received funding, so the study was not double–blind. In addition, the comparison groups were aware that they would receive assistance from ICS in the future.

Busia and Teso districts in western Kenya are relatively poor for Kenya, with an average daily agricultural wage of approximately $0.85. Women's groups in the area have their roots in a long tradition of community self–help groups, such as rotating labor clubs, rotating savings and credit associations, and funeral associations.

The average women's group in the sample has about 20 members (table 1). While more than 80 percent of members are women, most groups do have some male members. These are often, but not always, the husbands of members. Some serve as the "patron" of the club or as the club advisor. The average member is 40 years old and has 5 years of formal education. Fifty-seven percent of group members report no source of income other than their farm.

Women's groups conduct a range of activities. Many operate rotating savings and credit associations. Many also provide emergency financial assistance to members. Groups often take up collections in the case of illness or death, and they may also visit the member's home to provide extra labor. Many groups also undertake an income–generating project, which might include agriculture, fish farming, beekeeping, or handicrafts. Women's groups also participate in community projects by contributing to community fundraising events at local schools, clinics, or churches.

The project we evaluate was conducted by Internationaal Christelijk Steunfonds (ICS)—a Dutch NGO that has been working in the area since 1995. In 1996 ICS began funding community women's groups in Busia and Teso. The goal was to strengthen community organizations and improve agricultural practices and nutrition.

Several hundred women's groups operating in the area were identified through lists provided by the Ministry of Culture and Social Services and interviewing local Community Development Assistants. Eighty of these groups were selected as eligible to participate in the project. The main criteria for eligibility in the project were that the groups met regularly and were engaged in a group–based agricultural activity.

Once the 80 groups were selected and a baseline survey was conducted, groups were stratified by geographic division, and half the groups in each division were randomly selected to receive funding and training in 1998. The other set of groups received funding in 2000. The program consisted of two days of group management and leadership training for three group members including the principal officers, five days of practical and experiential training on agricultural practices for four group members, and agricultural inputs (seeds, agricultural implements, fertilizer, and herbicides). The value of inputs and training was very large — approximately $737 per group (an average of $28 per member). The value of the program components given to groups as durable inputs (seeds, tools, and chemical inputs) was half the total program value, or $14 per individual member. For the average person in this area, total per capita program funding is equivalent to roughly one and a half months of income. The composition of the agricultural program was determined by the NGO's agricultural officers working in conjunction with extension officers in the Ministry of Agriculture.

Three sets of surveys were administered to the groups. A baseline survey was conducted in July and August of 1997, before the randomization was done or funding provided. At the end of the project, in September and October of 1998, a second survey was administered to assess the

impact of the assistance. A follow–up survey was also administered in early 1999. Because of the detail and complexity of the surveys, completion of the survey often took an entire day. During the major survey rounds, therefore, both the assisted and the comparison groups were given a small set of tools to compensate them for their time. The impacts of assistance should therefore be thought of as the impact conditional on the groups having received farm implements worth about $63 per group (about $3 per group member). Similar surveys were also administered to six randomly selected individuals from each group.

Program Effects on Social Capital

This section investigates the impact of program participation on social capital in women's groups. We find that program participation reduces the participation of people more than 50 years of age and changes the composition of group leadership towards men and more educated women. Agricultural outcomes are beyond the scope of this paper, and will be addressed in separate work by the authors, but preliminary evidence suggests that if there was any increase in agricultural production on group plots, it was far less than the value of inputs provided to the groups.

To test for the impacts of assistance on women's groups, we regress the dependent variable of interest on an indicator variable that takes the value of one if a group is participating in the program. The OLS coefficients on the program indicator can be interpreted as the average value of the dependent variable for the program groups minus the average value of the dependent variable for the treatment groups. Each regression also includes controls for the geographic divisions in which the groups are located.

Preprogram Comparison

At the start of the project, program and comparison groups do not differ in any systematic way (table 2). Program groups have lower levels of debts to the group at the start of the project in 1997. Otherwise, there are no statistically significant differences between the two sets of groups, implying that changes between the two groups during the evaluation period should be attributable to the effects of the program.

Group Membership

There is no significant net change in group size in program groups over the project period (table 3). Turnover, however, was higher in program groups. Program groups accepted more new members, and more members left these groups during the project period (columns 2 and 3), though only the coefficient on new entrants is statistically significant.

The change in membership altered group characteristics as well (table 4). While the average age of group members in both sets of groups declined over the project period, the decline was higher in program groups and this difference is significant at the five percent level (column 1). In comparison groups the average age was roughly one quarter year lower, while it was more than a full year lower in funded groups. This may reflect the increased workload from agricultural activities, as shown by the increased labor input in agriculture for program groups, which may have made participation of older members or women with children more difficult. The proportion

of members more than 50 years of age declined by 3 percent in program groups, suggesting a drop from 27 to 24 percent for the average program group.

The composition of groups changed in other ways. New entrants to program groups were more likely to have a salaried or formal sector job (column 3). Twelve percent more new entrants to program groups had a salaried job, relative to comparison groups. These new entrants were also less likely to be married (column 4).

The leadership of women's groups also changed in response to funding. Funded groups were nearly 20 percent more likely to elect new officials in 1998 (table 5). These new officials were also more likely to be men. In groups that held elections, 17 percent of new officials were men in comparison groups, while 30 percent of new officials in program groups were men. This difference is significant at the 10 percent level (column 2). The new officials in program groups had 1.36 additional years of education beyond the average group member. This figure was 0.6 years in comparison groups (column 3).[2]

There are at least two possible explanations for the changes in membership and leadership. First, changes in the composition of leadership may reflect the increased importance and complexity of managing group activities. This could have positive effects to the extent these individuals are also more competent. A second, more disturbing, potential explanation is that outside funding made membership and leadership positions more attractive, leading to takeover by less disadvantaged outsiders to capture rents created by the programs.

[2] On average, male officials have two years more education than female officials. When the regression on education is run controlling for the number of male officials in the group, the coefficient on education remains positive but is not quite

It is difficult to distinguish between these hypotheses, but it is notable that more than half the groups report a problem with a member or leader misusing funds or conflict over the allocation of group resources during the project period. However, these reports of problems are relatively evenly split among program and comparison groups. Of the 80 groups, 21 report conflict over the use of the tools that groups were given to all groups as compensation for their participation in the survey (8 comparison groups, 13 program). Thirty groups complained that members were not showing up to perform agricultural labor (15 comparison, 15 program). Members of treatment groups reported more positive subjective views of group performance, but this may be out of a desire to report positively to donors (table 6).

There is some evidence that inputs given to program groups were diverted to individual members. There were some complaints from groups about members taking tools to their home farms as well as reports that individual members were pressuring groups to distribute the inputs. Moreover, the total acreage actually planted by groups is lower than the acreage that could have been planted with the seeds provided, suggesting that some members may have taken or been given seeds to use on their home farms. In fact, surveys of individual farms of members suggested that members were more likely to use commercial seeds, consistent with the hypothesis of input diversion.

Group Participation and Sanctions

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significant at the 10percent level, suggesting that the increase in male officials does not fully explain the higher level of education of officials.

One of the ways women's groups maintain order and discipline is by issuing fines for various offenses, such as arriving late or missing a meeting. We find no difference in the issuance or payment of fines between comparison and treatment groups (table 7). We also find few differences between program and comparison groups in attendance rates at group meetings (table 8). Attendance rates at farm work meetings are lower in program groups, but given that the program provided agricultural inputs, program groups called more farm work meetings. Members of program groups contributed on average 14 additional hours of agricultural labor relative to comparison groups and this difference is significant at the 5 percent level (column 7).

Community Interaction

Program groups receive more visits from external groups and individuals, including other self–help groups, nonprofit organizations, government officials, and neighbors (table 9) though they do not receive more non–ICS assistance than comparison groups (not reported). Program groups received an average of four additional visits as compared to groups that did not receive funding. These visits include technical assistance and advice, field days, and general "inspection" tours. These additional visits are a signal of outside interest in the groups, but it is unclear whether they indicate greater support for groups, or attempts by outsiders to capture program group funding.

Program groups neither have greater participation in community fundraising events (column 2), nor do they give higher amounts at such fundraising on average (not reported). Groups that participated in the program also do not give assistance more frequently to members (column 3) nor do they support members with higher amounts of cash assistance (not reported).

Conclusions

Funded groups are more likely to reorganize, electing new officials to manage the group. These new officials, however, are more likely to be drawn from the elite ranks of the group. In addition, new members in program groups are on average more highly educated, more likely to have a salaried job, less likely to be married, and more likely to be male. Program groups also receive more visits from outsider organizations and individuals. Project funding does not significantly affect the mobilization of resources among groups, however, nor do program groups participate more in community fundraising events. Program participation does not appear to have strong effects on the use of sanctions or attendance rate of members at group activities. Of course, there may be a lag between funding and increases in social capital formation, which our time frame may have been too short to capture.

These outcomes are subject to two interpretations: they may simply be an efficient response to the more complex demands on organizations' participating in the program, or they may represent rent–seeking by elites. In either case, the analysis suggests that providing development assistance to indigenous organizations of the disadvantaged may change the very characteristics of these organizations that made them attractive to funders trying to build social capital in these communities.

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Table 1: Summary Statistics 1998

	Mean	*Standard Deviation*	*Observations*
Project outcomes			
Average hours of labor input per member	49.3	29.8	77
Total value of harvest in U.S. dollars	85.1	197.3	78
Value of harvest per acres in U.S. dollars	81.8	197.2	77
Group characteristics			
Years members have been in the group	6.80	3.76	80
Years of education of members	5.39	2.26	80
Number of members	19.4	7.20	80
Proportion of members who are women	0.80	0.16	80
Membership			
Average number of individuals entering the groups during the project period	2.44	2.88	80
Average number of individuals leaving the group during the project period	4.33	3.52	80
Proportion of members who are more than 50 years of age	0.26	0.18	80
Proportion of members who are married	0.14	0.15	80
Proportion of groups who elected new officials[a]	0.51	0.50	80
Proportion of officials who are male	0.24	0.31	68
Average years of education of group officials in groups that changed leadership	5.81	3.17	68
Participation and community interaction			
Attendance rates at group meetings	0.84	0.19	78
Average number of times that groups gave members assistance/emergency help	12.0	2.26	80
Average number of group contributions to community fundraisings	3.18	9.14	80
Average amount contributed at community fundraisings in U.S. dollars	13.1	40.9	80

[a] This excludes elections held only to elect a member to the post of farm manager.
Source: Authors' surveys.

Table 2: Preprogram Comparison 1997

	Program Groups Mean *(standard deviation)*	*Comparison Groups Mean* *(standard deviation)*	*Program–Comparison* *(standard error)*
Group Composition			
Proportion of members who are female	0.79	0.83	-0.043
	(0.17)	(0.17)	(0.037)
Proportion of members who are married	0.97	0.98	0.01
	(0.04)	(0.05)	(0.01)
Average age of members	41.5	40.0	0.60
	(6.2)	(4.2)	(1.17)
Proportion of members who are more than 50 years of age	0.30	0.25	0.05
	(0.23)	(0.15)	(0.04)
Proportion of members with no formal education	0.36	0.32	0.03
	(0.24)	(0.16)	(0.05)
Proportion of group officials who are more than 50 years of age	0.21	0.20	0.01
	(0.23)	(0.15)	(0.05)
Average years of education of group officials	7.2	6.6	0.55
	(2.2)	(2.6)	(0.53)
Proportion of members with salaried job	0.16	0.11	(0.05)
	(0.17)	(0.11)	(0.03)
Proportion of all officials who are men	0.16	0.11	0.05
	(0.18)	(0.15)	(0.04)
Fines and Debts			
Proportion of members who report receiving a fine	0.14	0.21	-0.07
	(0.16)	(0.21)	(0.04)
Average amount of fines members owe to the group in U.S. dollars	0.18	0.53	-0.33*
	(0.48)	(1.09)	(0.19)
Proportion of members who report having an outstanding debt to group	0.36	0.51	-0.14**
	(0.24)	(0.29)	(0.06)
Average amount members owe to the group in U.S. dollars	3.35	2.81	0.53
	(8.03)	(3.89)	(1.41)
Attendance Rates at Meetings			
Attendance rates at all meetings[b]	0.90	0.92	0.021
	(0.12)	(0.12)	(0.03)
Attendance rates at group farmwork meetings	0.88	0.90	0.02
	(0.17)	(0.17)	(0.04)

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.

[b] Based on the records of individual attendance of 8 randomly selected members in each group.

Source: Authors' survey.

Table 3: Entry and Exit from Groups in 1998

Dependent variable:	*Change in group size 1997–1998* (1)	*Number of new entrants* (2)	*Number leaving the group* (3)
Program groups	0.47	1.54**	1.23
	(0.98)	(0.59)	(0.80)
R^2	0.04	0.20	0.04
Number of groups	80	80	80
Mean of dependent variable in comparison groups	-1.76	1.7	3.5

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.

Note: OLS Regressions with robust standard errors in parentheses. All regressions include indicator variables for the geographic division in which a group is located.

Source: Authors' survey and regressions.

Table 4: Changes in Group Characteristics from 1997 to 1998

Dependent Variable:	*Change in average age of members* (1)	*Change in proportion of members more than 50* (2)	*Proportion of new entrants with salaried income* (3)	*Proportion of new entrants who are married* (4)
Program Groups	-0.83**	-0.03***	0.12*	-0.04**
	(0.41)	(0.01)	(0.06)	(0.02)
R^2	0.08	0.11	0.07	0.07
Number of groups	80	80	52	50
Mean of dependent variable for comparison groups	-0.22	0.002	0.09	1.0

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.
Note: OLS Regressions with robust standard errors in parentheses. All regressions include indicator variables for the geographic division in which a group is located.
Source: Authors' survey and regressions.

Table 5: Elections and Group Officials

	Dprobit estimate	*OLS*	*OLS*
	Probability of electing new officials[c] *in 1998*	*Proportion of new officials that are men*	*Difference between years education of new official and 97 group average*
	(1)	(2)	(3)
Program groups	0.19	0.13*	1.29**
	(0.12)	(0.07)	(0. 62)
R^2	--	0.14	0.09
Number of groups	74	68	68
Mean of dependent variable for comparison groups	0.43	0.17	0.07

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.

[c] Represents the change in probability of holding an election with program participation.

Note: Column 1: Probit regression with predicted probability reported and standard error. Columns 2 and 3: OLS regressions with robust standard errors in parentheses. All regressions include indicator variables for the geographic division in which a group is located.

Source: Authors' survey and regressions.

Table 6: Group Self–evaluation of Performance

Average proportion of members reporting:	*Better leadership in 1998*	*More effective meetings in 1998*	*Group has changed for the worse in 1998*	*Group discourages participatory decision–making, 1997*	*Change in proportion saying decisions NOT made by consensus, 1997–98*
	(1)	(2)	(3)	(4)	(5)
Program group	0.23***	0.14**	-0.07**	-0.02	0.006
	(0.05)	(0.06)	(0.03)	(0.03)	(0.035)
R^2	0.25	0.09	0.09	0.10	0.09
Number of groups	80	80	80	80	80
Mean of dependent variable for comparison groups	0.60	0.64	0.15	0.08	-0.02

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.

Note: OLS Regressions with robust standard errors in parentheses. Based on individual interviews with group members. OLS estimates weighted by average number of individuals interviewed per group. All regressions include indicator variables for the geographic division in which a group is located.

Source: Authors' survey and regressions.

Table 7: Financial Position of Groups

Change in:	*Proportion who owe group money* (1)	*Average debt to group* (2)	*Proportion who report an unpaid fine* (3)	*Average amount of unpaid fines* (4)
Program groups	-0.01 (0.06)	-45.9 50.6	0.05 (0.04)	29.5 (20.9)
R^2	0.11	0.07	0.06	0.05
Number of groups	80	80	80	80
Mean of dependent variable in comparison group	-0.06	25.7	-0.10	14.3

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.

Note: All figures in Kenyan shillings. OLS Regressions with robust standard errors in parentheses. Change in average level of debt or fines of members from 1997 to 1998. Based on individual interviews with group members. OLS estimates weighted by average number of individuals interviewed per group. All regressions include indicator variables for the geographic division in which a group is located.

Source: Authors' survey and regressions.

Table 8: Participation Rates

	1998 Attendance rates at farm work meetings (1)	*Change from 1997 to 1998* (2)	*1998 Attendance at general meetings* (3)	*Change from 1997 to 1998* (4)	*1998 Overall attendance rates at all meetings* (5)	*Change from 1997 to 1998* (6)	*Hours of agricultural labor per member in 1998* (7)
Program groups	-0.092**	-0.07	-0.04	-0.02	-0.06	-0.05	13.8**
	(0.045)	(0.063)	(0.04)	(0.05)	(0.04)	(0.05)	6.67
Observations	79	72	78	77	79	79	76
R^2	0.08	0.04	0.08	0.11	0.07	0.05	0.12
Mean of dependent variable in comparison groups	0.86	-0.04	0.86	-0.08	0.86	-0.07	49.3

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.

Note: OLS Regressions with robust standard errors in parentheses. Group rates are based on group attendance records for six randomly selected individuals for each group. Average attendance for all meetings includes: general group meetings, farmwork, and meetings of the group Rosca. All regressions include indicator variables for the geographic division in which a group is located.

Source: Authors' survey and regressions.

Table 9: Community Interaction

Dependent variable:	*Number of visits by outside groups/individuals* (1)	*Number of contributions to community fundraisings* (2)	*Number of times groups gave assistance to members* (3)
Program groups	4.27*	-1.85	0.13
	(2.17)	(1.97)	(0.48)
Constant	20.3	10.5	10.06
	(4.42)	(8.20)	(0.59)
R^2	0.28	0.05	0.15
Number of groups	77	80	80
Mean of dependent variable in comparison groups		4.2	11.9

*$p \leq 0.1$. **$p \leq 0.05$. ***$p \leq 0.001$.
Note: OLS Regressions with robust standard errors in parentheses. All regressions include indicator variables for the geographic division in which the group is located.
Source: Authors' survey and regressions.