SOCIAL CAPITAL AND SUSTAINABLE DEVELOPMENT

The Role of Formal and Informal Institutions in a Developing Country

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Social Capital

- Social Capital: the Networks and Relationships that shape the quality and quantity of a society’s social interactions
- Or the Density of Formal and Informal Institutions for Development
- The Rules that govern Interaction between Agents
- Social Capital Formalizes the role of Institutions in Development Processes
Social Capital and Development

- State-Society Synergy as Catalyst (Evans1996)
- Co-Production with Complementarity between agents in different sectors (Ostrom1996)
- Evolution of Rules and Processes is the Consequence of this Interaction
- Development Viewed as an Evolving Process
Sustainable Development Processes

- The Concept of Sustainable Development: Intergenerational Focus: Also focuses on development with environmental conservation
- Macro applications are somewhat counterproductive
- It derives its relevance for Poverty Alleviation Initiatives from a Regional and Sectoral focus
- Such a Focus of Sustainable Development Initiatives illustrates the Role as also the limitations of Self-Evolving Institutional Networks
Social Capital as “Reaching out between agents across Traditional Sectors

• Traditional Sectors: Government, Civil Society and Markets
• One possible measure of Social Capital: Extent of Reaching Out between Agents in Sectors
• This is critical to development Processes
• In particular, to Processes that use Natural Capital based development to alleviate Poverty
Role and Limitations of Informal Institutional Networks

- Natural Resource Based Initiatives for Sustainable Development need Institutional Evolution because they need to solve the “free rider problem.”
- They need to reckon with the “myopia and high discounting of future” at the outset.
- A building up on Traditional Institutions through a “reaching out of agents across sectors” is critical in this process.
- However, limitations arise often due to an interface with “formal institutions.”
Three Studies on Experiments with Natural resource based Sustainable Development

- Pooling Resources for Development: A Study in Eastern India
- Breaking the Degradation-Migration Link: A Study in Western India
- Harnessing Livelihood- Natural resource Linkages for Poverty-Alleviation in Northern India
Creating an Appropriate Unit for Development: Pooling Resources

- The Region:” One of the poorest in India with unused land and water
- A Small NGO found that under-utilization of land and water was due to absence of a minimum scale of operation
- Creating an appropriate Scale:
- Pooling of Privately held land was the first step: Undertaken by building on Local institutions: the initiations: an urban based NGO
Steps in the Process: Contribution of Agents in Different Sectors

• Technology for Soil and Water Management: Evolved with inputs from regional research stations, local knowledge etc.

• A three tier system with different gestation periods to meet the inter-temporal preference patterns and needs

• Financial Resources: From government and semi-government agencies
Steps in the Process: Agents Across Sectors

• Prior Determination of Sharing Mechanisms: another critical input of non-governmental Organisation

• Evolved through Interaction with stakeholders: workers, owners of resources and reinvestment needs

• Keeping local needs in view: e.g. for consumption loans (after community endorsement) catered for
Modeling of the Process and Limitations

- A modeling was undertaken:
- Conditions for development and Limitations:
- Level of Initial Physical and Financial Resources
- Working of Institutional Mechanisms for Sharing: Integration with local aspirations
- Opportunities Outside the Region
- Rates of Depreciation of Capital, both natural and physical and Arrangements for Replacement
Next Phase: A Linking with Markets?

- First Phase succeeded in poverty alleviation with natural resource use in a limited sense
- Next Phase should be a Scaling Up: link with markets for processing and sale of some products with a market demand
- Inputs into this: Upgrading of human capital with skills
- A New Dose of “Social Entrepreneurship”
Breaking the Environmental Degradation- Migration Link in Western India

• Region in Western India characterised by “Distress” Migration in search of Urban Employment decreasing incomes attributed to depleting natural resource base
• Local networks supported by NGO’s worked to create well-specified property rights
The Study and its Results

• An Econometric Exploration using cross-section data at different levels: district and village level
• It was found that Out-migration decreased when “rules for protection and for sharing the results of protection of the commons were well specified
• Took a time of six to eight years
Steps in the Process

- Reaching out Across Agents in Different Sectors again in Evidence
- NGO’s with Urban Roots but Long Interaction with Rural Groups
- Successful Interventions build on Natural Capital Base for Livelihood Creation
- Building on Traditions of Mutual Help
- Finance from Donor Agencies and/or Government
Limits to Scaling Up

- Spread Effects of the Experiment led to a Demand for Replication
- NGO left the replication to Local Communities
- Building on Local Mores resulted in a Clash with the Rights of “Outsiders” with formal legal access
- Rights vested in formal legal institutions and Local Perceptions may not be consistent
Harnessing Livelihood-Environmental Linkages to Promote Environmental Conservation

- Experiment in the Himalayan foothills in the north Indian State of Haryana
- External effect of Soil Erosion on downstream water-bodies as well as on private farmland in villages
- Similar Reaching out across agents in different sectors resulted in some success over more than a decade
Limits to Local level Co-Production

• Critical Input in this case came from a government official whose initiative, based on a governmental order, provided user rights on forest land to villagers

• Protection of watershed with sharing mechanisms worked and protected trees were ready for harvesting

• Nature of right to them questioned by new incumbents in state government in the nineties: some fifteen years later
Issues for Discussion

• A meaningful definition of Social Capital for Poverty Alleviation needs to distinguish between Formal and Informal Institutions?
• What is the appropriate Degree of Decentralization?
• Should Innovative Interpretations of Larger Formalized Legal Rules be accompanied with a process of change in formal centralized institutions?
Issues for Discussion

• What is the role of Human Capital Formation?
• Should education enable or empower Communities to achieve Vertical Integration of Local Developmental Interventions with the market
• How do “social entrepreneurs” emerge?
Issues for Discussion

• Why is there a dearth of “social capital” of the informal kind in urban contexts?
• Is the Density of Informal Networks associated with the Interactions between people in livelihood generation?
• With deterioration of urban environments, what role can formal legal, financial and market institutions play in “sustainable urban development”? 