



POLICY RELEVANCE SUMMARY



INVESTIGATING THE RELATIONSHIP BETWEEN HOUSEHOLD WELFARE AND SOCIAL CAPITAL, IN EASTERN UGANDA¹

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The research was an investigation into how poor people’s welfare is linked to their participation in formal and informal institutions. The research was done at the micro-level into two sub-parishes in eastern Uganda, and looked at the links between economic and social empowerment and people’s participation in formal and informal institutions. The strength of the study was that it combined econometric analysis collected over a period of four months with longer-term anthropological work totalling eighteen months². The research challenges certain assumptions about the connection between participation and poverty reduction and recommends a more cautious approach to those who currently advocate for policies that are aimed at promoting economic empowerment through supporting institutional reforms, or funding “poor-peoples organisations”.

Before explaining the recommendations from the study it is worth stating the approach taken to the research project, as well as the key finding. The approach to the research drew on the social capital literature arguing that household welfare was linked to the extent and depth of participation in formal and informal institutions. The study tested this assumption by gathering data on household assets and expenditure (as a proxy or household income) and then seeing whether the quantity and quality of participation in village institutions was related to this income measure. The study relied on standard measures for social capital and household welfare developed by the World Bank.

The data collected demonstrated that there was no clear between household welfare and the level at which people participated in institutions.

¹ The study was coauthored with Ben Jones, Development Studies Institute, London School of Economics and Political Science (LSE).

² The eighteen months anthropological work was funded by the Development Studies Institute, LSE.

We found that in the villages of Agolitom and Oledai in the eastern Uganda that the relationship between “organizational social capital” and household welfare was not significant. Our econometric analysis demonstrates that richer homes in both villages do not show higher levels of investment in the seven dimensions of organizational social capital that we identified in our survey work. This lack of investment in village level organizations is explained as related to the poor returns to investments in formalised social relationships. This is a finding which opposes many other studies in the social capital literature, though it is borne out by the more general literature on local-level politics in rural Africa.

We argue that social capital is present in less institutionalized relationships such as personalized networks, and brokerage positions and that this has significant effects on household welfare. These relationships are durable and have a determinate effect on household welfare. Informalized social relationships represent the one form of social capital in which it is worth investing. The dominance of patronage relationships and the weakness of local-level organisations explains why external interventions aimed at empowering poor people through institutional change has resulted in poor outcomes.

At this point one asks the question as to whether this mean that institutions have no bearing on economic development? Or whether social relationships are not key in explaining why some people are richer than others? In both cases the authors argued that social relationships are important in explaining welfare outcomes. However, the problem is that it is socially embedded relationships rather than formal participation in institutions which are important. For example, the village council chairman was wealthy not because of the form and content of his participation in the village council, but because his position on the village council could be exploited in other, more informal settings, for economic gain. In other words the types of social relationships captured by the survey work, are not the social relationship which have a determinate impact upon household welfare.

The literature on community development emphasises the possibility of empowerment through participating in new types of institutions, such a view misreads the way social and political relationships are intertwined, particularly in poor rural communities, where resources are scarce. To explain the relationship between institutions and economic development, the study looked more closely at the political and economic opportunities open to richer and poorer homes. Paradoxically attempts at making the local institutional landscape more “pro-poor”, such as the emphasis on decentralisation and democratisation have managed to entrench political relationships that reinforce existing patterns of inequality. In terms of the role for external actors in fostering development, what appears to be of greater importance for is the provision of better quality services – notably in terms of education, roads and water – better functioning local courts, and higher levels of physical security.

The policy recommendations are divided into two sections, the first is a critique as well as constraint of current research that focuses on concepts such as community development and empowerment. The second attempts to set out a more pragmatic series of political and social assumptions for policy practitioners addressing issues of economic development in poor countries.

a) critique and constraint of community development and empowerment

It was concluded from the study that current policy-related academic work on social development and poverty reduction is too closely identified with normative assumptions on how social relationships have a determinate effect on household welfare. The concept of social capital when used in policy-related studies becomes conflated with problematic assumptions about the ways in which politics and society function at the local-level.

A key problem for policy makers came with the fact that though institutional reforms, such as decentralisation and democratisation, aimed at enhancing the developmental capabilities of government institutions at the local-level, their practical functioning appears to have entrenched social, economic and political inequalities. In other words, the ability of external reforms to predictably change the basis of social interaction, and consequently improve the ability of poorer people to use institutional structures for developmental ends, is called into question. Homes which are well-placed politically are invariably able to “capture” the resources that come in from outside, particularly in the form of project work, or new government programmes aimed at targeting the poor. Paradoxically our research demonstrates that poverty targeting may be less effective than more blunt approaches.

The difficulty for policy-makers is that this problem, though recognised in the programmes of development agencies, is difficult to overcome at the local-level, the level at which poor people live, and build up their economic status. Instead an acceptance of the durability of social relationships, the persistence of institutional structures, and the limited capacity of the developmental state to affect these relationships through process-focused measures – decentralisation, community development work, democratisation – would be a more grounded starting point for how to address the question of improving rural livelihoods.

b) Political and social assumptions for alternative policy recommendations

- i) Our study argues that policy-makers should accept that social relationships, at the local-level, are difficult to change through external measures; that informal social relationships, personalized networks and brokerage politics have significant impacts on household welfare. These relationships which lie at the heart of local-level inequality in rural Africa are not captured by current social capital measures. Policy reforms at the centre, appear to have little impact on the durable social relationships of this kind, are likely to have little or unpredictable effects which, on average, tend to favour wealthier homes.
- ii) Our anthropological work suggests that the implementation of boreholes and new school buildings, when done well and with sufficient donor supervision, are more beneficial for poorer homes; that a greater emphasis on “blunt” physical infrastructure at the local level is more effective than policies which attempt to target poorer households directly.
- iii) Furthermore, our research illustrates the importance of access to the legal system and physical security in the daily lives of poor people. Poorer villagers used the local courts repeatedly, and saw the state as of critical importance in providing a basic level of physical security. At the same time there appears to be a strong relationship between tax collection

and the performance of institutions, as the village court and local churches were more effective than the health, extension, or aid sector, in responding to the needs of poorer villagers due to their dependence on local funds. However, such an observation was derived from our anthropological work and needs to be further tested with econometrical analysis.