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Voice Lessons

Local Government Organizations, Social Organizations, and the Quality of Local Governance

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Abstract

As part the Local Level Institutions study of local life in villages in rural Indonesia information was gathered on sampled household's participation in social activities. We classified the reported activities into four distinct types of social activity: *sociability*, *networks*, *social organizations*, and *village government* organizations. Respondents were also asked about questions about their village government: whether they were *informed* about village funds and projects, if they *participated* in village decisions, if they expressed *voice* about village problems, and if they thought the village government was *responsive* to local problems. Several findings emerge regarding the relationship between the social variables and the governance activities. Not surprisingly, an individual household's involvement with the village

government organizations tends to increase their own reports of positive voice, participation, and information. In contrast, the data suggest a negative spillover on other households. There is a strong "chilling" effect of one household's participation in village government organizations on the voice, participation, and information of other households in the same village. The net effect of engagement in village government organizations is generally negative, while the net effect of membership in social organizations is more often associated with good governance outcomes. These findings indicate that existing social organizations have a potentially important role to play in enhancing the performance of government institutions in Indonesia and in the evolution of good governance more generally.

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**Voice Lessons:
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Quality of Local Governance**

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Voice Lessons¹

Introduction

Questions about improving the quality of government are more than just academic in Indonesia today; they are pressing, practical questions. Indonesia has long been considered a classic example of a “developmental authoritarian” state— one that fostered economic success and delivered concrete material benefits as a claim to political legitimacy while simultaneously creating institutions through which popular participation in politics was structured, channeled, and thereby marginalized. With a radical decentralization of responsibilities to regional (district) governments underway, continuing economic turmoil, and frequent shifts in national leadership, Indonesia is in the midst of economic, social, and political change. From the national to the local level, the structures and behaviors taken for granted during the Soeharto/New Order era are being challenged and, in many cases, overturned. This paper focuses on the role of villagers’ social activities in creating more participatory and accountable local governments, and aims to contribute an empirically grounded analysis to inform discussions of the reforms of local governance.

Putnam (1992)² argued that, even in a “modern” and “developed” country like Italy, the nature and type of social relationships were the most important determinant of

¹ We would like to thank many people who helped in the long course of the LLI2 study and this particular paper: Scott Guggenheim, Pieter Evers, Kamala Chandrakirana, Robert Chase, Christiaan Grootaert, Michael Woolcock, Sandy Jencks, Jeffrey Hammer, Deon Filmer, Menno Pradhan, and Chitra Buchori provided valuable comments and input during the course of this research. Leni Dharmawan, Erwin Fahmi, R. Yando Zakaria and their respective regional teams shaped and collected the data. Financial support from the World Bank’s Indonesia Country Team, the Research Support Budget, the Norwegian Trust Fund for Environmentally and Socially Sustainable Development, and the ASEM Trust Fund is gratefully acknowledged.

² Although it should be noted that the book is “with” Robert Leonardi and Raffaella Nanetti.

the efficacy of the newly created regional governments. This bold reinsertion of personal and particularistic social relationships into discussions of the performance of public sector bureaucracies resonated powerfully with those battling the dominant approach to economic development. This approach, which relied primarily on a national civil service bureaucracy to deliver technically determined services that meet predetermined “needs” of the population (Pritchett and Woolcock 2002) has been labeled “bureaucratic high modernism”—the view of development as bringing activities under the control and order of the state (Scott 1998) – or “institutional monocropping”—the idea that institutional effectiveness is independent of local conditions (Evans 2002)³. This backlash against “state centric” approaches has led to an enthusiasm in development circles for new approaches (using terms like: “social capital” (Woolcock 1998, Narayan and Woolcock 1999); “beneficiary participation”; “empowerment”; “social funds”; “community development”; and “deliberative development”) that aim to engage end-users in decision-making.

But an overly simplistic generalization that more “social capital/ participation/ empowerment leads to better local governance” leaves at least three key questions unanswered. First, which *types* of social activities are beneficial? Second, for *whom* does governance improve? Third, can knowledge of social conditions actually facilitate deliberate action or design that would bring about improvements in government performance?

³ Of course there is by now an extensive ethnographic literature documenting how, even in authoritarian regimes with no effective formal political opposition, local social organizations and associations both resisted and structured the reality of government action (e.g. Singerman (1995) on Egypt, Seligmann (2002) on Peru).

We examine the empirical link between households' social activities⁴ and responses about four elements of the workings of village government: *information* about government activities (two questions), *participation* in decision making (two questions), voice and expression of discontent (three questions), government responsiveness to local problems (three questions). We make two key distinctions. First, we distinguish the *private* impact of social activities—whether households who are more socially active report higher quality village government—from the *community* impact of social activities—whether households who live in communities where *other households* are more socially active report higher quality village government. Second, we distinguish the impact of social activities (e.g. participation in public meetings) that are directly related to *village government structures* from that of other social activities (that are not explicitly related to *village* government). The “endogenous” social activities are further divided into three types: (i) socializing with friends or neighbors; (ii) participating in group activities within a network (usually organized around a specific event, such as harvest or prayer); and (iii) participating in social activities related to organizations (such as farmers' groups, formal religious groups, and credit unions that are distinguished by having a permanent leadership). Both of these distinctions prove empirically important-- as the estimated associations of private and community and of social organizations and village government organizations with the proxies we use for governance are frequently not even of the same sign.

⁴ It should be noted that the general term “social activities” includes all group activities that households reported participating in, not that the activities have a "social" purpose. Some, such as water user groups or credit cooperatives, serve primarily economic functions while others are mixed (e.g. a prayer group that includes a rotating credit scheme as part of its activities).

Generally the *private* impact⁵ of participation in village government activities is positive—households that report more frequent participation in *village* government organizations also report increased access to information about government activities, greater participation in decision making, and higher assessed quality of government responsiveness. However, the *community* impact of such activities appears to be largely negative—households living in villages where *other* households report greater participation in the *village* organizations report, on average, reduced information, reduced participation, less voice and rate government responsiveness lower. Surprisingly, the *net* impact of increased participation in *village* government organizations appears to be *negative*—so for instance, even though the household that joins the *village government* organizations is more likely to be informed about the local budget the “crowd out” effects on other households are sufficiently large that fewer people in the village know about the budget.

On the other hand, broadly speaking, participation in *social organizations* has both positive *private* and *community* impacts on governance. To illustrate, we show that for one of the “voice” indicators (whether a household was involved in a protest action about some village issue) households with higher engagement in social organizations were more likely to be involved in a protest. Even more interesting is that households who lived in villages in which *other* households reported higher engagement in social

⁵ One additional caveat, in discussion of the results below we often use terms like “impacts” or “effects.” Since we presently have no technical method that allows us to assert causality—because we cannot rule out reverse causality—this language is not an assertion of causality but merely avoids the pedantic repetition of phrases like “if these partial associations represent causal impacts the effect is ...”

organizations also were more likely to be engaged in protest. The *net* effect of higher engagement in social activities is generally positive.

We are self-consciously avoiding for now the obvious, but loaded and imprecise, term “social capital” and are first just reporting on the empirical outcome of a survey. Households were asked certain specific questions (often with limited possible answers); their answers were recorded; and it is a factual question whether households who reported more engagement in endogenous organizational activities were also more likely to report that they knew about the village budget⁶. What one makes of those empirical facts and how they potentially relate to concepts and theories about the world is another question entirely. Hence the sequence of the paper is: Indonesian context, data, estimation, findings, and then theory, literature review, and implications all together at the end.

1) Indonesian context

Before describing the findings it is necessary to explain certain aspects of the structure of Indonesian government. We only cover the barest basics that are crucial to understanding local governance in Indonesia and to interpreting the findings presented in this paper. This section draws heavily on the qualitative and ethnographic studies done in connection with the Local Level Institutions study. In particular, Evers (2000) is a rich

⁶ This simple minded approach to method is not naivety: we have read and considered the critiques of household survey methods, the dangers of attempting to impose empirical clarity on social complexity and even the dangers of the survey instrument itself as a tool of repression. The household survey was embedded in a larger study which used a range of qualitative techniques to address many of the same questions (Wetterberg 2002).

and informative study on local governance in rural Indonesia in the immediate pre-crisis period⁷.

First, we need to replace the potentially misleading word “village” with the Indonesian term “*desa*.” A *desa* is fundamentally a *political and administrative* designation, rather than a geographic or social one. Although the term *desa* is often translated as “village” it needs to be understood as a structure imposed on local communities by the central government. A 1979 law designated the existing boundaries of the *desas* to create a complete, homogenous structure for local governance. The resulting geographical units of the *desa* therefore do not necessarily correspond to the definition of a “village” as a cluster of living units or to individuals’ own perceptions of their basic social reality. Rather, especially in less densely populated areas, a *desa* may contain several widely dispersed clusters of household residences and primary social affiliations may be to these clusters rather than the *desa*.

Second, the structures of *desa* government created in the 1979 law did not consolidate existing practice but rather *supplanted* the existing structures of local leadership. Indonesia, a large and diverse country, has a wide range of ethnic and social groups and a corresponding variety of indigenous forms of governance organizations. Traditional (*adat*) leaders or structures were not formally recognized in the new laws. The new law on local administration created hierarchical structures ranging from the *desa*

⁷ We draw heavily on Evers (2000) because it is the best study, not only because it is part of the Local Level Institutions study, but also because it is among the few studies of the mechanics of local politics. The New Order Indonesian government banned not just the development of political organizations in rural areas but also research on local politics (which could be easily enforced since all fieldwork required official permission).

head (*kepala desa*) and local executive council (LKMD) to a designated official for each group (RT) and sub-group (RW) of households.

Third, in the rhetoric of the 1979 law the new *desa* organizations were a means of channeling a “bottom up” expression of the popular will, and the law created mechanisms whereby villagers would participate in the planning process and express their development needs. The general perception among villagers and those who worked in rural areas was that reality did not match the rhetoric: the *desa* organizations operated “top down.” The *desa* apparatus were widely perceived as a means of co-opting and controlling all social forces at both the national and local levels and of delivering the programs and development priorities determined at the center.

During Soeharto’s New Order era, the leadership of the provincial and district (*kabupaten*) governments was appointed by the Ministry of Home Affairs and was dominated by retired (and active duty) military officers. Even though there were local elections the *desa* leaders had to be approved by and reported to this structure⁸. As the first LLI Study showed, at the local level often a very narrow group controls the *desa* government apparatus in a way that does not always reflect a broad community consensus (Evers 2000).

The resignation of Soeharto in May 1998 put in motion three linked but distinct changes. First, there were (generally) free and fair general elections for the national and

⁸ The motivations for creating this structure are well beyond the scope of this paper but: (a) since its birth Indonesia has experienced centrifugal pressures in various regions and the armed forces (from which the New Order leadership emerged) has always considered itself a bulwark of nationalism and stressed the need for central control, (b) without apportioning responsibility, the New Order (Soeharto) government was unquestionably born in social chaos and brutal local violence, an experience no one was anxious to repeat, and (c) the government in this period was “developmentalist authoritarian,” anxious to deliver on the concrete benefits of “economic

regional legislatures. This altered the political landscape from top to bottom, shifting power away from Soeharto's Golkar party towards now-President Megawati Soekarnoputri's PDI-P and a host of newly established political groupings that were allowed to organize in rural areas. Second, the legislature passed a set of laws that initiated substantial decentralization of government services from the center to districts (mostly by-passing provinces)⁹. Third, as the center weakened there was an expansion in local activity that addressed past and present grievances through both violent (e.g. riots, land seizures, stoning local government offices (and officers)) and more "democratic" means (a free press).

II) Local Level Institutions Study Household Data

We are going to estimate the relationship between social activities and the perceptions of *desa* government performance using multivariate regressions. To do that we need to specify the (a) the construction of each of the four social variables, (b) the empirical variables used to measure "governance," (c) the way we propose to distinguish between private and community impacts of social activities, (d) the non-social variables included in the regressions, and (e) the functional form.

The Local Level Institutions study (LLI) is a large, complex research endeavor carried out in 48 *desas* in three provinces (six districts), first in 1996 (LLI1) and again in 2000/2001 (LLI2). The study combined both qualitative and quantitative work on issues related to local governance, including documenting the array of social activities of

development" to citizens as a means of sustaining legitimacy but less concerned with either local or national mechanisms of "voice" from citizens.

⁹ It should be noted that, as part of the decentralization effort, the 1979 law on village government has been revoked. Change has not been immediate, however, and most of the structures it created still persist throughout the research area (Wetterberg 2002).

households. The first round of the Local Level Institutions study documented that, while little recognized by officialdom, local activities and spontaneous local organizations have flourished at the local level alongside the externally imposed *desa* structures (Chandrakirana 2000, Grootaert 1999). In addition, analysis of the household data from the first round found significant positive coefficient of a social capital index (formed as a function of number of household group activities and their characteristics) in a multivariate regression on per capita consumption (Grootaert 2000). This analysis also provided some evidence of contributions of social capital to reported collective action and evidence of differential effects of different types of groups (Grootaert 1999, 2000).

In the second round of the LLI study a multi-module household questionnaire collected information from 1200 households (30 households in each of 40 *desas*)¹⁰. The questionnaire included standard modules on: (a) demographic information, (b) the SUSENAS “short-form” consumption expenditures, (c) household assets, (d) household shocks and coping strategies. In addition the survey collected information on two more unique aspects: household social activities and households participation in, and perceptions of, *desa* government.

III.A) Measures of social engagement.

The survey elicited information on all household social activities—from pure sociability to membership in formal organizations. To capture “sociability”, households were asked about the frequency with which they visited and were visited by other households. In addition, each household made a complete list of all its group activities in the past month and their purpose. For each group activity the household was asked if this

activity was carried out by an organization with a fixed leadership. Group activities that did not involve an organization we call *network* activities while all others were *organizational*. In addition, the respondent was asked about all groups that any member of the household belonged to, whether the member was "active" and the frequency of participation in those groups in the last three months and the purpose of the group (e.g. religions, production, social service, etc.).

Elements of the questionnaire	Designations of the different social activities:		Examples
Visits to and from friends, neighbors, relatives	Sociability		Visits with friends, neighbors
Inventory of all group social activities involving members of the household	Network (activities in groups <i>without</i> fixed leadership)		Community work (<i>gotong royong</i>),
	Organizational (activities in groups <i>with</i> fixed leadership)	Desa Government	<i>e.g. desa</i> Legislative council (LKMD), <i>desa</i> women's group (PKK)
		Social Organizations	Religious Organizations, Youth Groups, Credit Union, etc

Finally, the household was prompted about whether any member in the household participated in the activities of the *desa government* organizations. For present purposes the key distinction is between activities in those organizations that were created as an integral component of *desa government* and all other *social organizations*¹¹.

¹⁰ There were eight less *desas* because one of the districts was in NTT close to East Timor and was not safe for researchers.

¹¹ This is based on the same information (the roster of all group activities) but is a different scheme than that used in analysis of the LLI1 data (Grootaert 1999) that divided groups into nine functional categories by the primary purpose of the group (e.g. production group, religious group, recreation, etc.).

Participation in (a) the *desa* legislative council (LMD), (b) the executive council (LKMD), (c) official neighborhood organizations (RT or RW), (d) official women’s organization (PKK or *Dasawisma*), or (e) official youth organization (*Karang Taruna*) was counted as engagement in a “*desa* government organization.” Participation in all other organizations was classified as “endogenous” social organizations—even though some of these groups did have affiliation with the government (e.g. government sponsored cooperatives). The distinction is not therefore between “government” and “non-government” organizations but between organizations that are *part of the structure of local government* and organizations with other purposes.

We differentiate the impact of the four types of social activities: sociability, network, and *desa* government organizations, and other social organizations (see Tables 1 and 2). However, within each we simply add either activity or memberships--that is, there is no weighting within the categories to allow for different organizations to have a stronger or weaker impact in creating “social capital” or to have a stronger or weaker association with governance¹². The problem of how to properly aggregate the observed range of social activities pervades all work on “social capital” and is almost certainly intractable *in principle* (see annex 1).

District (<i>Kabupaten</i>), Province	Sociability (number visits)	Network activities (activities in the last month)	Social organizations (number of active memberships)	<i>Desa</i> government organizations (participation in the activities)
Sarko (Jambi)	9.7	4.33	.387	1.80
Batanghari (Jambi)	10	4.35	.804	1.65
Banyumas (C. Java)	8.81	8.16	.859	2.17

¹² Other studies of social capital have weighted membership in various organizations by characteristics of the organization thought to contribute to social capital (e.g. horizontal relationships among members, membership inclusive across social categories, frequency of participation)—see Narayan and Pritchett (1996), Grootaert (2000).

Wonogiri (C. Java)	7.85	6.51	.92	2.72
Ngada, NTT	8.85	4.68	2.06	2.87
Source: Based on LLI2 data				

II.B) Ten empirical proxies for four dimensions of local governance

The LLI2 instrument also elicited household responses about *desa* government¹³.

We used ten specific questions about four dimensions of governance: *information, participation, voice, and perceived responsiveness* to local problems.

Information. Households were asked if they knew about three types of information associated with *desa* government: the development programs operating in the *desa*; the use of *desa* funds; and funds available for development projects. If the household knew about “all three” we count them as informed. On average, information was quite widespread with between 45 and 50 percent of household having heard about any one of *desa* budgets, use of funds or development projects and 35 percent having heard of all three (Table 3). In addition, all households were asked if information about these *desa* government activities was “more open” than four years ago. Perhaps surprisingly given the political changes, only 20 percent thought information about all three was “more open” than four years ago.

¹³ That these are *household* responses should be stressed as a considerable amount of the variation in reported governance consists of differences across individuals, not just differences across villages.

Region: (<i>kabupaten</i>)	Percent of households informed about:				All three more open than four years ago
	Use of <i>desa</i> funds	Funds for development projects	Government Programs available	All three	
Sarko	52.9	48.3	48.3	35.8	20.8
Batanghari	40.4	47.5	44.1	32.5	19.6
Banyumas	45.8	57.4	69.0	39.6	20.6
Wonogiri	36.4	48.5	52.7	20.9	11.7
Ngada	50.5	41.6	41.3	41.0	26.3
Sample Average	45.2	48.7	51.1	34.0	19.8

Source: LLI2 data. Average is unweighted.

Participation in *desa* decision-making was assessed by asking households if they participated in planning *desa* programs or if they participated in determining sanctions for abuses by *desa* leaders. In both instances there were three possible responses: no participation, participation by giving opinion before decision was made, and participation in making the decision. About 63 percent reported no participation in *desa* planning, with 20 percent providing an opinion and 17 percent reporting that they participated in the decision making. The process of determining sanctions was more closed with 80 percent reporting no participation and only 7.4 percent reporting having participated in the decision (Table 4).

District (<i>kabupaten</i>)	Participation in <i>desa</i> planning			Participation in determining sanctions on <i>desa</i> leaders		
	None	Provided Input	Decision making	None	Provided Input	Decision making
Sarko	55.8%	29.2%	15.0%	72.5%	18.8%	8.8%
Batanghari	66.7%	24.2%	9.2%	80.0%	16.3%	3.8%
Banyumas	74.0%	19.0%	7.0%	90.9%	7.4%	1.7%
Wonogiri	79.5%	9.6%	10.9%	94.1%	2.9%	2.9%
Ngada	37.7%	20.9%	41.4%	69.5%	10.9%	19.7%
Sample average	62.7%	20.6%	16.7%	81.4%	11.3%	7.4%

Source: LLI2 data. Average is unweighted.

Voicē. To investigate the expression of “voice” in response to problems with *desa* government, households were asked whether dissatisfaction was expressed with the *desa* leadership in the previous year. In 381 cases households reported that there was expression of discontent with the *desa* leadership. Households that reported an expression of discontent were probed about the outcome: most households reported that there was “not yet” a solution; a third reported a complete or partial solution; and in 4% of the cases there was a solution but then the problem reemerged (Table 5).

	Frequency	Percent
No solution	222	58.3
Completely successful	84	22.1
Some success	43	11.3
Temporarily successful	16	4.2
Not recorded	16	4.2

If there was no open expression of disapproval, respondents were queried about why not. For the 818 households that said there was no dissatisfaction expressed with *desa* leadership, two very different reasons emerged for the lack of expression of discontent. Roughly three quarters said that the reason for no expression of discontent was that there was “no problem” (see Table 6). In the remaining cases respondents thought there was a problem, but reported a variety of reasons why, in spite of the problem, there was no expression of dissatisfaction: that people were afraid to express their dissatisfaction, that expression of dissatisfaction would not result in a change, or that it was difficult to organize.

Table 6: Reasons given by those who report no expression of dissatisfaction with the <i>desa</i> leadership:		
	Frequency	Percent
No problem	595	72.9
Was a problem, but afraid to express discontent	120	14.7
Was a problem, but protest would be ineffective	62	7.6
Was a problem, but difficult to organize	17	2.1
Don't know	20	2.4
Other	5	.5

From these responses we created three indicators of “voice.” One, which we call “protest,” is whether anyone in the household was involved in “openly expressing dissatisfaction.”¹⁴ The second variable is a dichotomous indicator of lack of effective voice: whether a household reports *no expression* of discontent in spite of a problem with the *desa* leadership.

The third “voice” variable combines the information about problems, expression of discontent, and outcomes to approximate effectiveness. For only those households that report a problem we define a variable with three categories: no expression (category A); expression but no solution (category B); and expression with solution (category C). As these are categories, rather than cardinal numbers, we use ordered probit for this third variable.

Government Responsiveness. Households were also asked about a variety of problems facing their *desa* (households were prompted about two “economic” problems, four “social” problems, and four “environmental” problems). If the respondent thought there was a problem they were asked, who, if anyone, had attempted to address those problems and one of the options was the *desa* government. The frequency with which the government is seen responding to existing problems is a crude indicator of its

¹⁴ The Bahasa Indonesia wording is: *pernah menyatakan ketidakpuasan*.

responsiveness to citizen concerns (see Table 7). Using these data in combination with information on household and community participation in different types of organizations, we can analyze variations in *desa* government involvement in addressing community problems.

Table 7: Fraction reporting various types of problems, and for those who report problems, the fraction reporting engagement of <i>desa</i> government (<i>pemerintah desa</i>) in addressing the problem.						
Region: (<i>kabupaten</i>)	Economic		Social		Environmental	
	Fraction reporting	<i>desa</i> gov't Responds	Fraction reporting	<i>desa</i> gov't Responds	Fraction reporting	<i>desa</i> gov't Responds
Sarko	67.9%	7.9%	5.8%	50.0%	50.4%	27.2%
Batanghari	62.5%	3.3%	50.0%	36.6%	55.4%	49.6%
Banyumas	35.5%	16.2%	37.2%	45.5%	59.1%	44.0%
Wonogiri	19.7%	8.5%	11.7%	21.4%	52.3%	45.6%
Ngada	70.3%	29.7%	29.3%	48.5%	94.1%	74.6%
Average	51.2%	13.1%	26.8%	40.4%	62.3%	48.2%

The dependent variables in the regressions will be these ten governance indicators that are measures or proxies for the four concepts: information (two indicators), participation (two indicators), and voice (three indicators), government responsiveness (three indicators).¹⁵

III.C) Distinguishing private, community, and net impact

In order to distinguish between the *private* consequences of engagement in activities (that is, those benefits that accrue to the household) and the *community* consequences of such involvement (that is, the impacts on *other* households) we use the fact that the sampling is by *desa*. We can therefore calculate for each household both their own activity and the social activity of all *other* households in the *desa*.

¹⁵ See Annex 3 for a summary of variables.

Consider as an example membership in social organizations, for the i^{th} household in the j^{th} *desa*. We can calculate the number of memberships of the household:

$$O^i = \text{Social organization memberships of the } i\text{th household}$$

The average level of social organization membership in the j^{th} *desa* excluding that of the i^{th} household is:

$$O^{-i,j} = \sum_{k=1, k \neq i}^{N^j} O^k / (N^j - 1)$$

Suppose there were a linear, causal, relationship between whether the household reports being informed about the *desa* budget, and the household's organizational activities and the organizational activities of all other households in the *desa* (and other variables in the matrix Z)¹⁶:

$$\text{Informed}_{i,j} [= 1 \text{ if } \text{yes}] = \alpha + \beta_p * O^i + \beta_s * O^{-i,j} + \Theta Z_{i,j}$$

The *private* impact of the i^{th} household joining one additional social organization on the likelihood that household is informed is β_p .

The impact of i^{th} household joining one additional social organization on all other households in the *desa* is to raise the "*desa* less household" average by $1/N_j$ for each household. The *community* impact of the i^{th} household's increased organizational activity is then β_s / N_j on *each* other household in the *desa*. This could either be zero, if there is no social interaction at all, positive, if the i^{th} household shares information with

¹⁶ The major problem with the linear specification (of the "index function" for probit) is the lack of interactive effects between the household's participation the magnitude of participation of others. Strictly speaking in the form we now estimate the impact of an additional households joining a *desa* government organization on another household is the same irrespective of the level of the household's participation in *desa* activities. In future work we will test for interactive effects.

others, or negative, if the *ith* household gaining information tends to exclude other households and hence reduces the likelihood they are informed.

The total number of people in the *desa* informed about the budget is just the sum of the individuals:

$$\text{Informed in } desa_j = \sum_i \text{Informed}_{i,j}$$

If we are interested in the net impact on the *total* number of households in the village who are informed this is the private impact plus the sum of individual impacts:

$$\frac{d(\text{Informed in } desa_j)}{dO^i} = \frac{d\text{Informed}_{i,j}}{dO^i} + \sum_{k \neq i} \frac{d\text{Informed}_{k,j}}{dO^i}$$

The sum of $N_j - 1$ across those impacts of magnitude β_s / N_j is just $\beta_s * \left(\frac{N_j - 1}{N_j} \right)$.

$$\frac{d(\text{Informed in } desa_j)}{dO^i} = \beta_p + \beta_s * \left(\frac{N_j - 1}{N_j} \right)$$

The net impact on the number of people in the *desa* informed about the budget associated with the *ith* household's increased organizational membership is just the sum of the private and community impacts¹⁷.

The reasons for distinguishing the private, community, and net impacts of social activities will be discussed further in the section on implications, but for now let us just illustrate some of the possible outcomes.

¹⁷ For simplicity we ignore the $N-1/N$ term—which in our samples of 30 per village is near one in any case.

Table 8: Possible patterns of empirical relationships between organizational activity and perceptions of governance						
	<i>Desa</i> government organization			Social organizations		
	Private	Community	Net	Private	Community	Net
Private effects on governance only for <i>desa</i> government groups, no social linkages	+	0	+	0/-	0	0
Positive private effects of <i>desa</i> and social organizations and....						
No social linkages (zero linkages or externalities of social activities)	+	0	+(equal to private)	+	0	+(equal to private)
Zero sum (positive private, negative offsetting community effects)	+	-	0 (private and community offset)	+	-	0 (private and community offset)
“Crowd-in” (positive externalities of social activities)	+	+	++ (larger than either)	+	+	++ (larger than either)
“Crowd out” (negative externalities of social activities)	+	-	+/- (sign depends on magnitudes)	+	-	+/- (sign depends on magnitudes)

Table 8 assumes a positive relationship between organizational engagement and perceptions of *desa* government organizations. We are assuming that households that are more active in social activities are better informed and also participate more in formal decision-making. While it would be unusual if participation in the *desa* government organizations had no association with household perceptions of governance, it is possible that engagement in non-*desa* government organizations is unrelated to governance. It is also possible that active engagement in social organizations precludes household participation in *desa* government groups, if these two types of organizations have overlapping and competing functions.

Even assuming there are positive associations between both *desa* government and other social activities and the households’ perceptions of local governance, there is the

question of whether there are any effects of these social activities on *other* households. There are four plausible conjectures, each of which would lead to a different pattern of results:

First, *no externalities*—a household's perception of "voice" in the *desa* could depend on their characteristics and social activity only and not be affected by other *desa* members' social activity. The community impacts are empirically small and the net effect is determined by the direction of the private effects.

Second, *zero sum*. Perhaps there is a fixed number of people who participate in decision making, or who are informed about activities, or who feel there is "voice" and hence improvements for one household within a *desa* come at the expense of another. Or, it could be that as the participation of other households rise other households participation falls as the "free ride" on the activities of others. Then, if the private effect is positive, the community effect would be negative of the same magnitude and the net effect zero.

Third, *positive externalities ("crowd in")*. It could be that increased information acquired by one household is more likely to be transmitted to another household when the social organizational activity in the *desa* is high. Or perhaps it is easier to organize villagers to act jointly to express discontent with *desa* government performance when there are more social connections among them. In this case the community effect would be positive and the net effect would be larger than either the private or community effect along.

Fourth, *exclusion (more than one for one "crowd out")*. It also possible that members actively exclude non-members and as the number of people involved in an organization gets larger their ability to exclude others becomes stronger. In this case

non-members would feel that they have *less* information, voice or participation in decision making as more other people become members¹⁸. It is possible that the strength of the exclusion effect is stronger than the positive private effect so that the net effect is negative.

III.D) Control variables.

To estimate the partial associations we control for other variables that may influence household reports of *desa* level governance. For instance, more educated households may both be more likely to be involved in organizational activity and may be better informed about government budgets. The household demographic and economic characteristics included in each multivariate regression are: (a) household consumption expenditures (as a proxy for household income), (b) education of the head of the household, (c) age of the household head, (d) whether the head of the household is a government worker, (e) whether the household head works in agriculture, (f) whether the household is headed by a female, and (g) size of the household.

We also include a categorical variable for each of the five districts. These are frequently important as there are substantial differences across the regions. Ngada in NTT province, which is a predominantly Christian province (primarily Catholic), has a markedly different pattern of organizational activity (in table 2 Ngada has more than twice the level of “social organization” activity of any other region). Controlling for this difference in levels implies that the effects are estimated only using the differences across households and *desa* *within* a district.

III.E) Functional form

¹⁸ This obviously can only be true over certain ranges of participation--as starting from zero

All of the governance indicators except one are binary variables (yes/no) and a probit estimator is used. The marginal effects--the increase in a household's probability of answering "yes" (e.g. "are informed", "did participate") associated with a unit increase in the independent variable—are reported, along with the p-levels of the test for the index function coefficient being zero. Our indicator of "effective voice" is a categorical variable with three levels and hence ordered probit is used. In that case the marginal effect of moving from the second to the highest category are reported, along with the p-levels of the index function coefficients. (If the preceding two sentences were not obvious, Annex 2 is a brief discussion of probit and ordered probit estimates and results)¹⁹.

IV) Findings

The raw findings of the regressions are reported in Annex 3. We discuss the findings in three sections, each of which examines the relationships of the governance proxies across the range of independent variables: first, the "control" variables, *sociability* and *social networks*; second, the results for participation in the *desa government* organizations; and finally, the results for *social organizations*.

IV.A) Household characteristics, sociability, and social networks.

Household characteristics. The household characteristics included in the regressions generally emerged with the "expected" signs. Households with higher schooling (significant and positive in five of ten regressions), households with a

participation or nearing 100 percent participation one cannot have the same effect.

¹⁹ One aspect of the results yet to be addressed is that the standard errors are not corrected for the possibility of within cluster correlation of the error terms. This could lead to an overestimate of the precision of estimation and hence an overstatement of levels of statistical significance.

government worker (positive and significant in five of ten regressions), and household with higher expenditures per person (positive and significant only two of ten) reported higher levels of the governance proxies. Agricultural households had mixed results (e.g. more likely to report government responded to environmental problems but less likely to report the government responded to social problems).

Consistent with qualitative evidence about the tendency of existing mechanisms to excluded women (DFID, 2000) female headed households reported statistically significantly less participation (on both proxies), less voice (on two of three proxies) and less responsiveness of government to economic problems. Older households seem to fare somewhat better than female-headed ones. The older the head of the household the less likely the household is to report engagement in protest; however, the household is also more likely to report effective voice (perhaps precluding the need for protest).

Regional controls. There were some patterns across the districts. Households in Ngada were more likely to report government responsiveness (two of three proxies) and more voice (two of three proxies). Wonogiri respondents report less information (one of two proxies), less participation (on both proxies) and less responsiveness to social problems. For present purposes these cross district differences are a “control” and we leave the interpretation of these cross district differences to the qualitative work as part of the larger LLI investigation.

Sociability. For the number of visits each household made or received, we did not attempt to distinguish between private and community effects and record private impacts only. We find that in nine of the ten cases greater sociability was associated with higher levels of the governance proxies—but the magnitude and significance of the

effects was quite weak (statistically significant only twice), and the marginal effects were empirically small.

Social networks. The estimated private and community impacts of network activities were quite small. Interestingly, the only case in which participation in social networks is statistically significant for both the private and community variables is for *desa* government response to social problems. Households with greater network activities reported a greater degree of government response and those households living in villages with more activity also reported greater *desa* government responsiveness (this is of course controlling for their own level of social network activity). In villages with more vibrant network activities, such as collective harvesting and other *gotong royong* activities, the government may rely on these networks to mobilize villagers in response to problems.

IV.B) Desa government organizations

Private impacts. The single strongest result to emerge from the regressions is that household who report higher levels of activity in the *desa* government organizations also report that their household is better informed, more likely to participate, more likely to report effective voice in the *desa* (though the household is less likely to report having engaged in protest), and, for two of the three indicators, more likely to report the government is responsive to local problems. This aspect of the empirical results is more a relief than an inspiration—after all, the *objective* of the *desa* organizations is to provide information and participation in local decisions. It should come as no great surprise that those that participate report they are more likely to be informed about *desa* government activities and participate in decisions. It is reassuring that the data say what we would

have expected to be true: crudely put, people who go to meetings about budgets are more likely to know about budgets.

Community impacts. The most striking and original result to emerge from this empirical exercise is that the *community* impact of *desa* government organizations appears to be *negative*. That is, after statistically controlling for both household characteristics (e.g. education, gender of the head) and the household's social activities (including the household's own participation in *desa* government activities), living in a *desa* in which *other* households are more engaged in the *desa* government activities is associated with a household reporting *less* information (both level and change), *less* participation in decision making, *less* voice, and *less* government responsiveness to economic and social problems. While only six of the nine coefficients that support this interpretation are statistically significant at the conventional levels, we regard this as an overwhelming preponderance of the evidence²⁰.

²⁰ Some of the difference is in statistical power and nearly all of the estimates are imprecise—as is to be expected given the nature of the data and the phenomena under investigation. For instance, the summary table reports that “desa less household activity” in desa government organizations reduces participation in desa planning by 19.2 percent (-.066/.344) and the underlying coefficients p-level is .058 and hence is “statistically significant” at the 10 percent level. Participation in determining sanctions, on the other hand, is reduced 28 percent (-.039/.138) based on a coefficient with a p-level of .103, and hence is just barely not statistically significant at the 10 percent level. In our view making too much of these fine distinctions in p-levels—treating these two as *qualitatively* different because one is modestly below and another barely above some conventional level—is a statistical significance fetish (McCloskey and Ziliak 1995). However, there are also elements of the table in which the p-level is very high—the p-level on “desa less household” for response to social problems is .623 which means even the sign conveys little information.

Table 9: Membership in *desa* government organizations and ten proxies for governance.
*(Italicized items are consistent with the hypothesis of positive private effects of *desa* government and either zero sum or crowd out community effects).*

	Pred. prob.	Marginal effects (p-level)	Percentage change	Marginal effects (p-level)	Percentage change	Sum of marginal effects	Percentage change
		<i>Private</i> (Household)		<i>Community</i> (Village less Household)		<i>Net</i> (Sum of the two)	
HH informed about 3 types	.327	.041 <i>(.001)</i>	12.5%	-0.085 <i>(.009)</i>	-26.0%	-0.044	-13.5%
HH reports all 3 "more open"	0.186	.029 <i>(.005)</i>	15.6%	-0.036 <i>(.176)</i>	-19.4%	-0.007	-3.8%
Some participation in planning <i>desa</i> programs	0.344	0.067 <i>(.000)</i>	19.5%	-0.066 <i>(.058)</i>	-19.2%	0.001	0.3%
Some participation in determining sanctions	0.138	0.031 <i>(.001)</i>	22.7%	-0.039 <i>(.103)</i>	-28.3%	-0.008	-5.6%
HH involved in protest	0.089	0.0074 <i>(.303)</i>	8.3%	-0.045 <i>(.021)</i>	-50.6%	-0.0376	-42.2%
No expression in spite of problem (positive is less voice)	0.174	-0.026 <i>(.013)</i>	-14.9%	0.094 <i>(.000)</i>	54.0%	0.068	39.1%
Most effective expression (problem, voice, solution)	0.236	0.0427 <i>(.000)</i>	18.1%	-0.047 <i>(.124)</i>	-19.9%	-0.0043	-1.8%
Economic Problems	.076	.013 <i>(.145)</i>	16.6%	-0.083 <i>(.001)</i>	-109.5%	-0.071	-92.9%
Social Problems	.389	-0.13 <i>(.639)</i>	-3.4%	-0.040 <i>(.623)</i>	-10.3%	-0.053	-13.7%
Environmental Problems	.523	.028 <i>(.10)</i>	5.4%	.134 <i>(.004)</i>	25.7%	.163	31.1%

Notes: **Bolded** items are based on probit coefficients statistically significant at a p-level of 10% level or lower.
a) see Annex 2 for a description of the reporting of the probit results.

Net impact. With positive private and negative community effects the net impact of greater involvement by an additional household could go either way. What is truly striking about the empirical results is that, for eight of the ten indicators, the *net* impact is negative.²¹ For example, the estimates for information awareness suggest that households who are members of one additional *desa* government organization are 4.1 percent more likely to report knowing all three types of information (and are also more likely to report improvements in transparency). But the community impact is negative,

²¹ Note that the positive sign for one of the voice indicators (no expression in spite of existing problems) indicates a negative (*i.e.*, detrimental) impact.

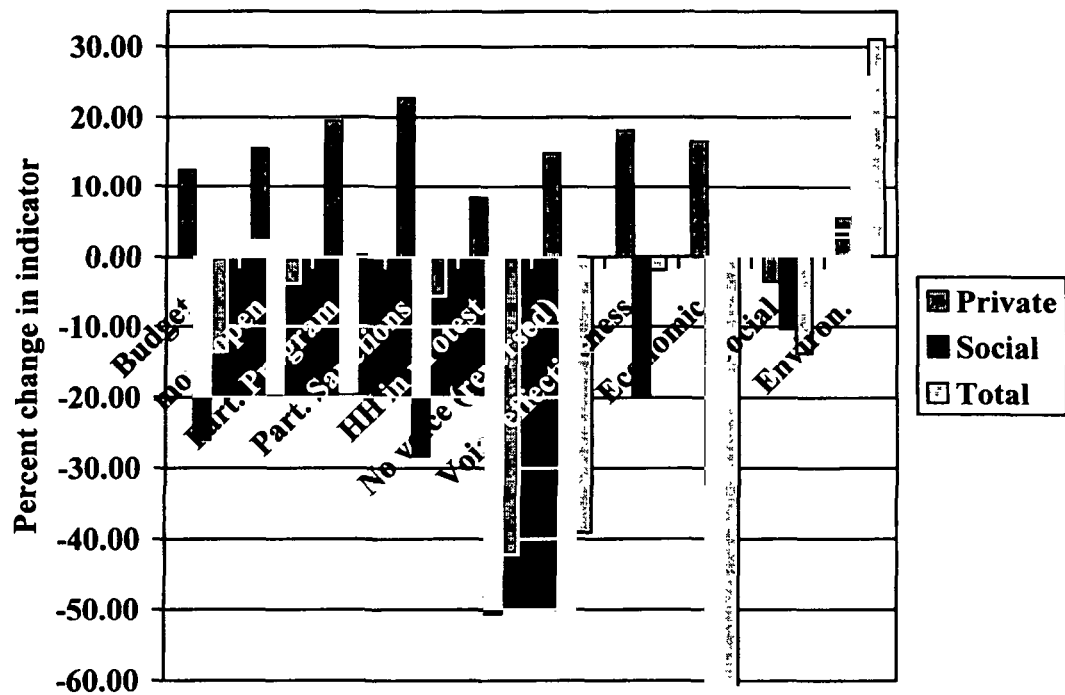
and even larger—where *desa* (less the household) average membership is higher *each* household is 8.5 percent *less likely* to be aware of local government information. This suggests that one household increasing its participation in the *desa* government organizations (which, at least in rhetoric, were created to channel information) *reduces* the number of households who know about the budget by 4.4 percentage points (13.5 percent). Even though the joining household is much more likely to be aware of the budget, its neighbors are each sufficiently *less* likely to know about the budget that the total number informed is estimated to go down as engagement in *desa* government organizations increases.

Although we do not estimate their precision, the magnitude of the net effects are substantial: increasing average membership in the organizations by one unit reduces the probability of a household being involved in a protest by 42 percent, the likelihood of “effective voice” by 39 percent, of reporting responsiveness to economic problems by 93 percent. What is surprising is that the effect of the *desa* government organizations seems to go beyond a “zero sum” result in which positive private and negative community cancel out. If interpreted causally these estimates of the net impact suggest the seemingly paradoxical conclusion that an individual joining a *desa* government organization *reduces* the number of people who are informed. Rather than being modes of disseminating information broadly the *desa* government organizations appear to have disseminated information down the “chain of command” but *not* outside of that chain. Access to *desa* government information and decision-making mechanisms appear to have been closely guarded with non-members increasingly excluded from these resources.

Figure 1 summarizes the results from table 1 on the private, social, and total associations (measured as the marginal effects) of *desa* governance organization

participation and governance indicators. As can be seen the private effects are consistently positive (9 of 10 cases), the community impacts are consistently negative (9 of 10 cases) and the sum of the two is consistently negative or essentially zero (nine of ten cases).

Figure 1: Probit regression "marginal effects" of desa organizational activity on governance indicators: Private, Community, Total



IV.B) Social organizations

The evidence for the impact of social organizations is suggestive, but frankly, damned elusive.

Private impacts. There is evidence of positive impact of social organizations, although it is weaker than for *desa* organizations. For seven of the ten indicators there is a positive association so that households which participate more in social organizations

are more likely to be informed (both indicators), participate in village decisions (both indicators), be involved in a protest, and report the government is responsive to economic and social problems (see Annex 3). However, only four of the seven estimated effects are statistically significant at conventional levels (and in many cases are *far* from significant). But even though there is no formal connection between social organizations and *desa* government affairs, there is evidence that more engagement generally is associated with more knowledge and participation in *desa* decision making.

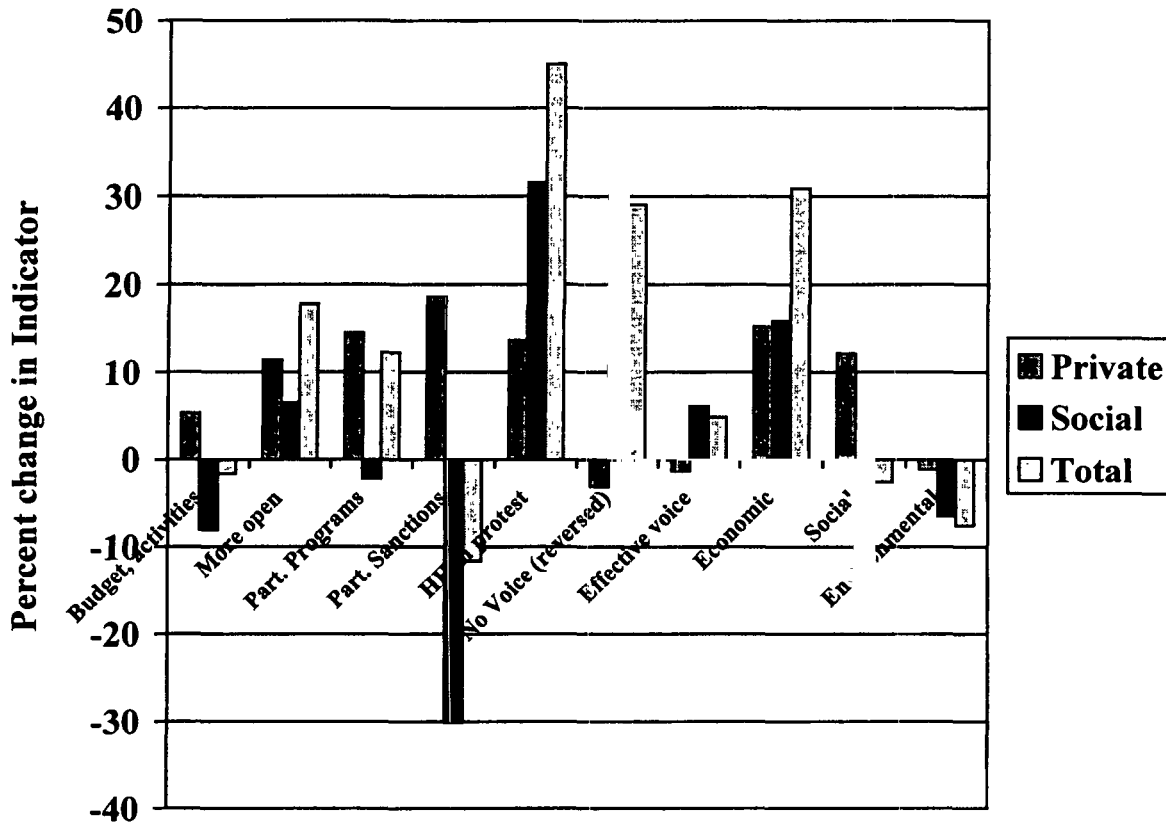
Community impact. The evidence for a *positive* private spillover effect of participation in social organizations is decidedly mixed. For half of the indicators the sign of the coefficient indicates a positive impact. While higher social organization membership of *others in the village* is associated with more expression of voice (the sign is negative because the variable is *not* expressing discontent), it is also associated with *less* participation in determining sanctions. The coefficients are generally empirically small; while a one unit increase in social organizations is associated with being 30 percent more likely to be involved in a protest and 32 percent less likely to report “no voice”, for most of the other variables the impact is much smaller (e.g. less than ten percent more likely to report “more open”).

Table 10: Membership in social organizations and ten proxies for governance. (<i>Italicized</i> items are consistent with the hypothesis of positive private effects of social organizations and positive community effects, items bolded are statistically significant at the 10 percent level).							
	Pred. prob.	Marginal effects (p-level)	Percentage change	Marginal effects (p-level)	Percentage change	Sum of marginal effects	Percentage change
		<i>Private</i> (Household)		<i>Community</i> (Village less Household)		<i>Net</i> (Sum of the two)	
HH informed about 3 types	.327	<i>.0099</i> (.495)	5.3%	-.015 (.651)	8.1%	-.005	-1.6%
HH reports all 3 "more open"	.185	.021 (.071)	11.4%	<i>.012</i> (.663)	6.5%	.033	17.8%
Some participation in planning <i>desa</i> programs	0.344	0.050 (.001)	14.4%	-0.008 (.832)	-2.2%	.04	12.2%
Some participation in determining sanctions	0.138	0.026 (.011)	18.6%	-0.042 (.088)	-30.1%	-.016	-11.5%
HH involved in protest	0.089	<i>0.012</i> (.104)	13.5%	<i>0.028</i> (.127)	31.5%	0.04	44.9%
No expression in spite of problem (positive is less voice)	0.174	0.0054 (.643)	3.1%	-0.056 (.037)	-32.2%	-0.0506	-29.1%
Most effective expression (problem, voice, solution)	0.236	-0.003 (.763)	-1.3%	<i>0.0143</i> (.629)	6.1%	0.011	4.8%
Economic Problems	.076	<i>.012</i> (.172)	15.1%	<i>.011</i> (.172)	15.8%	.024	30.9%
Social Problems	.389	.047 (.064)	12.1%	-.057 (.453)	-14.7%	-.010	-2.6%
Environmental Problems	.523	-.006 (.753)	-1.1%	-.034 (.456)	-6.5%	-.040	-7.6%

Notes: **Bolded** items are based on probit coefficients statistically significant at a p-level of 10% level or lower.
a) see Annex 2 for a description of the reporting of the probit results.

Net impact. Looking across the ten indicators, the *net* effect of social organizations stands in sharp contrast to that of the *desa* government groups. The sum of the private and community impacts indicates that increased activity in social organizations is usually associated with improved governance outcomes. However, for some of the indicators (such as participation in determining sanctions), a negative community impact outweighs the positive private effect. In spite of the mixed results (both in terms of statistical significance and direction of signs), it is worth noting the generally beneficial effects of higher engagement in social organizations. Although they

Figure 2: Probit regression "marginal effects" of social organization activity on governance indicators: Private, Community, Total



were created for different purposes (e.g., economic, social, religious, etc.), these groups produce better governance outcomes than *desa* government organizations, which were explicitly created to channel information and allow for participation in decision-making.

Figure 2 summarizes the results. The private effects are generally positive or very small. The community impacts vary widely both in sign and in magnitude. The net effect is "substantially" positive (greater than a ten percent increase in the indicator) in five cases (more open budgets, more participation in programs, household engagement in protest, expression of voice and responsiveness to economic problems) and only in one (participation in sanctions) is the association substantially negative.

IV.C) Regressions on desa aggregates

If we perform the same regressions as *desa* averages we roughly reconfirm the above results, but also demonstrate the potential losses from focusing exclusively on *desa* aggregated data, even in examining community impacts. Table 11 shows OLS regressions of *desa* averages of the three reported voice variables on *desa* averages of the social activity and control variables²². In each case the sign of average social organizational membership is associated with higher expressions of voice. In contrast, average participation in the *desa* government organizations is associated with *less* voice. The magnitudes are roughly comparable with the sum of the two effects reported in tables 9 and 10 (see “Total HH” column in Table 11) —*desa* government organizations are associated with 51 percent less protest in the averages while the household data suggest a 42 percent decrease. No expression of discontent in spite of problems is 28 percent more likely when estimated with the averages, 39 percent more likely from the household data. While the household data suggest only a modest decline in the probability of being in the most effective voice category, the aggregates suggest an 18 percent reduction in “effective voice” (although aggregating to *desa* averages requires treating the categories as cardinal).

There are two large advantages of using the household data over the *desa* averages. First, without the household level data one cannot see that the *desa* aggregate impact is a combination of private and community effects. For the *desa* government organizations a strong positive private effects is generally offset by a more than compensating negative community impact. Second, when using *desa* averages none of

²² With the two binary variables the average is just the fraction of households answering “yes” but with the “effective voice” variable we have to assume (as we did not before) that the categories can be treated as cardinal numbers so they can be averaged.

the estimates are strongly statistically significant, almost certainly the combination of attenuation from the reduced signal in aggregated data plus the much smaller number of observations.

Table 11: Regression results of voice variables on *desa* averages (OLS estimation)

	Protest activity			Exists a problem but no expression (positive sign is <i>less</i> voice)			Effective voice		
	Coeff. (p-level)	% change, one unit		Coeff. (p-level)	% change, one unit		Coeff. (p-level)	% change, one unit	
		Agg.	Total HH		Agg	Total HH		Agg.	Total HH
Sociability	.003 (.813)	2.5		-.027 (.164)	-14.6		.0039 (.924)	0.4%	
Network activity	.015 (.434)	12.4		.0024 (.941)	1.3		.026 (.685)	2.9	
<i>Desa</i> government organizations	-.062 (.081)*	-51.2	-42.2	.053 (.350)	28.6	39.1	-.162 (.150)	-18.1	-1.8
Social organizations	.022 (.642)	18.2	44.9	-.029 (.704)	-15.7	-29.1	.094 (.524)	10.5	4.8
Control variables	None significant			F+, A-			Y-, F-,		
Regions	Ngada+			Included, none significant			Included, none significant		
N	42			42			41		
R2	.612			.452			.569		
Adjusted R2	.388			.135			.311		

Source: LLI 2 data.

V) Interpretation and Implications: Literatures, theory

The *desa* government organizations imposed by the Indonesian central government, which were ostensibly designed as channels of “participation” to improve local governance, are apparently less effective than social organizations at producing desirable governance outcomes—in fact greater participation appears to *worsen* aggregate outcomes. Less rigidly structured groups (even if sponsored by government) and those that are locally initiated are better able to facilitate broad participation, information-sharing, responsiveness and accountability measures than the “uniform blueprint” groups introduced in the creation of the official *desa* structure.

These findings are *consistent with* an interpretation, based on the LLI fieldwork, that the *desa* government organizations are used as a mechanism of social control. More participation in these groups allows for more effective control of decision making and does not represent a broadening of information, voice, and participation beyond those directly involved. However, the data are *not compelling* for this interpretation as we have no way of technically pinning down the direction of causation responsible for the observed empirical associations²³.

These empirical findings raise three important issues that relate both specifically to Indonesia and to literatures on social capital, decentralization and local governance, and project design more generally.

In the Indonesian context there are both issues of project design and of the reform of governance structures. There is a growing, empirically founded, consensus that projects that provide local services are more effective when they incorporate the intended beneficiaries in the project²⁴. But details matter: how “participation” is structured and through what intermediary organizations makes a difference. Isham and Kähkönen 1999 compared project success in water supply between two types of projects carried out in the same region of Indonesia: the Village Infrastructure Project (VIP) gave the *desa* legislative council (LKMD) final choice of design while the Water Supply and Sanitation in Low Income Communities (WSSLIC) project facilitated participation through water user associations. Although the WSSLIC user groups may have been predicted as more

²³ The difficulty is that to do the procedure of “instrumental variables” one needs valid instruments and we have not found a valid and informative instrument for “village level HH” social activity. We attempted using lagged social activities from the 1996 survey as an instrument but, perhaps surprisingly, the power of the instrument in the first stage was too low and the standard errors on the “social” terms grew very large.

participatory, the final say for these projects rested with the village head and in some cases the village choice was overridden by project staff in the interests of budget and timetable concerns. Even though both projects intended to be “participatory”, the VIP projects in which villagers had greater say operated substantially better, had higher citizen satisfaction (38 percent were “very satisfied” with VIP versus 24 percent in WSSLIC), and had a greater impact on health (54 percent reported improved health in VIP versus 33 percent in WSSLIC).

Qualitative results for the second LLI Study indicate that project designs in the research area have grown increasingly participatory. Before 1998, villagers reported only 12% of projects giving them a direct say in project planning decisions. After 1998, they were given the opportunity to participate directly in planning in 22% of government projects. There has also been a simultaneous shift in satisfaction with project outcomes (37% satisfied or somewhat satisfied with pre-1998 projects vs. 50% for post-1998 projects) (Wetterberg 2002).

In Indonesia it is recognized that for decentralization to lead to better governance the pre-existing *desa* institutions will have to undergo major changes. Indonesia has embarked on a radical decentralization of power and responsibility to its regions (districts). The success of this decentralization will to a large extent depend on the extent to which changes from top down (creating democratically elected district legislative councils) and bottom up (creating effective *desa* structures) can be integrated.

The qualitative data from LLI2 show that while some modifications to *desa* structures are underway, the direction of change is not yet clear. The main innovation

²⁴ The empirical evidence is the strongest for rural water supply (Briscoe and Garn 1995, Narayan

introduced by the decentralization at the village level is an elected council (*Badan Perwakilan Desa* or BPD) that is intended to provide a countervailing force to the often unchecked power of the village head. Although a small number of villages have seen accountability efforts pioneered by the BPD, most villagers report that the councils' performance has been disappointing and indistinguishable from that of existing *desa* government structures.

These issues in Indonesia reflect more general issues in the literatures on social capital, decentralization, and project design. First, the benefits of decentralization are contingent on being able to structure responsive mechanisms at the local level. As Platteau (2000), Bardhan and Mookerjee (2002) and many others have pointed out, local politics are as much subject to "capture" by elites as those at the national level²⁵.

Second, these results reinforce the point that it is the *nature* of social organizations and associational life, not their sheer number or density, that matters. Studies of social capital are often based on the assumption that more ties (or more ties with given characteristics) are inherently better. While denser social organizations of the type that creates relationships of trust among citizens might facilitate collective action and greater efficacy of government²⁶, many political outcomes are a zero sum contest. In these cases, more social organizations can influence the outcome in favor of (or against) a

1998, Isham, Narayan and Pritchett 1995).

²⁵ One of the arguments for centralization in the immediate post-colonial era in many locations (Africa, India, Indonesia) was that the power of local leaders was an obstacle and that only through national governments and non-local coalitions (e.g. of peasants, labor) could a socially progressive agenda be implemented.

²⁶ Research in the US has demonstrated connections between ethnic divisions and the quality of public services (Alesina, Baqir, and Easterly 1999). There is also an empirical literature that proposes a link between "trust" and economic performance.

particular group, but not make everyone better off²⁷. Caste associations in India often organize precisely to protect their interests within the village and locality. Wade's (1988) brilliant study of collective action and irrigation in South India showed how villages with superior organizational abilities were able to be more effective in bribing the government officials to allocate them more water than less well organized neighboring villages. The present results, showing that different kinds of groups have opposite spillover impacts, reinforce the making of sharp distinctions between types of organizations in their effect on governance outcomes.

Third, these results also raise the difficulty of *using* knowledge about the *existing* empirical associations between social activities and governance to *engineer* improvements in local governance through deliberate institutional innovations or policy action. That is, it might seem that the obvious implications of our empirical results are two-fold: (a) to make local decentralization effective, reforms need to reduce the powers of (or eliminate) existing *desa* organizations and delegate greater powers to, or at least incorporate more in decision making, the social organizations that have positive effects and (b) make project implementation more 'participatory' by creating project specific mechanisms for local input and control. However, while these reactions are on the right track, there are two problems that must be faced. First, well meaning efforts to create "beneficiary participation" or "user management" in projects must cope with the fact that these new local organizations and institutions do not arise on a blank slate, but on top of an already complex pattern of local social organization and activity. Second, discussions

²⁷ There are of course many examples of the negative effects of social organizations. The Klu Klux Klan was an NGO that attracted millions of members to the cause maintaining the privileges

about changes in the decision making scope of local organizations need to be embedded in a coherent theory of the social behavior of individuals as people and organizations will change as conditions change. That is, attempts to exploit the existing beneficial nature of social organizations may well create pressures for the organizations to change their character—if organizations which have beneficial spillover effects are charged with high stakes decision making tasks then the purposive behavior of individuals with respect to the organizations should be expected to change.

Spontaneous social action frequently arises to address problems of collective action—often in face of government failure and “below the radar” of official notice. For instance, Ostrom (1990) has shown that the “tragedy of the commons” is not inevitable. In the right social conditions collective action can reach stable and sustainable solutions to the problem of “common pool” resources, such as fisheries, water allocations, and irrigation²⁸. In Indonesia the practice of *gotong royong*—common labor to address local problems—long antedates the New Order.

But these type of spontaneous, endogenous solutions are the product of existing physical and economic conditions (e.g. the geographic extent of the “common” pool, the distribution of benefits among users) and social forces. As Fox (1996) illustrates for the case of Mexico, specific constellations of externally imposed government groups and other social organizations have all played roles in shaping current capacities for collective action and particular governance outcomes. Shifts in function in one part of current

of one social group at the expense of vicious, often lethal, suppression of the rights of other citizens.

²⁸ In a particularly telling example of how the “official” sector is (willfully) ignorant of social realities Ostrom recounts the tale of a delayed irrigation project that planned to provide irrigation to “unirrigated” areas. The delay allowed a closer investigation of the area which found dozens of fully functional irrigation associations in this supposedly “unirrigated” area.

arrangements are likely to cause both intended and unexpected consequences throughout the system. Attempts to deliberately *create* new local decision making organizations as an integral part of service delivery have met with both successes and failures. There is a great deal of evidence that changing the delivery of localized services from a “top down technocratic” matter for civil servants to incorporating more feedback from citizens is, in general, associated with more successful outcomes. However, attempts to create “project participation” have also met with—or created—disasters. Uphoff’s (1992) account of the *Gal Oya* irrigation project in Sri Lanka details the ways in which things can go wrong—and, later, right. Creating new institutions with decision-making power will inevitably conflict with existing arrangements.

In proposing specific institutional reforms in the structure of local government organizations or project designs (e.g. decision making on investment projects) both the private and social impacts of social capital need to be considered (Bourdieu 1986, Coleman 1990). That is, there is a branch of the social capital literature that emphasizes the *private* benefits to the individual/household of their social connections in obtaining jobs, credit, in marketing arrangements, smoothing income shocks, and even in obtaining benefits from the government (Singermann 1995). In this literature the individuals act *purposively* to create and maintain social connections because of the benefits the connections provide²⁹. The other branch of the social capital literature emphasizes the *social* benefits of social capital and that activities undertaken by individuals perhaps

²⁹ Glaeser, Laibson and Sacerdote (2000) advocate this “economic approach” in which they “analyze the formation of social capital using a model of optimal individual investment decisions” (p. 3).

exclusively because of the benefits of the activity itself have positive impacts on people besides themselves³⁰.

The reason these two have to be considered simultaneously is that changes in the scope of potential benefits of engaging in social activities will change people's behavior in ways that may change the consequences. Take a crude and entirely hypothetical example. Suppose that the data said that information spillovers from *desa* (LKMD) meeting were negative and from mosque attendance were positive. Then one might conclude that if the legally required discussion of the *desa* budget were moved from the LKMD to the mosque (suppose immediately following the weekly service) that this would have enormous spillover effects. But this would not take into account that the people who show up at the LKMD meeting do so (among other reasons) *in order* to learn about the budget—and perhaps because they have a personal interest in budget information. If the budget discussion is moved to the mosque this changes the incentives of people to attend the mosque—perhaps in ways that reduces the beneficial spillover effects observed from mosque attendance in the existing model.

Conclusion

The social realities of rural Indonesia are complex and rapidly changing. The increasing democratization at the national level and the ongoing decentralization will bring about rapid changes in the power dynamics at the local level. The present empirical result is just one small piece of the critically important puzzle of how to create open, effective, and accountable local governance. This work extends the earlier empirical

³⁰ Of course in every individual motivations are complex and church attendance may well be correlated with some material benefits or other non-religious returns (Glaeser and Sacerdote 2000) and yet still be predominantly motivated by belief.

work demonstrating the “top down” realities of the *desa* administrative structure (Evers 2000) and the vibrancy of local institutions even before the political changes (Chandrakirana 2000). On a broader level this empirical work extends the literature on “social capital” by demonstrating conclusively that not all local organizations are created equal. Depending on who is doing the organizing, and why, increased participation in local organizations can either be exclusionary and reinforce existing decision making powers and structures (as appears to be the case for the mandatory government organizations) or can widen the base of voice, information, and participation and increase the responsiveness of local government.

Together they demonstrate the dangers of relying solely on the existing administrative structures to broaden the range of participation, disseminate information more broadly, and increasing government responsiveness. As this paper illustrates social organizations have an important role to play in creating effective government institutions in Indonesia and in discussions of local governance more generally.

But this paper also raises a more subtle, troubling, and difficult point. The failures of some attempts to deliver technocratically determined “least cost” or “cost effective” solutions to meet what were perceived to be the population’s uniform “needs” highlighted the importance of local institutions and local variability in conditions. This led in turn to the recognition that successful development required more than just delivering “goods”—it required the social and political conditions out of which the appropriate collective action could emerge and be supported. This very useful course correction leads to more emphasis on individual and community empowerment, on meaningful participation in decisions, on the design not just of the development “project” but the development “process.” However, people who write papers like this (and think

about issues in these abstract ways) face a deep paradox—the trap of discovering and imposing a new universal vision of development on others. Attempts to intervene in the reality of complex historical and social processes are fraught with peril – but so is the alternative.

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Annex 1: Aggregation and “social capital”

Although this paper emerges from a literature about “social capital” (and from a research project on social capital, and at least in part from previous research by one of the authors on social capital (Narayan and Pritchett 1996) we try and avoid the words and instead focus on directly observable behaviors—e.g. memberships and participation in social relationships of various types. Although we do aggregate across types of organizations we do not create an aggregate called “social capital” and a word or two to say why not is in order.

The best way into the problem of creating a meaningful aggregate called *social capital* is to examine the conditions under which one might believe that a linear weighted aggregate of something called “physical capital” (K) that combined together N different types of objects (e.g. cars, pumps, buildings, hoes, etc.) which are not measured in the same units owned by L different households, firms, and individuals could be meaningful. So a linear aggregate of physical capital in a village of L individuals with N possible objects would use weights w :

$$A.1 \quad K = \sum_{l=1}^L \sum_{n=1}^N w_{n,l} * T_{n,l}$$

Could it be the case that there is some aggregate, say profits (Π), such that the impact on profits of an increase in this linear aggregate of items is exactly the same no matter what caused the aggregate to increase (whether it was trucks or plows)? In order for this to be true:

$$A.2 \quad \frac{\partial \Pi}{\partial K_{n,l}} = \left(\frac{\partial \Pi}{\partial K} \right) * \left(\frac{\partial K}{\partial K_{n,l}} \right)$$

Why would this ever be true? The first order conditions for profit maximization for each of the l atomistic producers (that is, competitive in both factor and goods markets) with a production function for output Q as a function of N capital inputs with prices p_{k_i} . p_{k_n} are:

$$A.3 \quad \lambda = \frac{p_q * \frac{\partial Q}{\partial K_{i,l}}}{p_{k_i}} = \frac{p_q * \frac{\partial Q}{\partial K_{j,l}}}{p_{k_j}} \quad \forall i, j, l$$

That is, the marginal value product (output prices times marginal product per dollar of capital input should be equalized across all inputs). Therefore, if one creates a capital aggregate with prices for each of the capital goods as the weights for each of the l producers then combining A.2 and A.3:

$$\frac{\frac{\partial \Pi}{\partial K_{n,l}}}{\frac{\partial K}{\partial K_{n,l}}} = \frac{p_q * \frac{\partial Q}{\partial K_{i,l}}}{p_{k_i}} = \lambda = \left(\frac{\partial \Pi}{\partial K} \right) \quad \forall n, l$$

This is not to persuade that aggregates of physical capital are reliable. Rather, it is to demonstrate that there *exist* some conditions in which *theoretically* aggregation *could be* exact (although perhaps these conditions are empirically impausible). I would argue that these conditions are only rarely met even for the simplest of capital good aggregation problems. But the analogous conditions for *social capital* can *never* be met. Lets review briefly put the

conditions for aggregation of physical “capital” and show how *none* of these conditions are, or can be, met *in principle* for aggregates of social capital, in the sense of aggregating from household characteristics (which could be either attributes (norms, values, beliefs) or actions (participation in social activities, membership in organizations)).

First, there has to be a single market price for each good faced by all producers over which the aggregation is being made. This implies *tradability* of the good, which requires transferability across households and mobility in space, neither of which is true for household social characteristics. The social relationships created through associational activity are neither fully transferable across households nor mobile across space (households cannot take it with them).

Second, households have to have the same *objective function in a common metric*, such as profit maximization. With social capital people’s social behaviors are determined by a variety of considerations, of which household profit maximization in money units is just one, often not the most important.

Third, the household objective function and private incentives have to capture the aggregate incentives or else private behavior will not lead to conditions in which aggregation is meaningful. That is, suppose there are network effects in production so that one additional person joining the network raises the productivity of all existing members of the network—then prices, which are based on private decisions, will not provide the right weights for aggregation³¹. With social capital there is interest in precisely the benefits to governance of social relationships that are created for other reasons (for example, the impact of religious groups in the spread of information for facilitating organizing). But if this is so there is no reason to believe that memberships in religious organizations will have the same impact on cooperation and socializing as memberships in political organizations. Moreover, with social dynamics and network effects the social impact of one household affiliating with an additional group depends on who already belongs to that group, as if the household joins a group whose members the household already has numerous other contacts the increment to “social connectedness” might be very small while if the household is embedded with one social group but joins a group that connects them with another densely connected social group then the addition to social connectedness could be enormous. However, this social benefit may have little or nothing to do with the household’s objective in joining either group.

In this sense any aggregate called “social capital” is prematurely reductionist—in the bad sense—it presupposes all types of conditions necessary for aggregation and hence would be premature in assuming homogeneity in impacts both across types of social relations and outcomes.

³¹ Another example would be of a set of capital goods which have different pollution properties. If these costs are external to the household then an aggregate of capital for predicting aggregate profits will not be necessarily be a good aggregate of capital for predicting pollution.

Annex 2: Note on reporting the results of probit estimates

A brief note about probit estimation might clear up some language below. Probit estimation assumes that all that is observed in a binary indicator (yes/no, on/off, zero/non-zero) which is arbitrarily assigned the values zero and 1. Moreover, it is assumed that the probability of observing 1 is a linear function of some underlying *index function*(y^*) which itself is a function of the independent (rhs) variables (x 's):

$$y^* = \beta' * X + \varepsilon, y = 1 \text{ only if } y^* > 0.$$

Where X is a N by K matrix (which includes a constant) and β is a K by 1 vector. This implies that, if we assume the error terms is distributed normally:

$$\text{Pr ob}(y = 1) = \text{Pr ob}(\beta'X + \varepsilon > 0) = \text{Pr ob}(\varepsilon < \beta'X) = \Phi(\beta'X)$$

Where Φ is the cumulative normal distribution. The coefficients of the probit regression are the β of the index function. However, the marginal effect of an increase in one of the independent variables—the change in the likelihood of observing a “1” as x changes--is a non-linear function of the coefficients and all of the other variables (since the normal distribution is non-linear). The expression for the marginal effect of one variable, x_1 is:

$$\frac{\partial \text{Pr ob}[y = 1]}{\partial x_1} = \phi(\beta'X) * \beta_1$$

where ϕ is the normal frequency distribution. The impact of x_1 depends on where it is evaluated. We will report the impact of each variable evaluated at the means of all the variables (including the variable being evaluated). Standard errors and tests of significance of the coefficients are straightforward while the standard errors of the marginal effects depend on where they are evaluated. Hence we report marginal effects at the means but the p-levels of the test the underlying coefficient in the index function is zero.

Ordered Probit is a simple extension of probit to multiple categories and thresholds. Unlike a statistical procedure such as OLS that would assume the dependent variable was a cardinal number so that the difference between 0 and 1 was the same as the difference between 1 and 2 or between 4 and 5, ordered probit assumes that the levels are ordered (e.g. 2 is higher than 1) but does not assume that the difference between the categories has any informational content (the categories could be 1,2, 3 or 1, 20, 24).

The difficulty with ordered probit is in interpretation as even if the underling index function is linear and monotonic this does not mean that an increase in the independent variable will be associated with an increased probability for all “higher” categories. The algebra is simple (see Greene (2000)) and the intuition is that if an increase in an independent variable is associated with “better” then it is unambiguous that the propensity to be in the worst category is smaller and the propensity to be in the best larger, but what happens to all categories in the middle is ambiguous—they could go up or down.

We experimented and the marginal effects from probit combining two of the categories were similar. For instance, with probit the marginal effect on “some participation” for household membership in *desa* government organizations is .067 while the ordered probit marginal effect of moving from “none” to “some” is .07.

Annex 3: Summary of regression results										
	INFORMATION		PARTICIPATION		VOICE			RESPONSIVENESS		
	HH informed of 3 types (dev't funds, use of funds, program availability)	HH reports all 3 "more open" than 4 yrs ago	Some participation in planning <i>desa</i> projects	Some participation in determining sanctions	Someone in the HH involved in a "protest"	HH reports a problem in <i>desa</i> and no expression of discontent (positive is less voice)	Expression effectiveness—of those who report there was a problem with <i>desa</i> leadership ³²	<i>Desa</i> gov't responded to economic problems	<i>Desa</i> gov't responded to social problems	<i>Desa</i> gov't responded to environmental problems
Independent variables										
HH social organizations (private)	.0099 (.495)	.020 (.071)*	.049 (.001)***	.025 (.011)**	.012 (.104)	.0054 (.643)	-.014 (.763)	.012 (.172)	.047 (.064)*	-.005 (.753)
<i>Desa</i> less HH social organizations (community)	-.015 (.651)	.012 (.663)	-.007 (.832)	-.041 (.088)*	.028 (.127)	-.056 (.037)**	.053 (.629)	.011 (.616)	-.057 (.423)	-.033 (.456)
HH <i>desa</i> gov't organizations (private)	.041 (.001)***	.029 (.005)***	.067 (.000)***	.031 (.001)***	.0074 (.303)	-.026 (.013)**	.159 (.000)***	.012 (.145)	-.013 (.639)	.028 (.100)*
<i>Desa</i> less HH <i>desa</i> gov't organizations (community)	-.085 (.009)***	-.036 (.176)	-.066 (.058)*	-.039 (.103)	-.045 (.021)**	.094 (.000)***	-.174 (.124)	-.083 (.001)***	-.040 (.623)	.134 (.004)***
HH Networks (private)	.016 (.008)***	.0083 (.103)	.008 (.228)	.005 (.249)	.0017 (.629)	.0083 (.102)	-.033 (.133)	.003 (.452)	.025 (.045)**	.002 (.844)
<i>Desa</i> less HH Networks (community)	.009 (.613)	-.023 (.120)	-.005 (.779)	.0015 (.902)	.0032 (.754)	-.0004 (.971)	-.048 (.366)	.015 (.283)	.077 (.074)*	.011 (.670)
N visits HH	.005 (.166)	.006 (.039)**	.006 (.106)	.002 (.335)	.0046 (.032)**	-.004 (.103)	.0079 (.516)	.002 (.386)	-.016 (.032)**	.001 (.846)
Other controls	S+	GW+	S+,F-,GW+	S+,F-,A+,GW+	Y+,O-,A+	F+,O-,A+	S+,F-,A-	Y+,F-,GW+	A-	S+,A+,GW+
Regions	Wonogiri(-)	None	Batanghari (-), Banyumas(-), Wonogiri(-)	Batanghari (-), Banyumas(-), Wonogiri(-)	Ngada(+)	Banyumas (-), Wonogiri (-)	Banyumas(+), Ngada(+)	Batanghari (-), Ngada(+)	Banyumas(-), Wonogiri(-)	Batanghari(+), Ngada(+)
R2 (or equiv)	.057	.058	.192	.172	.131	.052	.0585	.225	.104	.116
N	1171	1171	1171	1171	1171	1171	587	597	314	733
Observed P	.338	.200	.372	.185	.122	.186	A--.368 B--.368 C--.262	.139	.401	.518
Predicted P	.327	.185	.344	.138	.089	.174	A--.403 B--.359 C--.236	.076	.388	.523
Estimation technique	Probit	Probit	Probit	Probit	Probit	Probit	Ordered probit	Probit	Probit	Probit
Reported	Marginal effects	Marginal effects	Marginal effects	Marginal effects	Marginal effects	Marginal effects	Coefficients	Marginal effects	Marginal effects	Marginal effects

Notes. The p-levels of the hypothesis that the underlying coefficients are zero are reported in parenthesis (note that these are not a test of the marginal effects, which are non-linear). P-levels lower than X percent "reject" the hypothesis the coefficient is zero at that level of statistical significance and the usual level of 10/5/1 are indicated with one two or three asterisks (*/**/***). Key to control variables: Y—consumption expenditures, F—female headed household, S—years of schooling, GW—HH head works in government, A—HH head works in agriculture, O—age of HH head in years.

³² A—if no expression of discontent; B—if expression but no solution; C—if expression and solution

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