



Community-Driven Development and Social Capital: Evidence from Morocco

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Summary. — Community-driven development rests on the principle of development aid through community participation, which is expected to promote pro-social behavior. This paper studies the impact of such a program in Morocco on social capital as measured by economic field experiments. We played a public goods game to measure how much people care about others in the community, an investment game to proxy interpersonal trust, as well as a dictator game to measure altruism. Our empirical strategy exploits an administrative rule stipulating that the program be rolled out only in rural communities with a poverty rate of 30% and above. Focusing on communities close to this cut-off and using a regression discontinuity design, we find that the program increases contributions in public goods games. Conversely, the program has no impact on altruism and reduces interpersonal trust. We examine possible mechanisms underlying the observed impacts by combining the behavioral data with survey information and administrative records on project spending and selection. Overall our results suggest that a shift from a centralized to a more localized decision-making process may enhance people's sense of responsibility toward their community, but not all forms of social capital are positively affected in the process.

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1. INTRODUCTION

This paper investigates the impact of a community-driven development (henceforth CDD) program in Morocco on social capital as measured by economic experiments in the field. CDD programs rely on the participation of communities to design and carry out development projects. The idea behind such programs is that communities know their own interests best, so by giving them the ability to decide on how to allocate development aid, programs may achieve better results (Mansuri & Rao, 2013). This would then encourage people to engage in more collective action, and increased interaction among people is seen as enhancing social networks and promoting pro-social norms and behavior (Avdeenko & Gilligan, 2015). In the long term, gains in social capital might facilitate economic development or help sustain program impacts (Woolcock & Narayan, 2000). As a result, adding this social dimension or bottom-up nature to development has become fashionable since the early 2000s. In 2012, the World Bank alone backed roughly 400 CDD projects in 94 countries with \$30 billion (Wong, 2012).

This paper investigates if the CDD program in Morocco brought about these changes in social preferences that policy makers in the CDD context commonly hope for. In response to the proliferation of CDD programs, a number of studies have by now analyzed the effects of such bottom-up development policies on both economic and social capital. Regarding the former, evidence has been consistent and shown positive results (see, for example, Mansuri & Rao, 2004; Mansuri & Rao, 2013; Nkonya, Phillip, Mogues, Pender, & Kato, 2012; Wong, 2012). A previous economic impact evaluation of this CDD program in Morocco suggests that the revenue of households living in CDD areas is 48% higher compared to areas with no CDD program (ONDH, 2012).¹ Regarding social capital, defined as an “instantiated informal norm that promotes cooperation between individuals” (Fukuyama, 2001), the evidence has been mixed (see reviews by Wong (2012) and Mansuri & Rao (2004)).²

Our paper adds to the thin evidence on the social impact of CDD and is the first evaluation in the Middle East and North Africa. In light of the “Arab Spring,” we provide evidence on the effects of a “grass-roots democracy” program *relative* to the status quo of a very centralized system in the process of gradual democratization and decentralization. Mansuri and Rao (2004) called for more evidence on the superiority of CDD compared to top-down approaches. In Africa, CDD programs are often transplanted into weak institutions (see aforementioned evidence from fragile states like Sudan, Sierra Leone, and Liberia), that is to say, they are compared to little governance in the first place. In the Moroccan case, the CDD program was run in the context of a stable and relatively well-functioning constitutional monarchy, and substantially financed by the Moroccan government, rather than by

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international actors as often happens when states are weak or fragile. Morocco's self-initiated shift to more "democratic principles" has been hailed as "a recipe for other countries in transition to follow, especially in terms of achieving a gradual change or reform without much bloodshed or instability" (Tawil, 2013). Therefore, we also provide some insight into how the program was implemented by investigating how actual disbursement patterns are aligned with the development priorities of the citizens, and we test if social capital is influenced by other, more centralized, aid flows. More generally, our paper studies the link between development aid and social capital.³

The paper also contributes to a growing policy evaluation literature that uses lab experiments in the field to measure social capital. In recent years, these experiments have been focused to investigate decision making in different types of programs, ranging from micro-finance (Ban, Gilligan, & Rieger, 2015; Karlan, 2005) to conditional cash transfer (Attanasio, Pellerano, & Reyes, 2009), as well as in the context of the work place (Barr & Serneels, 2009) and civil war (Gilligan, Pasquale, & Sami, 2014). However, it has not been used extensively in the CDD context. Of the eleven impact evaluations of CDD, two evaluations in Liberia (Fearon *et al.*, 2009) and Sudan (Avdeenko & Gilligan, 2015) used economic experiments, and one in Sierra Leone (Casey *et al.*, 2011, 2012) used structured community activities to gauge social capital, while the rest relied on survey information. In particular, we implemented three standard and well-established experiments to measure social capital at the individual, inter-personal and group level. The idea was to ascertain if different measures respond in the same way to the CDD intervention. We used the dictator game to capture individual altruism, the investment game to gain insights into levels of trust between individuals, and the public goods game to measure the willingness to contribute to the community.

Our empirical strategy uses a regression discontinuity design (henceforth RDD) to make use of the selection criterion of the CDD program in rural Morocco. The allocation of the program was decided based on an earlier poverty map using census and survey data across approximately 1300 communes in rural Morocco.⁴ Every single commune with a poverty rate of 30% and more received CDD funding. Note that no other programs were using the 30% cut-off. Clearly, the link between poverty or income and social capital is possibly bi-directional. Furthermore, groups and individuals may separate and sort according to their income and social preferences across communes. This implies that comparing the level of social capital of a CDD commune with a poverty rate of 50% to that of a control commune with a poverty rate of 20% is hugely misleading. The difference in means in social capital will be contaminated by an array of observed (e.g., income, poverty) and unobserved (e.g., initial social preferences, spatial sorting patterns) systematic differences and cannot be credibly attributed to the program. To avoid such misleading comparison, our empirical strategy is to zoom in on the communes around the 30% cut-off as much as possible. The idea is that, since the cut-off is arbitrary, systematic differences between the communes very close to the cut-off are minimal and the allocation of CDD funds was akin to a flip of coin. This strategy then informed our sampling strategy where we picked the 31 closest communes above and the 30 closest communes below the cut-off. The poverty rates in our resulting sample range from 28% to 31%. For instance, the poverty rate of the closest CDD commune is 30.02718%, and that of the closest counterfactual commune is 29.95143%. Any difference between them in the

outcome indicators can be attributed to the CDD program. However, a disadvantage of this method is that causal estimates around the 30% cut-off are not necessarily representative of impacts far away from the cut-off. In other words, one cannot easily extrapolate and generalize impacts for communities that are much poorer or richer than the communities in our sample.

We find that the CDD program indeed brought about social change. In line with the evidence in Liberia by Fearon *et al.* (2009), our results show that CDD can stimulate the willingness to contribute to public goods. Using administrative data on disbursement, we detect a similar correlation between this measure of social capital and community contributions, a proxy for community engagement. This finding illustrates the possible achievement of CDD to encourage collective action. Avdeenko and Gilligan (2015) find no impacts on public goods and trust in a Sudanese CDD program. Relative to Sudan, Morocco is more advanced economically and has a very different government structure. Furthermore, one main difference between the two CDD interventions is that the Sudanese program was much smaller in size with roughly \$75 million compared to the INDH's overall budget of \$1.7 billion. The Moroccan CDD project was high profile and hugely important to the government, and also the Moroccan King, who closely monitored it. It has also brought about sizable economic and governmental transformation in rural areas. On the other hand, there is evidence that the program has a dampening effect on inter-personal trust and no impact on altruism. One explanation for these diverging results is the diverse nature and responsiveness of social capital. While public goods contribution represents a sense of responsibility toward the community at large, trust and altruism are more about inter-personal norms and perception. Since these inter-personal norms are linked with people's intrinsic values, they may respond slowly to the participatory activities that the program set up. We also conjecture that revenue increases and social exclusion reductions may be connected with the observed pro-social behavioral changes. Furthermore, some qualitative evaluations (Berriane, 2010) reveal that the inflow of funding to treated communities increased competitiveness among local individuals and groups advocating for their priorities, which may have a negative influence on trust.

Nevertheless, it may be too early to conclude that the CDD program is a "grass-roots democracy" movement. Although it did contribute to the decentralization process that Morocco embarked upon since the early 2000s through encouraging the establishment of local groups and raising awareness about local responsibilities, observations of the program implementation reveal that the quality of the participatory process varied. This lack of interactions may explain the limited impact on inter-personal measures of social capital such as trust and altruism. Finally, we also find that the types of projects implemented in the CDD program better reflect the development priorities of the local elites than of citizens, although the difference is not sufficient to demonstrate "elite capture".

This paper is structured as follows. Section 2 reviews the literature and discusses the causal relations between CDD and social capital. Section 3 provides background information on the CDD program and social capital in Morocco. Section 4 details the experimental approach, sampling, recruitment, and session procedures. Section 5 outlines the empirical model used in this paper. The results, potential mechanisms and robustness checks are discussed in Section 6. Section 7 concludes.

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