World Development 112 (2018) 220–232

Contents lists available at ScienceDirect

World Development

journal homepage: www.elsevier.com/locate/worlddev

Why the poor do not benefit from community-driven development: Lessons from participatory budgeting

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ARTICLE INFO

Article history:
Accepted 17 August 2018

Keywords:
Community-driven development
Participatory budgeting
Impact evaluation
Philippines

ABSTRACT

Community-driven development (CDD) has been identified as a potent vehicle for poverty reduction. Over 105 countries have adopted CDD projects in the hope that citizen empowerment translates to socio-economic development. But existing evidence is mixed, with some scholars arguing that CDD does not benefit the poor. This paper seeks to contribute to this literature by identifying any differentiated impact to the poor attributable to a CDD project in the Philippines. It draws on the literature on participatory budgeting to argue that participation of the socially excluded groups like the poor in the collective planning and budgeting determines the extent to which empowerment and democratization can be sustained. Using panel data collected in 2003 and 2010, the paper finds indications of elite control based on a decomposition of the profile of participants of village assemblies, which is a critical participatory institution in providing equal access to all members of the community to the deliberations and negotiations. The average participant of such village assemblies tend to be the less-poor household of the community with the participation of the poor dwindling over the years. The difference-in-difference impact estimation also reveals disappointing results for the poor. Although the project improved average household income among the poor, the project failed to enhance the social outcomes for the poor households such as participation in planning process, trust in the government and solidarity. This study adds to the existing literature showing that CDD may fail to effectively target the poor.

1. Introduction

Over 100 countries have adopted some form of community-driven development project, prompted largely by the disenchantment and frustration with top-down, national development planning. In this re-orientation of the international development agenda, poverty is seen largely as a function of multiple deprivations – economic, political and social – that interact in a way that lock poor people in a vicious cycle of poverty (Gillis, Shoup, & Sicat, 2001). This has invariably led to the 'participatory turn' in development where political and economic empowerment is seen as the only viable way of addressing chronic poverty. Such shift in how development projects are managed and financed points to the re-calibration of how public funds and aid are channelled through participatory processes in governance as the future direction of development aid.

However, evaluation studies of CDD projects do not support an across-the-board acceptance of CDD's potential in changing the development landscape. While there have been successful cases, most of the time the results are at best mixed. Notably, Indonesia's National Community Empowerment Program (*PNPM Rural*), which provides block grants to poor communities, resulted in a positive impact on income by 9.1 percentage points among poor households, reducing poverty incidence by 2.1 percentage points (Voss, 2012). On the other hand, the largest CDD project in the world, China's poor-village investment program, suffered from elite capture where only among richer households was increased household consumption observed (Park and Wang, 2010). CDD appears to only deliver economic gains (i.e., income) instead of improvement in social outcomes, particularly in the context of conflict-affected areas (King, 2013). Given the vulnerability of participatory processes to elite capture, many scholars have attempted to unravel the underlying mechanism of elite capture and offered design solutions to curtail it (Dasgupta and Beard, 2007; Fritzen, 2007). While elite capture can be seen as a structural constraint in any participatory schemes, many of these CDD projects are ineffective because they fail to genuinely target the marginalized and the poor (Mansuri and Rao, 2004).

The idea of CDD was largely transplanted from the successful stories of participatory budgeting (Goldfrank, 2012) but a critical component of participatory budgeting – emancipatory politics – was left out of the design and implementation of CDD. Critics have

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https://doi.org/10.1016/j.worlddev.2018.08.009

so far coalesced around the issue that the "participatory turn in international development has distracted from a more direct focus on exploring the most legitimate and effective forms of representation available to the poorest members of society" (Hickey and Bracking, 2005, 852). This "PB-lite" approach essentially hopes to achieve the same empowerment gains from participatory budgeting but free of the democratization component that allowed PB to be emancipatory (Chavez, 2008). While CDD emerged out of the PB literature, little attempt at integrating the two strands of literature exists to draw lessons on one of the most widely implemented reform projects in the world.

This paper uses the Philippine experience to fill this gap by critically examining the limits of CDD projects in delivering outcomes for the poor. It draws lessons from the participatory budgeting literature to identify possible gaps missed by existing CDD research on how the politics of the community can feed into ability of CDD projects to attain its goals of poverty reduction. This is crucial because CDD follows the same logic of PB and builds on the earlier successes of PB in Latin America (Goldfrank, 2012). For any participatory projects to be successful and sustainable, the mobilization of the marginalized and socially excluded sectors is a critical condition to deepen democracy in the locality, making the deliberative aspect of governance to be self-reinforcing.

This paper utilizes the data derived from an experiment commissioned by the Philippine government and the World Bank from 2003 to 2010 to evaluate the *Kapit-Bisig Laban sa Kahirapan*-Comprehensive and Integrated Delivery of Social Services (or KALAHI-CIDSS), the Philippines' flagship anti-poverty CDD project. It offers a closer examination of the impact differentiated according to household income. While the original impact evaluation study looked at community-level gains, this paper seeks to assess whether the poor households actually reaped the benefit, either economic or social, from the project. KALAHI-CIDSS is found to contribute to the improvement in income among poor households. However, similar to the experience of China, the CDD project did not foster participation, and improve social capital and access to basic social services of the poor. It contributes to the current debate on the relevance of CDD projects in alleviating poverty and improving the well-being of the poor as well as whether such programs should be replicated or scaled-up to cover more communities.

The article is structured as follows. The following section discusses the comparability of CDD and PB as two devices for community participation in government processes. By reviewing the literature on PB, it identifies the missing component in CDD – the explicit mobilization of the poor. Section 3 provides the research context while Section 4 discusses the data and method. A difference-in-difference method was employed to tease out the effect of KALAHI-CIDSS on the poor. Several implications to theory and practice of participatory processes are provided in the end.

2. Adding the poor back in: re-examining community-driven development and participatory budgeting

Community-driven development (CDD) and participatory budgeting (PB) are two different 'devices' to bring the community into the formal processes of development planning and budgeting, areas in public administration that are traditionally performed by experts and bureaucrats. While CDD and PB share similar procedural elements, these two approaches are fundamentally and conceptually different in its goals and scope. CDD involves the deliberation by the community about how international aid can be best used to address their developmental needs and specifically demands for community-level participation. PB traditionally engages a constituency of a sub-national government to deliberate on the allocation of public resources through the identification of programs to be implemented. CDD is typically projectized and donor-driven while PB tends to be borne out of political imperatives either through a national party mechanism or from citizen pressure for greater transparency and accountability.

Drawing parallelism between the two participatory devices can potentially unlock the mechanisms why CDD is not the magic bullet it was thought to be. The parallelism can be made because CDD and PB follow the same institutional logics – administrative, political reform and citizen empowerment (He, 2011). The institutionalization of deliberative process of allocation of resources (administrative) in government decentralizes decision-making power (political) to the citizens and organized groups that can spill-over towards other aspects of governance (empowerment) (de Sousa Santos, 1998, Dongier et al., 2003; Cabannes, 2004). Since participatory processes emerge from a specific socio-political context, governments inevitably respond differently to common problems associated with introducing popular participation in an otherwise technical process of budgeting and planning (Abers, 1996). These varying responses spur indigenous uses of the participatory process, making the comparison of PB and CDD highly contextual. However, greater governmental action towards public participation can be viewed as a construction of a political institution that may serve multiple intentions (Goldfrank and Schneider, 2006). There may be various and different forms of PB and CDD, but participatory processes as an underlying political institution serves as a "single, shared time and place for discussion of local policy problems… and transmission of information between citizen's groups and between citizens and government" (Jaramillo and Wright, 2015, 282). The comparative logic between the two devices emanates not from the specific design and objectives both seek to achieve but from the instrumental purpose of participation in governance.

There is no widely accepted definition of PB and the proliferation of PB practices resulted in a heterogeneity of designs and objectives (Cabannes and Lipietz, 2015). PB's allure as a municipal reform centrepiece comes from its ability to drive social change through the democratization of government processes. A stark feature of PB is the emphasis on the process of elicitation and representation of voices. Specifically, the participatory dimension of PB takes root in the individual's ability to engage directly or through representatives in the actual deliberation as well as to elect PB delegates and councilors, a process that sets PB apart from CDD (Cabannes, 2004; Souza, 2001). The articulation of views is crucial in deriving actual development needs, information traditionally left to experts and bureaucrats to decide. As a result, it is common to find assessments of PB that examine whether the process is able to improve access to public services and deepen local democracy (Wampler, 2007; Díaz-Cayeros, Magaloni, & Ruiz-Euler, 2014; Heller, Harilal, & Chaudhuri, 2007; Cabannes, 2015). These outcomes are eventually related to better social welfare and economic outcomes such as decreasing infant mortality (Gonçalves, 2014) and reducing poverty (Boulding and Wampler, 2010). PB essentially views these outcomes as intermediate, a step towards achieving higher socio-political objectives.

The notable success of PB in improving social outcomes has led development agencies to link participatory processes and empowerment with economic development and poverty reduction. By the early 2000s, the World Bank has been widely promoting the adoption of participatory budgeting throughout the developing world to respond to growing demands for participation from the civil society as well as to reduce the cost of implementing development projects (Theuer, 2009). Many observers see this 'participatory turn' in development administration as a part of World Bank's broader agenda of reducing government's role in the delivery of public services (Cammack, 2004; Rückert, 2007). The World Bank,