

Empowerment and Institutional Change: Mapping “Virtuous Circles” of State-Society Interaction

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A. Overview

For anti-poverty policies to successfully reach poor people, the institutions that carry them out must be biased – in favor of the poor. Even the World Bank has recognized that macroeconomic growth alone is not sufficient. Many of the reasons why pro-poor institutions are needed to promote poverty reduction were spelled out in the World Bank’s 2000/2001 World Development Report.¹ The report goes even further to argue that the empowerment of poor people is important for the success of anti-poverty policies. Many of the institutional logics and incentive structures that explain why some public agencies are more pro-poor than others were detailed in their 2004 World Development Report.²

This emerging new mainstream view differs significantly from the Washington Consensus of the 1980s. At the same time, however, the causal processes through which institutions become pro-poor are less well-understood. Purely deductive reasoning is not sufficient. Specifically, how do pro-poor reform innovations scale up and spread out, to go from bounded enclaves to influence entire agencies, regions or nation-states?³

The conceptual framework developed here is based on the proposition that pro-poor reform initiatives are likely to have broader and deeper institutional impacts if they are accompanied by processes of strategic interaction between policymakers and civil society counterparts that helps the latter to target and weaken obstacles to change. This framework recognizes the interaction between formal and informal power relations in the process of institutional change, based on an interactive approach to state-society relations (Fox, 1992a, 1996). In practice, institutions operate based on combinations of formal and informal power resources. Formal power resources refer to official mandates, including the administrative, legal and political authority and resources assigned to carry them out. At the same time, these *de jure* mandates

1 The full report, entitled *Attacking Poverty*, is accessible on-line at www.worldbank.org, including in full Spanish translation at:

<http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/Spoverv.pdf>

2 These reports synthesize the Bank’s official view of the state of the art of research on a given topic. The 2004 report is online at: <http://econ.worldbank.org/>

3 For a useful recent intellectual history of related theoretical debates in the fields of political science and public administration, see Olsen (2004).

and authority structures are also influenced by de facto, informal power relations. While the former may be quite visible, the latter are often deeply embedded and well hidden from outsiders. In other words, official administrative incentive structures may compete with alternative and often conflicting incentive structures to determine patterns of actual institutional behavior. For this reason, the analytical distance between underperformance and corruption is less than the ethical distance between them. Both sets of institutional behaviors are driven by tensions between official and de facto incentive structures. This approach suggests that public institutions whose leadership attempts to transform them in more pro-poor directions will have limited results if they rely solely on their own formal authority.

Informal power resources include social capital relationships – within the institution, bridging to counterparts in other institutions, as well as reaching across the state-society divide.⁴ Informal powers also include political capital, which refers to resources that generate the capacity to seek to change the balance of power. These resources include intra- and extra-institutional credibility, as well as a willingness to use (and create) leverage to influence other actors. Political capital is grounded in a combination of networks of social capital, the capacity to deploy institutional resources, as well as a willingness and capacity to use the media to inform public debates over the issues at stake.⁵ Like social capital, the idea of political capital has a certain “you know it when you see it” quality. This certainly limits its measurability, but not its relevance.

The capacity of policy “implementers” to use both formal and informal powers to divert or capture pro-change directives from above is well known. The factors that shape reformers’ capacity to use their formal and informal powers to move from lesser to greater influence over

4 For studies that apply the concepts of bridging and inter-sectoral social capital to the analysis of the impacts of World Bank anti-poverty projects on state-society relations in rural Mexico, see Fox (2002, 2003).

5 The effective investment of political capital requires entrepreneurship, especially since it often involves some degree of risk. While it is very common for policymakers to take certain kinds of risks, especially with other peoples’ resources, in practice it is rare for policymakers to take the specific kinds of risks involved in encouraging the empowerment of poor people and the transformation of public institutions into pro-poor actors. Such risks involve accepting the uncertainties inherent in partnering with autonomous poor people’s organizations, which by definition bring their own goals and strategies to the table.

their institutions has received less analytical attention. When both pro-poor policy-makers and social actor counterparts start out with limited leverage over the state and social actors that oppose institutional change, the result is a “chicken-and-egg” problem that requires deliberate strategies to crack. Put another way, how can pro-poor actors inside and outside institutions break out from a relatively static “low power equilibrium,” in which both sets of counterparts lack leverage?

An interactive approach to institutional transformation suggests that pro-poor reforms require changes in three distinct arenas: within the state itself, within society, and at the state-society interface.⁶ Each of these three arenas involves both formal and informal power relations. If one looks at pro-poor institutional change through this lens, then one can frame the reform process as one driven by contending cross-sectoral coalitions. In this approach, the reform process depends on changing the balance of power between pro-reform actors embedded in both state and society against an anti-reform set of actors, which are also embedded in both state and society. While the anti-reform forces in state and society are very likely to constitute an organized coalition, closely linked through informal ties and grounded in shared material interests, pro-reform forces do not necessarily coordinate their efforts or perceive shared interests. Potential pro-reform coalition partners may share “objective” interests in institutional change, but past experiences may feed mutual wariness and distrust that limits cooperation across the state-society divide.⁷ Only unusually entrepreneurial reformists are willing and able to take the political risks involved in reaching out to build pro-reform cross-sectoral coalitions.⁸ This process of cross-sectoral coalition-building requires its own set of investment strategies, which involve both social and political capital.

6 For an especially creative application of the concept of state-society “interface” to recent Mexican policy innovations, see Isunza Vera (2004).

7 On the “rational wariness” of poor people’s organization to engage with participatory policy reforms in less-than-democratic settings, and “intersectoral trust as a resource for reform that requires investment,” see Fox and Gershman (2000) and Fox (2003)

8 While it is very common for policymakers to take risks, especially with other peoples’ resources, in practice it is rare for policymakers to take the specific kinds of risks involved in encouraging the empowerment of poor people and the transformation of public institutions into pro-poor actors. Such risks involve accepting the uncertainties inherent in partnering with autonomous poor people’s organizations, which by definition bring their own goals and strategies to the table.

To address the “chicken and egg” problem noted above, the challenge is how to trigger and sustain “virtuous circles” of mutual empowerment between institutional reformers and social actors in the public interest.⁹ This path-dependent, iterative process can be driven by two interlocking processes. First, reformers within the institutions need to encourage “enabling policy environments” – state initiatives that tangibly reduce the costs and risks associated with poor people’s collective action. Second, autonomous poor peoples’ organizations need to scale up, both horizontally and vertically, in order to gain the combination of monitoring capacity and bargaining power needed to offset the anti-poor elements embedded within the institutions.¹⁰ To maximize the potential for state-society synergy, this process involves the construction of cross-sectoral coalitions, which in turn both require and generate bridging social capital between institutional and social actors.¹¹

Before illustrating what this approach means in practice, the next section discusses four related conceptual issues. The empirical discussion that follows compares the varying degrees to which policy reforms that formally permit participation by organized poor people actually lead to power-sharing in practice. This involves a brief review of the empirical findings of several studies that each “mapped” patterns of regional variation in pro-poor institutional change in rural Mexico. The specific programs studied include the Community Food Councils (DICONSA), the Regional Development Funds (INI), the Municipal Development Funds (SEDESOL) and Rural Development in Marginal Areas (SAGAR).¹²

9 Putnam’s landmark study of social capital, governance and economic development put the analysis of such “virtuous circles” on the agenda (1993).

10 On the importance of scaling up “vertically integrated” civil society policy monitoring initiatives, with reflections on the Mexican experience, see Fox (2001).

11 On state-society synergy, see Evans (1996).

12 Annex One then sketches out the methodological implications of this approach, including the complementary roles of institutional ethnography, the subnational comparative method, and the use of quantitative indicators that aggregate qualitative data. Annex Two provides an example of a brief set of related suggestions made to Mexico’s Social Development Ministry.

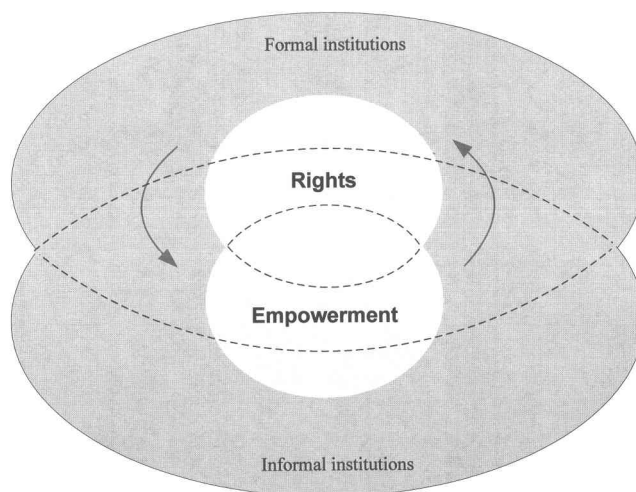
B. Four brief conceptual issues: Empowerment vs. rights, virtuous circles vs. informal power, economies of scale and the role of empowered participatory governance

1. Empowerment can make nominal rights meaningful, and nominal rights can make empowerment possible

Power is often treated as an implicitly one-way capacity, but it is more usefully understood in terms of relationships.¹³ Empowerment involves changes in power relations in three interlocking arenas – within society, within the state, and between state and society. In this context, it is useful to distinguish empowerment, in the sense of actors’ capacities, from rights, in the sense of institutionally recognized opportunities. These two good things do not necessarily go together. Institutions may nominally recognize rights that actors, because of imbalances in power relations, are not able to exercise in practice. Conversely, actors may be empowered in the sense of having the experience and capacity to exercise rights, while lacking institutionally recognized opportunities to do so. As Figure One illustrates, rights and empowerment can each encourage the other, and indeed they overlap in practice, but they are at the same time analytically distinct.

13 See Lukes (1974: 31). His three-dimensional view of power transcends the limits of the conventional “A has power over B to the extent that A can get B to do something that B would otherwise not do” approach, including the range of capacities to persuade and induce that can lead to disempowered consent. For related classics in political sociology, see also Bachrach and Baratz (1962) and Bachrach and Botwinik (1992).

Figure One: The reciprocal interaction between rights and empowerment



2. To understand virtuous circles, assume that formal pro-reform power is limited by informal anti-reform power.

Where pro-empowerment policy initiatives are on the agenda, presumably the state apparatus is not monolithic and at least some elements are more open to power-sharing with social actors than others. At the same time, the pre-reform distribution of power is, by definition, unfavorable to those who favor sharing power with socially and economically excluded people. In the case of a study of ten World Bank-funded natural resource management and rural development projects in Mexico and the Philippines, it was the variation in commitment to pro-social capital reforms within the state apparatus that explained the variation in enabling environments for pro-poor empowerment (Fox and Gershman, 2000). The projects that produced the most impressive results, in terms of encouraging actual enabling environments for social capital consolidation, were those that were targeted to state institutions already under the control of pro-participation reformers. By assuming uneven rather than consistent reform implementation, one can also map change across institutions, geographic space and over time.

If one accepts the basic assumption of varied rather than uniform policy implementation, then it is not enough to look for associations between the presence of a certain set of reforms and social outcomes. In the international development policy process, a package or menu of pro-empowerment policy reforms is emerging, such as public information access, independent policy monitoring, participatory budgeting, and societal co-management or oversight of social investment and services. It is very reasonable to look for the relationships between the presence of such reforms and performance outcomes, but if one looks only at those two sets of indicators, then two sets of problematic assumptions are involved. The first assumption is that the specific reform(s) actually empower social actors in practice, which may or may not be the case.¹⁴ The second implicit assumption is that the apparent presence of a reform means that it was actually carried out in practice.¹⁵

14 For example, information may not be the all-powerful resource that is often assumed. Public access to information without public powers to sanction may turn out to have very limited impacts. The literature on transparency has yet to specify with precision the conditions under which it is most likely to generate the impacts expected of it – even in the paradigm case of environmental “right to know” laws (e.g., Bui and Mayer, 2003). A growing category of transparency reforms is more “outward oriented,” intended to establish international credibility than “downward oriented,” which would make relevant operational and performance information accessible to organized social actors. This was a very successful approach in the case of the evaluation strategy for Mexico’s famous PROGRESA program, which was intensively studied by the International Food Policy Research Institute (www.ifpri.org). After Progresas became Oportunidades after the 2000 election, the evaluation strategy shifted to Mexican academic institutions. Their evaluations are made public in Spanish and are accessible at www.oportunidades.gob.mx. These documents are very useful, but their goal is to document social impacts rather than to make program operations transparent to beneficiaries. In 2002, however, Oportunidades launched a new department of Atención Ciudadana y Contraloría Social, which both answers informational questions and plays an ombudsman role in response to complaints.

15 For example, if one is interested in understanding under what conditions institutional channels for parent oversight in school management leads to improved performance, then one should look not only at the total number of schools officially involved and the total set of performance outcomes. There is likely to be significant variation across schools in the degree to which they actually share power with parents (rights) and in the degree to which parents are actually able to exercise power (empowerment). Methodologically, to find out the degree to which a reform is associated with specific outcomes, one would need indicators of institutional behavior that capture varying degrees of implementation.

3. Empowerment often involves economies of scale.

While World Bank discourse frequent uses the term “empowerment,” official discussions of are usually limited to the most local arenas. The empowerment of poor people and their direct input into the policy process at state or national levels is not on the agenda.¹⁶ For example, the 2004 World Development Report’s generally innovative discussion of the “short route” to holding public service providers accountable is almost exclusively devoted to micro levels of institutional behavior. To the degree that the 2004 WDR depicts poor people themselves as change agents, they are assumed to be local (either families, individuals, implicitly homogeneous communities or village/neighborhood level organizations). While such local arenas are obviously characterized by lop-sided state-society power relations, there are far from the only, or even necessarily the primary arena within which the quantity and quality of public service provision is determined. For example, while rural clinics may lack a supply of subsidized medicines because local officials sell them on the side, it is also possible that they are empty because they were never delivered, having been diverted higher up the chain of authority – or the medicines were never even budgeted for in the first place. Even if corruption were not an issue, sharp social or geographical biases in public spending would remain untouched by the exclusively micro approach to the “short route” to accountability.

To limit the discussion of how to improve the institutional accountability to the retail, receiving end may be analogous to the “end-of-the-pipe” approach to pollution control. Without attention to source reduction — the reduction in the use and emission of toxics — pollution control efforts will inherently be limited and inefficient. Similarly, unless transparency, accountability and participatory co-governance poverty reduction policies “scale up” to address problems throughout the chain of institutional decision-making, their impacts will inherently be limited.

Scaling up pro-empowerment reforms does not imply the substitution of meso-level or national level institutional measures for local efforts. A grounded scaling up process involves bringing together local pro-empowerment actors, allowing them to exchange experiences and

16 On the relationship between anti-poverty policy and poor peoples’ empowerment at meso-level and national levels, see, among others, Houtzager and Moore (2003), Joshi and Moore (2000) and Moore (2001).

see what an agency is doing in the bigger picture, to defend each other from possible reprisals, and to deliberate about which joint strategies are most likely to succeed. For example, it would be difficult for local pro-empowerment actors to make informed decisions about which policymakers are reliable coalition partners without information about their track records in other regions or in past positions, and other social actors would be the most credible sources of such information. The fundamental issue is that the opponents of empowerment – not to mention accountability – are institutionally embedded throughout the chain of authority. Their power relies in part on economies of scale. To change the balance of power, pro-empowerment actors also need economies of scale.

Scale provides social actors with more than increased bargaining power, it provides better information as well. The problems that civil society monitoring is supposed to address are produced by vertically integrated authority structures, and therefore effective monitoring processes require parallel processes of vertical integration as well (Fox, 2001). A broad perspective on how the system works can also guide the investment of poor peoples’ organizations’ political capital, helping them to target their limited leverage to those pressure points where they are most likely to break bottlenecks. To do this effectively, insider allies are often key. Allied policymakers can sometimes provide some degree of protection from reprisals, which is necessary to allow virtuous circles to unfold. In addition, lack of transparency about formal and informal authorities, as well as the nature of their webs of support from non-state actors, means that civil society actors need insider counterparts to provide the information needed to allow pro-poor reform pressures to target where decisions are really made in practice.

4. Learning from empowered participatory governance.

A wide range of institutional experiments have been carried out around the world that involve various forms of state-society power-sharing over public sector management and resource allocation.¹⁷ This broad category of initiatives includes but is not limited to now well-known experiences such as participatory budgeting, community policing and parent co-management

¹⁷ See the notable recent comparative analyses of cases from around the world by Ackerman (2004) and Fung and Wright (2003).

of schools. Fung and Wright call them forms of “empowered participatory governance” (2003). These experiences have shown that it is possible to generate the kind of mutually empowering synergy discussed at the beginning of this essay. While participatory governance bodies institutionalize conflict – if successful, bounding it – they also create deliberative mechanisms that can turn what would otherwise be zero-sum confrontations into win-win solutions. Their dynamics build on, but are qualitatively distinct from, more conventional and adversarial forms of democratic pluralism, which involve the checks and balances associated with contending organized interests.

The main factor that limits the potential effectiveness of “empowered participatory governance” is that, in contexts in which the informal distribution of power is highly lop-sided, they can be easily coopted and end up providing a democratic veneer to pre-existing power imbalances. Fung and Wright conclude that such experiments are most likely to work when high levels of “countervailing power” are present (a reference to dense, locally grounded representative social actors). This certainly sounds plausible, but the insight is problematic insofar as it implies that the likely scope for such institutional innovations is quite limited, and does not indicate how countervailing powers can be bolstered.¹⁸ The interactive approach sketched out above was developed precisely to suggest a more dynamic framework, and this is the moment to turn to the empirical discussion of actual institutional experiences with the scaling up of participatory governance institutions in a series of Mexican rural development programs.

C. Mapping institutional change by analyzing varied terms of state-society engagement

This section will briefly highlight findings from a series of studies that each mapped variation in informal power relations within a series of rural development programs that all included institutionalized opportunities for Mexican indigenous peoples’ organizations to share

¹⁸ This issue recalls one of the basic problems with Putnam’s classic study – the circular “them that has, gets” explanation of where social capital comes from (1993). Among other critiques, see Fox (1996).

decision-making power with the public sector. Some of these programs included power-sharing bodies at the community levels, others operated at regional levels, representing dozens of communities, while others created bodies that operated at both levels. All were federal programs of national scope, and all provoked varying degrees of resistance from authoritarian elites embedded in both state and federal government. Most of the field research focused on cross-regional variation within the state of Oaxaca, though some studies also included inter-state comparisons that involved other low-income states. The research was carried out between 1982 and 2000. All of the programs are still in operation, with widely varying degrees of support from the federal government.

Mapping uneven power relations in the reform process: the DICONSA rural food store network.

The Mexican government has long intervened in consumer food markets with a variety of direct and indirect policy instruments, including a gradual and uneven shift from generalized to targeted subsidies (both systems overlapped for an extended period). The first significant targeted rural consumer program focused on remote, low-income areas, creating thousands of community-managed local stores that were supplied by the retail distribution branch of the government food company (DICONSA). The stores sold basic foods with modest per unit subsidies of price and transportation costs. The stores' main impact on low income rural consumers, however, was to weaken local grain oligopolies, most notably in corn deficit regions. Any economic assessment of the program's benefit to consumers must take into account the counterfactual, in terms of its regulatory impact on the highly fragmented and imperfect grain markets that characterize remote rural areas.

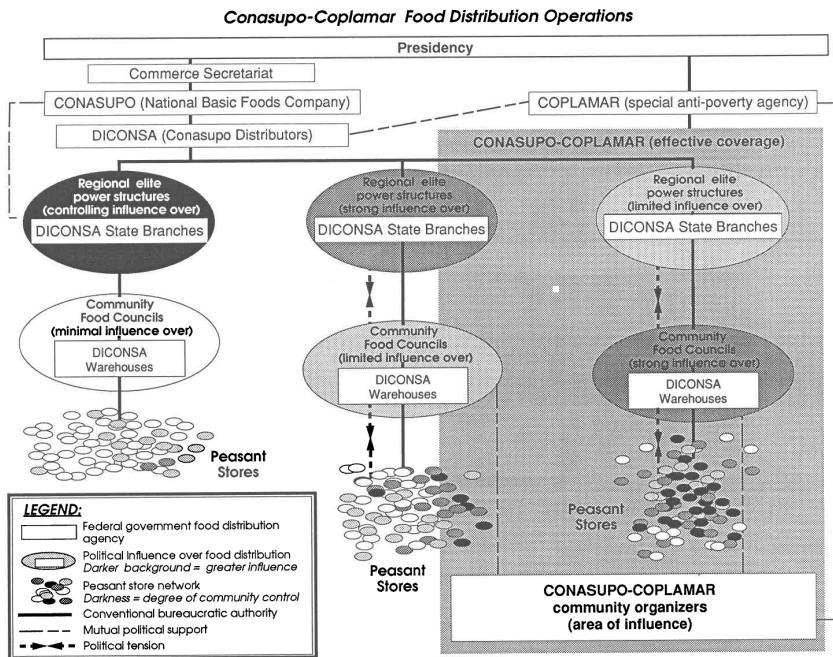
Beginning in 1979, the program pursued its first systematic attempt to use community participation and oversight to encourage the public accountability of the food distribution company. The key institutional innovation was to scale up rural consumers' opportunities and capacities for oversight by creating regional councils that would meet regularly at the DICONSA warehouses charged with supplying the rural stores. Each warehouse supplied several dozen stores. This regional level of organized participatory oversight was critical because the warehouses proved to be the key site for possible diversion of subsidized food to private elites. In many of these rural regions these councils were the first autonomous and

representative civil society organization to be tolerated by the government. The local store management committees and the regional councils were launched by the program's national network of grassroots organizers, which was initially independent both of DICONSA management and the ruling party. Though this outreach network was purged early on after a backlash from regional elites, many of the participatory councils, once launched, continued to function (Fox, 1990, 1992a).

The distinction between formal and informal power relations becomes clear when one compares the varying degrees of autonomous representation actually achieved by these regional councils. Figure Two presents a stylized depiction of the main scenarios of cross-regional variation in the balance of power between the DICONSA operational apparatus and the regional councils, undergirded by the varied degrees of community control over the local stores within each warehouse's regional supply area. By the mid-1980s, approximately one third of the councils had achieved some degree of autonomous oversight capacity, and national networking efforts have ebbed and flowed since then. Many food distribution councils spun off or reinforced autonomous regional producer associations. In spite of the highly targeted nature of the program, it has long lacked high level policy support. Nevertheless, the rural store network survived several attempts to liquidate it during the late 1990s and it continues to operate more than 21,000 village outlets.¹⁹

¹⁹ See www.diconsa.gob.mx. For a recent government-sponsored evaluation, see GEA (2003). No recent independent scholarly or NGO evaluations exist.

Figure Two: Mapping uneven power relations in the reform process (1)



From: Jonathan Fox, *The Politics of Food in Mexico* (Cornell University Press, 1992)

2. Mapping uneven power relations in the reform process: INI's Indigenous Development Funds.

Starting in 1989, the government dramatically increased the economic development role of its National Indigenous Institute (INI), as part of the National Solidarity Program. Inspired largely by the DICONSA food council experience, the INI created dozens of regional economic development councils. Elected representatives of indigenous producer organizations jointly evaluated grassroots funding proposals, and co-signed the checks together with INI outreach officials. These councils achieved widely varying degrees of autonomy and capacity, and in some regions INI operational officials managed to exclude autonomous organizations. Figure Three compares the INI's own ranking of varying degrees of consolidation and pluralism with an independent assessment based on a survey of local civil society leaders (Fox, 1994a). The variable of pluralist practices is key because, in political

systems characterized by persistent authoritarian clientelism — all other things being equal — “participatory” councils will be controlled by pliant official membership organizations that lack the autonomy necessary to represent their members.²⁰ As in the case of the rural food store program, economic and political support from federal level pro-empowerment policy-makers made pluralism and autonomy possible in a significant minority of the regional councils, and the program continues to exist.

20 Clientelism refers to imbalanced bargaining relationships in which political loyalty is exchanged for material benefits. The term is widely used to refer to an unduly open-ended set of relationships and its usage often overlaps heavily with the more general category of political bargaining and inducements. For example, “pork barrel politics,” the process through which legislators seek to channel material benefits to their districts, are simply politics at work, and could even be construed as a form of accountability to their constituents. The qualified term authoritarian clientelism is distinctive because it refers to exchanges of loyalty for benefits that are backed up by actual or potential threats of coercion. Carrots that are backed up by sticks are a special kind of carrot. For further discussion, see Fox (1994b).

Figure Three: Mapping uneven power relations in the reform process (2)*Targeting the Poorest*

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OAXACA REGIONAL FUND LEADERSHIP COUNCILS:
DEGREES OF CONSOLIDATION

Leadership Council	INI 1991 Budget (M \$ million) (implicit ranking)	Independent Confirmation of INI Ranking ¹	Pluralistic ²
Jamiltepec	1,700	Yes	Yes*
Miahuatlán	1,700	Yes	Yes*
Guichicovi	1,350	Yes	Yes*
San Mateo	1,300	No (too high)	0
Cuicatlán	1,250	Yes	Yes
Tlacolula	1,250	Yes	Yes*
Guelatao	1,200	Yes	Yes*
Juquila	1,200	No (too high)	0
Nochixtlan	1,200	No (too high)	0
Huamelula	1,100	No (too high)	0
Tuxtepec	1,000	Yes	No*
Huautla	800	No (very low)	Yes*
Laollaga	800	No (too low)	Yes*
Copala	700	Yes	No*
Ecatepec	700	No (too high)	No
Silacayoapan	650	Yes	?
Temascal	600	Yes	Yes*
Lombardo	600	Yes	Yes*
Ayutla	500	Yes	Yes*
Tlaxiaco	500	Yes	Yes*

¹Independent confirmation means that there was a "good fit" between INI's implicit leadership council ranking and the results of a survey of twelve Oaxaca-based grassroots development experts (as of March 1992).

²"Yes" means that the representative, autonomous organizations in the region had some access to the leadership council. "No" means that significant groups were excluded or seriously underrepresented. "0" means that there were virtually no strong representative producer organizations reported in the region, and the fund was INI-run. Asterisks (*) indicate the presence in the region of groups in the autonomous Coordinadora Estatal de Productores de Café de Oaxaca (CEPCO) network.

From: Jonathan Fox, "Targeting the Poorest: The Role of the National Indigenous Institute in Mexico's Solidarity Program," in Wayne Cornelius, Ann Craig and Jonathan Fox, eds., *Transforming State-Society Relations in Mexico: The National Solidarity Strategy* (La Jolla: University of California, San Diego, Center for US-Mexican Studies, 1994)

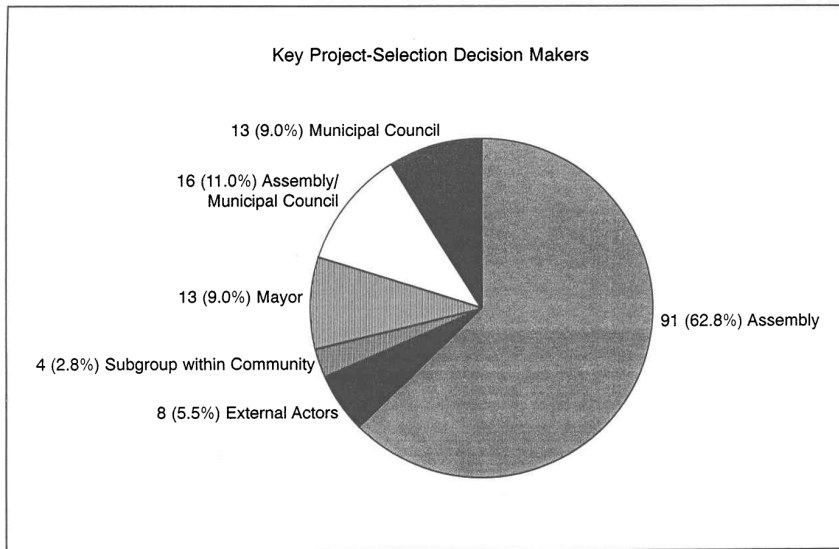
3. Varying degrees of community participation in local allocation of social funds: The Municipal Development Funds

The Mexican government's Social Development Ministry launched its first large-scale investment program for rural municipal investment funds at the beginning of the 1990s, as part of the National Solidarity Program.²¹ The program has continued to grow since then, with substantial support from the World Bank and the Inter-American Development Bank. This program lacked regional power-sharing bodies, but local investment decisions were supposed to be made by grassroots communities (and not by local governments, which administered the funds). To a large degree, this worked in those communities that already exercised a high degree of assembly-style decision-making. A study of a representative cross-section of Oaxacan municipalities found that in a clear majority of cases, project selection decisions were made by the community assembly rather than the mayor, a local subgroup or external actors, as indicated in Figure Four (Fox and Aranda, 1996). This experience was not generalized, however. The key pro-participation variables in Oaxaca — dense horizontal social capital and autonomous submunicipal village governments — were not widespread in other low-income rural states, and therefore the rural municipal funds probably empowered authoritarian municipal governments elsewhere, most notably in Chiapas and to some degree in Guerrero (Fox, 1997, 2002).²² In contrast to the DICONSA and INI programs, this one lacked both local capacity-building component and regional participatory councils that could become counterweights. The participatory elements of the program lacked strategic political support from federal level reformists, leaving its fate up to local and state political dynamics.

21 For diverse assessments of PRONASOL, see Cornelius, Craig and Fox (1994), among others.

22 This variation in local power relations is clearly widespread, and therefore the default assumption should be variation rather than community level homogeneity. See, for example, Williams, et al (2003).

Figure Four: Unpacking participation patterns in rural municipal investment decision-making



From: Jonathan Fox and Josefina Aranda, *Decentralization and Rural Development in Mexico: Community Participation in Oaxaca's Municipal Funds Program* (La Jolla: UC San Diego, La Jolla, 1996).

4. More regional variation in power-sharing: the Rural Development in Marginal Areas Program.

In the late 1990s, the Agriculture Ministry, with World Bank funding, launched another rural investment program in low-income areas. The design of the program was informed in part by the INI program experience. Regional councils of elected representatives of producer organizations were created, with a mandate to choose among grassroots funding proposals. In contrast to the INI program, however, the Agriculture Ministry's decentralization process through *Alianza para el Campo* created more formal and informal opportunities for state government officials to influence or veto council decisions.

Most state government officials involved in the Rural Development in Marginal Areas program, even in the relatively pluralistic state of Oaxaca, opposed power-sharing with producer organizations. As a result, few regional councils gained either autonomy or capacity. Most of those councils that did begin to develop the capacity to represent organized producers were broken up or starved for funds by the state government of Oaxaca. The more powerful autonomous producer organizations were wary of investing their political capital in a program that seemed closed to them anyway, an example of “rational wariness.” The result, however, was limited pressure from below to open it up. The program was also launched in the three-state Huastecas region, with similar exclusionary results, at least as of late 1999, as summarized in Figure Five (Fox, 2003). In spite of substantial World Bank support, the Agriculture Ministry was not committed to a program that was intended to encourage both investment in and power-sharing with low-income producers. The program withered after 2000.

Figure Five: Rural Development in Marginal Areas Program -- Degrees of Inclusion of Autonomous Indigenous Producer Organizations in Regional Councils.

Oaxaca state

Exclusionary	Incipient inclusion	Partial inclusion	Full inclusion
			<Cuicatlán
	<Mazateca Alta>		
	Mixe Alto>	Mazateca Baja>	
Mixe Bajo - Cuenca		<Mixe Bajo - Istmo>	

Huastecas region (states of Hidalgo, Veracruz, San Luis Potosi)

Exclusionary	Incipient inclusion	Partial inclusion	Full inclusion
	Huasteca - Hidalgo		
		Huasteca - San Luis Potosi highlands>	
	<Huasteca - San Luis Potosi plains		
	Huasteca - <Veracruz		

Note: The arrows indicate which direction the councils are moving in - towards more or less pluralism, or whether they are being pulled in both directions at once (two arrows). The assessments are based on field interviews as of August, 1999.

Source: Jonathan Fox, "De la teoría a la práctica del capital social: El Banco Mundial en el campo mexicano," *Foro Internacional*, 43(2), April-June, 2003, p. 385

5. Comparative analysis of transparency and participation provisions

The results in terms of actual power-sharing were uneven in all cases, but the degree of exclusion varied significantly. Differences include both varied degrees and scales of transparency and participation measures (see Figure Six), as well as varied informal relationships between state and societal actors. On the society side, one of the key variables was the capacity and willingness of social organizations to engage with the opportunities for participation. On the state side, the key variables included whether there were regional representative bodies, as well as their degree of oversight and decision-making capacity. In all cases the degree of power-sharing generated in practice depended heavily on the presence of a *de facto* faction within the implementing agency, both at the top and at middle levels, that was willing to take the risks inherent in partnering with autonomous social organizations.

Figure Six: Comparison of *formal* power-sharing opportunities across Mexican rural anti-poverty programs.

	Community organization with co-governance role	Regional level collective representation for social organizations	Consistent provisions to make program decisions and operations transparent to beneficiaries	Formal autonomy from state governments (all are federal programs)
Regional Food Councils (Diconsa)	Yes	Yes	Yes	Yes
Regional Funds (INI)	Partial	Yes	No	Yes
Municipal Funds (Sedesol)	Yes	No	No	No
Regional Councils (Sagar)	Partial	Yes	No	No
Progresa (Oportunidades)	No	No	No	Yes

Research in progress will develop the comparison with Oportunidades suggested in Figure Six. While in principle the program convenes local committees to participate in the selection of beneficiaries, the evaluations available so far have not documented or assessed that process. Unsystematic preliminary field reports from rural community organizers suggest, however, that these committees do not have the cohesion or autonomy needed to be able to consider them to co-manage the program in any significant way. At the same time, however, the new federal initiative to launch an ombudsman office within Oportunidades may well lead to important multiplier effects that will allow beneficiary voices from below to influence program operations to some degree.²³

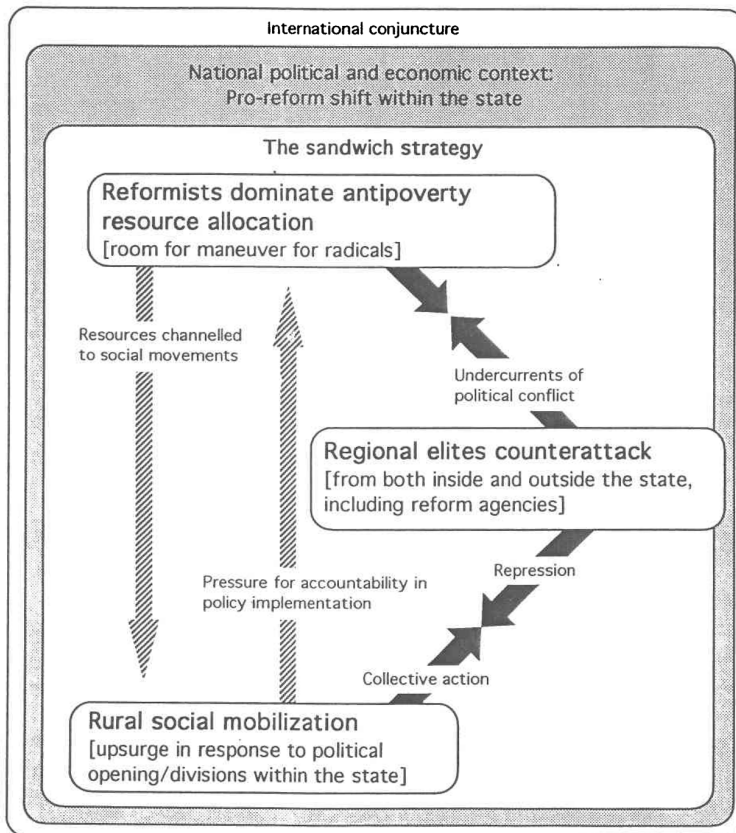
The dynamics that drive the varying empowerment outcomes in the case of all four rural development programs can be described as a “sandwich strategy” (Fox, 1992a). This involves the three-way interaction between regional grassroots rural social actors, pro-reform policymakers with actual influence over implementing agencies, and anti-reform regional elites embedded in both the state and society.

23 This new office also offers the possibility of responding to beneficiary complaints in an ombudsman, which could counteract the perceived disincentives that beneficiaries face when attempting to hold accountable the same local health and education authorities who control their access to the program’s transfer payments. See Annex Two.

Figure Seven: The political dynamics of rural reform: The sandwich strategy

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With pressure from both above and below, the sandwich strategy creates political space and shifts the balance of power between authoritarian elites and movements for rural democratization



- Possible outcome: Increased government accountability in contested policy arena, spreading to other issues
- Probable outcome: Increased peasant capacity to articulate interests, as autonomous, representative organizations consolidate

The political dynamics of rural reform

From: Jonathan Fox, *The Politics of Food in Mexico* (Cornell, 1992)

D. Concluding propositions for discussion

- * Pro-empowerment institutional reforms are driven by mutually reinforcing cross-sectoral coalitions between state and society, grounded in mutually perceived shared interests.
- * Institutional reforms that appear to be enabling may not be. They need to be unpacked in terms of their actual coverage, depth and empowerment impacts.
- * Pro-empowerment enabling environments require a synergistic package of policy reforms. Transparency, accountability and participation reforms need each other and are mutually reinforcing.
- * Power-sharing involves conflict, and successful power-sharing involves conflict-resolution mechanisms that can be made more successful through deliberative power-sharing institutions
- * Pro-reform cross-sectoral coalitions in favor of empowerment require pro-poor policymakers to invest their political capital, to give potential civil society counterparts clear signals, tangible incentives to engage and some protection from backlash.
- * To encourage an enabling policy environment for empowerment, invest in supporting those reformers with track records, in the institutions where they already are.

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Annex One: Three methodological implications

Because of the often opaque interaction between formal and informal power relations, conventional methodologies are often poorly equipped to measure the processes of pro-poor institutional change. In this context, it is crucial to transcend conventional dichotomies between small N qualitative case studies and large N statistical analyses of easily quantifiable indicators. The studies reviewed above all involved some combination of three mutually reinforcing methodological strategies: the subnational comparative method, institutional ethnographies grounded in political economy, and the aggregation of qualitative indicators of institutional behavior.

1. The relevance of the subnational comparative method.

The spread of decentralization has increased interest in the subnational comparative method. Its relevance is not limited to the comparison of distinct subnational governments, however, it can also be applied to nominally national programs that in practice experience significant regional variation. Within the field of comparative politics, some analysts have long noted the risks of “whole-nation bias” in comparative studies that rely on national averages which in turn mask sharp variation. A focus on subnational variation allows for comparisons that control for social, political and economic differences, which in turn allows analysts to focus on relationships between specific institutional changes and social actors. This approach also allows one to increase the number of observations, and thereby address the classic problem of “many variables, small N” (Synder, 2001).

2. Institutional ethnography.

Much of the analysis of institutions is based on deductive assumptions about their internal logics. However, frameworks that impute internal logics based on formal internal and external incentive structures do not necessarily lend themselves to explaining change – specifically, the cross-institutional variation inherent in pro-poor institutional change. Without a full understanding of the actually-existing internal logics of specific institutions, it is difficult to specify accurate indicators of how they change – especially when formal indicators of change

may hide informal patterns of continuity. The ethnographic study of the actual operations of an institution, informed by a political economy framework, is often needed to identify bottlenecks with precision. Such an approach is just as valid for analyzing social actors as it is for public institutions. ²⁴ This approach can inform the design of both effective strategies for changing the institution’s internal incentive structure and for designing performance indicators that will actually indicate what they are supposed to indicate.

3. Aggregate qualitative indicators of institutional behavior.

There is an emerging package of policy reforms associated with enabling institutional environments for transparency, accountability and social participation. To measure progress and identify bottlenecks, reform-specific indicators are needed to measure the inherently uneven degree to which they are actually carried out. These policies can be seen as intervening variables in between the more easily quantified economic investment inputs and social indicator outputs.

These indicators need to measure two distinct dimensions of institutional change. One involves its extension – to what degree are they actually implemented across a given public agency, or agencies. The other involves its depth, or intensity – indicators are needed to capture the difference between “lite” reforms and those with greater leverage or bite. One clear example of this range of variation would be the Bank’s official spectrum of pro-participation reforms, ranging from information dissemination to consultation to shared deliberations to power-sharing to actual devolution of decision-making to social actors.

Indicators of transparency reform implementation might include measures of the quality, reliability, quantity, practical accessibility and social relevance of the information disclosed. Accountability indicators might include both attempts and outcomes of enforcement efforts. Indicators of social participation might address its scope, autonomy, ethnic/gender/class composition, scale and impact. Clearly, most of these indicators are not easily quantified, but that does not mean that they cannot be measured. The proposition here is that institutional ethnography can ground qualitative assessments that can in turn be aggregated to produce

²⁴ For an example of the application of this approach to the study of internal democracy within a regional peasant organization, with a focus on internal checks and balances, see Fox (1992b).

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generalizable results, which in turn can reveal patterns of variation that would not otherwise be apparent.

Annex Two: Policy Note to Mexican Social Development Ministry & World Bank Mexico Dept., July, 2003

Social exclusion: Notes on institutional dynamics

*Jonathan Fox's presentation to the
Estudio Programático de Pobreza, 24 July, 2004
María Isabel Sheraton, SEDESOL/World Bank*

Comments welcome (jafox@cats.ucsc.edu)

This brief presentation will focus on the institutions of inclusion, rather than on the processes of exclusion. This involves a shift in focus from the previous presentations, towards public policy analysis. I will discuss several issues that you might come back to in the afternoon discussion of evaluation.

I will focus on research issues regarding the dynamics of exclusion/inclusion specifically in terms of existing social programs. My point of departure is that analysis of institutional behavior requires the tools of institutional analysis.

I would like to make two broad points – the first one is about the coverage of and access to social programs, and the second is about the lessons of institutional innovations and the policy experience until now.

1) First, how do we develop a more reliable and comprehensive, field-based sense of how the institutional mechanisms of coverage of and access to social programs actually work in practice? This process has both a macro dimension and a micro dimension.

The macro dimension involves figuring out with a bit more precision what fraction of the total target population is actually reached by a particular program, and perhaps how that coverage has changed over time.

For example, among SEDESOL programs, a contrast between the relative coverage of Oportunidades, Diconsa-rural, the urban tortilla program, and Jornaleros Agrícolas program would be useful here - the first two have a very broad coverage, while the second two cover only a small subset of the eligible populations (note: the tortilla program used to have a fully national coverage of the low-income urban population, until its number of beneficiaries was reduced by approximately 90% during 2001-2002).

The descriptive question about program coverage is a first step towards getting a better frame on the analytical question of why programs vary so much in terms of relative coverage — as well as future discussion about which programs should expand their coverage, and which ones should not.

The micro dimension of analyzing how social programs reach people involves developing field-based assessments of how people actually access these programs in practice. This is necessary to find out what the barriers are, as experienced by potential beneficiaries. These barriers are not always obvious at a distance from the access point. For example, how difficult is it to register a change of address? This may seem like a minor point, but problems with this tramite alone could end up removing large numbers of eligible people from the rolls.

2) Second, there is now a widespread consensus among analysts of public policy on the value of transparency, accountability and citizen participation in terms of creating incentives for improved institutional performance and service delivery. There is also significant evidence of the synergy between these three institutional reform processes, with transparency encouraging both participation and accountability, and accountability further encouraging more participation, in a process of “virtuous circles,” or positive feedback loops. In brief, institutional reforms that promote transparency and accountability create an “enabling environment” for participation, which in turn broadens the constituency of stakeholders that support more transparency and accountability.

This is fine at the conceptual level, but several major puzzles remain. For example, empirically, there is limited information about the degree to which these enabling reforms are actually implemented and accessible to citizens in practice.

* If we look at transparency initiatives, based on past research I would hypothesize that in order for transparency to have its intended positive effects, investments in the production of information require quality control and targeting, to ensure that the information provided is the kind that is relevant and useful to encourage constructive collective action, especially by the principal stakeholders: actual or potential program beneficiaries. In addition, investments are needed to increase the capacity of these “information consumers” to access and use it effectively. In short, “supply-side” transparency strategies are necessary but not sufficient.

* Similarly, accountability reforms that appear plausible in theory, or on paper, may or may not work in practice, and field research on how they actually work in practice is needed. For example, many of the reforms involving the creation of offices of controloria social, though very positive, are limited by the fact that they focus primarily on fighting corruption, and some tend to be very internet-driven, which is of limited relevance to most program beneficiaries. A narrow focus on corruption does not address the broader issue of using accountability mechanisms to improve institutional performance more generally. The creation of public accessible ombudsman offices would be useful to consider, agencies with clearly established autonomy from the interested parties responsible for agency performance.

* In terms of the need for more research on how public participation can contribute to the performance of social programs, the fact that it is difficult to measure participation with precision does not mean that it cannot be analyzed. To begin with, one can look at existing programs in terms of whether they have any instancias de participacion at all, whether such bodies are institutionalized, whether they have actual decision-making powers (or are merely consultative), and whether they are scaled up or strictly local (and therefore have less leverage over public institutions). Some government programs have many years of experience with scaled-up, decision-making kinds of state-citizen power-sharing bodies, as in the case of the Diconsa-rural Consejos Comunitarios de Abasto and the INI’s Fondos Regionales. Research on these institutional innovations would benefit from a combination of qualitative/institutional and quantitative methods.

More generally, among the array of institutional reform options, which ones make the most difference? The answer is not obvious. What factors promote the most consistent implementation of those enabling policies that do work? To address these questions I suggest a comparative approach would be very useful, both across programs and across regions and localities.

To sum up this second point, I would like to make one general proposal, followed by two additional observations.

The general proposal is that it would be useful to assess, across a range of social programs, the degree and nature of the actually functioning institutional mechanisms of transparency, participation and accountability. The example of Oportunidades' having a recourse mechanism on paper that may have been rarely exercised in practice would be an important test case.

The additional observation involves the open question of unintended inter-institutional interactive effects. My understanding is that the research on basic education and health services in Mexico finds both very broad coverage and very uneven quality, which raises the issue of how accountability mechanisms can work better to raise the lower end. There may be aspects of Oportunidades operations that are relevant and interactive. Specifically, I propose the following hypothesis to be tested in the field, based so far on limited ethnographic evidence: There may be cross-institutional disincentives for Oportunidades program beneficiaries to push for accountability in their education and health services, since it would potentially put their status in Oportunidades at risk. For example, if parents complain about teacher or doctor absences, ineffective teaching or health services, then those teachers or doctors could drop those families from the list of beneficiaries. To my knowledge, there is not mechanism to prevent this from happening, since there in practice there is little effective recourse once one is dropped from the list. If such cross-institutional disincentives for accountability do exist, then that suggests the need to rethink and propose new and more effective accountability mechanisms.

In conclusion, we still don't know very much about how good practices and potentially enabling environments for institutional change actually spread from limited enclaves of innovative to transform entire institutions.