Participation Is Not Enough:
Associations and Local Government in the Social Fund of Nicaragua

By

Jonathan Rose

M.P.A./ International Development
John F. Kennedy School of Government
Harvard University, 2003

B.A., History
Columbia University, 2000

Submitted to the Department of Political Science
In Partial Fulfillment of the Requirements for the Degree of

Doctor of Philosophy in Political Science
at the
Massachusetts Institute of Technology

February 2010

©2010 Jonathan Rose. All rights reserved.

The author hereby grants to MIT permission to reproduce and to distribute publicly paper and electronic copies of this document in whole or in part.

Signature of Author

Jonathan Rose
Department of Political Science
November 9, 2009

Certified by

Richard M. Locke
Alvin J. Siteman Professor of Entrepreneurship and Political Science
Dissertation Chair

Accepted by

Roger Petersen
Associate Professor of Political Science
Chair, Graduate Student Program Committee
Participation Is Not Enough:
Associations and Local Government in the Social Fund of Nicaragua
by
Jonathan Rose
Submitted to the Department of Political Science
On November 9, 2009 in partial fulfillment of the
requirements for the degree of Doctor of Philosophy in
Political Science

ABSTRACT

Community participation in development projects, in which billions of dollars are
invested every year, has become quite controversial. While these initiatives can be
beneficial, many participatory projects fall short of expectations, succumbing to problems
such as corruption amongst local elites. What explains the diversity of experiences with
participation in development projects? More specifically, under what conditions is
participatory project governance successful?

Through case studies of Projects Guided by the Community (PGCs) of the Nicaraguan
Social Fund, and based on over 150 interviews, I find that the differing experiences can
be explained by 1) the pre-existing associational life of the community and 2) the
regulatory strategy of local government officials.

A community’s associational life influences participation in at least two ways. First,
associations help the community to elect honest and capable individuals for influential
executive positions in the project. Associations do so by producing leaders who become
candidates for these positions, as well as creating and disseminating information on those
leaders. Second, particular associations, such as a Pentecostal Church, serve to mobilize
mass community participation. The dissertation describes at length the specific
characteristics of associations that are necessary for these mechanisms to function.

Government officials play a crucial role in regulating community participation, to ensure
that the projects are completed successfully. The case studies highlight two main
regulatory strategies. In the preventive strategy, government officials seek to build the
capacity of the community to execute the project, by providing necessary information and
encouraging participation. In the reactive strategy, officials monitor the communities’
behavior and punish them when they violate the rules. Overall, while both strategies
serve their purpose, the preventive strategy is more effective because it takes advantage
of community participation, while the reactive strategy is limited by the difficulty that
officials face when seeking out violations of the rules and applying punishment
mechanisms.

Policy makers may use the analysis to target resources to cases of likely success, or to
improve local conditions for participatory development projects.

Thesis Supervisor: Richard M. Locke
Title: Alvin J. Siteman Professor of Entrepreneurship and Political Science
# Table of Contents

Acknowledgements........................................................................................................................................ 7

Chapter 1 - Introduction..................................................................................................................................... 8

**SUMMARY** ....................................................................................................................................................... 8

THE NICARAGUAN CASE: *the Social Fund and Projects Guided by the Community* ..................................................... 11

THE DEBATES............................................................................................................................................................ 16

MAIN HYPOTHESES AND ARGUMENTS ..................................................................................................................... 23

ALTERNATIVE HYPOTHESES........................................................................................................................................ 34

RESEARCH DESIGN.................................................................................................................................................. 39

OVERVIEW OF THE DISSERTATION........................................................................................................................... 46

Chapter 2 – The Details of Participation................................................................................................................... 51

**INTRODUCTION**................................................................................................................................................ 51

A SHORT HISTORY OF SOCIAL FUNDS......................................................................................................................... 52

THE EVOLUTION OF OBJECTIVES.............................................................................................................................. 55

HISTORY OF THE SOCIAL FUND NICARAGUA............................................................................................................... 58

THE PROJECTS GUIDED BY THE COMMUNITY............................................................................................................ 64

PARTICIPATORY INSTITUTIONS AND REPRESENTATIVE BODIES .................................................................................. 71

REGULATION OF PGCs – STREET LEVEL BUREAUCRATS............................................................................................ 75

CONCLUSION............................................................................................................................................................ 80

Chapter 3 - A Tale of Two Communities ................................................................................................................ 81

**INTRODUCTION:** .................................................................................................................................................. 81

THE MATCHED PAIR .................................................................................................................................................. 82

PGCs IN PRACTICE.................................................................................................................................................... 86

ASSOCIATIONS AND PARTICIPATION.......................................................................................................................... 97
Acknowledgements

I have to thank three sets of people who made this dissertation possible. First, the wonderful people of Nicaragua, who opened their arms to this gringo imperialist CIA operative. Over the course of the project, I met a number of Nicaraguans devoted to serving the people of Nicaragua. I came to respect and admire their dedication, which was also a great inspiration to me. While a number of individuals helped me in big and small ways, I am particularly indebted to Justiniano Monzón, Bernabé Martínez and Arq. Wilfredo Rodríguez. Each of them provided extensive support to this research. Desirée Elizondo of CABAL and Javier Meléndez of IEEPP both graciously extended logistical support to my research. Finally, my dear friends Camilo de Castro, Felix Maradiaga and Berta Valle (and family) housed me, fed me, and pointed me in the right direction whenever I was lost.

Next, I must thank the academic community of both MIT and friends from other institutions. Foremost is Professor Richard Locke, my advisor and mentor, who not only helped me throughout the convoluted PhD process, but also steered me along a course to define and develop my own intellectual identity. Professors Lily Tsai and Archon Fung, the other committee members, have provided valuable advice and guidance throughout my dissertation. My friends and colleagues Anat Binur, Hanna Breetz, and Nichole Argo as well as Dinsha Mistree and Guy Grossman also served as great sounding boards and very helpful critics, and provided much needed shots of confidence.

Most importantly, I would not be here – literally – without my family. My mother and father couldn’t stop the many falls I suffered during the PhD, but they were always there to brush me off and help me slowly get my feet planted again. My sisters and brother-in-law offered me helping hands and respite from the daily grind.

Finally, ik draag deze dissertatie op aan Oma.
Chapter 1 - Introduction

SUMMARY

Processes to include citizen and civil society participation have become increasingly common in developing countries. The Workers’ Party of Brazil instituted the world famous system of Participatory Budgeting, first in Porto Alegre, and later in many parts of the country. The Indonesian Government’s Kecamatan Development Program (KDP) provides block grants to communities so that they can design and execute development projects in a participatory manner, with investments of approximately $1 billion from 1998 through 2008. Donors now routinely advocate for participatory processes in development projects. The institution that arguably provides the most funding to these initiatives is the World Bank, which began to show interest in the 1990s in Community Driven Development (CDD) – the World Bank term for participatory processes. One estimate claims that the World Bank invested $2 billion in just 2003 on CDD projects.¹

Driving this enthusiasm is a set of ideas, and even assumptions, regarding both the way that participatory processes work, and the outcomes that can be expected. For instance, the World Bank paints a positive image of participation, claiming, “Experience demonstrates that by directly relying on poor people to drive development activities, CDD has the potential to make poverty reduction efforts more responsive to demands, more inclusive, more sustainable, and more cost-effective than traditional centrally led

programs.”2 In other words, CDD is supposed to allow the poor, or rather the “community” as a whole, to participate directly and effectively in development projects and programs, which will then lead to a variety of benefits.

Despite the enormous interest in citizen participation in development, and the billions of dollars spent on it, the concept is quite controversial. The empirical academic literature has increasingly come to the consensus that the enthusiasm for participation in development has run ahead of the evidence, and that greater analysis is needed regarding how it functions and what outcomes can be reasonably expected.3 Sensing the controversy, the authors of a prominent book on the topic even used the title Participation: the New Tyranny2. Critics often point to the numerous empirical cases in which only elite members of the community dominate the process, which leads to either a regressive distribution of resources or corruption.4

This dissertation seeks to explain these distinct images of citizen participation using the case of the Social Fund of Nicaragua. It shows that the two images of participation, one positive and one negative, can co-exist, even in development project governance in otherwise similar communities that are located next to each other. As such, the dissertation uses an approach that focuses on local socio-political factors, making two main arguments. First, the *associational life of each individual community will determine the quality of participatory project governance*. Recent academic literature has been mostly silent on how associations, or social capital in general, affect

---

4 Presented in the Elite Capture literature: Alderman, 2001; Galasso and Ravallion, 2001; Conning and Kevane, 2002; Platteau and Abraham, 2002; Platteau and Gaspart, 2003; Mansuri and Rao, 2004
participatory governance. The dissertation contends that, just as important as the vibrancy of the community’s associational life are its qualitative features, such as each association’s level of activity, membership requirements and the rotation of its leadership. The dissertation shows that these particular qualitative features of groups improve the processes in a variety of ways, such as preventing corruption and promoting participation.

The second argument in the dissertation is that the government’s particular regulatory strategy will influence the quality of participatory project governance. Given the potential for such undesirable outcomes as corruption, governments typically regulate these processes to ensure that they achieve their stated objective. However, the qualitative features of regulation, in the form of the regulatory strategy, can vary locally. The dissertation describes two such strategies, the first based on monitoring and punishing when rules are violated, and the second focused primarily on preventive measures and capacity building. The dissertation explores the advantages and disadvantages of each approach, asserting that, while conditions for the latter strategy are more stringent, it is more suitable for achieving the intended results of participatory processes.

The rest of this chapter provides empirical and theoretical background for this study, developing the arguments as to how local socio-political contexts determine the quality of participatory project governance. First, the chapter describes the Nicaraguan case, showing why the Nicaraguan Social Fund is an interesting and instructive case of participatory governance in development. Second, the chapter

---

5 One major exception is Baiocchi (2004), which is discussed later in the chapter.
6 This is the approach taken in Locke, 1995.
develops the main arguments of the dissertation, followed by an evaluation of the main alternative explanations. Third, it presents the methodology and research design, a series of systematically chosen case studies. Finally, the chapter outlines the dissertation and summarizes the main findings of the remaining chapters.

THE NICARAGUAN CASE: the Social Fund and Projects Guided by the Community

Nicaragua is the second poorest country in the western hemisphere, after Haiti, with a GDP per capita (PPP) of $2,800 in 2007. Poverty rates are extremely high, with 45.1% of the population living with less than a dollar a day, and 79.9% of the population with less than two dollars per day, statistics comparable with such countries as Ghana and Mozambique. Education levels and literacy are also extremely low in Nicaragua. Only 67.5% of the population over the age of 15 can read and write, one of the poorest rates in Latin America. Combined gross enrolment rate for primary, secondary and tertiary education for Nicaragua is 70.6%, barely higher than the worst ranked Latin American countries of El Salvador, Paraguay and Guatemala.

Founded in 1990, the Nicaraguan Social Fund, called the Emergency Social Investment Fund (FISE is the acronym in Spanish) has a mission to combat this poverty, and particularly promote social development. As the government’s primary vehicle for social investment, the Social Fund has financed the construction of over 10,000 basic infrastructure projects, such as schools, health centers and roads, in many of the nation’s poorest communities. The Social Fund primarily focuses on rural poverty, because rural

---

areas traditionally receive less attention from social programs and NGOs than urban areas. As in other countries, the Social Fund is a preferred government institution of donors, such as the Inter-American Development Bank, World Bank and KfW, who together provide the majority of financing.

In 2003, the Nicaraguan Social Fund began a set of projects that inverted its normal way of functioning. Under the conventional model that had dominated the Social Fund for over a decade, the Social Fund maintained a quite centralized structure. Decisions were made by top-level officials, in conjunction with donors, about which projects to execute; and because schools were a project of preference, the Social Fund became known popularly as “the school maker”. The execution phase was similarly centralized in that the Social Fund subcontracted construction of projects to large private companies, with the bidding taking place in their office in the capital.

However, under a program founded in 2003 called Projects Guided by the Community (PGCs), the Social Fund delegated many project responsibilities to communities. The new participatory model demanded, first, that communities decide which project will be selected, and second, that communities be put in charge of executing the project. This meant that the community, and not the government, would choose the project, as well as handle financial resources, purchase materials, and manage the project from day to day. Moreover, instead of the Social Fund, the local government would take on the responsibility to provide general oversight for the project to ensure that it is completed according to specifications. The model represented an effort to turn the

---

11 A German Donor.
Social Fund from a centralized, "top down" institution to a decentralized, participatory, "bottom up" one.

Today, this participatory form of governance is widespread in the country, with more than two thirds of Nicaragua's 153 municipalities having executed a PGC.\textsuperscript{12} Nicaragua has mainstreamed the PGCs into its Social Fund portfolio, as over 10\% of projects now take this form.\textsuperscript{13} It has completed or will soon complete more than 700 PGCs, while donors seek to increase the proportion of PGCs in the Social Fund portfolio during the coming years.\textsuperscript{14} Nicaragua was also the first country in Central America to execute a PGC, with a latrines project in 2003.

The experience with the PGCs has been mixed. Two communities, later described in the dissertation, exemplify the range of variation in both the PGCs' impact and their way of functioning. In one of them, the community mobilized its members and resources behind the project, leading to very efficient execution in which the school was constructed on time and approximately 10\% under budget. Local government officials later hailed the experience as a grand success. They claimed that the project did not just build a school in a poor community. It brought together the state with traditionally disenfranchised and isolated communities, and also showed poor citizens that they have the power to change their lives if they apply themselves.

In the other community, the PCG did not proceed so smoothly. Most individuals did not participate in the school construction project. Two community leaders were

\textsuperscript{12} Also unique is the fact that FISE works under a decentralized system, meaning that the vast majority of these projects give a prime role to the municipal government. This is further detailed in the next chapter.

\textsuperscript{13} FISE List of PGC Projects up to 2008; Interview with the Director, Office of Regulation, Research and Development, FISE, 2008.

\textsuperscript{14} FISE List of PGC Projects up to 2008; Interview with the Director, Office of Regulation, Research and Development, FISE, 2008.
involved in embezzling around 12% of the total budget. Upon discovering this scheme, the local government went through a long process of auditing, followed by legal threats for the leaders if the money was not returned. The school was completed only after this lengthy and painful process, but the experience led local government officials to become quite critical of these participatory projects. For instance, one official remarked cynically, “Campesinos\textsuperscript{15} are smart. They know how to take advantage of the situation.”\textsuperscript{16} In general, these officials concluded that, when the community is in charge, it requires quite a bit of support and monitoring, and even then things can go wrong.

As a result of situations such as this, even the hard-line proponents of the PGCs acknowledge that there have been cases of failure.\textsuperscript{17} However, one point still remains unclear: whether the frequency of less successful PGCs may be described as pervasive. If there were only a handful of cases such as the latter example, then, for many, they would be a relatively small concern, because they would represent a few deviant cases in a large national program. However, if they are actually quite common, then they threaten the reputation of the program and demand action from policy makers.

Unfortunately, no systematic impact evaluation has been made public on the PGCs.\textsuperscript{18} As a result, it is difficult to detail the distribution of success and failure cases, and of the frequency of instances of corruption. A sample of the PGCs suggests that the

---

\textsuperscript{15} 'Farmers' in Spanish.
\textsuperscript{16} Interview with municipal government officials, 2008.
\textsuperscript{17} For instance, in an interview with the Director, Office of Regulation, Research and Development, FISE, 2008., the person in the Social Fund who is in charge of the PGCs, stated “Yes, there have been a few bad apples, but that is true of any program.”
\textsuperscript{18} One was completed in 2007 but not made public. According to sources, the conclusions of the report do not at all conflict with the assertions made here.
embezzlement of project resources\textsuperscript{19} is pervasive. As part of this empirical study, I interviewed technicians in ten municipal governments regarding their experience with the PGCs. Together, these municipal governments executed 22 PGCs from 2003 to 2007. Municipal officials in four municipalities admitted that one PGC had fallen victim to some kind of local corruption,\textsuperscript{20} for a total of at least five cases, though in each case the municipal technician intervened in the process to ensure that the project would be finished. In other words, of the 22 PGCs in this sample, just under one out of every four of these projects experienced some kind of capture from a member of the community. These data, which may not even cover all cases of capture, support the idea that these are not just a few bad apples, but rather a substantial challenge to the concept of PGCs.

Also, the data suggest that an explanation for these participatory experiences must focus on local factors. Of the four municipalities in which capture occurred, three of them had projects in which capture did not occur. In other words, even at the local level, the incidence of capture varies. It may occur in one community and not the next. Appendix 1.1 describes these data in greater detail.

This naturally leads to the question, given the same institution, what explains these varying experiences with participatory governance? Why do some PGCs in Nicaragua seem to live up to the ideal image of community participation in development, including an honest execution of the project and widespread community participation, while others fall prey to embezzlement and exhibit little community involvement?

\textsuperscript{19} These municipalities were selected using different criteria, none of which was that they had experienced corruption in their PGCs.

\textsuperscript{20} Here, I considered the embezzlement of money or resources as capture. I did not focus on a regressive distribution of resources, which is a separate form of capture.
THE DEBATES

The focus of the dissertation is on participatory processes in development projects. While the definition of participation is a contentious topic, the definition used in the dissertation is that a participatory process is one in which “stakeholders influence and share control over development initiatives and the decisions and resources [that] affect them.” (World Bank, 1996: 3) Participation can be used in several phases of the project, including the decision making phase, the design phase, the execution phase, and the evaluation phase. While much of the literature on participation examines the decision making phase, in which the community decides which kind of project will be completed, the dissertation focuses on the execution phase, in which the community controls the project resources for the purpose of completing a project that they have selected. To distinguish the activities associated with the two phases, the dissertation will also refer to the execution phase as project governance, seeking to explain variation in the quality of participatory project governance. While the output of participation is different in these two cases, the lessons from one phase can be useful for other stages, as argued below.

Although participatory processes are a popular policy prescription for development, they have become quite controversial. An increasingly large number of empirical studies claim that the enthusiasm for participatory processes runs ahead of the evidence. Though a number of literature review pieces have been written on the topic, the following section serves to identify two commonly mentioned obstacles as forming the basis of the elite capture critique of participatory processes: low levels of

21 For a further discussion on participation in development, see Jennings, 2000.
22 Other commonly mentioned functions of participation are in monitoring and maintenance.
participation and inequality of power. This section analyzes these obstacles, as they form a main focus of the dissertation.

Proponents of participatory processes have argued that direct citizen participation will lead to a number of benefits. Three of the most widely mentioned benefits are that projects reflect local preferences (Tendler and Serrano, 1999), are pro-poor (Galasso and Ravallion, 2000), and are executed efficiently and cost-effectively (Dongier et al., 2002; Jimenez and Sawada, 1998). The first benefit stems from the fact that citizens directly participate in the selection of the project, meaning that the process is “demand driven”. Intuitively, if citizens, as opposed to the state, have the power to select projects, they will end up with projects that best match their preferences. The pro-poor results of participation work in a similar way. Citizen participation means that the poor have the opportunity to directly participate in the selection and design of projects. As a result, the outcomes should reflect the preferences of poor people.

A third commonly mentioned benefit of participation is an increased efficiency of execution, which is the project phase that forms the focus of the dissertation. This outcome is achieved via several mechanisms. First, citizens, who are the ultimate beneficiaries, are given the authority to oversee the process. If anyone, the actual users should want to see the project is quickly completed and well constructed, without any corruption. Second, the users have local information that can improve the project. They may be more familiar with the terrain and provide better guidance on where the project should be constructed, what time of year and using which materials. Moreover, given that the community is always present, they can generate the best information on the

24 Other beneficial outcomes discussed in this literature or art the creation of social capital, teaching democratic practices, empowering the poor, etc.
progress of the project, and especially whether corruption is taking place. Finally, by
including the community, the project can mobilize community resources, such as labor,
tools and materials, rather than bringing in these inputs from more costly outside sources.

However, numerous scholars have found cases where citizen participation had
little effect. For instance, Rao and Ibañez (1993) show evidence that CDD projects in
Jamaica did not reflect most citizens’ preferences, but even so, citizens were very pleased
with the projects. Olken (2007) argues that road projects in Indonesia had fewer cases of
corruption, not because of citizen input and bottom up accountability, but due to central
government oversight. When analyzing civil society participation in South Africa,
Baccaro and Papadakis (2005) assert that these processes can function as a means of co-
opting opposition; as a result, traditional mobilization strategies of opposing the state
may lead to better outcomes. Tendler and Serrano (1999), in their famous account of the
Brazilian Social Fund, argue that contractors and politicians interfere so much with the
project that citizen participation has no substantial effect.

Moreover, there is widespread concern that citizen participation could actually
have a detrimental effect, as “there is a serious risk that development efforts are hijacked
by unaccountable members of the elite.” (Platteau and Abraham, 2002: 106) At the most
abstract level, the elite capture literature makes two important arguments (Alderman,
2001; Galasso and Ravallion, 2001; Conning and Kevane, 2002; Platteau and Abraham,
2002; Platteau and Gaspart, 2003; Mansuri and Rao, 2004). First, participatory processes
rarely function in the way intended. Rather than all citizens collectively making
decisions, a select few individuals from the elite class tend to dominate the process in a
way that serves their immediate interests. Second, participatory processes often do not
lead to their intended outcomes, but rather to undesirable ones that these authors term “capture”. Though “capture” is not clearly defined, it tends to cover two particular results: participatory processes may lead to a regressive distribution of resources, in which the elite gain most or all of the resources in question; and also, participatory processes may fall victim to corruption where the elite steal resources from the program, which then puts the entire program in danger. Capture, especially in its corrupt form, clearly undermines the benefits described by proponents of participatory processes. For instance, it is unlikely that they will increase project efficiency if the local elite is stealing resources. Similarly, the processes can hardly be described as demand driven if they only respond to the preferences of very few individuals at the expense of the rest. As a result, critics contend that participatory processes do not lead to any of the beneficial outcomes mentioned previously, but rather to some of the very problems that the system was supposed to solve.

Two commonly mentioned obstacles to participatory processes - differential levels of participation and inequality of power - together form the basis of the elite capture critique, because, according to this literature, they allow the elite to take over the process. Recent literature on participatory governance recognizes that participation can

---

25 One serious problem with the definition is that these authors fail to distinguish between capture as the power of the elite, or the outcomes, which include corruption or a regressive distribution of resources. 26 The literature on elite capture also faces a number of limitations, some of which are elaborated later, but two are worth mentioning here. First, the term capture does not distinguish between corruption and a regressive outcome where the rules are respected. In other words, the literature does not tell us whether, on the one hand, the elite breaks the rules of the process and simply steals resources, representing an act of brazen corruption; or if the elite works within the rules of the process to capture resources that policy makers intended for the poor. Because it fails to distinguish between these two outcomes, the literature does not give policymakers the proper analytical tools to devise means of preventing the elite capture.
be quite costly and often represents a collective action problem. Using an “if you build it, they will come” approach, many proponents of participatory governance generally assume that, once given the opportunity, all citizens will join in these efforts. However, the empirical literature on participatory governance increasingly recognizes that participation may be quite low because sustained participation in these forums can be quite demanding for individuals in terms of time and resources. For example, Jane Mansbridge, in her influential work on participatory governance entitled *Beyond Adversary Democracy*, describes a number of factors that make participation quite demanding. One is a simple opportunity cost.

When I asked other townspeople why so few voters go to town meeting, by far the most frequent explanation they volunteered was that people had to be at work. “It’s without pay, so I’ve never taken it. I can’t see losing a day’s pay, not when you have children to feed.” (Mansbridge, 1980: 108)

Also, in her cases, unexpected costs were inflicted on people. For instance, local schools were closed for days on which town hall meetings were held. As a result, women with small children had to hire a babysitter so that they could go to the meeting. Mansbridge also describes psychological costs that are relatively greater for the poor.27

---

Next, while it makes the important observation that the community does not act like a single unit, this literature provides only one way to divide the community, namely by elite and non-elite. However, social science taught us long ago that society could be divided into a number of analytical units. One other approach that is often used in political science is to focus on associations, which are normally defined by a mutual interest. This unit of analysis forms the basis for the next two chapters.

27 “… Psychic costs of participation are greater and the benefits fewer for lower status citizens. In contacting town officials, for instance, they feel more defensive before hand and are less likely to get results afterward. In speaking at meetings, they feel more subject to ridicule … and are less likely to convince anyone. Each active participation not only costs them more but also usually produces less.” (Mansbridge, 1980: 109)
All of these costs associated with participation serve as a barrier to widespread involvement of citizens.\textsuperscript{28} The poor, in particular, find attending meetings quite demanding, because time spent away from work may translate into not having enough food on the table, amongst other costs. However, if the poor don’t end up participating, they cannot use the decision-making power that proponents of participatory governance argue should lead to a number of benefits, such as pro-poor outcomes. If this is the case, it clearly endangers the intended results from implementing these processes. The elite capture literature, recognizing that only a chosen few individuals may end up participating, often from the elite class, argues that these inherent costs to participatory processes will lead to capture.

However, recognizing that participation is costly clearly brings up the question, under what conditions does broad participation occur, particularly amongst the poor? This type of question is an old one in political science. In what is traditionally described as “the paradox of voting”\textsuperscript{29}, political scientists seek to explain why people bother to vote when, according to rational choice theory, they face costs and have no immediate incentive to do so. The costs associated with participation in participatory governance are even greater than those of casting a simple vote, because these processes, at the least, require members to attend a number of long meetings, while they often provide few immediate incentives. This “paradox of participation” will be an important theme in the dissertation.

\textsuperscript{28} As will be described later, participation for public goods can be very different from participation for private goods, because participation for the latter will determine whether the individual receives those goods, and thus there is no collective action problem.

\textsuperscript{29} As presented in Downs, 1957.
A second common obstacle that features prominently in the literature on elite capture is the inequality of power. The form of inequality within a participatory process can take a number of forms. The simplest is a distribution of income. (Galasso and Ravallion, 2001) Wealth not only gives individuals the financial freedom to participate, but can also serve as a proxy for other sources of elite power. For instance, individuals who are wealthy also tend to be well educated, and thus are able to deliberate more effectively, and have greater qualifications for leadership roles that entail such tasks as reading and composing documents, or preparing budgets (Sanders, 1997). The elite have sources of power outside of the process, such as providing employment for members of the village, or controlling access to essential resources like water, which would discourage the non-elite from challenging their interests. Furthermore, the elite often maintains close contact with outside actors who are running a participatory process, such as donors or NGOs (Mosse, 2001; Tendler and Serrano, 1999). Jointly, these outside actors and the elite are able to veer the process to the pursuit of their own private goals. The elite capture literature holds that this inequality of power allows the elite to control the process, no matter what the intended goals of the process or the actions of the majority of citizens. As a result, the elite will capture the project resources for their own benefit.

However, the literature assumes that the elite interest diverges from the rest of the community, and that the elite is willing to pursue that interest at the expense of the rest of the community. In contrast, some scholars have found cases where elite domination of participatory processes has not led to corruption or regressive outcomes:

Even in the most egalitarian societies, however, community involvement in choosing, constructing, and managing a public good will almost always be dominated by elites, who tend to be better educated, have fewer opportunity costs on their time, and therefore have the greatest net benefit from participation. It is
not clear, however, is this always represents “capture,” in the sense of elites appropriating all the benefits from the public good. It may be useful to distinguish between extreme forms of capture, such as outright theft and corruption, and what might be called “benevolent capture.” (Mansuri and Rao, 2004: 55)

From the elite capture literature, it is clear that such elite dominance is fairly frequent, but not all participatory processes are mired by regressive outcomes or corruption. Identifying the conditions that reduce the likelihood of capture, and corruption in particular, will be another main theme of the dissertation.

MAIN HYPOTHESES AND ARGUMENTS

1. Associations

This dissertation argues that associations powerfully influence the quality of participatory project governance. It elaborates two distinct mechanisms through which this occurs, which signifies that associations influence participatory processes in a variety of ways, and not a uniform manner. The mechanisms at work crucially depend on the qualitative features of the associations, i.e. their particular characteristics.

The first is a selection mechanism in which associations help the public choose capable and honest leaders to guide the process. As mentioned previously, many participatory institutions place the bulk of power and responsibilities into the hands of just a few leaders in an executive committee; as a result, the quality of the leaders has an enormous influence on the outcomes of the process. One of the most common means of selecting these leaders is a simple popular vote, in which candidates are presented to community members and whoever gets the most votes wins.

---

30 A larger literature in political science discusses the importance of a selection mechanism for elected representatives. It includes Mansbridge (2008), Miller and Stokes (1963) and Kingdon (1973).
However, not all elections will produce the same result; rather, some communities will vote for quality leaders, while others will not. The difference in electoral outcomes can be found in the associational life of the communities. The mechanism by which associations lead to quality leaders has two parts. First, associations may produce recognized leaders who later become candidates for an executive committee. The more vibrant the associational life of the community, the more leaders it will have, because almost every association has some kind of executive at the helm. A church has its pastor. A school board has its President. While it is possible that the same person will lead each of these associations, certain qualitative features help to make that unlikely. A single individual has limited time to devote to leadership positions in associations that are active and keep their leaders busy, allowing more than one individual to hold an executive position. Some organizations require a rotation of leaders, usually after several years of service, so a number of individuals will hold senior positions. Certain organizations represent only a portion of the community, at times individuals not amongst the elite. For instance, a cooperative of small coffee producers will not allow any members of the elite to join, because they are large producers. Finally, some communities have mutually exclusive organizations, such as religious organizations or women’s organizations. In general, a community with more organizations with these characteristics should have more leaders to present themselves as candidates.

In the second part of the mechanism, associations produce information about these leaders, in three main ways. The first type of information comes from the association’s activities that are witnessed by the larger public. If a group has a number of activities and programs to benefit its members, or constructs something symbolic like a
new building, then outsiders will assume that the leadership is very capable. Associations that are very active will best create this information, though visible results, such as a renovated church or a school lunch program, will enhance the transmission of this information. The second type of information is produced when members can see their leaders’ management capabilities from the inside. Associations will delegate certain functions to leaders, and members will be able to assess leaders by just how well they complete these functions. An association that places more responsibility on these individuals will better produce information in this way, and transmit this information if the association has a large involved membership. The final type of information derives from exclusive associations in which being a member, and especially a leader, implies something about the individual. For example, if a person rises to be a pastor of an Evangelical Church, people will assume that person is moral and honest. The public might presuppose that members of a rotating credit association would be responsible individuals. Associations with these stringent membership requirements will produce this information.

In sum, communities with a vibrant associational life, and particularly with the above qualitative features, should produce more candidates and more information on those candidates. Elections in communities with these associations would then yield higher quality individuals – i.e. more honest, responsible and capable – in the leadership positions of the participatory process. These individuals can drive the process towards successful outcomes, such as timely, cost effective projects with no embezzlement or corruption.
The other mechanism by which associations affect participatory project governance is quite different. As mentioned, participatory processes often face great difficulty in achieving and sustaining a high level of participation, which can require a large investment of time and resources. To explain high levels of costly participation, the dissertation points to groups, such as a Pentecostal church, whose features allow them to mobilize their members. This kind of group emphasizes an ideology of participation, exhorting members to sacrifice for the good of the whole. The ideology strongly influences the value that members of the group places on the process, quite apart from the project’s immediate benefits and costs. For instance, the group may frame the process so that each individual will think, “If I am a good Christian, I will participate.” A second feature of these groups is that they fall under the category of solidarity groups, as outlined by Hechter (1987). As he argues, solidarity groups are able to make great demands on members if 1. Members are dependent on the group for certain benefits, and 2. The group is able to monitor whether individuals are meeting their group obligations, and punish those who do not. When groups exhibit these kinds of characteristics they have the ability to mobilize their members into costly forms of participation.

However, this does not mean that these groups will join in every community effort. Crucial here is that the group sees an overall interest in using these powers of mobilization. This interest might be financial, such as winning direct access to resources. A group might also participate in order to gain prestige; for example, the group may receive great recognition for raising money for a much needed infrastructure project. As such, the mobilizing group may use the participatory process primarily to benefit the
group, possibly representing a form of capture. However, capture may be desirable in this situation because it prompts the group to use its power of mobilization.

The arguments in the dissertation differ with the dominant social capital approach to participation. Putnam (1993) would predict that communities with a healthy stock of social capital will yield better results from participatory processes, due primarily to their ability to act collectively. As Putnam argues, social capital is made up of trust, norms of reciprocity and networks of civic engagement. In short, Putnam asserts that societies that have developed these three elements of social capital are able to ensure collective action, leading to both good government and economic development.

Putnam's description of social capital suggests that associational life has two characteristics. First, the associational life of a given place is generally uniform in its composition and effects, meaning that places that are equally civic will have social capital that functions in more or less the same way, producing collective action that then fosters good governance and economic development. Second, social capital tends to be a characteristic of people in large geographic areas, either regions or nations, and not of people in individual communities or towns.

In the context of participatory governance, Baiocchi (2005) disagrees with the second point, but seems to agree with the first. In contrast to Putnam, he argues that neighborhoods in the same city can have very different levels of civic activity, as exhibited by the neighborhoods of Porto Alegre. Baiocchi overlaps with Putnam in terms of seeing the potential of associations to influence participatory processes as more or less

---

31 Granted, Putnam (1993, 2000) distinguishes two other ways of dividing social capital: bridging and bonding, and vertical and horizontal. Bonding social capital is discussed later in the chapter.
uniform, rather than varying according to the particular qualitative features of the
groups. During the process of participatory budgeting in Brazil, he argues that
associations “played a crucial role in coordinating demands, protecting smaller
neighborhoods, and ‘working behind the scenes’ to prevent conflicts. As a City Hall
employee put it, ‘[T]hey... run everything; you show up and they have already scheduled
all the municipal departments, dates, and meetings.’” (Baiocchi, 2005: 87)

However, as argued by Locke (1995), not just the number of associations, but also
the qualitative features of associations can have a huge impact on political and economic
behavior. These particular characteristics include the level and type of activities, the size
of and requirements for membership, the kind of election for the group’s leadership, the
relations with other groups and the overall goals and benefits for members. These
characteristics might differ from association to association, and from community to
community. The dissertation echoes this micro sociopolitical approach, showing that the
associational life can vary widely even between communities that are right next to each
other. Also, it shows that a closer look at the way associations influence participatory
processes will prove that the particular characteristics of associations will determine their
impacts.

32 In Baiocchi’s analysis, civil society only fails to do so when it uses its power to undermine the process. The only factor that distinguishes these two scenarios is the interest of the association, not their characteristics. In Baiocchi’s case, a network of associations were aligned with the party in opposition to the Workers Party, leading them to challenge the government and its intentions in the participatory budgeting.

33 Many of these associational characteristics are mentioned in Cohen and Rogers (1995).
2. Regulation of Participation

The dissertation’s second main argument is that government interventions, in particular what I term the ‘regulation of participation’, have distinct influences on participatory project governance. Because of common obstacles to participation, and especially corruption, the government will seek to regulate the process to ensure that it is completed satisfactorily. The cases presented suggest that regulators take at least two separate regulatory strategies. The first strategy, labeled ‘reactive’, depends heavily on accountability mechanisms, where regulators visit the projects and seek out mistakes or embezzlement once they already been committed. Once those are detected, the regulator will dictate to the community to fix it, or face punishment, such as legal penalties. The dissertation asserts that, given regulation of this type, community-level factors take on increased significance, because regulators do not work to prevent problems, but rather punish the community once they occur. The associational life of the village then becomes one of the most important factors in determining the success of participatory processes. The second strategy, labeled ‘preventive’, emphasizes capacity and prevention. In this case, regulators will spend time educating the community and telling them not just what to do, but how to do it. This implies that non-technical aspects of the project, such as broad citizen participation and day-to-day administration, will be

34 These regulators exhibit characteristics of street level bureaucrats from Lipsky (1980), as described in Chapter 2.

35 A number of academic works discuss different regulatory strategies, including Kagan and Scholz (1984), Ayres and Braithwaite (1992), Kelman (1984). Perhaps the most relevant is Kelman’s discussion of the Swedish and American regulatory models. In Sweden, regulators visit the same site frequently, developing a relationship with the business, and making suggestions about how to improve standards. They rely heavily on informal rules, and only very rarely utilize a punishment mechanism. In the United States, regulators remain distant from businesses, rely almost exclusively on formal rules, and constantly subject businesses to fines and other forms of punishment.
emphasized much more. The broad citizen participation has the added benefit of improving the transparency of the process. However, community level factors become less important due to the enhanced role of the regulator in day-to-day activities.

The dissertation asserts that regulatory strategies may vary from one regulator to the next within the same institution. The Social Fund presents these regulators with the same rules, guidelines, incentives and institutional goals, though in a decentralized structure. Local governments are responsible for overseeing the PGCs, and not a central bureaucracy. As recognized in the literature on decentralization (Grindle, 2007; Rodden, 2006; Crook and Manor, 1998), decentralizing central government functions often means that local factors, which are discussed below, take on increased prominence in how these functions are applied.36

Moreover, while both regulatory strategies can ultimately succeed in ensuring that the project is finished, the preventive strategy is better at curbing corruption and other errors, and therefore translates into overall better project performance and an improved reputation for the program. The reactive model of regulation appears to be less demanding in terms of time, because the focus of regulation is much more narrow, and the regulators do not have to spend much time providing capacity building and directing community members. However, a large portion of their time is later invested in remediation once corruption or serious errors are found. Remediation can be costly, because information on the infraction has to be gathered, all parties must meet, and the solution must be found. Punishment mechanisms are particularly difficult to implement, because they focus primarily on prosecution in the courts, an exceedingly slow and

36 Other literature, such as Bardhan and Mokherjee (2006), argue that decentralization actually allows the center to better control local governments.
difficult process to implement, while the legal basis is fuzzy because the community is volunteering for the project.

Finally, while the cases in this dissertation suggest that the preventive approach to regulation is more effective in the end, certain stringent local conditions are necessary for the state to be able to use this strategy. In order for either strategy to work, regulators must be both honest and capable. Rampant corruption undermines any government function. If regulators go around trying to take advantage of these projects, stealing at any opportunity, and shirking their responsibilities, the projects’ execution will be jeopardized. Though cynics often claim that practically all governments in developing countries are corrupt and incompetent (Kreuger, 1974; Boycko et al., 1995), a more reasonable position, and the one taken by this dissertation, is that a number of government officials are well trained and honestly work for the public good.

Even in this case, the dissertation argues, these government officials will sometimes face relatively greater difficulties in following through with the preventive regulatory strategy. A number of challenges are outlined in the following chapters, but the main one is that experience is needed to effectively utilize the preventive approach, which is used quite rarely. Witnessing mistakes in other communities helps in foreseeing the kinds of problems that are likely to come up, so that regulators can educate against them and monitor that the solutions are implemented early on. Exactly how much oversight and support is necessary forms another important piece of knowledge. If regulators have little experience with participation, they will tend to assume that a community requires a similar amount of time and attention as a private contractor. Regulators might over commit themselves to several projects at the same time, leaving
them unable to provide the necessary attention to all projects when the need arises.

Experience also translates into informal rules and practices that guide participatory processes. Project manuals lay out the exact responsibilities and tasks to be carried out in the process. However, as street level bureaucrats, the regulators normally pick and choose which rules to follow, particularly regarding participation, and must also determine what to do if the rules are not clear, both of which are abilities that experience helps to advance.

To allow regulators to develop a base of experience, the political context must facilitate continuity amongst local officials. When political administrations change, and especially in local government, a huge turnover ensues in which most officials are replaced. While this is particularly true for places in which the government changes party hands, it is sometimes true within the same party. New mayors may want to reward their supporters with the relatively well-paid government jobs. The new mayors might also want to put in people they believe to be more capable and trustworthy. Whichever it is, widespread turnover translates into a potential loss of personnel who have extensive experience, at times with participatory processes.

The arguments on the regulation of participation both build on and differ from the ideas presented by Fung (2004). Similar to the dissertation, Fung contends that the state can play a set of dynamic roles to improve participatory processes. First, the state should provide general support, primarily in terms of providing education and ensuring participation. The second role for the state is accountability. In order to make certain that the process achieves the larger goals of improved services and democratic outcomes,
the state should maintain a set of standards regarding both the participatory procedure and overall results, monitoring participants and punishing when those standards are violated.

While agreeing that the state can play a variety of roles to ensure that the participatory process is completed successfully, the dissertation disagrees with Fung’s work on two fronts. First, Fung’s work may suggest that all governments will be able to play these dual roles. However, even Fung admits that these roles are quite demanding of the government on several fronts. On the one hand, they entail large investments of resources in order to play each of the above roles. Also, as mentioned, the dynamic state roles require skills and knowledge that must be developed over time. For instance, educators must update their approach to what works on the ground, adding those techniques, rules or information that would improve outcomes, and weeding out those that are useless or ineffective. It would be difficult to develop a “how to” manual ex ante that concisely states everything participants need to know. Rather, these situations are complex and dynamic, so that educators accumulate knowledge through a process of trial and error, which can then be shared in subsequent trainings.

Second, the dissertation argues that the government will take on diverse regulatory strategies, especially in the context of decentralization. Fung’s work suggests that all governments will choose similar regulatory strategies. However, as argued, these

37 Fung describes multimillion-dollar budgets devoted to different aspects of the project. For instance, in order to mobilize residents, the city spent $4.8 million over a period of three years on media so that citizens would be aware of the opportunity to participate in community policing efforts. (Fung, 2004: 75) The city also spent $2.9 million over 19 months so that a local organization would provide residents and police officers the necessary information and skills to participate in the community policing efforts. (Fung, 2004: 73)
strategies are not at all uniform, but rather vary depending on local factors such as regulators’ experience.

ALTERNATIVE HYPOTHESES

1. Institutional Rules/ Output of Participation

A commonly mentioned hypothesis to explain participatory experiences, and particularly corruption and participation, concerns institutional rules and the output of participation. Institutional rules are the “rules of the game”, i.e. the formal regulations, normally laid out in writing, that dictate how the participatory process is to proceed. Pateman (1970) emphasizes the importance of rules in achieving the benefits of participation. A fully participatory process is one in which “each individual member of the decision-making body has equal power to determine the outcome of decisions”. (Pateman, 1970: 71) In the context of participatory budgeting in Brazil, Wampler and Avritzer (2004) argued that, if the process does not provide citizens with substantive power over the budget, then participation would decline rapidly as citizens realize that their investment of time does not yield comparable benefits. Others observe that more detailed rules, such as who can attend, or even what time of day meetings are held, will determine the dynamics and the outcomes of the process.

Likewise, the practical output of participation can affect the participatory experience. As mentioned previously, participatory processes have been applied to a huge variety of contexts, from deciding on municipal budgets to local development projects. Intuitively, one can expect that the goal of the participation will determine how it functions. For example, as argued by Khwaja (2004), if participation is supposed to yield skilled advice to a project, then the results will fall short of expectations, as participants
do not have the education to successfully complete their role. Likewise, participation regarding the distribution of private goods can produce very different results than participation in the selection of public goods. When choosing the distribution of private goods, joining the process will often determine whether an individual receives that good or not; as such, individuals will have a personal incentive to participate. On the other hand, participation in the selection of public goods can face a collective action problem, as the citizens will receive the public good whether they participate or not.

While institutional rules and the output of participation may be important, they cannot explain local variation, such as is found in the Social Fund of Nicaragua. A number of authors argue that, the dynamics of the process and the outcomes will vary widely according to local context. For instance, Barron et al. (2007) argue “the degree to which [certain] effects occur is likely to be a function, in part, of the existing context in which the program is operating, and of the ways in which the program is functioning.” (Barron et al., 2007: 10) Baiocchi (2004) makes this point, contending, “...whether participatory sites involve certain downsides or patterns of communication may have as much to do with the surrounding civil society as with the institutional participatory rules.” (Baiocchi, 2004: 147) The data in his research confirm these ideas, showing that, even when institutional factors are held constant, the results of the participatory process can still vary widely, in both the ways of functioning and the outcomes of the processes are vary widely. For instance, in the three neighborhoods of Porto Alegre that form the

38 Focusing on the KDP program in Indonesia, these authors study a series of cases, each with the same participatory institutions, but with different outcomes in terms of conflict and conflict management capacity. The authors point to context specific factors, such as elite involvement, the quality of local governance and interference from politicians, as determining whether the program will yield a positive impact on conflict.
focus of Baiocchi’s well-known study of participatory budgeting in Porto Alegre, the neighborhood of Partenon proved to function smoothly and successfully, with widespread participation and efficient completion of the process. In contrast, the neighborhood of Norte experienced a number of difficulties in the process, with many delays and conflicts; for instance, Baiocchi notes “deliberation was often rife with mistrust and accusations…” (Baiocchi, 2004: 89)

In sum, although the institutional rules and output of participation are important, they cannot account for all of the variation found in participatory programs. As this dissertation and other empirical research shows, even when institutional variables are held constant, enormous variation in both the outcomes and the dynamics of the process can be found. The dissertation focuses on the particular contextual factors that explain this variation.

2. Socio-Economic Characteristics

The discussion of inequality of power and participation describes socio-economic factors as crucial for bringing about successful outcomes to participatory processes. Similar to modernization theory, this view holds that a certain level of income and education is needed in order for a participatory process to function properly, meaning that the citizens’ participation in the process is present and effective. Regarding education, the argument is that effective participation requires certain literacy and analytic skills, as well as the ability to formulate and express one’s ideas clearly (Sanders, 1997). This idea can be interpreted to broadly predict that communities with a higher average education level would be most successful; meanwhile, participatory processes would flounder in places
with a lower average education level. On the other hand, other literature (Mansbridge, 1980) argues that individuals may require a certain general level of income to be able to participate in the process. This might be due to the time costs of participation, as well as the oppressiveness that poverty represents. The wealthy have more leisure time to engage in the participatory processes, while the poor must focus on just putting food on their plates. As with education, this idea implies that impoverished communities would be unable to execute participatory processes successfully.

As mentioned, inequality of income and education is another key explanatory variable, especially for elite capture. The elite capture literature suggests that increasing levels of inequality should account for variation in the incidence of corruption and of the regressive distribution of project benefits (Platteau and Gaspart, 2003; Araujo et al., 2006; Galasso and Ravallion, 2005). According to this logic, as inequality increases, so does this level of power relative to the poor, which gives them the ability to capture project benefits.

While this set of hypotheses represents a potential explanation for local variation, it faces both theoretical and empirical limitations. Theoretically, it might be true that these factors indeed form obstacles to a fully functioning participatory process, but they are not insurmountable. If dominance of a select few individuals is a problem, facilitators can veer the process to include the views of the poor and less educated. If skills are needed, then training can be provided to participants. If the poor face a very high opportunity cost, then incentives can be structured to encourage participation, whether
financial or social. Inequality and the lack of education and income may prove to be challenging, but they do not need to condemn all participatory processes to failure.39

Conceptually, this hypothesis faces difficulty because it says little regarding the level of income, education or equality that will ensure that the process does not fall victim to these obstacles. For instance, one common explanation for elite capture is the level of income inequality. This view does not explain how wealthy the elite must be relative to the poor to allow them to control the process.40

Similarly, even though low levels of income and education, as well as inequality, are pervasive in the developing world, many of best known cases of participatory governance come from impoverished communities and neighborhoods. The most famous municipal level participatory process is participatory budgeting from Brazil, the country with the highest level of inequality in the world, with the process taking place in a number of poor neighborhoods. Also, Social Funds, which are present in many of the world’s poorest countries, have incorporated citizen participation. Impact evaluations for these programs, though not uniformly optimistic, have shown many signs of success.41

As a result, the socioeconomic factors cannot explain all of the varying participatory experiences.

39 Moreover, the focus on income applies a rational choice, financial incentive-based model to participation that has clearly failed to explain the “paradox of voting”. Rather, a focus on non-financial incentives would seem to be more applicable in this case.
40 The empirical literature on this particular hypothesis faces a serious challenge of measurement. Corruption is very difficult to detect. The distributional effects of a project are similarly challenging to measure, as is income at the local level. Two quantitative studies that test this hypothesis indeed find that inequality has an effect on outcomes relative to less equal communities. What that effect is remains unclear. Araujo et al. (2006) present evidence that inequality means that the projects selected will reflect the high income are some individuals in the community; however, this is not quite evidence of capture, but rather the fact that the elite has some influence over outcomes. Galasso and Ravallion (2005) analyze quantitative data that suggest that communities with a greater inequality of land distribution will be less capable of targeting resources to the poor. While both empirical findings are important, it remains debatable whether they can be interpreted as evidence of elite capture, as defined above.
41 For instance, Rawlings et al. (2001) argue that Social Funds generally yield positive outcomes.
RESEARCH DESIGN

**Methodology**

This dissertation utilizes a qualitative methodology to develop explanations for the quality of participatory project governance. The qualitative methodology has several advantages. First, it details the mechanisms that connect the independent and dependent variable. Indeed, one of the main contributions of this dissertation is tracing exactly how government and associational life can influence the outcomes of participatory processes. Specifying how these mechanisms work allows the dissertation to engage with a range of literatures on such topics as social capital, regulation and even religious studies.

Next, and related to this point, is that the qualitative methodology captures features of the independent variables that are difficult to measure using quantitative techniques. For example, the power of associations to mobilize members forms a crucial part of the mechanisms, as does the set of incentives available to leaders to mobilize. The qualitative features therefore provide a series of conditions under which the mechanisms work. These types of features determine whether associations influence outcomes, the exact mechanisms by which they do so, and the level of generalizability.

Finally, while the dissertation is not at all an impact evaluation, the methodology utilized stems from one of the critiques of the mainstream quantitative approaches to impact evaluation, which generally fail to account for local variation. As Barron et al. (2007) argue, “assessing the efficacy of social development projects is difficult because a defining feature of many such projects is the non-standardized ways in which they seek to adapt to idiosyncratic local circumstances…” (Barron et al., 2007: 12). In other words, the treatment is applied differently and its effect is highly sensitive to local context. This
confounds impact evaluation, because it is very difficult to determine exactly what the treatment is, while the treatment effect is highly contingent on where it takes place. Qualitative studies such as this dissertation seek to understand exactly how and why context matters, and as such, how and why participatory programs are applied differently.

*The Case: Projects Guided by the Community (PGCs) in the Social Fund of Nicaragua*

Social Funds arguably represent the world’s largest attempt to incorporate ideas of participation into development planning. They are national government institutions that have been or are present in over 60 countries and channel billions of dollars of investment to some of the world’s poorest communities. Amongst the Social Fund projects, Projects Guided by the Community signify one of the Social Fund’s most decentralized and participatory forms of project management. Whereas most projects utilize participation only in the decision making phase, where the community decides which project to implement amongst a menu of options, PGCs place the responsibility for execution on the community. The next chapter further outlines the history of Social Funds and the way in which the PGCs function.

Nicaragua is one of a number of countries that has mainstreamed PGCs, along with India, Malawi, Indonesia and others. What makes Nicaragua unique amongst these is the fact that PGCs are widespread in the country, with more than two thirds of Nicaragua’s 153 municipalities having executed one. Nicaragua has mainstreamed the PGCs into its Social Fund portfolio, with over 10% of projects now taking this form. It has completed or will soon complete more than 700 PGCs, while donors seek to increase

---

42 FISE List of PGC Projects up to 2008; Interview with Director, Office of Regulation, Research and Development, FISE, 2008.
the proportion of PGCs in the Social Fund portfolio during the coming years. Also unique is the fact that FISE works under a decentralized system, meaning that the vast majority of these projects give a prime oversight role to the municipal government, which is explained in the next chapter. Nicaragua is arguably the only country in the world that has scaled up this decentralized system to the national level, which arguably means that they represent the most participatory version of participatory projects. While the decentralized system may be unique and make some conclusions less generalizable, they do provide a number of interesting lessons due to the variety of experiences amongst local governments. Finally, Nicaragua was the first country in Central America to execute a PGC, with a latrines project in 2003.

Another reason to choose Nicaragua is that it represents an unlikely case to find successful participatory processes, according to hypotheses of socio-economic status and governance. As mentioned, Nicaragua scores very low on many aggregate statistics, relative to other Latin American countries, not to mention the world. Nicaragua is the second poorest country in the western hemisphere, with extremely high poverty rates. Education levels and literacy are also extremely low in Nicaragua, amongst the worst in

--

43 Interview with Director, Office of Regulation, Research and Development, FISE, 2008.
44 There are two reasons why this large number of projects is important. First, the PGC has moved beyond being a pilot project. Pilots are notorious because they fall victim to the “boutique” effect, in which a project is successful simply because it is a pilot project. A pilot tends to receive greater attention, which means that those executing it know that they are being watched very closely and perform better as a result. Also, because of the attention, institutions provide more support in order to impress the interested parties, especially donors and higher-level government officials. By having been mainstreamed, the PGCs in Nicaragua will not fall prey to this effect.
At the same time, a large number of projects, and particularly a concentration of projects in a given area, means there is a greater likelihood that matching cases can be found. If one community had built a school and the other had built latrines, this difference in project type may account for differing project outcomes. I have been able to compare municipalities and communities that were geographically close and very similar on a number of characteristics. This allowed me to control for such potential variables as socio-economic characteristics, government oversight and others.
45 Discussions with Rodrigo Serrano, 2008, an expert on social funds.
Latin America. Finally, though Nicaragua is not amongst the most unequal countries in Latin America, it still rates fairly high on a global scale. The UNDP HDI index shows that Nicaragua has a Gini Coefficient of 43.1\(^{46}\), which ranks it as the 46\(^{th}\) most unequal country in the world (out of a total of 126 for which data is available).\(^{47}\)

Meanwhile, governance indicators for Nicaragua are amongst the lowest in Latin America. In 2008, the Transparency International Corruption Perception Index rated Nicaragua as the fourth most corrupt country in Latin America, with only Paraguay, Ecuador and Venezuela scoring lower.\(^{48}\) The World Bank governance indicators tell a similar story. Of the six measures, the most relevant are government effectiveness, the rule of law and political corruption.\(^{49,50}\) Nicaragua is one of four Latin American countries to score below the 25\(^{th}\) percentile in each of those areas worldwide, the others being again Paraguay, Venezuela and Ecuador. These indicators suggest that Nicaragua does not have a government that is transparent, honest and effective.

The Design

The dissertation executes a series of systematically selected case studies to control for the conventional variables and explore in depth some of the more nuanced and under-explored variables. At the beginning of this research in June 2007, I was provided with a list of 50 PGCs that had been completed, which is presented in Appendix 1.3. In order to control for as many variables as possible, I sought out at least two communities in the

\(^{46}\) Note that the Nicaraguan data is from 2001.
\(^{50}\) The other three are 1. voice and accountability, 2. political stability and 3. regulations to promote private sector activity.
same municipality for a matched pair study, with comparable socioeconomic characteristics and having executed the same project. Such an approach would control for at least the first few alternate hypotheses (socioeconomic level, socioeconomic inequality, institutional rules and output of participation). In this list, only five municipalities had executed the same type of project two or more times. I preferred to focus on the construction of primary schools, because these are by far the most common projects of the Social Fund, which eliminated three municipalities. I then selected the municipality with the most primary school projects, Jinotega, in which I found two communities with extremely similar characteristics. These two communities are the focus of Chapter 3.

Diagram 1.1  Matched Pair Cases and Best Case

\[ \text{Diagram 1.1 Matched Pair Cases and Best Case} \]

\[ \text{Jinotega} \quad \text{Santo Tomás} \]

\[ \uparrow \quad \uparrow \quad \uparrow \]

\[ \uparrow = 1 \text{ PGC; Circles Represent a Municipality} \]

Chapter 4 presents a case study of one PGC in a separate municipality, Santo Tomás. It was chosen for two reasons. First, the community and project characteristics matched well to those in the above matched pair, except for being in a separate
municipality. As presented in Appendix 1.4, it was one of only seven projects in this list with exactly the same characteristics, a two-room primary school construction project. Chapter 4 also shows that the community’s socioeconomic characteristics are extremely similar. Second, the community represents a best case comparison, having maintained the greatest level of success, which was measured by project savings, the least delays, and the impressions of the municipal technician regarding citizen participation and the PGC overall.

Diagram 1.2 Municipal Level Comparative Cases

Chapter 5 presents comparative cases of two municipalities, Estelí and Jinotega, presented in Diagram 1.2. Both municipalities had executed four PGCs at the time of the research, and share a number of similar characteristics, being capital cities for their department and located almost right next to each other. Despite being quite similar, and located practically right next to each other, their experiences with PGCs were distinct. Estelí consistently maintained successful outcomes, with projects completed on time, under budget and without corruption; meanwhile, Jinotega’s results were quite varied, as
the first two cases in Chapter 3 show. Chapter 5 focuses on the importance of the municipal governments in each municipality, and the forms of municipal government regulation in particular.

Though a larger sample would be desirable to test for generalizability, the dissertation tries to address the issue in a variety of ways. Every chapter discusses both the mechanisms and the conditions that make the explanations pertinent in the particular context. This helps to determine their predictive value, and provides guidelines for further research, which can seek to determine the usefulness of the hypotheses. Finally, the concluding chapter specifically explores just whether the ideas are applicable in the widely varying contexts in which participatory processes are found.

To complete this qualitative research, I was based in Nicaragua from June 2007 through August 2008. During that time, I conducted over 150 interviews all over Nicaragua, generally following a series of semi-structured questionnaires. I spoke with officials and ex-officials of the Social Fund in Managua, as well as a number of NGOs, donor institutions, Evangelical Church associations, academics and others. I conducted interviews with over 15 municipal governments, primarily with the technicians who are responsible for project execution, but also officials who work directly on citizen participation. I often interviewed the Mayor, vice-Mayor, city council members, accountants, and other public servants. In the municipal capital cities, I met with the Social Fund representative, NGOs and other civil society organizations. Finally, for the community level case studies, I visited each place at least twice for a total of at least three days. During that time, I interviewed village leaders, the main individuals in the PGC
Executive Committee and a sample of men and women in the village. A complete list of interviews is available in Appendix 1.5.

The dissertation also makes use of different project documents, which were available either in the municipal government or in the villages. One very useful document, which was not always available, was the "bitacora", or the project log. This document would record exactly when different regulators would visit the project, as well as any observations they made about the progress of construction. The Social Fund would also compose a final project document. Unfortunately, with the passage of time, some of these documents were lost, creating a few holes in my data. The dissertation refers to these various documents generically as ‘Project Documents’, but they are listed and itemized separately in the bibliography.

OVERVIEW OF THE DISSERTATION

The dissertation proceeds in the following manner. Chapter 2 provides relevant background information for the dissertation, beginning with a brief history of Social Funds around the world, and their trend towards decentralization and citizen participation that took place in the late 1990s, leading to major institutional reforms. The chapter then moves on to the Social Fund of Nicaragua, called the Emergency Social Investment Fund (FISE), and summarizes how the institution developed, its main accomplishments and its design. In the 1990s, the institution was nicknamed the “school maker”, as it rapidly constructed basic infrastructure, and especially schools, all over Nicaragua. The Social Fund eventually chose to undertake several rounds of deep decentralization reform, the most extreme being Projects Guided by the Community. The chapter then thoroughly analyzes the PGC system, which is the focus of the dissertation.
The chapter makes two arguments. First, even though PGCs are supposed to include the entire community, their design gives the major responsibilities to a select few individuals in an executive committee. Therefore, inequality of power of participants in the process develops from a representative system of community level governance, and not necessarily elite power, as the elite capture literature suggests. Second, despite the emphasis on community participation, the local municipal government plays a crucial role in regulating the process and ensuring that the project is completed satisfactorily. Also, decentralization of this ‘regulation of participation’ meant that the regulators had quite a bit of autonomy, and as such, could be termed “street level bureaucrats”, leading to the possibility of using different regulatory strategies to fill this role.

The dissertation then devotes itself to elaborating how the associational life of a community explains participatory outcomes. In Chapter 3, the story emerges out of a matched pair comparison of two very similar communities, both with comparable and poor socioeconomic characteristics, both found in the same municipality, and both producing two room schools. While the alternate hypotheses would expect the same low level of success, the results were quite varied. Community 1 had a corruption scandal and major delays during school construction, whereas Community 2 finished a bit late but under budget. The chapter traces these outcomes to the quality of the representatives in the Executive Committee.

The chapter focuses on how the associational life of the villages can explain these differing levels of quality of leaders via two mechanisms. First, particular associations produce leaders who become candidates for the executive committee. In Community 1, there was a coffee cooperative, Catholic Church, Evangelical Church, Parents’ School
Association, Health Committee and other groups. Prominent members of each of these groups then competed to become President of the PGC committee to execute the project. In Community 2, only the Parents’ School Association existed, leaving just one candidate for the President position. Second, associations also produced information on the quality of these leaders, which allowed voters to make more informed decisions. For example, the pastor of the Evangelical Church was assumed to be a very honest and responsible person. The member of an exclusive coffee cooperative was regarded as very dependable. The President of the Parents’ School Association exhibited to its members just how efficiently and responsibly he could handle their affairs. In sum, associations lead to good leaders because an election in a community with a rich associational life will have more candidates and more information on those candidates. The chapter concludes by discussing the endogeneity problem, showing that practically all of these associations developed due to geography or circumstance, not an exogenous ‘civic culture’. It also explores some of the conditions that seem to allow this mechanism to work.

Chapter 4 presents an example in which associational life again determines the outcomes of the participatory process, but in a very different way. In this case, a single association, the Pentecostal Church, mobilized community labor and resources in a show of extraordinary sacrifice for the project that did not occur in the previous two cases. The chapter presents explanations for why this particular Pentecostal Church was able to mobilize its members to participate in this way. First, as observed by the larger literature on Protestantism, this church placed a strong emphasis on participation and sacrifice for the community. Second, this church exhibited the characteristics of a solidarity group, as
outlined by Hechter (1987). Finally, the church had a very strong interest in mobilizing, because the resources saved from its members labor went into the church funds.

Chapter 5 looks at municipal government regulation of PGCs. Given the possibility of capture and other problems, municipal governments oversee the PGCs to make sure that they are done in a satisfactory manner. This chapter compares the experience of two municipalities, Estelí and Jinotega, which are large, adjacent municipalities that had completed four PGCs at the time of my interviews. In both cases, the projects were ultimately finished successfully. However, in Estelí, the projects were consistently completed on time with substantial savings, while in Jinotega, two of the four PGCs fell victim to corruption, requiring a long process of remediation, and were also delayed quite substantially. Also, none of the projects in Jinotega had significant savings at the end of the project. The chapter attributes these diverging outcomes to the regulatory strategy of the municipal government. In Estelí, the government strategy can be broadly described as “preventive”, with regulators visiting frequently, focusing on non-technical aspects of the project, providing capacity building, and emphasizing broad citizen participation in the process. The regulatory strategy of Jinotega was quite different, being characterized as “reactive”; in this case, the regulator visited infrequently, worried only about the technical progress of the project, and ended up spending the bulk of his time in the remediation process after discovering serious cases of corruption.

The chapter then moves to explain why Estelí, despite being quite similar to Jinotega, would choose this regulatory strategy. The chapter points primarily to historical and political circumstances that lead to an accumulation of experience that facilitated the accumulation of knowledge necessarily to use the preventive strategy. Most fundamental
here was the fact that, when elections took place in administrations changed, the municipal officials were not ousted so that mayors could give their “own people” jobs. By remaining in their jobs, these officials were able to accumulate more than a few years of experience, allowing them to become adept at the preventive strategy.

Chapter 6, the conclusion, serves three functions. First, it summarizes the dissertation in eight simple points. Second, the chapter discusses the contributions of the dissertation to the literatures on elite capture, social capital and regulation. Lastly, it develops a series of policy recommendations to improve participatory outcomes, and concludes with a discussion of the generalizability of the results and an agenda for further research.
Chapter 2 – The Details of Participation

INTRODUCTION

This chapter sets the stage for the dissertation by providing background information on Social Funds internationally, the Social Fund of Nicaragua and Projects Guided by the Community. The chapter begins by describing the concept of Social Funds and their proliferation to over 60 countries. The chapter traces the transformation of Social Funds from a centralized institution to one that included citizen participation processes in various stages of the project cycle. Then, the chapter shows how the multimillion-dollar Social Fund of Nicaragua followed global trends towards decentralization, taking it to an extreme level when it created Projects Guided by the Community.

After this description, the chapter makes two arguments. First, though the elite capture literature claims that the elite members of the community take over a participatory process in order to appropriate the benefits, the chapter contends that an inequality of power is intentionally built into the process, an argument developed through a detailed analysis of the process. In other words, Projects Guided by the Community by their very design concentrate power and responsibilities amongst a select few individuals in an executive committee, due to such motives as the iron law of oligarchy, institutional isomorphism, and collective action problems. Second, the chapter observes that the local municipal government plays a crucial role in regulating the process and ensuring that the project is completed satisfactorily. The chapter analyzes the role of these regulators, asserting that they acted with quite a bit of autonomy, and as such, could be termed “street level bureaucrats”.

51
A SHORT HISTORY OF SOCIAL FUNDS

The World Bank defines Social Funds as “multi-sectoral programs that provide financing (usually grants) for small-scale public investments targeted at meeting the needs of the poor and vulnerable communities, and that contribute to social capital and development at the local level.” In general, Social Funds concentrate on constructing small infrastructure in poor communities, financed primarily with donor money. Typical areas of focus include education, sanitation, water, health care, and infrastructure to address the consequences of natural disasters, amongst others.

While a number of similar institutions have existed historically, the first official Social Fund emerged in 1987 in Bolivia, whose main purpose was to mitigate the effects of Bolivia’s Structural Adjustment Program (SAP). At the time, economic analyses predicted that the SAPs in Bolivia and around the world would have a particularly harsh effect on the poor, which the Social Fund was to alleviate by offering them much needed local infrastructure as well as jobs, due to the requirement that the projects utilize local labor. Soon after the Bolivian experience, the Social Fund became a popular agency amongst donors, such as the World Bank, Inter-American Development Bank, USAID, KfW (German donor) and others. Not surprisingly, they began to spread all over the world. By 1990, five other Latin American countries had a Social Fund, and by 1992, ten had them. They also sprouted all over Africa, Asia and Eastern Europe. In 2007, over 45 countries had some form of Social Fund, though they have existed in over 60 countries at some point.

---

52 They are sometimes known as Social Investment Funds, Social Action Programs and Social Emergency Funds.
The level of investment through Social Funds has been enormous. According to one estimate in 2004, Social Funds have channeled close to US$10 billion in foreign and domestic financing globally.\textsuperscript{53} Between 1999 and 2005, the World Bank supported 70 Social Fund programs in Africa (some countries have multiple Social Funds).\textsuperscript{54} These Social Funds were valued at US$4.86 billion, equivalent to approximately 50% of Social Protection lending from the World Bank in the region.\textsuperscript{55} In 2009, the largest single Social Fund in the world, Pakistan Poverty Alleviation Fund (PPAF), had spent or planned to spend over $1 billion for social investment.\textsuperscript{56}

There are a number of arguments as to why Social Funds have become so popular, particularly amongst donors. First, Social Funds have a reputation for being quick and efficient in executing donor financed projects. They are often exempt from the rules and regulations found in most ministries. They do not follow the same pay scale for the normal civil service, allowing them to pay higher salaries, and therefore to hire highly capable employees. Social Funds normally report directly to the President or prime minister, not to another ministry, supposedly raising their profile within the country. Also, because they are exempt from normal regulations, projects do not have to go through the same bureaucratic hurdles in order to be executed, thus speeding up the approval and execution process. Donors are eager to avoid red tape and quickly disperse money, especially if the Social Fund is supposed to respond to a crisis. This is not to say that they are based on a system of anarchy, however. Many of the regulations that Social

\textsuperscript{53} World Bank “Social Funds” Website, Accessed 2009.  
\textsuperscript{54} World Bank “Social Funds” Website, Accessed 2009.  
\textsuperscript{55} World Bank “Social Funds” Website, Accessed 2009.  
\textsuperscript{56} Pakistan Poverty Alleviation Fund Homepage, Accessed 2009.
Funds do have are donor-determined, reflecting their huge influence on how the Social Fund does its business.

Social Funds also outsource the construction of projects, contracting outside entities such as private firms and NGOs. Normally, the Social Fund will contract a private firm to do so, but in some places it is known to hire an NGO, local government, line ministry or community group. Outsourcing, particularly to private firms, is perceived as advantageous because it allows greater flexibility and efficiency. According to this market-based philosophy, the private sector can complete the projects in a more cost effective manner, and also provide additional options for the variety of projects that the Social Fund aims to construct.

Social Funds also became popular because they have a reputation for successfully targeting resources to the poor, using a variety of mechanisms. As mentioned, projects financed by the Social Funds normally require that their projects hire local citizens as unskilled labor. This means that, when the Social Fund constructs a school in a poor community, only members of that community can be hired as day laborers for the school. In this way, the Social Fund intends to generate employment for the poor.

Another mechanism by which Social Funds target resources for the poor is by focusing funds on the poorest areas of the country. At times, they do so in a systematic way, by developing measures of poverty and allocating resources accordingly. A simpler mechanism is to dedicate resources to the kinds of small infrastructure that the poor lack. For instance, wealthier communities normally have a functioning school, but poor communities will have either no school or a very derelict one that needs to be replaced.

\[\text{57 Normally, skilled labor does not come from the community, and contractors at times stretch the term for skilled labor so that they have the freedom to choose whom to hire.}\]
Often, however, this targeting is done through a black box of decision making within the Social Fund. Some argue that, because of the Social Funds’ separation from other Ministries, they remain immune to political pressures and are thus able to focus on directing resources to the poor.

Finally, Social Funds are reputed to target resources to the poor due to their “demand driven” nature. The vast majority of Social Funds require that projects be selected using a process of community consultation and participation. In practice, this normally means that a government official visits the community and presents a portfolio of potential projects to them, and the community selects which one represents the greatest and/or most urgent need of the community.\textsuperscript{58} With this mechanism, the Social Fund tries to avoid investing in something that the community does not need.

THE EVOLUTION OF OBJECTIVES

In sync with the changes in the ideas dominating economic development, the focus and organizational design of Social Funds has evolved over time. Figure 2.1 outlines these changes.

\textsuperscript{58} This process takes a variety of forms. At times, the Social Fund official will oversee the selection process, while in others, a local government official will do so. The process might simply take the form of a quick vote, while in others, deliberation takes place. The facilitators sometimes present the entire portfolio of possibilities, which is quite broad, or, they may present the portfolio as consisting of a few traditional projects, such as latrines, schools and wells. In Nicaragua, the process often consists of a simple consultation with a community leader.
While the above diagram summarizes several major changes in the evolution of Social Funds, the most marked is the shift from a centralized system to one characterized as CDD, which took place between 1990 to the late 1990s. It is worth repeating that projects were not actually executed by the Social Fund, but rather outsourced; as such, it was not a fully centralized system. However, other major steps, such as deciding which project to execute and who is responsible for monitoring the contractor, did remain in the center until these decentralization reforms were implemented.

CDD, which is defined by the World Bank as a process that “gives control of decisions and resources to community groups”\(^\text{59}\), took a variety of forms when applied to Social Funds. The most common one related to the decision-making stage, which is

\(^{59}\text{World Bank “Community Driven Development” Website, Accessed 2009.}\)
transformed into a “demand driven” process. To do so, Social Funds allow communities
to prioritize projects based on a portfolio of possibilities. CDD might be utilized in
several other project stages, such as monitoring the execution, project maintenance, or
even overall project management, which is the empirical focus of this dissertation.

When these ideas of CDD began to emerge amongst Social Funds, many critics
were surprised. They had characterized the World Bank, the largest Social Fund donor
worldwide, as an institution that promulgates a market-based philosophy, popularly
called the Washington Consensus. With CDD, the World Bank emphasized
‘empowering the poor’ and ‘giving voice to the voiceless’, hardly in sync with the
stereotypes of the Bank’s critics. There are several theories as to why the World Bank
included CDD into their overall development framework.

The first theory is based on the purported failures of both the state-centered and
market-based approaches to development. The pro-market approach to economic
development had emphasized the preponderance of government failure in development,
in the form of corruption and unrealistic interventions in the economy. Meanwhile, the
market reforms of the 1980s clearly had not achieved the growth levels that they had
hoped, or the reductions in poverty. Out of this frustration, a new, local approach to
development seemed to be an answer.

A second theory to explain the rise of CDD ideas relates to the highly contentious
politics of the time. During structural adjustment, the political left had internationally
denounced the programs as overly harsh and cruel. The failure to address persisting
poverty and other social ills then fueled an international mobilization of a variety of
activist groups. The most dominant visual manifestation of this new movement was the
massive protest at the WTO meeting in 1999, with the lowest estimates of the number of protesters at 40,000. The WTO/IMF meeting in April of 2000 also faced an unprecedented mobilization of opposition, with the lowest estimate at 20,000 protesters. Clearly, an idea like CDD that emphasized a direct focus on the poor, and that included concepts of participation and empowerment, would ring well with this opposition. CDD would therefore shut up, or at least lower the volume of many of the Bank’s critics.

The final theory to explain this shift comes from the World Bank’s experiments with CDD. As one World Bank report on CDD claimed, “Experience demonstrates that by directly relying on poor people to drive development activities, CDD has the potential to make poverty reduction efforts more responsive to demands, more inclusive, more sustainable, and more cost-effective than traditional centrally led programs.” It is possible that, after experimenting with CDD, the World Bank had discovered a huge variety of benefits, which then drove a worldwide push for Social Funds to replicate these positive experiences.

HISTORY OF THE SOCIAL FUND NICARAGUA

The Social Fund of Nicaragua, today called the Emergency Social Investment Fund (FISE in Spanish), was founded by Presidential Decree in November of 1990, a year that marked the end of more than a decade of Sandinista party rule. In the internationally monitored Presidential election of that same year, Violeta Chamorro, the opposition candidate, who ran under a coalition of political parties called the United Nicaraguan Opposition (UNO), won the majority of votes. This change in government came just two

60 Seattle Police Department, 1999.
62 Dongier et al., 2002.
years after the peace agreement of March 23, 1988, which ended the bloody civil war in which an estimated 60,000 people died and 350,000 were displaced. Clearly, after such a tumultuous and destructive time, Nicaragua had a staggering need for reconstruction.

Although the World Bank and Inter-American Development Bank (IADB) are commonly credited for founding Social Funds around the world, one historical account claims that USAID initially created it along with the Government of Nicaragua. The main initial purpose of the institution was two-fold: 1. To begin a massive reconstruction effort needed after the near decade of war in Nicaragua, and 2. To provide a safety net to the poor who would be affected by the deep reforms to an economy that was characterized as both Socialist and war-time. Widespread unemployment was expected when these reforms would privatize state industries and demobilize a large number of soldiers from both the Sandinista army and the Contras. The Social Fund became one of the primary channels for international aid to support Nicaragua through this transition.

Since its establishment, the Social Fund has maintained its central role in the government’s anti poverty programs. According to a 2003 document, the Social Fund is the executive entity in charge of the “promotion, financing and supervision of programs and projects of physical infrastructure in the poorest communities of Nicaragua.” In fact, from 1991 to 1999, FISE represented 11% of total public investment. From 1990-2008, FISE claims to have executed over 11,000 projects worth 5.8 billion Cordobas, in each of Nicaragua’s 153 municipalities. From 1991 through 2001, FISE estimates that it

---

63 Levy and Sidel, 1997: 247. Apparently, there is a debate about these figures.
65 FISE, 2006.
67 FISE Homepage, Accessed 2009. The exchange rate in January ’09 is 18.03 Cordobas per dollar.
benefited 3.5 million people, with an investment of 690 Cordobas per person.\textsuperscript{68} In recent years, a variety of donors have contributed both loans and grants to the institution, including IADB, World Bank, KfW and others.\textsuperscript{69}

FISE has concentrated on projects in a number of areas, such as health, roads, bridges, water, sanitation, social assistance and environment. However, the main area of focus has been in education, particularly in building primary schools, so much so that FISE became popularly known as the “school maker”. From 1991 through 1999, more than 56% of FISE spending was directed towards education.\textsuperscript{70} This figure represents a 79% share of total national investment in educational infrastructure during that same period.\textsuperscript{71}

In sync with global trends outlined in the previous section, FISE started to decentralize and include community input in the late 1990s. Historical accounts claim that the decentralization reforms can be traced to a seminar in 1995 in which donors, local governments, line agencies, NGOs and beneficiaries emphasized the problems with project sustainability, and especially maintenance.\textsuperscript{72} These groups reached a consensus that problems emerged from a larger issue of engaging users and local governments. Three changes emerged from these concerns and observations, each including some measure of decentralization.

\textsuperscript{68} Fondo de Inversion Social de Emergencia, 2006.
\textsuperscript{69} The norm for Social Funds is that the government should provide at least 10\% of the budget. According to Dijkstra (2004), the Government of Nicaragua indeed does so, averaging around 13\% of the budget from 1995-99.
\textsuperscript{70} Dijkstra, 2004 quoting FISE information system.
\textsuperscript{71} The schools produced by FISE can be easily identified, due to their standard design. Early on, FISE made agreements with the Ministry of Education regarding norms of construction. With these norms in place, FISE developed a design that was replicated all over the country.
\textsuperscript{72} Dijkstra, 2004.
First, FISE created a maintenance fund, financed by donors, the central government and the respective local governments. FISE further agreed to organize beneficiaries into local committees who would be trained in the relevant maintenance techniques. These committees could apply for money from the Maintenance Fund whenever small repairs were needed to upkeep the project.

Chart 2.1 Contrast of Main Differences Between Centralized and Decentralized FISE Activities in Project Cycle

<table>
<thead>
<tr>
<th>Activities in Project Cycle</th>
<th>Responsible Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Centralized</td>
</tr>
<tr>
<td>Project Selection</td>
<td>FISE</td>
</tr>
<tr>
<td>Project Design</td>
<td>FISE</td>
</tr>
<tr>
<td>Contracting Process</td>
<td>FISE</td>
</tr>
<tr>
<td>Oversight of Construction</td>
<td>FISE</td>
</tr>
<tr>
<td>Construction</td>
<td>Contractor</td>
</tr>
</tbody>
</table>

Source: Dijkstra, 2004; Interviews with various officials from FISE.

However, much deeper decentralization reforms changed the way FISE as a whole worked, as illustrated in Chart 2.1.73 According to the new model, when deciding which projects to execute, FISE would have to refer to Municipal Investment Plans. The Municipal Government would compose these plans, with final approval by the Municipal Council. The projects presented in the plan would have to come from a process of consultation with citizens, beyond the single town hall meeting that was required by law. These consultations provided citizens with the opportunity to articulate their greatest and most urgent needs, and then prioritize accordingly. FISE required with this new model

---

73 FISE decided on a gradual implementation process for decentralization. First, in 2000, FISE chose just nine municipalities as part of a pilot project. Then, in 2002, FISE expanded the program to cover 40 municipalities, and 120 in 2004. With the beginning of the Sandinista Presidential administration in 2007, FISE made the decision to bring decentralization to all 153 municipalities.
that the consultations take place at a quite local level. Normally, the municipality would compose a series of mini plans, each one covering either a neighborhood or a series of villages, which then form the basis for the Municipal Investment Plan. FISE could finance only those projects found in the plans. At least on paper, the consultations would transform FISE into a demand-driven organization.

The decentralization plan called for another major change, this one in the transfer of certain responsibilities from FISE to Municipal Governments. Under both systems, contractors were hired for the construction process, with private firms almost always chosen. The selection process under decentralization would take place in the municipality, with contractors applying to the Municipal Government. The Municipal Government would also be responsible for paying the contractors in installments, based on the progress of the project. Newly formed Municipal Technical Units, housed in the municipal government head offices, would perform oversight for the construction process. They would ensure that the project follows the design and met quality standards, as discussed below.

FISE’s role became much more dynamic after decentralization. Its first main responsibility would be to continue to ensure that the norms and regulations of the FISE system are respected, which meant that they had to monitor the activities of the Municipal Government technicians, and also provide a second level of oversight for the

---

74 Not surprisingly, I found that these plans are generally not very demand driven. Several factors work against this. First, Social Funds are limited by what donors want to finance. Second, communities have a clear prejudice for traditional projects that they think are more likely to be provided, and will select only a small for a new projects. Third, the Municipal Government can insert their projects into these plans, with little accountability from the Social Fund.

75 As argued in Tendler and Serrano (1999), while the system may be designed in a demand driven manner, the reality may in fact be quite supply driven. This is indeed the case in Nicaragua, according to my field experience.
contractor. Their second responsibility stemmed from the first: mentoring the Municipal Technicians in their new roles. Each Social Fund technician would visit the contractors much less often, but spend much more time in the Municipal Government coaching the Municipal Technicians.

Under the normal decentralized system of the Social Fund, as well as the centralized system, private contractors are hired to complete infrastructure projects. The contractors in that system are selected based, not just on price, but also on their level of experience, which ensures that they are able to complete the project in a timely manner and meet the minimum quality standards. As a result, there would be no question as to whether the contractor knew how to complete the project, as it would have already finished several of them previously.

These conditions defined the regulatory role of municipal technicians. Capacity building for the contractors was not necessary under this system. Rather, the main concern of the regulators was that the contractor meets the technical specifications of the project, the minimum quality standards and the general timeframe. The incentive for completing the project correctly was that payments would be made in three installments, and only with the approval from the municipal technician: 40% at the beginning, 40% in the middle and another 20% at the end. Municipal technicians were required to visit just before the latter two payments, to make sure that the contractor had completed all of the tasks assigned for the installment and so they would be obliged to complete the project correctly before getting paid. For the technician, it meant visiting quite infrequently during the project, sometimes just three times, before each installment. Also,

---

76 As such, little formal disincentive was given for not completing the project correctly, except the distant possibility of a legal case if the money was stolen. This legal tool was not used at all, to my knowledge.
under the conventional contracting system, the municipal technicians kept an almost exclusive focus on the technical aspects of the project, with little concern for the administrative side – except that the paperwork was filled out correctly – and none for the skills and work organization of the contractor, who could complete the project however they wished. As Chapter 5 will argue, these characteristics of the decentralized system created a legacy that carried over into the regulatory strategy of technicians responsible for overseeing PGCs.

THE PROJECTS GUIDED BY THE COMMUNITY

Starting in 2003, FISE made a second major decentralization effort, this time bringing the project execution to the community level. The ideas for this system emerged from a 2002 World Bank conference in Washington D.C. in which the experience of Malawian Social Fund was presented. The then Executive Director of FISE agreed with World Bank officials to implement a pilot project of Projects Guided by the Community (PGCs), with the first experiment emerging in 2003. A larger pilot project was executed in 2005, with 40 PGCs in 33 municipalities. Not surprisingly, the most common projects were schools, but they included wells, latrines, and street pavement amongst others. Since then, the PGC concept has been mainstreamed in FISE. In September of 2007, FISE had executed 360 PGCs in 106 municipalities. By 2008, PGCs represented over 10% of the project portfolio; in that same year, FISE had over 700 PGCs that had been either executed or were planned.  

77 These facts derive from a list of PGC projects up to 2008, and an interview with the Director, Office of Regulation, Research and Development, FISE, 2008.

78 In fact, one of the main donors for FISE, KfW from Germany, requires that between 70% of projects that they finance in the Social Fund must be PGC.
What follows is an attempt to summarize the way the PGC system works. The PGC is defined as “a modality of decentralized execution of FISE, for projects of greater or lesser complexity, where the community, organized in a manner officially recognized by the municipal authority, makes itself jointly responsible to administer funds and execute the given project in conjunction with the municipal government” (Operations Manual, 2008: Ch 1, p. 1). Though the concept of CDD appears simple, the application is actually extremely complex and convoluted, even according to the rules put forth in the official manuals. Also, it is worth emphasizing that, just because a rule or guideline is presented in the manual, it was not necessarily executed in practice, as becomes apparent in the empirical cases presented in the following chapters.

According to the PGC Operations Manual (2008) the entire project cycle for the PGC consists of the following steps:

1. Request by the community to execute the project as a PGC.
2. Confirmation of the need for the project through the auto diagnostic analysis.
3. Request by the municipal government to FISE to execute a PGC.
5. Submit the funding application mechanism, either being assigned by FISE or through the funds previously available.
6. Project design.
7. Evaluation and verification of project design, checking the municipal government and the community for capacity, as well as analyzing and technical, environmental, social and financial aspects.
8. An agreement between FISE and the municipal government for assigning the funds.
9. An agreement to execute the project between the municipal government and the community.

A number of generic international manuals are written on this topic, which shows that innumerable variations are possible (World Bank, 2002). Within Nicaragua itself, the PGC manuals have gone through several stages, with varying levels of detail. Also, the PGC system has evolved somewhat over time, such that some rules have changed.

This is the main reference document for the remainder of the chapter. There were previous Operations Manuals that described the PGCs, but in much less detail. Also, a number of rules changed over time, as the chapter shows.
10. Presentation of the project site.
11. Request for funds.
12. Physical and financial execution.
13. Project completion.
14. Operation and maintenance of the project.

The focus of this section, and of the dissertation as a whole, is on the 12th step, the physical and financial execution; this is also the distinguishing stage of the PGC, as the below diagram shows.

Chart 2.2 Main Differences Between the Decentralized FISE and the PGC

<table>
<thead>
<tr>
<th>Activities in Project Cycle</th>
<th>Responsible Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Decentralized</td>
</tr>
<tr>
<td>Project Selection</td>
<td>Mun. Gov't With Communities</td>
</tr>
<tr>
<td>Project Design</td>
<td>FISE</td>
</tr>
<tr>
<td>Contracting Process</td>
<td>Mun. Gov’t</td>
</tr>
<tr>
<td>Oversight of Construction</td>
<td>Mun. Gov’t with FISE</td>
</tr>
<tr>
<td>Construction</td>
<td>Contractor</td>
</tr>
</tbody>
</table>


As illustrated in Chart 2.2, the PGC system is markedly different from the decentralized system primarily related to the execution stage, which commonly lasts between 2 and 6 months depending on the project. In general, under the PGC, the number of activities performed by the community grows substantially, as they have more responsibilities related to the contracting procedure, the oversight of construction and the actual construction process, which are discussed below. The role of both FISE and the Municipal Government change quite a bit. According to the Operations Manual (2008), the Municipal Government, along with FISE, must support the community to successful
complete these new roles, and ensure that they follow the necessary regulations, a topic discussed later in the chapter. Of course, the system still has a contractor, a local supervisor who directly oversees the construction process, working in concert with the community. This contractor has far fewer responsibilities, as it relinquishes many tasks to the community, such as managing the funds, buying materials and overseeing the overall construction.

*Projects Guided by the “Community”?*

The community, in general, is in charge of the following in the PGC system. According to the Operations Manual, the community, in the form of a General Assembly, is “the maximum authority governing the project”. The community must “approve the project, take responsibility for executing the project, and constantly oversee the daily execution.” While the community has a long list of responsibilities, which are presented in Appendix 1, the following are the main areas that they are tasked with.

- Administer the execution of both the physical project and the finances.
- Assure that project components are executed according to the technical, environmental, and budgetary specifications taking into account the focus of gender and social inclusion.
- Contract a capacity builder, local supervisor and other services that assure the efficient execution of the project.
- Manage community and other resources, and execute the necessary activities for the operation, maintenance, and sustainability of the project.
- Receive capacity building in administrative, social and technical themes to assure the efficient management of the project, sufficient social auditing and optimal functioning of the community organization.
- Make a contribution of community resources. These may be made in cash or in kind. The volunteer of labor will be considered as a contribution and should quantified and included in the project costs. The community organization should create a registry of the person and hours worked during the execution of the project.
However, in practice, a select few individuals, in an elected executive committee, take on the main responsibilities of the community. According to the Operations Manual (2008), the principal executing body is an executive committee, whose primary function is “to assure that the physical and financial resources for project execution are used efficiently, to exercise effective social control, and to encourage the ample and democratic participation of the population.” (Operations Manual, 2008: Ch 1, p. 1) In effect, the Executive Committee is charged with overseeing the project, buying materials, paying laborers, managing accounts and overall administering the project.

The Executive Committee is made up of at least five members, though some communities choose to assign more. The five include a President, Vice President, Treasurer, Secretary, and Member. The specific tasks of each member of the Executive Committee according to a 2008 manual are described in Appendix 2.2. Overall, the manuals suggest that the President is the main manager, supervising the advance of the project and writing reports in this regard; making the following day’s work plan, and ensuring that the equipment and tools are used properly, and watching over the finances of the project. The Vice President oversees the materials and controls their use, the Treasurer handles accounts and co-signs payments along with the President, and the Secretary organizes and records meetings.

81 Only recently did the Operations Manual begins to dictate what the function of each individual should be, with the exact responsibilities remaining quite vague previously.
82 When making purchases, the earlier project guidelines stated that the President and Treasurer were responsible for signing all checks and releasing funds. However, later rules dictated that a representative of the municipal government should sign all checks, along with either the President or Treasurer.
83 Another change that the Operations Manual of 2008 presents is the creation of a vigilance committee, which is composed of three community members outside of the executive committee. They are charged with overseeing the purchases and accounts. The manual states that they should meet weekly, and, as Appendix 2.2 shows, they play a role in various members’ tasks.
While the Executive Committee performs many of the main functions of the PGC, the Operations Manual of 2008 outlines three main roles for the overall community. First, the community should organize a General Assembly in order to select the Executive Committee for the PGC, with a community wide election held before the project begins. Generally, a representative of the municipal government facilitates this election. The community members propose candidates for each of the positions, and a vote is taken, the winner being the person with the most votes.

Second, the community as a whole may participate through a contribution of resources and manual labor. While not a requirement of PGCs, this contribution serves the community due to the feature of PGCs to provide all left over funds for the community to invest in development projects. Community members are encouraged to find ways of saving funds, while still ensuring the strict project quality standards. This contribution can take the form of offering unskilled labor to the project, where community members donate their time. Community members may loan certain capital, such as mules or tools; the community can also contribute resources, such as donating land, and even food and shelter to workers. According to the Operations Manual, these “social savings” may be invested in “a) maintenance of the project and its sustainability, b) needs established in the [community development plan] and c) economic activities to generate income via employment.” (Operations Manual, 2008: Ch 5, p. 10) Given these parameters, the general community makes the decision as to how to invest these funds.

84 According to FISE officials (for instance, the regional representative in Esteli), this rule is being changed, and communities will be required to donate labor to some projects, with those funds being subtracted from the overall budget. As a result, the community members will receive no compensation for their donation, whether as wages or funds for investment.
Third, the community is charged with a social accountability function, though this is quite vague. While the manuals mention that the community should provide oversight for the project, they say little regarding what to look for, how this information is to be used, or even when the community should hold meetings in order to access this information. As a result, beyond mentioning that the community should do this, the design of the PGC does little to ensure that a larger assembly of citizens is involved in holding the various actors accountable.

The Operations Manual dictates that the community should hold four general assemblies for the duration of the project execution phase. The first general assembly’s purpose is to present the concept of PGCs to the community, and for the community to elect the Executive Committee; in the second assembly, the municipal representative attempts to familiarize the community with the Operations Manual, and the community votes to officially approve the project; the community is informed of the plan of execution in the third assembly; then, after the project is completed, the community holds the fourth and final general assembly, in which the project is officially opened to the public, and the community discusses how to invest the savings, if any remain, and to plan for project maintenance. The community as a whole does not play much of a role in making the actual decisions related to execution.

In sum, from the community’s side, major decisions related to project execution are not made from an assembly of citizens, but rather an executive committee elected by the community. Moreover, particular members of that executive committee are assigned the most important tasks. It is also worth repeating that, even if the Operations Manual contains a number of rules, these rules are not necessarily followed in practice. The
following chapters note a number of ways in which the instances of the PGCs, in reality, make significant departures from the Operations Manual.

PARTICIPATORY INSTITUTIONS AND REPRESENTATIVE BODIES

As described in Chapter 1, the literature on elite capture predicts that the most influential individuals in the community use their dominance in order to take control of the project. However, the analysis provided suggests that power and responsibilities do not concentrate because of an inequality of power within the community, but rather due to the inherent design of the institution. The Operations Manual, and not the local elite, determines that the community should create an executive committee.

There are several possible reasons as to why policy makers would choose to create an executive committee endowed with a number of powers. First, the PGCs may face costly forms of participation and also the traditional problem of collective action. As mentioned in Chapter 1, the opportunity costs of participation can be quite high, particularly in terms of time. Often, these processes require a number of meetings, held consistently over a long period of time. By assigning responsibilities to specific individuals, the community may overcome the collective action problem because individuals are clear on their tasks and obligate themselves to those tasks.

Another explanation can be found in the seminal work on the Iron Law of Oligarchy by Robert Michels (1911), presented in his book Political Parties: A Sociological Study Of the Oligarchical Tendencies Of Modern Democracy. Michels states, “The most formidable argument against the sovereignty of the masses is ... derived from the mechanical and technical impossibility of its realization.” (Michels, 1911: 21) There are number of reasons why fully participatory processes are impractical.
One of them relates to the need for frequent and quick decisions. As Michels puts it, “If Peter wrongs Paul, it is out of the question that all the other citizens should hasten to the spot to undertake a personal examination of the matter in dispute, and to take the part of Paul against Peter.” (Michels, 1911: 22) This is particularly true for certain aspects of the PGC, as decisions must be made with great frequency regarding such things as purchasing necessary materials, releasing materials from the shed, and others. The need for frequent and quick decisions might explain not only the creation of an executive committee, but also predict that power will tend to concentrate in one or two positions of that committee.

Similarly, constantly making decisions in a fully democratic manner becomes extremely costly, due to several factors. The most obvious one is that it is just simply difficult to arrange a time in which many people can come together. Also, communicating necessary information, such as time and place and topic, can be costly. In a village, it might involve marching an hour outside the village center to reach the houses on the outskirts. While the internal village meetings did not have this, village meetings with the mayor’s office often had the custom of providing food for attendees. The cost of organizing meetings represents a very good reason to have an executive committee, which is far more manageable.

Moreover, the marginal cost of taking on a responsibility is much lower if that person is deeply involved in the project, which may be termed the “I’ll just do it” approach to activities. The Executive Committee, and especially the President and Treasurer, frequently met with the main project actors and were well versed in the project guidelines, knew the main problems facing the process, and often visited the construction
site. Widespread participation would not just imply a high overall cost of participation, in terms of having more meetings and learning about the project; it would imply costs for the President and Treasurer of the Executive Committee and other main actors, who would have to sit in more meetings or spend time keeping them up to speed.

Finally, institutional isomorphism - the tendency to copy an institutional rule or design - seems to be active in the creation of the Executive Committee. As later case studies will show, in almost every civil society organization found in the villages, except for the health brigades and the Evangelical Church, an executive committee made up of the same positions heads associational activities. As such, a cookie-cutter approach to managerial design may have created an executive committee that represented a concentration of power into the hands of a select few individuals in the community.

One might respond that, in effect, these representative bodies mean that the PGC is not a truly participatory process. However, this system of representative bodies can be found even in the most famous case of participatory democracy, participatory budgeting in Brazil, as described in Baiocchi (2005). As with the PGCs, the larger population meets only infrequently in the cycle of participatory budgeting, the first time to elect delegates and go over the previous year’s projects, and the second time to approve the completed budget. These delegates hold meetings, some organized according to municipal districts and others to themes such as education and health: After several months of work, the delegates agree on a set of priorities, which are approved by a larger assembly of delegates. The delegates then vote to select members of a much smaller

85 Indeed, Pateman (1970) argues that, in order to be a situation of full participation, there must be “a process where each individual member of a decision-making body has equal power to determine the outcome of decisions”. (Pateman, 1970: 71)
budget council; this council actively writes the actual budget in collaboration with the committees, various departments of the municipal government and other bodies. As a result, while the system is supposed to bring "power to the people", the real power in the system seems to belong to these delegates, and particularly the members of the budget council, who actually write the budget and negotiate with the municipal government.

*Multi-faceted Participation and Power*

The above analysis of the PGC makes clear that the PGC has several different participatory bodies for citizens, each with a different purpose, and some being highly influential. While the literature on participatory governance and CDD sometimes implies that participation takes place in an integrated, singular process, the PGC proves that the process can be quite dynamic, with an executive committee, as well as the potential for community participation in different areas of the project.

At the same time, because of these multiple participatory bodies, observers, whether participants or policymakers, often misrepresent reality by stating that the process automatically translates into communal and fully participatory decision making when certain members of the community have substantive power over the process, and when widespread participation takes place. However, this formula is not quite correct, due to the fact that the process has multiple bodies, with varying levels of influence, and different opportunities for participation. Instead, the community might participate in some aspects of the process in which major decisions related to the project are not made, while a select few members of the community yield vast influence over the process in separate bodies.
Similarly, some forms of community participation in the process, according to the rules, do not allow participants to yield decision-making powers regarding project resources. This idea is presented in the literature (Baccaro and Papadakis, 2009) when referring to consultative processes in which the community’s decisions are taken as information for outside decision makers, and not given inherent weight. In the case of the PGCs, participation in terms of donating labor and resources is not decision making regarding the project, and thus does not signify substantive participation, even if it does contribute to the project. It would not be surprising if participation is widespread in these cases, while they fail to achieve the intended outcomes of participation described in Chapter 1, because the rules do not allow this form of participation to have power over project resources.

REGULATION OF PGCs – STREET LEVEL BUREAUCRATS

The project documents and the Operations Manual describe in detail the role of the community in the PGC. Indeed, because the community is the focus of these projects, it is not surprising that these documents spend little effort in emphasizing the role of other actors. However, both a deeper reading of these documents and an understanding of how they work in practice suggests that the municipal government, and the municipal technician in particular, plays an important role in the PGC. While the community is officially “in charge”, it clearly must comply with a number of rules and regulations, and cannot simply do as it pleases. Outside regulators step in to make sure that the community indeed follows these rules and regulations.

---

86 Technicians in the Municipal Technical Unit of the Municipal Government, whose job is to oversee the technical execution of FISE projects.
The system of oversight is quite complex in its design, as the below diagram suggests.

Diagram 2.2 Monitoring System Under the Decentralized FISE and PGC

As Diagram 2.2 shows, the system of oversight overlaps quite a bit between the various actors. While the Municipal Government and the Social Fund hold a similar responsibility for monitoring, there is an inherent understanding that the Municipal Government plays a more active and important role. As described previously, FISE worked under a decentralized system in which the municipal government takes over the main project responsibilities, while FISE plays a more facilitating role. This precedent carried over into the PGCs, in which the municipal government understood that it was responsible for ensuring that the community completed the project in a satisfactory manner. Indeed, the Operations Manual asserts that the enhanced importance of the Municipal Government. Even when defining the PGC, the Operations Manual states that the community "is jointly responsible for the administration of funds and execute the
Like the community, the list of responsibilities of the Municipal Government is quite long. While Appendix 2.3 lists them, the Operations Manual emphasizes the following:

- Monitor the physical and financial execution of the project via the municipal technical unit, the financial department of the municipality and the external supervisor, with the assistance of FISE representative
- Assure the physical and financial execution of the project ..., complying with the rules, norms and procedures established in the Operations Manual. For the projects of greater complexity, the time allotted will depend on the type of project and the grade of difficulty that it represents, the allotted time not exceeding six months.
- Assist the communities via the municipal technical unit, the financial department and the capacity builder, in the technical, social and financial aspects that are required for the satisfactory management of the project. (Operations Manual, 2008: Ch. 1, pp 11-13)

Two points become apparent from this analysis. First, the manuals clearly emphasize a regulatory role for the municipal government, particularly in the execution phase. The government is tasked with monitoring the process, ensuring that it follows the rules of the Operations Manual and that the projects meet technical specifications. The main actor here is a technician of the Municipal Technical Unit, a special department of the Municipal Government that is tasked with oversight of FISE projects. Overall, these officials carry out the ‘regulation of participation’.

---

87 According to interviews with the Municipal Government and the Social Fund, the Social Fund technicians are responsible for only a few visits to projects during their Execution. At the same time, Social Fund technicians are extremely influential. They are perceived as “the boss”, because they represent the financing institution, and “the expert”, because the technicians are well educated and very experienced.
While the Municipal Government is given these tasks, the Operations Manual provides no outline of how the municipal government should do them. The manual does not state how often the technician should visit the community, whether he or she should closely direct the project or exactly what assistance should be provided. If a rule is broken, the manual is unclear what procedures should be taken to correct that behavior. As such, given that the Operations Manual is in flux, and that it is over 100 pages long, it is not surprising that the numerous rules are sometimes unclear and overlapping.

These characteristics of the technician point to the qualities of a street level bureaucrat, a concept from Lipsky (1980). Lipsky defines street-level bureaucrats as “public service workers who interact closely with citizens in the course of their jobs, and who have substantial discretion in the execution of their work…” (Lipsky, 1980: 3) According to Lipsky, discretion consists of two bureaucratic characteristics. First, street-level bureaucrats are able to make important decisions about the “nature, amount, and quality of benefits and sanctions provided by their agencies.” (Lipsky, 1980: 13) in the context of the PGCs, technicians are indeed able to decide which rules to apply when, and how to apply them. For Lipsky, this discretion is conditional on the fact that they also have organizational autonomy. In other words, they do not have a boss who is dictating their exact behavior, who monitors their actions and uses incentives or sanctions to drive this behavior. This is clearly the case for the PGCs, which work under a decentralized system in which the municipal government is responsible for the project. As a result, while the municipal technician may technically report directly to the Mayor,

---

88 There have been several versions of the Operations Manual, the most recent being completed in 2008.
or to a Director of Projects, these bureaucrats are often overloaded with responsibilities and are unable to monitor every move of their subordinates, especially when the PGC takes place in an isolated village. Overall, the technicians exercise a high level of discretion under this decentralized system.

The framework of the street level bureaucrat is useful because, conceptually, it suggests that the qualitative features of a bureaucrat’s actions have huge influence over that bureaucracy’s output. A given government department does not have a uniform end product, making it difficult to determine the bureaucracy’s output ex ante. Lipsky argues that small differences in behavior have a huge sway over policy. Indeed, he states, “their individual actions add up to agency behavior… the position of street level bureaucrats regularly permits them to make policy with respect to significant aspects of their interactions with citizens.” (Lipsky, 1980: 13)

As a result, the street level bureaucrat framework suggests that, to understand the way the bureaucracy works, one must look at the behavior of those bureaucrats who interact directly with citizens. The Operations Manual may provide a general guideline as to how the municipal technicians influence the PGC, but fail to capture important details regarding their behavior. Research into bureaucratic behavior should use the individual municipal technician as the unit of analysis and analyze the particular context in which they work.

---

89 This depends on the size of the municipality. In smaller ones, the technician reports directly to the mayor and more or less represents a Director of Projects. In larger ones, the unit may have this Director, who is responsible for the execution of infrastructure projects in the municipality.
CONCLUSION

After describing the history of the concepts of the Social Fund and Community Driven Development, and a description of Nicaragua’s Social Fund and the PGCs, this chapter makes two broad arguments regarding the PGCs of Nicaragua. First, despite being described as Projects Guided by the Community, the actual structure of the PGC places power and responsibilities in the hands of a select few individuals in an elected executive committee. As a result, the PGC does not necessarily imply a transfer of power to the community as a whole, in which decisions are made as a unit, but rather to a certain segment of the community. The fact that it does so by design, and not through the conspiracy of the elite to capture benefits, contradicts the elite capture literature. It also helps to explain the phenomenon that Mansuri and Rao (2004) refer to as “benevolent capture”, in which elites hold power but do not use it to individually selfish ends at the expense of the larger community.

Moreover, the chapter emphasizes that the municipal government plays a crucial role in regulating the PGC, that is, ensuring that the projects are completed satisfactorily and according to certain rules and regulations, which sets up the concept of “the regulation of participation”. It also asserts that these regulators may be described as “street level bureaucrats” who exercise considerable discretion over the regulatory function, partly as a result of the decentralized system under which the Social Fund operates. As a result, the qualitative features of their regulatory function may be driven by the local context, the focus of Chapter 5.
Chapter 3 - A Tale of Two Communities

INTRODUCTION:

Two rural communities that each executed a primary school construction project had quite contrasting experiences with the PGCs. In the first, community leaders were involved in a conspiracy to steal project resources by forging receipts and overcharging for materials and labor. The project was plagued by delays, especially because, when the government discovered the corrupt acts, officials had to complete an investigation into exactly who stole how much. Only after a process of mediation did the community finally complete the project. In the second community, the project was completed with no such troubles, and only minimal delays. Interestingly, not only did these communities complete the same project and exhibit practically equal socioeconomic characteristics, but also they were located just eleven miles apart.

Chapter 1 argued that, even in situations of unequal power and low levels of participation, malevolent forms of capture do not necessarily occur, particularly in the form of corruption. Then, Chapter 2 asserted that the PGCs, as well as other participatory processes, pass on power and responsibilities to a select few individuals by design. In the PGCs, these individuals, who form an executive committee to govern the project, are chosen in communitywide elections.

This chapter presents a matched pair case study of two communities found in the municipality of Jinotega, located in the north of Nicaragua. Their experiences with the PGCs show that, even when two very similar communities are located almost right next to each other, their encounter with participatory project governance can be very different.
The empirical analysis suggests that these varying experiences can be explained by the particular quantity and type of associational life in the two communities. More specifically, associations determine the conditions of communitywide elections, which in turn decide the quality of individuals in those executive positions. Specific kinds of associations serve to produce a supply of leaders in the community, as well as information on those leaders. The chapter predicts that communities abundant in those types of associations will have a large supply of candidates, leading to competitive elections for executive positions. Secondly, associations will produce information on the quality of those leaders for the community, particularly whether they are honest, responsible and capable. Armed with both more options and more information on those options, citizens in these communities will tend to choose higher quality leaders, with improved participatory outcomes resulting. The chapter therefore offers an explanation for why an inequality of power may sometimes lead to malevolent forms of capture, but other times does not.

THE MATCHED PAIR

The two communities that form the focus of this chapter are found in the municipality of Jinotega. Located in the north of Nicaragua, in one of the more mountainous regions of the country, Jinotega is the head municipality of its department, and also the trading center for that area. Its department - the equivalent of a province - produces 80% of Nicaragua’s coffee, which is one of the nation’s top export items, and the main traded item in the city. Parts of the municipality also ranch cattle, and produce corn and beans. Tourism is a small but growing industry, with Nicaragua’s largest national forest nearby.
It is also the site of Nicaragua’s largest hydroelectric plant, which produces 10% of the power for the country.

Nestled deep in the mountains of Jinotega are what I will generically refer to as Community 1 and Community 2. Though the geographical distance to these communities is quite short from the municipal capital, six and seven miles respectively, the travel time is a drive of approximately 2 hours in a 4x4 vehicle. The reason is that one must journey through a long string of dirt roads through the mountains, to the southwest of the capital for Community 1 and to the north for Community 2. In both cases, a single mountain road passes through the middle of the community, with a concentration of houses in the community center; a number of community members’ homes are located quite far from this mountain road, with a network of mountain paths connecting to them.

Both communities are dependent on agriculture as their main source of income. Community 1 primarily focuses on raising cattle in order to sell their meat in a nearby city. They also grow rice and beans for their own consumption, mostly on land that surrounds their homes. Community 2, which is located at a higher altitude, grows coffee that is sold in Jinotega city, though they also plant rice and beans for their own consumption. In both cases, there is quite a bit of economic inequality in the communities. Community 1 has a handful of large-scale ranchers who have sizeable swathes of land and more than 100 cattle. In Community 2, a select few families own coffee plantations of several hundred acres. In both cases, there are also families who are “landless”, which means that they may own a home but not enough land to be self-employed. These individuals often work on large plantations in the village. Likewise, the landless and some of the small farmers often migrate in search of work. Some may stay
close, and labor on coffee plantations in nearby municipalities, while others go to
Managua, or even Costa Rica to seek out better paying jobs.

Chart 3.1 Socio-Economic and Other Characteristics of the Two Communities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Community 1</th>
<th>Community 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Community Type: Agricultural Village</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>2. Average Income (Household Consumption 2004)</td>
<td>c$14,365</td>
<td>c$15,472</td>
</tr>
<tr>
<td>3. Average Education (in years, 16 and older)</td>
<td>3.39</td>
<td>3.29</td>
</tr>
<tr>
<td>4. Population (# Households)</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>5. School Type: 2 Room Building</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>6. School Cost</td>
<td>c$558,688</td>
<td>c$585,138</td>
</tr>
<tr>
<td>7. Municipality</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>8. Distance to Community from Municipal Head City (in miles)</td>
<td>~6</td>
<td>~7</td>
</tr>
</tbody>
</table>

Source: Project Documents\(^9\), 2005.

Chart 3.1 maps out eight indicators, with several representing hypotheses outlined in Chapter 1, except for social capital. The chart shows that these indicators are held more or less constant. The second indicator, average income, is derived from data on the two projects. Given the 2005 exchange rate of approximately c$16.1 per dollar, the average household consumption for Community 1 was approximately $892 and $961 for Community 2. This translates into, on average, less than three dollars a day per household in each community, well below the international standard poverty rate of $1 per person per day. The average level of education for adults above the age of 16, however, was just a bit higher in the Community 1, at 3.39 years, while Community 2 had an average of only 3.29 years of schooling. The population of Community 2 was

---

\(^9\) As mentioned in Chapter 1, these documents are listed in the bibliography.
larger, with approximately 60 households in the community, as opposed to the 50 in Community 1.

Another important socioeconomic indicator that is absent from the above chart is inequality. Unfortunately, measuring inequality at the local level is very difficult. However, in both communities, the wealthy were large landholders who employed dozens of wage laborers, while many people were landless, i.e. did not have enough land to grow any kind of cash crop, nor owned cattle. These individuals would work as day laborers, either for the medium and large landholders in the village, or as migrant workers. In any case, both communities had very high levels of inequality.

Basic project characteristics were also extremely similar, meaning that the nature of the project was the same. Both communities constructed a school building with two rooms, according to the same basic design that was completed by a technician from the Social Fund. The budget in Community 2 exceeded that of Community 1 because its project included several additional pieces of small infrastructure, including a storage tank, concrete steps and a large ditch for the latrine.

The two communities were found within the same municipality, in the north of Nicaragua. The fact that communities were found within a single municipality meant that the same regulators from the municipal government and the Social Fund were monitoring the project. As mentioned in Chapter 2, the municipal government regulators

---

91 The official project documents put the number of households at 75, but my investigation suggests that the actual number was around 60.
92 First, because very few households are extremely wealthy, the sampling must target them, or they will likely be missed. Unfortunately, the income measures used in the project documents only use a random sample in the community and therefore suffered from this problem. The second difficulty, and the one that made remedying the latter error difficult, is that the wealthiest individuals in the community normally live elsewhere, such as in a nearby city.
93 This geographical proximity arguably allows the study to control for variables such as national and regional culture.
are most prominent in the PGC system. Because the same individual visited the communities, the character of the regulation was exactly the same. Finally, the two communities were found at similar distances from the municipal head city. Although six or seven miles appeared to be a short distance, the poor road infrastructure meant that the trip would take over two hours in a 4x4 vehicle. This meant that it would take the municipal government and the Social Fund technicians a long time to travel to both of them, and so the communities were equally costly to visit.

**PGCs IN PRACTICE**

According to several hypotheses that were outlined in the first chapter, the two communities should have both similar and poor results from the PGCs. Both communities are relatively poor with low levels of education and high levels of inequality; they had the same type of project oversight, which was quite infrequent and focused on the technical aspects of the project; and the nature of the project was the same, the construction of a two room school using the same PGC process. However, despite the many parallels, the PGC experience was quite different in these two communities, as this section will show.

Preparation for the execution process began in early April of 2005, when community held a meeting with an official from the Office of Citizen Participation from the Municipal Government of Jinotega. Community members were not sure exactly why the meeting was called, but there were rumors that their request for a new primary school had been granted. In both cases, the primary schools that existed had become quite

---

94 The technician from Jinotega played a regulatory role that is the focus of Chapter 5. I will label this form of regulation as reactive in which the regulator would visit infrequently and focus on the technical aspects of the project.
dilapidated over time. They were constructed from wood, had dirt floors and were short of desks and other necessary school infrastructure. In Community 1, several community members claimed that class had to be canceled whenever it rained due to numerous leaks in the roof. This was a particular problem during the raining season, which lasts from May to October/November.

During their initial meetings, the communities were pleased to learn that the municipal government, with funding from FISE, indeed planned to build a brand-new primary school. However, the municipal government official explained that the school construction process would place great responsibilities on the communities, who were to put in charge of the process under the PGC system. After explaining what this meant, and the responsibilities of the community, the municipal official facilitated an election for the Executive Committee that would oversee the process. In both communities, the President of the Executive Committee claimed that the municipal official informed the community that, if they did not show "willingness" to do this, the project would go elsewhere. Construction in Community 1 then officially started on May 9, 2005, and on May 20, 2005 in Community 2.

Concentration of Power and Responsibilities

The working style in both communities was quite similar in that very few individuals were substantially involved the execution. As noted in Chapter 2, the PGCs, by design, would place major responsibilities of the project in the hands of the Executive Committee. In the two communities, the evidence suggests that this was indeed true. According to the project design, a major decision taken by the communities as a whole
was the election, which is described below. The other major area in which the PGC
design invited community participation was in local contributions to the project, also
described in Chapter 2. The community might donate labor and resources to the project,
because, if funds were left over from the project, they could be used for local
development projects. In Community 1, only two village wide meetings were held, the
first one to announce the project and elect the Executive Committee, and the second to
celebrate the school’s opening. Also, members of the village made very little
contribution. The village was only able to organize around 20 individuals to spend the
day to take apart the old school. However, this was not totally “voluntary”, as many
participants were given permission to reuse pieces of the school on their own homes. For
instance, one member of the Executive Committee took the old wooden door for the
school and used it as the front door to his home. Transport was not donated either.
Because there was no water source adjacent to the school, buckets of water were hauled
by a mule from a local river. One member of the Executive Committee worked to
transport this water, but only if he was paid.

Community 2 did not fare much better in terms of community participation. The
larger community convened in order to discuss the project only twice, again for the
election and for the reception. Because the Parents’ School Association congregated
periodically, the project was brought up in a couple of meetings, but not much discussion
took place. Between 20 and 30 members of the community donated labor for one day, in
order to flatten the land on which the school would be built. However, the larger
community participation could not be sustained beyond this. Interviews with community
members suggested that they lost interest quickly, mainly because they had other
obligations. As the President of the Executive Committee in Community 2 put it, “The majority didn’t know what was going on, and weren’t that interested”, because “they have their own things to do”. In other words, they chose not to volunteer for the project and generate funds for local development projects due to the costs of participation. Of course, it is possible that this participation could have been encouraged with the right incentives. The community faced a collective action problem, as substantial funds can only accumulate if a large number of people devoted a number of hours to the PGC. The community did not have any ways of making those incentives exclusive to only those who donate time to the project.

Overall, then, members of the Executive Committee were the main actors in the process. However, even within the Executive Committee, the President and the Treasurer were by far the most active members. In neither community did the entire Executive Committee actually meet after being elected. Rather, it was only the President and Treasurer who remained involved in the project. They each described their commitment as a kind of full time job; in fact, each of them claimed that they had to forego personal income in order to work on the project. Together, they hired the local supervisor, and made at least a dozen trips to the city in order to buy materials. They would also visit the project daily to check up on it and meet with the local supervisor. The President of Community 2 described some unexpected activities as well. For instance, when a worker grew tired of the long work hours and disapproved of the way

95 In Community 2, a few minor activities were performed by the Secretary, who said that she “kept an eye on the school”, because her house was located almost immediately in front, and she allowed workers to heat up their meals in her stove.
96 The President said he had to hire laborers to help on his coffee farms, and the Treasurer said he did not sow a plot of corn that he usually has.
the local supervisor would talk to him, the President had to mediate between the two in order to get the worker back on the job.

There may be several explanations for why the Executive Committee never met, many of which were mentioned in Chapter 2. The President in Community 2 complained that it was quite difficult to get everyone together. He noted that some members of the committee, including him, lived far from the actual site and off the main road, meaning that just coordinating a time to meet was hard. In Community 2, the President even claimed that he reduced the responsibilities of the Treasurer because he didn’t think that he could do a good job. Also, given that the Vice President was the local school teacher, he didn’t want to distract the teacher from his work with the community’s children, which he described as “the most important work in the community”. He therefore decided to take on the teacher’s responsibilities in the Executive Committee. As such, the powerful concentrated even more power for purportedly benevolent reasons, such as to avoid errors that endangered the project and allow members to do their own work.

In sum, the concentration of power and responsibilities took place on two levels. First, the wider community did not fully participate in every way possible; and when this participation did take place, it was only for one major meeting. As a result, an executive committee would take on the major activities of the project. Second, in practice, this executive committee did not even meet as a whole, rather passing on the major responsibilities to the President and Treasurer. Therefore, as argued in Chapter 2, despite the idea that the entire community would participate in these projects, the major decision and form of participation in the project execution phase was the selection of an executive
committee. The PGC is better termed, in these cases, as projects guided by community representatives.

*Project Performance*

On the surface, the Executive Committees seemed to have completed their assigned activities in the two communities. During the month after their election, they hired a local supervisor to oversee the construction process. FISE representatives also visited the community and completed a design for the schools to be built. Construction in Community 1 officially started on May 9, 2005 and, in Community 2, the project began on May 20, 2005. Soon afterwards, the local supervisors brought the necessary skilled workers with them and hired 6-8 community members as unskilled labor. The Executive Committees began to buy basic materials and a number of tools and machines\(^\text{97}\) for construction, visiting different hardware stores in the area and trying to find the best price. Over the course of the project, the Presidents of the Executive Committees claimed to make purchases at least a dozen times. The President and Treasurer in both communities signed off on all checks, and claimed that they kept close tabs on the expenditures of the project. They also maintained that they visited the schools daily and spoke with the local supervisor about its progress over the duration of the project. Overall then, the community in both cases seemed to have fulfilled their responsibilities as outlined in the PGC Operations Manual.

However, officials in the municipal government were very quick to point out that the experiences with PGCs in the municipality, and the two communities in particular,

\(^{97}\) The local supervisor brought a number of these machines himself, though.
were quite different. As the municipal technician described, “In some cases, the PGC had much success because the community had strong leaders who work hard on the project and there weren’t many problems... In other cases, the community didn’t show much interest and [leaders] took advantage of the situation... by putting themselves before the community.”

8

Chart 3.2 Outcome Indicators for the Two Communities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Community 1</th>
<th>Community 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Time (in months)</td>
<td>~5</td>
<td>~4</td>
</tr>
<tr>
<td>2. Savings/Losses</td>
<td>c$-68,000*</td>
<td>c$5,000</td>
</tr>
<tr>
<td>3. Embezzlement</td>
<td>yes</td>
<td>no</td>
</tr>
</tbody>
</table>


Note: The losses were not the final project deficit, but a deficit during the project.

Chart 3.2 shows simple indicators that demonstrate the varying experiences with the PGCs in the matched pair. The first indicator represents the time from the beginning of construction until the official completion. Construction in Community 1 formally started on May 9, 2005 and ended October 4, 2005; meanwhile, in Community 2, the project went from May 20, 2005 until September 22, 2005. Clearly, in neither case did they meet the target timeline of three months, but the project in Community 1 lasted a month longer than that of Community 2.

Chart 3.2 also shows major differences in the savings and losses between Community 1 and Community 2. Community 2 ended up with a very small surplus, the equivalent of $311, but Community 1 experienced major losses, around $4,224. The asterix next to the figure is meant to indicate that this was not a final balance for the

98 Interview with Municipal Technician, 2008.
project. Rather, this was the debt approximately midway through, when the municipal technician discovered widespread embezzlement.

The instance of corruption in Community 1 ended up causing major losses and delays in the project, and arises from a conspiracy between the local supervisor, and the President and Treasurer of the Executive Committee. As described in the previous chapter, very little training was provided for the community, due to the rushed manner in which the projects were implemented. Moreover, because of the regulatory focus of the municipal technician, the community depended on the local supervisor for helping them with a project that was totally new to them. Contractors are reputed to have not just experience in construction, but also in techniques to get around regulation. As one municipal technician said, “Leave them a bit of space, and they know how to take advantage of it.” Therefore, relying on these individuals without proper oversight is a bad idea, which the municipal technician overseeing the project now readily admits.

In the case of Community 1, two techniques were utilized to embezzle money: overcharging for materials and skilled labor. For example, according to project documents, skilled labor was hired in order to install a latrine. The total budget for that latrine, including labor, transport, and materials, was c$10,893. On the other hand, the receipt shows a cost of c$11,000 just for the skilled labor to install the latrine. The municipal technician believes that the labor for this should not have been more than c$3,000, implying that c$8,000 was embezzled. A similar technique was used to inflate the price of materials. For example, the community submitted receipts showing that grating for windows cost c$650 per square meter. According to the actual receipts from the hardware store, these materials cost only c$550 per square meter. In fact, the
municipal technician knew that the real price of grating for the windows at that time was approximately c$400 per square meter. Because 38.34 square meters were purchased, it appears that c$9,585 was embezzled just in this transaction. According to the municipal government technician, a total of c$68,000, or approximately $4,224, were stolen by these methods.

During one of his few visits to the project, the municipal technician discovered the embezzlement when determining whether to release the next payment to the community. As mentioned, project guidelines dictate the payments are done in three main installments of 40%, 40%, and 20%. During the visit corresponding to the end of the first installment, he quickly realized that the progress achieved was not commensurate with the amount of funds that had already been spent. Given that the project’s budget was c$558,000, and 40% had been spent, c$68,000 means that just over 30% of the budget up to that point had been stolen.

The municipal technician stopped the project while he investigated. Upon analyzing all of the receipts, he discovered the inconsistencies described above. At that point, he informed his boss, the Director of Public Works, as well as the Mayor and the Director of Citizen Participation. The President and Treasurer for the PGC and the local supervisor were called to the mayor’s office for a meeting. The mayor showed the evidence, presenting documents with conflicting charges on a number of good, and the real prices found in the local market; he then threatened to throw the responsible parties into jail if they did not give back the funds. The involved individuals promised to return every Cordoba, and the local supervisor agreed to work for free until the project was complete.
To be fair, it is not clear exactly what level of responsibility is born by the various individuals involved. The municipal technician claims that it is possible that the President and Treasurer of the PGC were just extremely naive, signing away funds whenever the local supervisor wanted. It is also not clear exactly how much each person stole. In the least extreme case, the President and Treasurer authorized embezzlement and totally mismanaged the state funds provided to complete the project.

Unfortunately, even after getting some funds back, and after the local supervisor promised to work without pay for the rest of the project, costs still slightly exceeded the budget. The municipal government donated a small quantity of paint in order to finish the project. Also, the whole process of investigating the embezzlement and agreeing to a solution delayed the project by almost a month. Overall, the embezzlement is the primary cause of the very poor performance of the project, because it meant major delays and a small cost overrun; it also damaged the reputation of the PGCs for the municipal government. Even though, in the end, the school was completed according to the technical specifications, the municipal governments officials\textsuperscript{99} still described the experience with terms such as “failure”, “very difficult” and “there were many problems”. They also spoke cynically about communities at times, which seemed to be a reaction to these experiences. For instance, the Director for Public Works mentioned cynically that, “Campesinos are smart. They will take advantage of the situation.”

The story of Community 2 is quite different. The municipal government did not detect any corruption or embezzlement in the project. In the end, the project ended up just under budget. Delays primarily resulted from the excessive rains that took place

\textsuperscript{99} Interview with the municipal technician, the Director of Public Works and the Director of Citizen Participation, 2008.
during construction. The project log often notes that work had to be halted due to the weather. In particular, rain and moisture means that concrete cannot be mixed and will not dry.

A second major cause of delays actually results from a conflict between the President of the PGC and the local supervisor. This conflict illustrates the importance of having an honest and capable individual as President of the Executive Committee. The relatively good project success measures imply that this community may have had a particularly well-intentioned or sincere local supervisor, but this story suggests otherwise. As is common in these projects, the local supervisor would hire several skilled workers, whose expertise was working with bricks and concrete. However, the President noticed that the local supervisor had some of these “skilled” workers performing unskilled tasks. He knew that this meant that fewer local people were being hired for the project. After hiring the skilled workers, the local supervisor informed the President that the workers hired from outside the community should be paid c$75 per day, while local workers received c$50 per day. The President refused to pay the outside workers. The local supervisor was furious, left the project, and appealed to the municipal technician. They called the local supervisor, the President, and the Treasurer to the mayor’s office. The President agreed to pay the outside workers their due wages, and the local supervisor agreed to return to work and stop employing these outside unskilled labors, hiring local labor instead. While this is not a story of corruption per se, it does illustrate the willingness of the President to stand up and oppose what he sees as mismanagement of the project. With a person like this as President, it is difficult to imagine that the local supervisor could embezzle funds, much less connive with him to steal.
ASSOCIATIONS AND PARTICIPATION

Associational Life in the Cases

This section argues that a selection process that leads to more honest, capable, and responsible leaders in key positions of the Executive Committee can explain the varying outcomes. The quality of the selection process depends on the quantity and types of associations in these communities. In Community 2, associations produced a number of leaders, some of who presented themselves as candidates for the various positions of the Executive Committee of the PGC. Also, associations created different types of information that informed the community members as to the quality of these candidates. In the end, the increased number of candidates and information allowed Community 2 to select a quality President who was then able to bring success to the PGC.

Before describing exactly how this worked, it is necessary to outline civic life in both communities.

Chart 3.3 Associations in Community 1 and Community 2

<table>
<thead>
<tr>
<th>Associations</th>
<th># Active Members in 2005</th>
<th>Year Founded</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parents' School Association</td>
<td>20-30</td>
<td>Early 1990s</td>
</tr>
<tr>
<td>Health Brigade</td>
<td>1</td>
<td>1994</td>
</tr>
<tr>
<td><strong>Community 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parents' School Association</td>
<td>25-35</td>
<td>Early 1990s</td>
</tr>
<tr>
<td>Health Brigade</td>
<td>12</td>
<td>1997</td>
</tr>
<tr>
<td>Catholic Church</td>
<td>~100</td>
<td>?</td>
</tr>
<tr>
<td>Evangelical Church</td>
<td>25</td>
<td>1979</td>
</tr>
<tr>
<td>Coffee Cooperative</td>
<td>27</td>
<td>1994</td>
</tr>
</tbody>
</table>

Source: Interviews in Communities, 2008.
As the above chart shows, associational life in the two communities differed greatly when the PGC began in 2005. Overall, Community 2 had a much more vibrant civic life, with five different groups. Community 1 had two comparable groups, but one of these only had one member in 2005.

The only notable association in Community 1 is the Parents’ School Association, which is similar to the PTA found in the United States. The Parents’ School Association was founded in the early 1990s, after the Civil War during which there were no classes.\textsuperscript{100} \textsuperscript{101} Though Community 1 does not have a religious organization, it does not mean that there is no religious activity. Neighboring villages and towns have churches of both Catholic and Evangelical faiths, to which community members go to attend their respective religious services.\textsuperscript{102} A health center is located three kilometers from the village. These centers provide training in basic health issues, including how to identify urgent medical problems and simple treatments for common sicknesses. Only one person from the community was a member of the group, who are called health brigades.\textsuperscript{103}

\textsuperscript{100} Village members speculate that it is possible there was some kind of similar association before the 1980s.
\textsuperscript{101} The association brings together parents for three main purposes. The first is to make sure that the teacher shows up. Community members complained that the teacher routinely misses class once a week, and sometimes disappears for days at a time. Community members lodge complaints to the Ministry of Education, who then contacts the teacher and asks him to return to work. The other main activity of this group is to organize celebrations for holidays such as Independence Day, Mother’s Day and Children’s Day. Finally, the group tries to make arrangements for school maintenance, primarily for sweeping and keeping the latrines clean. According to community members, this group does not convene very often. School maintenance has become mainly routine now. Not every holiday is celebrated, and when they are, just a couple of planning discussions are needed just before the event. Meetings regarding teacher attendance normally take place only when the teacher doesn’t show up for a prolonged period of time, as they have grown accustomed to his frequent absence.
\textsuperscript{102} However, participation in these churches is sporadic during certain seasons. As community members explained, the Catholic Church in the neighboring village is sometimes difficult to reach, due to a river that divides those communities. During the rainy season - which is six months out of the year - the river will vary between one and two m deep, which prevents them from attending Mass. There is an Evangelical Church in a town nearby, but only a couple of families are members.
\textsuperscript{103} The centers did not hold frequent meetings beyond the initial training seminars.
NGOs, who are often credited with creating civil society, failed to support local associations with their work. In Community 1, one particular Catholic NGO had been running programs in this community for years. However, its program design was quite top-down and did not require much voluntary community participation. Their last major project in the community, an environmental sustainability project, illustrates this point. The NGO decided to plant over 100 trees in several locations as a way to preserve topsoil. The NGO only included the community members by requesting that they provide the manual labor for the trees; in return, workers would receive supplies of food. The NGO did not ask that the community create any local groups to oversee the project, or provide community input.

Associational life in Community 2 was much more active, with five associations. Like Community 1, it had a Parents’ School Association and a health committee. The health brigades counted 12 members from the community, a high level of participation that can be attributed to the fact that the community had its own health center, which was built by the Rotary Club, from the United States, in 1997.104 With this infrastructure in place, it is not surprising that so many members of the community are active in health issues. The Parents’ School Association was also quite active. As in Community 1, the association held meetings that would focus on holiday celebrations, school maintenance, and teacher attendance. However, unlike Community 1, a Spanish NGO decided to finance a school lunch program starting in early 2005. The association was responsible for assigning tasks to members, mainly to cook these lunches, which required an

104 This health center maintains a full-time nurse, and is open almost every day to serve surrounding communities.
administrative structure and substantial participation from parents. As a result, the Parents’ School Association held frequent meetings.

The community had a quite vibrant religious life. The local Evangelical Church was founded in 1979 by soldiers from the community fighting in the Contra War who had met missionaries in a nearby city. At the time of the school construction, there were 25 members who consistently attended Mass. Members were also quite active, attending mass daily and donating money, around e$10,000 in 2007, which was spent on reconstruction and maintenance of the Church, as well as holiday celebrations. Members of the community could not remember when the Catholic Church was founded, but the church building was finished in 1995, financed with funds from a sister church in the United States. According to the pastor, who is a prominent member of the community, 100 people consistently attend Mass on Sundays, with approximately half that attending the daily mass. Because the community is located in between two adjacent villages, this church serves all three communities. The Catholic Church has an executive committee named Catholic Action, which organizes events and manages the Church chorus.

The coffee cooperative, which emerged in 1994 and forms part of a much larger association of cooperatives in the region, counted 27 members in 2005. Members have two main motives for joining the cooperative. The first is the direct sale of goods to buyers, which is the traditional function of a cooperative. The cooperative also gives

105 The church has also organized itself into a variety of groups, for women, men, young people, and children.
106 While the Church receives funding from the larger Catholic network, it also raises funds locally, though they do not follow the Evangelical practice of requiring each member to donate 10% of their income.
107 This grew to 30 members in 2008.
some members access to fair trade and organic markets, which offer a significant price premium. The other main motive to join the cooperatives is access to credit. Individually, small producers cannot request credit from banks because they lack sufficient collateral. By putting together the entire group, a cooperative can generate sizeable enough collateral to get a loan from a bank. However, the cooperative maintains a series of strict membership requirements. Most importantly, the producer must be a small farmer, which excludes the traditional elite from membership.\textsuperscript{108} Additionally, members must have a strong reputation for trustworthiness, because the cooperatives lend to them based on only a small amount of collateral that comes from the initial membership fee.\textsuperscript{109}

At first glance, the discrepancy in associational life might appear to stem from the “civiness” of the community. A deeper analysis, however, shows that geographic factors and chance explain the main differences in associational life. Community 1 did not have an agricultural cooperative because the climate was only amenable to cattle ranching, as well as harvesting rice and beans. Community 2 grows coffee, whose producers are often organized in cooperatives. Community 2 was also located in between two adjoining villages, making it a natural location to build churches and the health center. Community 1 was located nearby larger villages, but on the edge. It did not make sense to construct churches, because the neighboring churches were already more or less accessible. A health center was also constructed in a village 3 km away, again making it impractical to

\textsuperscript{108} The cooperative did not offer a clear definition of small, however.
\textsuperscript{109} Members must go through an extremely bureaucratic process of gathering documents and getting approval from a number of individuals. Finally, members must pay an initial membership fee of cS$1,000 and small monthly dues. Members are also obliged to attend monthly meetings, in which they discuss the behavior of members, debt and soliciting funds, especially for fertilizing coffee.
build another locally. The greater level of activity found in the Parents’ School Association in Community 2 is mainly attributable to the school lunch program financed by an international NGO. None of these differences in associational life seems to stem from the increased capacity for collective action, but rather geographical conditions and chance.

**Associations: More Leaders and Information**

Chart 3.4 Members of the Executive Committee of the PGCs and Their Previous Associational Experience

<table>
<thead>
<tr>
<th>COMMUNITY 1</th>
<th>President</th>
<th>Vice President</th>
<th>Treasurer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents' School Association</td>
<td>President</td>
<td>President</td>
<td>-</td>
</tr>
<tr>
<td>Parents' School Association</td>
<td>Secretary</td>
<td>Fiscal</td>
<td>Member</td>
</tr>
<tr>
<td>COMMUNITY 2</td>
<td>President</td>
<td>Vice President</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Parents' School Association</td>
<td>President</td>
<td>-</td>
<td>President</td>
</tr>
<tr>
<td>Evangelical Church</td>
<td>Pastor</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Coffee Cooperative</td>
<td>VP</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Catholic Church</td>
<td>-</td>
<td>-</td>
<td>VP, Choir</td>
</tr>
<tr>
<td>Health Brigades</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Parents' School Association</td>
<td>Secretary</td>
<td>Fiscal</td>
<td>Member</td>
</tr>
<tr>
<td>Evangelical Church</td>
<td>VP</td>
<td>VP</td>
<td>-</td>
</tr>
<tr>
<td>Cooperative</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Catholic Church</td>
<td>-</td>
<td>VP</td>
<td>Active</td>
</tr>
<tr>
<td>Health Brigades</td>
<td>Member</td>
<td>-</td>
<td>Member</td>
</tr>
</tbody>
</table>

Source: Interviews in Communities, 2008.
Note: Positions in bold form part of the Executive Committee of the PGC, while the other positions are held by those members in the italicized associations on the left.
Chart 3.4 illustrates the previous leadership experiences of the Executive Committee of the PGC in both communities. In Community 1, only the President and Vice President had some experience, both serving as President of the Parents’ School Association for a period of 2-3 years. In contrast, every member of the Executive Committee in Community 2 had leadership experience in at least two associations, except for the Vice President who was the teacher of the school. The President of the PGC from Community 2 served as the pastor of the Evangelical Church and as the Vice President of the Coffee Cooperative, and had previously been President of the Parents’ School Association.

While the education that these leadership positions provide might be a mechanism that leads to superior outcomes of the participatory process, interviews suggested otherwise. First, the President of the Executive Committee in Community 2 claimed that the PGC experience was quite unique from his previous experiences, both in the level and types of responsibilities. As a result, he claimed that these did little to prepare him for the problems that he encountered in the PGC. He stated, “Nothing could have prepared me for the PGC. It was very different and more difficult than anything I had done before.” He had previously never purchased large quantities of materials, managed large financial accounts, and especially had to deal with a person whom he believed was trying to scam his community. Also, in interviews with individual community members, none of them suggested that they voted for the President because of the skills that he had attained in his other leadership positions. Instead, they referred to personal characteristics as motivating their votes, such as honesty or hard work, as described below.

Pressure from associations on their leaders may represent another explanation for the superior outcomes, but this idea faces two major limitations. First, as mentioned by
the President, “The majority didn’t know what was going on, and weren’t that interested”, because “they have their own things to do”. If the community is not involved, then they cannot hold their leaders accountable, because they will not have the necessary information. Second, they lack the skills to gather the information necessary to prevent the corruption in this case. The President’s and Treasurer’s involvement in the embezzlement was secretive, and only a proper analysis of the receipts would allow a person not involved in these decisions to detect them.

Evidence suggests that the associational life improved the performance of the PGC through a selection mechanism that is made up of two parts. The first is that a more vibrant civil society tends to produce more leaders in the community. A more numerous set of associations means that a single leader often does not have enough time to serve in many positions, especially when those associations are active and varied. Also, certain types of associations will be predisposed to producing more leaders. Exclusive organizations that represent a certain portion of the village will generate a new set of individuals driving those organizations.\(^{110}\) For instance, in Community 2, the Coffee Cooperative only accepts small producers as members. As a result, large producers cannot take an executive position in this group. If there are mutually exclusive groups, then they will both manufacture leaders. In Nicaragua, many villages have both a Catholic and an Evangelical Church, each with a pastor heading the congregation, which was true in Community 2. Also, associations with rotating leadership will generate more

\(^{110}\) Exclusive organizations run the risk of the leader only advancing the interests of its members. This was not the case, though the following chapter discusses this scenario. If the members of the community suspected this, it is possible they would not vote for the leader of an exclusive group. However, the President of the PGC had also been President of the Parents’ School Association, which has a widespread membership. The President even claimed that not all members of the Evangelical Church voted for him.

104
leaders. Both the President and Treasurer of the Executive Committee in Community 2 had served as President of the Parents’ School Association, which holds elections every few years.\textsuperscript{111}

Elections for the Executive Committee in both communities were identical in structure: all members of the community were invited, voting was done by hand and whoever received the most votes won. However, the dynamics of the election were quite distinct, due to the associational life of the village. In particular, elections for President of the Executive Committee for the PGC were very competitive in Community 2, with four candidates running for President. Three candidates ended up on the committee: the President, the Vice President, and the Treasurer. The fourth candidate, who was the pastor of the Catholic Church and a traditional community leader, decided not to run for any positions after losing in the election for President. The elected President won with a slim majority of votes, while the others divided the vote between them. Interestingly, not all the Evangelicals voted for the President. This suggests that the elections were not a matter of interest group competition, but rather a judgment of the candidates’ quality.

In contrast, only one candidate presented himself for the position of President in Community 1, a man who had previously served as President of the Parents’ School Association. The community then had only one candidate for each of the remaining positions. As such, there was very little competition in these elections. Also, the person who became President was the grandson of one of the wealthier individuals in the community, and therefore represented a member of the traditional elite in the community.

\textsuperscript{111} These elections were held every 2-3 years in Community 2, and every 3-5 years in Community 1.
In the second part of the selection mechanism, associations create information on the quality of leaders. This information can be produced in three ways, depending on: 1. The requirements to become members or leaders; 2. The opportunity of associational members to actually see behavior of associational leaders and 3. The activities of the association. The first type of information, which derives from membership requirements, helped the President win the election in Community 2. Members of the Evangelical Church have to meet a number of commitments in order to join. The most obvious is that they are not allowed to drink, smoke or commit other immoral acts. On top of this, the Church strongly encourages their members to donate 10% of their income to the church. Even non-Evangelicals, when referring to the President of the Executive Committee, suggested that, “He has no vice”, or that, “He must be a good man if he is a pastor”. Membership in the Coffee Cooperative is also quite strict, particularly due to the shared risks associated with loans. If one member defaults on their loan, the whole group must cover for him or her, as the cooperative signs off on the loan from the bank. According to the President of the PGC, the community knows that a coffee farmer must be honest and reliable in order to join the cooperative, traits that are clearly desirable for a President of the Executive Committee. Associations with barriers to entry, either for membership or leadership positions, will therefore tend to select for certain types of individuals.

The second category of information, in which members can see the leaders’ management capabilities from the inside, also helped the President win the election.  

---

Tsai (2007) presents the concept of solidary groups, which she defines as “groups in which membership is based not only on common interests but on shared obligations.” (Tsai, 2007: 16) Solidary groups also create information regarding members’ behavior for other members, primarily relating to whether they are fulfilling their obligations to the group. While her focus is on encompassing solidary groups, it is quite possible that these groups would best contribute to the first type of information, where outsiders can judge members of the group based on their ‘obligations’ to the group.
As mentioned, he was President of the Parents’ School Association before the construction of the school. He thinks that the most impressive thing he did in this post was to manage a small administrative problem. One of the community leaders had donated land for the construction of a health center and a school. When the health center was constructed, however, they put it on the land that had been registered for the school. As such, the community had to resolve this issue with the government before the school could be constructed. In 2002, the association assigned the President to take care of the issue, raised c$1,000 to pay for a lawyer and trips to the municipal city. He quickly found out that the Ministry of Health would pay for the lawyer, and the community only had to pay for his trip to the city. He believes that his fellow community members were impressed that he quickly resolved the issue, that he could manage the relationships with the ministries, that he could quickly understand the issues, and that he managed the money in a very open and transparent way. He claims that people gained a lot of confidence in him for this, saying “I showed that I was honest, as I could have claimed that the money was spent on a lawyer or on buying other things”. Because many individuals in the community are members of the Parents’ School Association, a good number of them witnessed his abilities in dealing with this issue successfully and sincerely. Therefore, associations that place more responsibilities on the executive positions will better generate information on their abilities. Also, that information will become widespread if the association has a large number of members who stay attuned to the association’s activities.

The third type of information derives from the fact that members outside of the association judge the leadership by the association’s activities. In other words, if the
association is successful in producing visual results for its members, people outside of the association will attribute that success to the leadership. For example, the Evangelical Church went through several phases of simple remodeling over the years. While the President of the PGC served as President of the Parents’ School Association, they started an NGO program to feed schoolchildren. Although a number of efforts and fortuitous circumstances may have led to these outcomes, people in the village naturally credited the leadership with successfully bringing them about. As such, one community member said that the President was “an active leader who produced results for the village”; another stated, “He is a man who wants to work for the community.” Overall, associations that produce visible results, such as constructing a building or providing food, will create information in this way.

CONCLUSION

This chapter has elaborated a hypothesis whereby the associational life of a community can explain divergent experiences with participatory processes. Again, because of the at least partly vertical nature of associations, they will tend to produce leaders that are recognized by the community. Associations will also generate information on the quality of those leaders. However, some characteristics of associations will allow them to generate and spread more information as well as better create leaders. Communities with mutually exclusive associations, active associations, rotating leadership of the association or restricted membership associations are likely to produce more leaders and thus have more potential candidates for the Executive Committee of the participatory body.

113 After the PGC was completed, the Evangelical community rebuilt their church into a solid concrete structure. The pastor used many of the skills he learned from the PGC in order to do this.
Particular characteristics that facilitate information are the level of activity, especially when that activity is visible to the public, certain requirements for membership, and the number of members of the association. These attributes of associations allow citizens to better select honest, capable and responsible individuals for positions of leadership in the community, in this case for the Executive Committee of the PGC.

These ideas partly overlap with the literature on elite capture. Power does tend to concentrate in very few hands. In both communities, only two people from the village were substantially involved throughout the project, performing key activities and making the most important decisions regarding project execution. However, the chapter confirms the point made in Chapter 1, that inequality of power and participation will not necessarily translate into a capture of project resources. Rather, the chapter takes the approach that this situation will depend on the type of person selected for the positions of power, and therefore on the dynamics of the selection process, which is in line with a larger Political Science literature on selection models for representatives (Mansbridge, 2008; Miller and Stokes, 1963; Kingdon, 1973).

This chapter did not provide a lengthy discussion of all the possible associational characteristics as well as the conditions under which these ideas would work, which will be covered in the conclusion. For now, it is worth noting that this chapter made little reference to two common themes in political science literature on associations: exclusive and divergent group interests and power struggles between groups. The elite capture view suggests that powerful associations with exclusive interests undermine participatory processes, because they tend to divide the community and create conflict, thus preventing collective action. The mechanism presented in this chapter would most likely fail if
community members would vote for candidates, not based on perceptions of their qualifications, but based on their membership to a certain group, a scenario that is the focus of the following chapter.
Chapter 4 – Participation of the Pentecostals

INTRODUCTION

Another community, quite similar to the matched pair in the previous chapter, executed a two-room primary school project. However, unlike the matched pair, a member of the elite dominated the selection process for the Executive Committee of the PGC. He made sure that only members of his group were elected into the committee and sought to use the process to accumulate funds for his group. While this scenario would appear to lead to disaster, particularly according to the elite capture hypotheses, the local government officials described the project as “very successful”, with “a strong participation of the community”\(^\text{114}\).

The previous chapter made the argument that the amount and type of associational life of a community will play a prominent role in determining the quality of participatory project governance. The chapter tried to emphasize that just having more organizations does not necessarily lead to these outcomes. Rather, certain qualitative features of these organizations, such as leadership turnover, mutual exclusivity, and a separate identity, play an important role in the mechanisms. At the same time, previous chapters have also described several reasons why broad participation from the community is unlikely. Chapter 1 emphasized that participation can be quite costly, especially for the poor. PGCs offered an opportunity for the community members to volunteer for the project, as described in Chapter 2. However, the cases in Chapter 3 appeared to confirm the ideas

\(^{114}\) Quote from the Director of Citizen Participation from the municipal government of Santo Tomás, 2008.
laid out in Chapter 1, that widespread participation is unlikely, particularly because of the opportunity cost involved.

This chapter argues that particular associations may serve to mobilize the association’s members to join in a participatory process. In the case presented in this chapter, the very well organized and dominating Pentecostal Church in the village co-opted the participatory process and mobilized church members to serve the project in a unique show of collective action. The case study suggests that several conditions are necessary for this collective action to take place. First, the association must provide an ideology of participation to its members. Second, the association must represent a solidarity group (Hechter, 1987), which consists of a dependence of members on the group for certain benefits, and the ability of the group to monitor members’ behavior and punish them if they do not meet their obligations. Finally, the process must present outcomes that are in the interest of the group to mobilize, suggesting that, if widespread participation is needed, group capture may in fact be desirable.

LITERATURE ON RELIGION AND PARTICIPATION
The Pentecostal Church, which is the focus of this chapter, might serve to promote collective action in a variety of ways. The literature suggests three main mechanisms, which are not necessarily mutually exclusive. The chapter will use this literature to seek to explain how the particular Pentecostal Church in Community 3 was able to mobilize its members, also evaluating their pertinence to this case. First, a vast literature in social science argues that religion, and Protestantism in particular, supports collective action and democracy (de Tocqueville, 1863; Putnam, 2000; Curtis, Baer and Grabb, 2001; Woodbury and Shah, 2004; Lipset, 1994). The idea is an old one; de Tocqueville argued
that Protestantism inculcates values that support democracy in America. Lipset (1994) observed that "Protestants... have been less authoritarian, more congregational, participatory, and individualistic." (Lipset, 1994: 5) Neo-Tocquevillians, such as Putnam, assert that, even today, churches are fundamental in creating social capital. "Faith communities in which people worshiped together are arguably the single most important repository of social capital in America." (Putnam, 2000: 66) Indeed, Putnam worries that the decline in church attendance in the United States reduces the level of social capital and therefore undermines democracy. As such, according to this literature, Protestantism aids democracy and collective action because it instills values of self-reliance and associationalism, where the congregation must stand together to support the church and its members. Some authors point to the Protestant Church's historical independence from government as a source of these values. As Woodberry and Shah (2004) put it, "because non-established churches received no money from the state, they needed to instill habits of volunteerism and giving in their congregants." (Woodberry and Shah, 2004: 52) In other words, out of sheer necessity, Protestant churches became very capable at teaching members the values associated with collective action, which then carries over into the associational life of the community and the country at large.  

115 Another common point of discussion in this literature is the horizontal nature of the Protestant church. While some authors see this structure as an outgrowth of these values, it is unclear whether Putnam sees them as endogenous or exogenous. He emphasizes the vertical vs. horizontal design of the church as crucial in fostering collective action. For instance, Putnam argues that, "the Italian Church retains much of the heritage of the Counter Reformation, including an emphasis on the ecclesiastical hierarchy and the traditional virtues of obedience and acceptance of one's station in life. Vertical bonds of authority are more characteristic of the Italian Church than horizontal bonds of fellowship." (Putnam, 1993: 107) The Protestant Church, on the other hand, represents a horizontal organization that should foster equal relationships between members, with collective action as a result. Rather than reflecting a set of values, Putnam appears to treat the vertical nature of the Catholic Church as exogenous, and inhibiting the ability of congregation members from sanctioning those who do not follow norms, and stifling the flow of information.
A second means by which the Protestant Church inspires collective action is that it teaches members important civic skills, and in particular, skills of organization and communication (Verba et al., 1995). The more equal and participatory design of the Church means that the congregation becomes accustomed to participation; also, because the church serves as a hotbed for other associational activities, members get involved in other opportunities. The numerous and diverse experiences allow church members to develop their civic skills through a process of learning by doing. These two ways of inspiring collective action, namely instilling values of participation and increasing civic skills, serve to reinforce each other to produce a vibrant associational life.

Another prominent idea attributes collective action to the level of conservatism of the particular denomination. Iannaccone (1994) asserts that, by having very strict membership requirements, conservative churches select for the most passionate members, who will not free ride. He starts with the empirical observation that conservative congregations are able to mobilize huge amounts of resources and time from their members, relative to less conservative ones. They also impose costly restrictions on members, prohibiting them from consuming alcohol or cigarettes, or at times forcing them to wear symbols of the religion, such as the side curls of Hassidic Jews. In sum, "pleasures are sacrificed, opportunities foregone, and social stigma is risked or even invited." (Iannaccone, 1994: 1182) Iannaccone argues that the standards serve to select only those individuals who have the strongest preference for the religion, and are therefore the least likely to free ride. Iannaccone assumes a distribution of preferences for religion, where some individuals greatly value the religious experience and others do not. He therefore envisions a market of religions, where conservative ones require that
members pay a price for membership in the form of costly restrictions. By imposing a high price that selects for members who passionately celebrate their religion, the value of the religious experience increases, which further attracts members. Conservative congregations, which select for zealous members who are most willing to sacrifice, should have no problem encouraging their members to donate time and money to the church.

A final theory to explain collective action is outlined by Hechter (1987), which, though he uses it to describe such groups as political parties and rotating credit associations, can be applied to churches. This theory takes a rational choice approach to solidarity in groups, and is made up of two main elements. First, solidarity will increase if members are dependent on the group for certain benefits. Dependence stems from such things as lack of other options, lack of information regarding other options, the formal cost of leaving a group, and the amount of time invested in developing relationships within the group. According to this theory, if church members can find the same spiritual experience and benefits from another church, with fewer obligations and costs; and if there is no cost to leaving the congregation, then they will switch to that church. Second, solidarity derives from a ‘control mechanism’, which holds members to their obligations. Like accountability, a functioning ‘control mechanism’ requires that the members’ behavior be detectable by the group so that they can determine whether obligations have been met. Also, some form of punishment must be inflicted on those who fail to meet their obligations. As long as churches can monitor their members’ actions, and punish them when they fail to meet their religious obligations, they will be able to control them sufficiently. In sum, those groups that offer their members a sufficiently valuable good,
as well as maintain a high level of dependence and a strong control mechanism, will have the greatest level of solidarity.

THE PENTECOSTAL CHURCH

Pentecostalism\textsuperscript{116} is one of the largest and fastest growing religions in the world. According to a 2000 estimate, 115 million people around the world are Pentecostal. Though the church is often associated with the United States, only an estimated 7,948,000 million Americans were Pentecostals in 2008 (Kosmin, 2009). Pentecostal leadership tends to remain in the United States, but the vast majority of members are found in developing countries. Today, despite the stereotype of Latin America as uniformly Catholic, many countries have experienced an astounding expansion of membership in Evangelical Churches, and the Pentecostal church in particular. Protestantism, a term that includes all non-Catholic Christians, had reached more than 50 million members by the early 1990s, which is around 11\% of the total population in Latin America (Smith, 1998: 2). Although no clear measurements are available, one estimate is that approximately 2/3 of all Latin American Protestants are Pentecostal (Freston, 2008: 15). Pentecostals also represent the vast majority of Protestant growth in Latin America, ranging between 75 and 90\% (Cleary, 1997: 4). The largest growth of Protestantism in

\begin{flushleft}
\footnotesize
\textsuperscript{116} Although it is divided into approximately 11,000 denominations, Pentecostals tend to have several characteristics that together distinguish them from other types of Christianity. First, Pentecostals believe in the complete accuracy of the Bible, and an exclusive focus on scripture in their worship. Next, Pentecostals try to bring out signs of the Holy Spirit in the individual, practicing such rituals as praying in tongue, exorcism and the religious healing of emotional or physical problems. They do not encourage the scholarly study of the Bible, rather emphasizing the spiritual and emotional side of religion. Finally, the Pentecostal church tends to be highly decentralized in its structure, in stark contrast to the Catholic Church. This is evidenced by the large number of denominations previously mentioned, but also by the lack of hierarchy amongst their pastors, and the generally weak top-down control of individual churches by a religious center. Pentecostalism also tends to spread primarily amongst the urban and rural poor, which is attributed to a variety of factors, such as its focus on the emotional and not the intellectual side of religion.
\end{flushleft}
Latin America has been in Brazil, Guatemala and Nicaragua, in which over 20% of their populations were Protestant by the early 1990s (Wilson, 1997: 145).

Today, more than a million Nicaraguans are members of non-Catholic churches. The 2005 census claims that only 58.5% of the Nicaraguan population is Roman Catholic, with 21.6% of Nicaraguans categorized as Evangelical, which includes Protestants as well. Among the Evangelical population, there are over 100 different churches, including the Church of God, Moravian Church, and the Baptist Convention in Nicaragua, etc. While official statistics are not available, most observers agree that the type of Evangelicalism in Nicaragua that is both the largest and continues to grow the fastest is the Pentecostal Church, which parallels the global trend.

According to historical record, the first Pentecostal missionary arrived in Nicaragua in the year 1910. However, the church remained rather small until the late 1970s and the 1980s, which mirrors the exponential growth in Pentecostalism found worldwide. The non-Catholic population increased from 3% in 1965 to more than 20% in 1990, largely attributed to the Pentecostal church (Merrill, 1994). As in other countries, the church is especially popular amongst the urban poor and impoverished rural communities.

Within Nicaragua, the Pentecostal church is particularly strong in rural communities in the center of the country, one of which is the focus of this chapter. Experts attribute the successful spread of Pentecostalism to the difficult access in

117 In Latin America, the term 'Evangelical' is used to describe all non-Catholic churches.
118 Unfortunately, the census questions overlapped, both asking whether the person was Moravian and Evangelical. This is problematic because Moravians consider themselves to be Evangelicals as well. As such, the statistic for the number of Evangelicals may be underestimated.
119 Interview with officials from CEPAD, 2008; Merrill, 1994.
reaching these communities. Pentecostals were relatively late in their missionary work, compared to the other Protestant sects. The first protestant missionaries to extensively proselytize were the Baptists and Moravians, who focused primarily on the Caribbean coastline in the late 19th century, while soon afterwards, the Episcopal Church spread primarily along the Pacific coast. The relatively late wave of Pentecostal missionaries found that the area that had previously been neglected by the non-Catholic Churches was the central region of the country, primarily due to its distance from the coasts, the poor infrastructure, and the mountainous terrain. This is particularly true for poor communities, which often do not have any road access. One might even argue that the lack of other religions that compete for membership in this region should contribute to collective action, because, according to Hechter, fewer religious options creates greater dependence that leads to solidarity.

The Pentecostal Church tends to be highly decentralized in its structure, in stark contrast to the Catholic Church. This is evidenced by the large number of denominations, numbering approximately 11,000 around the world, but also by the lack of hierarchy amongst their pastors, and the generally weak top-down control of individual churches by a religious center, especially since travel in many communities is very difficult. Even though early Pentecostal missionaries generally came from the United States, the Pentecostal Churches of Nicaragua have developed to a point that their head office is generally based in a large Nicaraguan city. Also, their leadership is primarily Nicaraguan, even though these churches maintain relationships with congregations in the United
Many of these churches are even quite financially independent from their American counterparts, raising funds from members within the country. This decentralized nature reflects the account of Protestantism previously mentioned, which, according to these authors, suggests that they should be correlated with a certain set of values of participation that encourage collective action.

The main focus of this chapter will be on one of the Pentecostal Churches of Nicaragua, named United Pentecostal Evangelical Mission in Nicaragua, which was founded in 1954 by American missionaries. This church shares many of the attributes found in other Pentecostal Churches around the globe, including the fundamentalist view of the Bible, an emphasis on the emotional experience of the religion and the decentralized design of the church. Like other Pentecostal churches, it makes a number of demands on its members. First, members of this Pentecostal Church are forbidden from a variety of activities, including drinking, smoking and dancing. They are required to pay a tithe, i.e. 10% of their salary, to the church. One unique attribute of this church is that it has a professional set of pastors who rotate between churches, with their salary paid by the local congregation. In most other rural Pentecostal churches, a member of the community will rise to become the pastor. Also unique about this Pentecostal Church is that it has the reputation of being particularly conservative. According to one expert on Evangelicals in Nicaragua, this church disciplines its members by using social punishment, against those who fail to meet the requirements of the church (Interview

\[120\]

Still, though, a huge amount of missionary work still takes place in Nicaragua, sometimes only focused on providing aid and support to the poor, but normally mixing the delivery of sorely needed goods and services, such as food, school supplies or medical attention, with proselytizing. For instance, whenever I would fly to Nicaragua with Delta or Continental, I would find at least two missionary groups on the plane, easily identifiable because they would inevitably wear neon T-shirts commemorating their trip.
with officials from CEPAD, 2008). For example, if a member is seen drinking, then he (or she) might be forced to sit at the back of the church or prevented from singing along from the rest of the congregation (Interview with officials from CEPAD, 2008). As a result, one may argue that this particular Pentecostal Church represents the kind of conservative religion that is the topic of Iannacconne’s ideas, and thus should exhibit a tendency for collective action.

THE COMMUNITY

Located approximately 120 miles to the southeast of Jinotega is the municipality of Santo Tomás, in the department of Chontales. Santo Tomás is a medium sized municipality with a population of approximately 15,000. This area of Nicaragua is generally known as ‘cattle country’, and is home to huge meat and milk production. Several cheese producing plants are found in Santo Tomás, one of which represents a joint venture between a Honduran businessman and the main milk cooperative that operates in the rural areas. The municipal capital city is found on the main highway heading to the Atlantic Coast, making it a natural stop for truckers traveling to and from the east, thus creating a number of restaurants and shops.

The community that is the focus of this chapter, referred to as Community 3, is located 22 miles from the municipal capital city. Traveling time is rather long, due to the difficult terrain. Not only do the roads and highways have to weave through the mountains, but also at the time of execution, no road entered the village. As such, it would take around four hours to drive from the municipal capital to the nearest town with road access, made up of one hour along a highway, and three through the mountain roads.
A four to six hour hike through over six miles of mountain terrain follows this. Upon entering the community, the layout is quite similar to the previously described communities, with a series of houses lining a dirt road that runs through the middle. A network of mountain paths connects to most community members’ homes, as well as the primary school.

The main source of income in Community 3 is milk products, which includes cheese, that are mainly sold to the aforementioned milk cooperative, as well as some middlemen. Inequality in the community is quite high, with a number of landless laborers working for the few wealthy landowners. Migration is also common; a number of community members (including the President of the Executive Committee of the PGC) have migrated to Costa Rica in search of work. Because the border of Costa Rica is only approximately 100 miles from the community, it has become a very popular destination for immigration.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Community 1</th>
<th>Community 2</th>
<th>Community 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Community Type: Agricultural Village</td>
<td>Same</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>2. Average Income (Household Consumption 2004)</td>
<td>c$14,365</td>
<td>c$15,472</td>
<td>c$6,358*</td>
</tr>
<tr>
<td>3. Average Education (in years, 16 and older)</td>
<td>3.39</td>
<td>3.29</td>
<td>3.43</td>
</tr>
<tr>
<td>4. Population (# Households)</td>
<td>50</td>
<td>60</td>
<td>63</td>
</tr>
<tr>
<td>5. School Type: 2 Room Building</td>
<td>Same</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>6. School Cost</td>
<td>c$558,687</td>
<td>c$585,138</td>
<td>c$668,900</td>
</tr>
<tr>
<td>7. Municipality</td>
<td>Same</td>
<td>Same</td>
<td>Different</td>
</tr>
<tr>
<td>8. Distance to Community from Municipal Head City (in miles)</td>
<td>~6</td>
<td>~7</td>
<td>~22</td>
</tr>
</tbody>
</table>

Source: Project Documents, 2005-2006; Interviews with the Municipal Technicians and Members of the Executive Committees, 2009.

121 By the time I visited this community, they had just finished building a road.
Chart 4.1. indicates that Community 3 is quite similar to Communities 1 and 2. It was an agricultural village, though it produced primarily milk and cheese products, as opposed to coffee or just beef. The average income was much less than the other communities with average household consumption at around $427, well below international poverty line in less than a dollar per day per person; this difference might be attributable to some kind of measurement error. The average number of years of education for the adults was 3.43 years, barely above the average for Community 2, but still much less than Community 1. The population was also in between Community 1 and 2, with about 63 households. The project type is exactly the same, the construction of the two rooms school building. The design for the actual building again was likewise similar, according to the standard design provided by the Social Fund.

The cost of the school was exceeded that of the other two communities. This stems from characteristics that differ from Communities 1 and 2, the distance to the community and more difficult terrain. As mentioned, traveling to the community from the municipal head city would require around four hours drive to a nearby town, followed by a 4-6 hour hike through over 6 miles of mountain terrain. All the materials for the school had to be transported in this way, with mules used to carry the materials along the hiking stretch, a very costly process that would require a large number of workers.

Another distinction is that this community was found in a separate municipality, approximately 120 miles to the southeast of Communities 1 and 2. This meant that different individuals served as the municipal government technician and Social Fund 122

122 One standard cause of measurement error is that different research assistants use different techniques. Community 3 indeed had a research team apart from that of Communities 2 and 3. Given that household consumption is quite difficult to measure, it would not be very surprising that the latter researcher had a slightly different way of measuring the statistic, which could account for the vastly different statistic.
technician, though the chapter later shows that these actors played almost no role in this case.¹²³ In sum, as in the previous chapter, the above indicators – which represent the main socio-economic and institutional hypotheses – generally suggest that the project in Community 3 should have outcomes that are both poor and similar to those found in Communities 1 and 2.

PROJECT EXECUTION AND RESULTS

The community started the project on November 3, 2005 and finished on February 17, 2006, for a total of 3 ½ months of work, despite facing heavy rains. Before the beginning of the project execution phase, however, the Executive Committee broke the usual protocol for the PGC. They were quite afraid of the responsibilities that the project entailed, and they were looking for a way to get around them. It so happened that, just before the PGC, the Social Fund had financed the construction of a similar school in a village connected to Community 3. In that case, project execution was managed in the traditional decentralized manner in which the municipal government hired a private contractor. The Executive Committee of the PGC formed a relationship with this contractor, who offered to build their school.

The two parties ended up making a deal, even though this was contrary to the spirit of the PGC, which required that the community take on the execution responsibilities. According to the agreement, the Executive Committee would hire the contractor to build a school. However, the contractor knew that one of the most expensive and difficult parts of the execution was to transport the materials from the town nearby

¹²³ Also, given the somewhat substantial distance between the villages there is the potential contrast in regional culture, although the story does not suggest that this would play an important role.
into the village. As mentioned previously, this task required a large number of laborers working with mules, and could take up to six hours one-way, or even longer with torrential rains. The community agreed to manage this transport, to do it before a certain date and to charge a fee that meant workers would receive less than one half of the normal wage charged for this labor. In response, the contractor reduced its price considerably. Because of the PGC system, the difference between the price of the contractor and the budget would remain in the community for ‘development projects’.

In the end, 30 people volunteered with 70 mules to labor full time for a period of between five and seven weeks. Conditions were not pleasant for the work. c$50 was offered per day, around three dollars, which is less than half the usual rate for this kind of job. The work was extremely difficult, and workers strongly disliked it, because they would have to trudge through the mud and rain along narrow mountain paths. The Vice President of the Executive Committee even said, “We felt scared that the community would not be willing to do this, but they proved that we can depend on them.” Also, because the community had committed itself to a deadline, the workers often pushed the mules even beyond exhaustion. By the end, two mules had died, with no compensation offered to their owners, even though they cost around $500 each. The time commitment also bore a high opportunity cost, as members of the community had to forego spending time on their own crops and cattle, or other jobs with better wages.

Chart 4.2 Outcome Indicators for the Three Communities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Community 1</th>
<th>Community 2</th>
<th>Community 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Time (in months)</td>
<td>~5</td>
<td>~4</td>
<td>~3.5</td>
</tr>
<tr>
<td>2. Savings/Losses</td>
<td>c$-68,000*</td>
<td>c$5,000</td>
<td>c$68,803</td>
</tr>
<tr>
<td>3. Embezzlement</td>
<td>yes</td>
<td>no</td>
<td>no</td>
</tr>
</tbody>
</table>


Note: The asterix next to the entry for embezzlement in Community 3 refers to the fact that the community did not completely follow Social Fund regulations, as will be seen below.
Chart 4.2 shows that, overall, Community 3 did very well according to these indicators. They started the project on November 3, 2005 and finished on February 17, 2006, for a total of 3 ½ months of work, despite facing heavy rains. The project savings were very high, with $4,242 remaining at the end of the project, a full 10% of the total project budget, which the community could use for local development projects. Also, there was no clear case of embezzlement for personal use in this case, although the community did use questionable practices in project execution and the use of funds.

Upon completion, each party held up its side of the bargain, and the community was left with c$68,300, or approximately $4,242. Again, this is a violation of the normal Social Fund policy, which states that the extra funds would be invested in projects for the development of the entire community. However, instead, the Executive Committee used it for the Evangelical Church. Of this money, the Executive Committee spent over c$12,000 on an electrical generator for the church. The rest of the money was put into a fund for the expansion and renovation of the church structure.

The performance of the community did not go unnoticed by the municipal government. Officials raved about participation of the community in the PGC, and the enormous sacrifices that they endured. The Director of Citizen Participation proclaimed, "You should have seen the community at this time! They were impressive, organizing themselves in groups, walking back and forth between the community and the town with all the mules and cargo. They showed just what a community could do when they work

---

124 The municipal government and the Social Fund did not get involved in the matter; according to the Municipal Technician, the PGC as giving communities the right to do what they want with the funds.
125 Because this Pentecostal Church is locally called the Evangelical Church, I will use the latter name.
together.” Within the government, the community gained a reputation for being able to mobilize resources for the good of the whole. Soon after the project was finished, the community, along with senior representatives of the cooperative, approached the government with a proposal to build a road to the community. This road would give vehicles access and would therefore result in huge economic gains. In 2007, the municipal government made a deal with the community in which the government would provide machines and skilled labor, and the community would finance gasoline and cook meals for workers, and also buy smaller materials that were needed.

The expense for the community and the adjoining villages has been enormous, totaling approximately c$250,000, or around $15,528. The Evangelical community negotiated with the Catholics to take on a greater financial burden in road construction. They agreed that, if the road would end in front of the church, meaning that trading posts would come up in the “Evangelical part of town”, then the Evangelicals would raise more funds. To date, the road has been completed successfully. By the middle of 2008, trucks carried fresh milk from the community every morning, paying a far superior price to the cheese that they had been selling before. At that time, trading posts and small stores were springing up right in front of the church. According to the cooperative, municipal officials, and the community, members of the Evangelical Church have been, as a whole, excellent in donating resources and participating in the process.

126 The principal commodity from the community was milk, which because of the long transport time to the market, farmers would process the milk into cheese in order to preserve it. Community members claimed that the price difference is huge; a liter of milk could be sold for c$14, while one liter of milk converted into cheese would sell for c$7, despite the additional labor.
ASSOCIATIONAL LIFE

If the selection mechanism described in the previous chapter were universally correct, it would predict that, given the good project indicators, Community 3 would have a vibrant associational life that then helps to select highly capable and honest leaders for the Executive Committee.

Chart 4.3 Associations in Communities 2 and 3

<table>
<thead>
<tr>
<th>Community 2</th>
<th># Active Members in 2005</th>
<th>Year Founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catholic Church</td>
<td>~50</td>
<td>?</td>
</tr>
<tr>
<td>Evangelical Church</td>
<td>25</td>
<td>1979</td>
</tr>
<tr>
<td>Health Brigade</td>
<td>12</td>
<td>1997</td>
</tr>
<tr>
<td>Coffee Cooperative</td>
<td>27</td>
<td>1994</td>
</tr>
<tr>
<td>Parents' School Association</td>
<td>25-35</td>
<td>Early 1990s</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Community 3</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Catholic Church</td>
<td>~40</td>
<td>?</td>
</tr>
<tr>
<td>Evangelical Church</td>
<td>~50</td>
<td>Early 1970s</td>
</tr>
<tr>
<td>Health Brigade</td>
<td>5</td>
<td>1994</td>
</tr>
<tr>
<td>Milk Cooperative</td>
<td>12</td>
<td>1996</td>
</tr>
<tr>
<td>Parents' School Association</td>
<td>30-35</td>
<td>Early 1990s</td>
</tr>
</tbody>
</table>

Source: Interviews In the Communities, 2008.

Chart 4.3 shows that, in 2005, associational life in the two communities was quite similar. They each had the same five organizations, including a Catholic Church, an Evangelical Church, a health brigade, an agricultural cooperative, and the Parents’ School Association. Active membership in these institutions is also alike, both in terms of the number of members and the activities. In 2005, the school association in the Community 3 even had a school meal program comparable to that of Community 2. A Spanish NGO again financed meals that would be cooked by the community, though it was breakfast.
and not lunch in this case. The milk cooperative\textsuperscript{127} in Community 3 had fewer members than are found in Community 2’s coffee cooperative, and the health brigade was likewise smaller. However, membership in the Evangelical Church was twice as large in Community 3, despite having a smaller population, which will prove to be a significant difference in the story that follows.

\textit{Choice of Leadership}

So far, the vibrant associational life of Community 3 appears to confirm the mechanism presented in the previous chapter. Indeed, Community 3 maintains a vibrant associational life, which, if the prediction is correct, should lead the community to select an executive committee from a variety of groups, with the most qualified individual in the position of President.

\textsuperscript{127} The milk cooperative’s purpose and structure was quite different from the coffee cooperative. Members of the cooperative tended to be the largest producers in the village, in contrast the coffee cooperative, which was limited to small producers. Next, the cooperative does not provide credit for its members, because the medium and large sized producers who were members could find other loan sources. The cooperative provides direct market for milk, but it does not limit its purchases to only its membership. The main benefit of membership appeared to be the privilege of attending the decision-making meetings for the larger cooperative business.
Chart 4.4 Members of the Executive Committee of the PGC and Their Previous Associational Experience

<table>
<thead>
<tr>
<th>COMMUNITY 2</th>
<th>President</th>
<th>Vice President</th>
<th>Treasurer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents’ School Association President</td>
<td>President</td>
<td>Teacher</td>
<td>President</td>
</tr>
<tr>
<td>Evangelical Church Pastor</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Coffee Cooperative VP</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Catholic Church -</td>
<td>VP</td>
<td>Active</td>
<td>-</td>
</tr>
<tr>
<td>Health Brigades -</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secretary</th>
<th>Fiscal</th>
<th>Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents’ School Association VP</td>
<td>VP</td>
<td>-</td>
</tr>
<tr>
<td>Evangelical Church -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Coffee Cooperative -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Catholic Church -</td>
<td>VP</td>
<td>Active</td>
</tr>
<tr>
<td>Health Brigades Member</td>
<td>-</td>
<td>Member</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMUNITY 3</th>
<th>President</th>
<th>Vice President</th>
<th>Treasurer</th>
<th>Secretary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents’ School Association -</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Evangelical Church Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td></td>
</tr>
<tr>
<td>Cooperative Member</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Catholic Church -</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Health Brigades -</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal</th>
<th>Member 1</th>
<th>Member 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents’ School Association -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Evangelical Church Leader</td>
<td>Leader</td>
<td>Leader</td>
</tr>
<tr>
<td>Cooperative -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Catholic Church -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Health Brigades -</td>
<td>-</td>
<td>Member</td>
</tr>
</tbody>
</table>

Source: Interviews in the Communities, 2008.

Chart 4.4 clearly shows a strange phenomenon in Community 3, in contrast to Community 2. Despite having similar associational life, the elected members of the Executive Committee of the PGC did not have much previous experience in other community organizations, with the clear exception of the Evangelical Church. Only the President of the Executive Committee had previously held a position of some repute, as a member of the milk cooperative. Also, Member 2 was a member of the health brigades.
Most notably, not a single member of this Executive Committee had served on the Parents’ School Association. In contrast, the Executive Committee of Community 2 exhibited much more experience in these important positions. The President of the Executive Committee had served in three other groups: Pastor of the Evangelical Church, President of the Parents’ School Association and Vice President of the Coffee Cooperative. Four members of the Executive Committee had previously served on the Parents’ School Association, and the Vice President of the committee was a teacher.

This contrast between the two communities would seem extremely odd until one understands the dynamics of the selection process for the Executive Committee. The process was a significant occasion in the community. For the first time ever, the mayor of the municipality traveled to the community, accompanied by the vice mayor, and five or six other municipal officials. One member of the community described this as an “historic event for our village”, and a municipal official stated that “this visit brought us together with this isolated community… and it completely changed our relationship with them”128. Over 100 people came, from both the village and adjoining villages. The mayor presented the project to the community, explaining that this project was unique in the responsibilities it would pass on to the community. However, he explained, the funds at the end could be invested in development projects that would serve the community afterwards.

According to officials in the municipal government and members of the Executive Committee, the pastor of the Evangelical Church facilitated the selection process of the Executive Committee. Officials in the municipal government thought this was odd, and

128 Interviews with the Vice President of the Executive Committee in Community 3 and the Director of Citizen Participation for the Municipal Government.
might bias the outcomes. However, they did not know this community well and had only just arrived. The Director of Citizen Participation later claimed, “We thought it was not proper to put ourselves in a community issue.” The Evangelical pastor proceeded to suggest names of the male leaders of the church for every position in the Executive Committee. Afterwards, they held a quick election whereby the community would vote up or down on the entire Executive Committee. When the majority voted yes, the Executive Committee was considered elected.

Clearly, the facilitator has huge influence over the outcomes; even academic literature (Mosse, 2001) has argued that facilitators can use their power to capture a process. The ability of the Evangelical pastor to essentially co-opt the selection process meant that the senior members of his church would control the execution of the project, as well as the distribution of any project savings. From this, one can deduce that the Pastor’s incentive to capture the process was to use the project savings to invest in the Church.\(^{129}\)

However, given the power of the pastor, the elite capture view might expect that he would steal resources from the project, instead of mobilizing church members to make enormous sacrifices of time and resources for the project. Indeed, his group seemed to control the process from the beginning, with very little competition between leaders that, according to the previous chapter, was crucial for selecting honest and competent individuals for the Executive Committee. There are two reasons why this may not have taken place.

\(^{129}\) Unfortunately, I could not directly interview the pastor, as he had already moved to a small village in another part of the country, and been replaced by another. This rotation is common with this denomination of Pentecostals.
First, similar to the approach of the previous chapter, the process of selection should prevent a corrupt type of person from becoming a pastor of this Evangelical Church. Not only does this Pentecostal denomination place a strong emphasis on moral behavior, but also individuals who wish to become a pastor self select, because know that they will likely live in isolated and impoverished communities for most of their lives. Also, they will make barely enough money to live on, and their personal budget will be limited to what the Church members offer them. It is hard to imagine that a corrupt type of person who would subject himself to these working conditions.\(^{130}\)

Also, because of competition to convert community members, the pastor has strong incentives not to steal resources. Pentecostals are known for prioritizing conversion as one of the main responsibilities of a church member. Also, as mentioned, church members pay a tithe, which serves as the financial foundation for each individual church. If the pastor stole resources, he would endanger his reputation and thus his ability to convert community members. This competition to convert is particularly strong because of the active Catholic Church in the community. Fewer members would not only become a sign that he is not fulfilling his duty as a Pentecostal, but would also shrink the financial resources of his church.\(^{131}\)

\(^{130}\) Unfortunately, I did not research the full vetting process for pastors of this denomination, which most likely poses requirements and makes demands of potential candidates that would prevent individuals subject to corruption from joining.

\(^{131}\) These dynamics are similar to the ideas presented in the dissertation of Simona Piattoni (1996), who argues that clientelism can become “virtuous” if the financial resources of the patron are dependent on good behavior; she argues that competition by other patrons is a key part of this mechanism. A similar argument is made in Gill (1998), who asserts that the Catholic Church in Latin America championed the rights of the poor and came to oppose dictatorships in countries where the Protestant Churches’ membership had grown significantly amongst the poor.
PENTECOSTAL PARTICIPATION

Community 3 exhibited a form of collective action that was voluntary and more costly than anything seen in the other communities. As described in Chapter 2, participation in this case was not directed at decisions that drive the allocation of project resources. As a result, widespread participation does not mean that the project will achieve the normative outcomes described in Chapter 1. However, explaining participation in Community 3 is still an important, because, whether meetings and administration or hauling mules, participation is costly for individuals in terms of time, with little or no direct personal reward (again, as described in Chapter 1). The conclusions drawn here can be applied to these various forms of participation in different areas of the project.132

As mentioned, members of the community implied that they would not have taken this job under other circumstances. The work was hard and unpleasant, daily trudging through 12 miles (6 miles there and 6 miles back) of muddy mountain paths to direct mules. Also, when two mules died from exhaustion, no compensation was offered. Given arduous work conditions and long hours over an extended period of time, the reduced wage was not a sufficient incentive to make community members choose to work. As the Vice President of the Executive Committee put it, “We paid something minimal, so that we could economize.” The Secretary of the Executive Committee described the payment as “symbolic”. Other incentives were necessary to encourage them to accept this very unpleasant work.

132 The main limit to generalizability is whether decision-making power plays a role in an individual’s choice of whether or not to participate. Only rarely will an individual’s participation have a noticeable influence on group decisions, for reasons such as having interests that are similar to other participants, their interests being trumped by other views, their inability to participate effectively, etc. However, it is possible that community members will choose to participate because the particular participatory body as a whole has substantial influence over the project, meaning that the ideas developed in this chapter are not relevant to these cases.
Interestingly, the men who volunteered to work were, with the exception of two individuals, all members of the Evangelical Church. The work was based on the structure of the congregation: each one of the male church leaders was assigned a group of men and mules, and they would go as a work unit to pick up the day’s allotment of goods from the nearby town. Actually, of the men who would consistently attend mass at the church, the majority participated in the project in this way. These facts suggest that being a devoted member of the church played a role in their decision to work in the PGC.

Identifying the exact local factors that allowed the church to mobilize its members is a topic too vast for this chapter. Evidence suggests that each hypothesis mentioned in the outset of the chapter was at work, except for lannacconne’s idea regarding the selection mechanism for those who are willing to participation. It is worth noting that the theories are each non-exclusive and maybe even complimentary.¹³³

First, the role of a participatory ideology appeared to be functioning. Unfortunately, no document clearly outlines the role of participation in the denomination’s set of beliefs, and so the official emphasis on participation is unclear for this particular congregation. However, when discussing their participation in this project, several community members used rhetoric that reflected the importance of religion and solidarity in inspiring them to work. For instance, one individual said, “Our religion requires us to participate and sacrifice for our community”. Another person claimed, “We have walked together, we have worked together and we continue to advance together.”

According to the current pastor, service to the community is a frequent topic of his sermons to the congregation, and he has tried to emphasize this as one of the main

¹³³ Of course, it is possible that these individuals used ideology as a form of presentation, or because they’re not sure why they decided to participate.
responsibilities of every Evangelical. Overall, then, an ideology of participation appears to be quite strong amongst this congregation.

A type of selection mechanism may also be at work, in a way similar to Iannaccone (1994), but the evidence here is not very convincing. Perhaps only the most passionate Pentecostal believers join the church, which means they are more willing to participate and sacrifice for the group. Indeed, they had to accept the standards of not drinking, smoking or dancing. They also knew that they would have to attend church quite frequently, and contribute the tithe. However, it is unclear that the decision to join one religion or the other was made in such a market-oriented manner. In line with the Rational Choice approach, Iannaccone assumes a random distribution of preferences regarding religion, with the individuals with the strongest preference for the particular denomination tending towards conservative churches. However, the distribution of individuals joining the Pentecostal Church did not appear to be random. The community was divided between the predominantly Pentecostal and the Catholic part of town. Also, extended members of the same family would convert to Pentecostalism. All of this suggests that an individual preference for Pentecostalism over Catholicism is not an exclusive motive for joining the church; rather, family and friend networks played a much more important role. Therefore, there is little reason to expect that the collective action in this community was simply a result of selecting for individuals who are inherently more willing to sacrifice and participate in the group.

Finally, Hechter (1987) argues that solidarity groups must maintain certain characteristics that work to create collective action. As mentioned, dependence on the group can assure that members are willing to sacrifice to produce joint goods with several
factors increasing that dependence. First, he mentions the supply of close substitutes, because few options make leaving the group more difficult. In this case, the community only has two established religions: Catholicism and Pentecostalism. Of course, community members could simply choose to not participate in any religion, but that would deny them of the social networks and the “spiritual fulfillment” that these churches offer.

Though the Evangelical Church struggles to convert more members of the community, leaving this church is quite costly for individuals in terms of their reputation. As mentioned, Evangelicals seem to highly disapprove of people who quit the church. One member said that they only did so, because “they did not have faith in G-d, and wanted to drink and smoke”.134 As mentioned, an individual person does not join the Evangelical Church alone; rather, it is his immediate family, followed by the extended family and finally neighbors and other members of the community. Leaving the church could permanently damage a person’s reputation amongst the entire congregation, which includes many (or most) of the people who are most important in that person’s life.

Hechter also describes the necessity of a control mechanism, which includes monitoring and some form of incentives for correct behavior. Monitoring participation in the Evangelical Church is not difficult; the community is small, and they can see very clearly whether an individual participates or not. The punishment mechanism is quite subtle, and difficult to measure in this case. Reputation as a good Christian should serve as a strong incentive to meet group expectations, particularly because one’s neighbors

134 Interviews with members of the community, 2008.
and family are members of that same group.\textsuperscript{135} It is also worth mentioning that, according to experts on Evangelicalism in Nicaragua,\textsuperscript{136} this particular sect is known for shaming members. For instance, if a member is caught drinking or smoking, the pastor will make him or her sit at the back of the church, or will not allow him or her to sing with the rest.\textsuperscript{137}

**INTEREST**

The above ideas represent only part of the explanation for this form of costly collective action in Community 3. While they might predict the kind of group that will participate, they will not predict \textit{when} that group will choose to participate.\textsuperscript{138} In the case of the PGC, the Evangelicals had a strong interest in ensuring that the project would yield savings that would be invested in the church. The church members, and the pastor in particular, spoke with pride about the physical infrastructure of the church. In interviews, the pastor described how the congregation started with just a wooden shack, and because of the efforts of the community, they rebuilt that shack several times over, most recently with a large concrete structure.\textsuperscript{139} The pastor also described the ambitious new plans they had to double the size of the present structure, so that the church “reflects the magnificence of our religion”. Clearly, the funds gained from the PGC would be valued greatly by this group.

\textsuperscript{135} When I asked members of the Executive Committee whether there were cases of individuals who had refused to participate when asked, they were not aware of any.
\textsuperscript{136} Interview with Officials from CEPAD, 2008.
\textsuperscript{137} I did not find any evidence of this in Community 3, but it is possible that it is the kind of practice that they would not want to share with me.
\textsuperscript{138} A similar argument can be found in Rosenstone and Hansen (1993).
\textsuperscript{139} The pastor also named the equipment inside the church, including an electric generator, musical instruments, a stage and a sound system.
On the other hand, members of the Evangelical Church did not exhibit a greater propensity to participate in other associations in the community. Chart 4.4 showed that the leaders of the Evangelical Church have very little leadership experience with other associations found in the community. This seems to contradict the statements that they are required by their religion to do everything they can to improve the community, which they claimed had inspired them to volunteer. These leaders did not participate in the leadership roles for the Parents' School Association, and only one was a member of the health brigades. Interviews with the schoolteacher echoed this problem. As mentioned, the Parents’ School Association has a program in which they cook breakfast for the children. The teacher complained that parents often neglect this responsibility, which is equally a problem for the Evangelical parents and the Catholic parents. He also mentioned that the present Evangelical pastor – who had arrived in the community a year before – had not yet visited the school, and so showed little interest in supporting the program or any other activities.

This suggests that members of the Evangelical Church will not get involved in every association in the village, even when it is in their broad interest as citizens to do so. Rather, even though the church has a huge potential for collective action, its members must see an interest in mobilizing as a group. In fact, it is possible that an Evangelical Church will actually smother the associational life of the overall community outside the church, because the church absorbs its members’ time and resources, potentially away from other groups.\(^{140}\) This is particularly true if the Evangelical Church tends to mobilize

\(^{140}\) Indeed, the new pastor, soon after arriving, created a series of committees within the Evangelical Church, for nutrition, conversion, education, human rights and women.
participation only when it is in their interest, as opposed to the broader community interest.

DISADVANTAGES

There are three other potential disadvantages to this mobilization mechanism that the case study brings to light. First, as mentioned, the selection mechanism discussed in the previous chapter did not seem to work as well in choosing qualified people on the Executive Committee. The failure of the selection mechanism points to the need for a more detailed understanding of the qualitative features of associations present in the community. Simply having a lot of groups will not guarantee that the mechanism will work. There was one particularly strong group in Community 3 who, despite not representing a majority, was able to control the selection process. In this case, the Pentecostal Church acted more like a traditional interest group, who strategically uses its power to advance the interests of its members. The strength of the group seems to stem from its unity and its willingness to mobilize when it sees a strong interest. Overall, then, the selection mechanism might fail when one group uses its unity to put its own people in positions of power, when there are more qualified individuals for the positions.\footnote{Even if their group does not co-opt the selection process, a unified and mobilized group will likely vote as a block for its candidates. If the members represent the majority, they will always win. However, things get more interesting if the members represent a minority, as they would be forced to seek outside votes. The dynamics of these elections would be difficult to predict.} In this case, then, the performance of the executive committee depends on that group's internal selection process for leaders. Pastors who choose to spend their lives in poverty and devoted to the church would tend to be honest, but other groups may not select for this kind of individual.
Second, group mobilization can increase tensions between the group that participates and those who are left out, which has occurred in this community between the Catholics and Evangelicals. One Catholic leader feels that the Evangelicals take control of the projects in the community. He complained that the community is divided, and that “people are helping some members of the community more than others”. Evangelicals deny that there is any difference between their interest and the community interest, and believe that the progress of the Evangelical Church has been due to “the hard work of our members and the blessings of the almighty” (Interview with the Pastor, 2008). While this tension has not led to any overt conflict, it does seem to make the Catholics feel less in control of the community affairs and resentful of the benefits that the Evangelicals have gained from the projects, particularly from the PGC.

If the Catholic Church had been equally strong as a group, and had seen its interests as conflicting with those of the Evangelicals, the process may have been quite different. It is possible that the two would have clashed during the selection process, wanting their own leader to be the President. They may then prove unable to organize themselves together to execute the project. In other municipalities, stories emerged of political divisions that prevented the community from uniting to execute a project. The blame was often thrown from one side to the other regarding who is doing their job correctly. In one case, after long delays and money disappearing, the municipal government co-opted the project and relieved the community of their responsibilities.

\[142\]

According to the municipal technician of Jinotepe, in one of their PGCs, they brought together two neighborhoods, one Sandinista and one Liberal, to execute the project. He soon found that the two sides did not work well together, and the project was stalled; after holding meetings to reconcile things, he found that materials and resources had been stolen, with both sides pointing their fingers at the other. At this point he decided that the municipal government should relieve them of their responsibilities and finish the project itself.
Third, some critics might perceive participation that results from these pressures as a type of exploitation. As mentioned, in interviews, participants referred to their duty as Evangelicals to explain why they decided to participate, instead of their collective interest in raising funds for the church. Financial disincentives were outweighed by group interest in participating. Although participants were remunerated at least partially for their work, this may not always be true. If an overall objective is the economic development of the village, then policymakers should be concerned when poor people bear financial costs, even when they do so willingly. At worst, this form of participation might even be termed exploitative. Public policy can try to specifically target places in which ample participation is likely, but when participation is not motivated by material incentives for individuals, then there will be serious imbalances in the financial cost-benefit calculation for the participants. As a result, it is possible that participatory processes will further impoverish the poor, because they lack substantial material rewards.

CONCLUSION

This chapter argued that certain groups have the ability to mobilize their members to join in participatory processes. Participation in these processes is often costly and represents a collective action problem, as outlined in the previous chapters. However, the demands that participation place on members do not inevitably lead to a situation in which very few individuals are willing to take part in the process. Rather, individuals will choose to join in for other reasons. This chapter argues that groups such as the Evangelical Church have the characteristics necessary to mobilize their members, pointing to two complimentary mechanisms. First, the group inculcates members with an ideology of
participation, which, according to authors (de Tocqueville, 1863; Putnam, 2000; Curtis, Baer and Grabb, 2001; Woodbury and Shah, 2004; Lipset, 1994), is common in Protestant Churches. Second, the group should represent a solidarity group (Hechter, 1987), where the group provides exclusive benefits, places demands on members, and monitors their behavior to ensure that they meet those demands. These two characteristics played a crucial role in mobilizing people in Community 3 to join in the process, which suggests that specific groups, particularly of a religious nature, can be utilized to ensure broad participation of the community. Further research may focus on which types of groups share these characteristics, whether it is true for all Pentecostal Churches or even non-religious groups, such as political organizations or social movements.

However, having the potential to mobilize is not enough; the group will not participate in every effort to improve the community, but rather must see an interest in mobilizing. As a result, incentives must be structured such that the group as a whole is compelled to act collectively. This suggests that group capture of the process, while assumed to be undesirable in the elite capture literature, may be necessary in order to give them the proper incentives to mobilize members.
INTRODUCTION

This final empirical chapter explores the regulatory role of the state in participatory processes, and specifically in participatory project governance. The introductory chapter described the ideas presented by Fung (2004), who argues that the government plays two different roles to improve the success of the participatory processes. The chapter critiqued these ideas by arguing, first, they present a uniform vision of the regulatory roles that do not recognize the potential variation in approaches, and second, not all states will be able to succeed in these regulatory roles, as they may require not just resources but also a particular type of knowledge. Chapter 2 noted that regulators, and the municipal technical unit in particular, played an important role in the PGC system. Indeed, given the variation in experiences with the PGCs in the previous chapters, it would not be surprising that the state would get involved in making sure that the projects are completed successfully. Chapter 2 also described the role of municipal technicians in the PGC system as not only being important, but also offering quite a bit of autonomy with few guidelines, fitting the characterization of being street level bureaucrats.

This chapter presents the cases of Jinotega and Estelí. Both municipalities had executed four PGCs, two of the few municipalities in which this is true. They are also located next to each other and quite similar in their socio economic characteristics. However, despite the similarities, the experience of Estelí may be described as consistently successful according to a variety of indicators. This chapter makes the following arguments. First, given that municipal technicians are given quite a bit of
autonomy, the qualitative features of this regulation will vary such that they represent different styles of regulation. This chapter categorizes regulatory styles in two groups: reactive, which is based on monitoring for and punishing breaches of the rules once they have been committed, and preventive, which focuses on capacity building and prescribing activities so that these violations of the rules can be avoided. Second, these styles of regulation will influence the quality of participatory project governance in very different ways, especially in such areas as participation and corruption. Third, the regulatory styles have advantages and disadvantages, but the evidence suggests that an approach described as 'preventive' is better on the whole. Finally, municipal technicians choose regulatory strategies based on their past experience, because these technicians require knowledge to successfully execute them.

THE CASES

Estelí and Jinotega are two of Nicaragua’s municipalities with the most highly regarded local governments\textsuperscript{143}, each of which completed a number of PGCs. The municipality of Estelí, which includes the third largest city in Nicaragua and a surrounding rural area, is found in the north of the country, approximately 150 km from Managua. Not only is this municipality the capital of the department – the equivalent of a province – but it is also considered to be the administrative and commercial center of the region. Estelí is the largest city north of Managua that is found on the Pan American Highway. Aside from being a major trading center, the area is known for the production of cigars, growing the tobacco and processing handmade cigars that are exported around the world. In the

\textsuperscript{143} As described below, these two municipal governments were the top two rated municipalities in 2005 according to INIFOM et al. (2006).
surrounding rural areas, campesinos are known to produce coffee, potatoes, beans and
corn. Another major industry is tourism, with a number of Spanish Language schools
popping up around the city.

Estelí was the site of particularly brutal fighting during the Revolution against the
Somoza dictatorship during the 1970s. The Sandinista movement was quite strong in the
area, as it was a central organizing platform for trade unions, intellectuals, student
organizations and workers. Much of the city was burned to the ground on three separate
occasions due to carpet bombings by the dictatorship’s military forces. During the Contra
war, intense fighting took place in areas just outside the city. Since then, this
municipality has been one of the most predominantly Sandinista areas of the country,
with the Sandinista party winning practically every elected office. The importance of this
legacy will be discussed below.

Jinotega, the home of Communities 1 and 2 in Chapter 3, is separated from Estelí
by a piece of land around 10 miles wide. Like the other, it is the head municipality of its
department, and also the trading center for the area. As described previously, its
department produces 80% of Nicaragua’s coffee, which is one of the nation’s top export
items, while parts of the municipality also ranch cattle, and farm corn and beans.
Tourism is a small but growing industry, with Nicaragua’s largest national forest nearby.
It is also the site of Nicaragua’s largest hydroelectric plant, which produces 10% of the
power for the country.

This municipality and the nearby areas of the department have been the victims of
a number of wars. From 1927 through 1934, the Nicaraguan nationalist army under
General Augusto Sandino fought against the occupying American troops in several
battles in this department. The civilian population also fell victim to the revolution, when
the dictator Somoza attacked parts of the civilian population. Most brutally, much of the
contra war of the 1980s was fought in this area, which starkly divided many communities
and even families in the area. However, the Jinotega area is known for being dominated
by anti Sandinista sentiment for three main reasons. First, the Sandinista government
maintained a clear urban bias in its policies, diverting resources to sectors of interest to
trade unions, student organizations and other organized groups in the cities. Second, the
land reform program was infamous in these areas, as land that was redistributed did not
go to individual farmers, but instead to state run cooperatives. Third, the Sandinista
government imposed production controls over agricultural goods, requiring that farmers
sell goods only to those buyers authorized by the state. For these three reasons,
Sandinismo was highly unpopular in Jinotega and other predominantly agricultural areas.
Not surprisingly, practically all of the soldiers for the Contras were farmers. Through
the 1990s in Jinotega, the Liberal party dominated local politics, winning most of the
elective offices in the municipality. However, the Sandinista party experienced a
resurgence recently, with the municipal election of 2004 seeing the succession of a
Sandinista mayor.

\[144\] This section relies heavily on Cardenal (2008).
\[145\] In his dissertation, Brown (1997) claims “Of those [Contras] who lay down their arms in 1990-1991, 97% were campesino peasants…”

146
Chart 5.1 Descriptive Indicators for the Two Municipalities

<table>
<thead>
<tr>
<th></th>
<th>Esteli</th>
<th>Jinotega</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Quality of Governance Rating (2005)</td>
<td>67.5</td>
<td>65.4</td>
</tr>
<tr>
<td>Quality of Governance Ranking (2005)</td>
<td>2nd</td>
<td>3rd</td>
</tr>
<tr>
<td>Population (2005)</td>
<td>112,084</td>
<td>99,382</td>
</tr>
<tr>
<td>Size</td>
<td>307.2 sq mi</td>
<td>247.4 sq mi</td>
</tr>
<tr>
<td>Rate of Urbanization</td>
<td>80.56%</td>
<td>41.39%</td>
</tr>
<tr>
<td>Total Municipal Investments (2005)</td>
<td>$22,054,090</td>
<td>$15,445,334</td>
</tr>
<tr>
<td>Party of Mayor</td>
<td>Sandinista</td>
<td>Sandinista</td>
</tr>
<tr>
<td>Rate of Extreme Poverty (2001)</td>
<td>15.90%</td>
<td>26.80%</td>
</tr>
<tr>
<td>Rate of Illiteracy (2005)</td>
<td>15.32%</td>
<td>29.97%</td>
</tr>
<tr>
<td>Rate of Extreme Poverty in Rural Population (2001)</td>
<td>28.02%</td>
<td>28.71%</td>
</tr>
</tbody>
</table>


Beyond being very proximate to each other, the above indicators show that the two municipalities are similar on a number of fronts, though they differ slightly on others. First, these are two of the very few municipalities that have executed multiple PGCs, each having completed four of them, and being in the process of completing more at the time of the interviews. A 2005 municipal government survey rated the two municipal governments as amongst the best in Nicaragua, with Estelí receiving the second-highest rating and Jinotega the third-highest rating in 2005. The municipalities also cover similar physical areas and population levels, although Estelí is much more urbanized. Their 2005 municipal investments, which primarily focus on municipal infrastructure projects, reached similar levels, with Estelí’s 2005 budget for municipal investments was approximately $1.37 million in 2005 exchange-rate of $16.1 per dollar, while Jinotega’s

146 The index, which ranges from 0-100, aggregates a variety of indicators on municipal government performance, including municipal planning, general municipal management, municipal service delivery, municipal financial management, commercial management of public services, normative management of public services, and administrative management.
was approximately $960,000. The Sandinista party controls the mayor’s office of both municipalities.

Unfortunately, not all socio economic indicators are readily available, particular for economic activity. The level of extreme poverty and the illiteracy rate are quite a bit higher in Jinotega as a whole.\textsuperscript{147} However, in rural areas, where practically all of the PGCs were executed, the level of extreme poverty is almost exactly the same, so these differences should not greatly affect the processes.

In sum, these two municipalities were chosen because 1. They have each executed a number of PGCs, which can suggest municipal trends; 2. They are located practically adjacent to each other and are quite similar for a variety of socio economic, political and governance variables; the urbanization rate and overall extreme poverty rate, which contrast sharply, are less relevant because practically all PGCs took place in rural areas
3. They are both highly rated in terms of governance, suggesting that, if any local governments in Nicaragua can successfully regulate participatory processes, they can.

\textsuperscript{147} However, given the range, the poverty rates are not that disparate. For Nicaragua’s 153 municipalities, the minimum rate of extreme poverty is 9.2\% while the maximum is 76.3\%; Estelí ranks 24\textsuperscript{th} while Jinotega ranks 56\textsuperscript{th} (Government of Nicaragua, 2001).
PGC EXPERIENCE

Chart 5.2 PGC Characteristics in Esteli and Jinotega

<table>
<thead>
<tr>
<th></th>
<th>Project Type</th>
<th>Project Budget (in cordobas)</th>
<th>Community Type</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Esteli</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project 1</td>
<td>Latrines</td>
<td>386,418</td>
<td>Rural</td>
</tr>
<tr>
<td>Project 2</td>
<td>School</td>
<td>494,841</td>
<td>Rural</td>
</tr>
<tr>
<td>Project 3</td>
<td>Water System</td>
<td>847,000</td>
<td>Rural</td>
</tr>
<tr>
<td>Project 4</td>
<td>Latrines</td>
<td>580,566</td>
<td>Urban</td>
</tr>
<tr>
<td><strong>Jinotega</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project 1</td>
<td>School</td>
<td>558,688</td>
<td>Rural</td>
</tr>
<tr>
<td>Project 2</td>
<td>School</td>
<td>585,138</td>
<td>Rural</td>
</tr>
<tr>
<td>Project 3</td>
<td>School</td>
<td>677,194</td>
<td>Rural</td>
</tr>
<tr>
<td>Project 4</td>
<td>School</td>
<td>857,294</td>
<td>Rural</td>
</tr>
</tbody>
</table>


As mentioned, four PGCs took place in each municipality. In Esteli, project types included one school, one water system, and two latrine projects. Project 1 took place in 2003 and was the first PGC in all of Nicaragua. Projects 2 and 3 took place in 2004, and Project 4 was in 2005. In every case, the PGC was executed in a rural village, except for Project 4, which was in a suburb of Esteli. In Jinotega, each PGC was a school project executed in a rural village in 2005. The budgets of the projects range quite a bit in each municipality. However, the values in that range are more or less similar. The reason that only one of the communities in Esteli chose to construct a school is that, in three of four cases, the community already had a school in fairly good shape. In two of the rural communities, an outside NGO had already constructed a primary school, though not in a participatory manner.

148 This is surprising in Jinotega because its project type is the same in all four cases. It shows that some details in the projects can greatly influence the costs.
The PGCs in both municipalities were completed successfully in terms of constructing the infrastructure piece according to the project design. As such, one might argue that the system was basically a success in these municipalities. However, as the below indicators suggest, the experience with PGCs was quite different in Jinotega from Esteli.

**Chart 5.3  Outcome Indicators for Projects in the Two Municipalities**

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Time (months)</th>
<th>Planned Time (months)</th>
<th>Savings/Losses (in cordobas)</th>
<th>Savings/Losses Percentage of Total Budget</th>
<th>Embezzlement?</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latrines</td>
<td>2.5</td>
<td>2.5</td>
<td>60,000</td>
<td>15.53%</td>
<td>No</td>
<td>Esteli</td>
</tr>
<tr>
<td>Latrines</td>
<td>4</td>
<td>3</td>
<td>2,000</td>
<td>0.40%</td>
<td>No</td>
<td>School</td>
</tr>
<tr>
<td>School</td>
<td>5</td>
<td>5</td>
<td>170,000</td>
<td>20.07%</td>
<td>No</td>
<td>Water System</td>
</tr>
<tr>
<td>Latrines</td>
<td>2</td>
<td>2</td>
<td>50,000</td>
<td>8.61%</td>
<td>No</td>
<td>School</td>
</tr>
</tbody>
</table>

**Source:** Project Documents, 2004-2006; and Interviews with the Municipal Government Technicians and Communities, 2008

**Note:** The exchange rate in 2005 was approximately c$16.1 per dollar

According to the indicators in Chart 5.3, Estelí consistently performed quite well with the PGCs. In every case, the community saved money, often a large portion of the overall budget. The savings from Project 3 are reputed to be the largest amount of savings for any PGC in Nicaragua. The communities completed each project more or less on schedule, exceeding this by no more than a month.

According to these indicators, the worst performing amongst the four projects in Estelí was Project 2, a school in a rural community in the mountains. This community
experienced difficulties for two main reasons. First, due to particularly harsh rains in that season, the foundation of the school was damaged during the construction process. As a result, the community had to buy extra materials to replace the foundation, and also lost time in the process. Second, the community had a run-in with the municipal government regarding its demand that the community provide labor to the project (this rule is discussed at length below). Local schoolteachers argued that the project budget provided resources for this labor, and so the community should not be required to labor for free. The community then halted construction of the school, as the unskilled laborers refused to work. In response, the municipal government simply explained that every community in the municipality was required to provide manual labor for projects, and hinted that the project would not continue unless they agreed to this condition. The community eventually relented, and construction resumed.

Jinotega, on the other hand, had quite varied experiences with its PGCs. All four of the projects took place in 2005, and each was a construction of a two-room school in a rural community. In every case, the project exceeded the planned schedule of three months, with one project taking 6 ½ months. Even worse, funds were stolen in two of the four projects. In Projects 1 and 3, members of the community, along with the local supervisor, conspired to embezzle project funds. They did so in both communities by submitting receipts that claimed that project inputs, such as materials, labor and transport, cost more than they actually did. In other words, they would steal funds and add those costs to other costs. The process of discovering the embezzlement was the same in both communities. As described in Chapter 3, project guidelines dictate that payments are done in three main installments of 40%, 40%, and 20%. When preparing for the second
installment, the municipal technician visited the communities to check on the technical
advance of the project. However, he observed that the construction process was not
commensurate with the funds that had been provided. When he went back to look at the
receipts, he noticed excessive billing for a number of items. He then reported this
discovery to his superiors, who directed him to halt the project and to investigate the
matter thoroughly. After collecting all of the evidence, the municipal government
arranged meetings with the local supervisors and the heads of the Executive Committees.
Facing threats of legal action, community representatives and the local supervisors agreed
to return the funds. In the end, both projects were completed more or less with the
provided budget,\textsuperscript{149} though with substantial delays.

REGULATORY STRATEGIES

As mentioned in Chapter 2, the municipal government, and the municipal technical unit
in particular, is assigned the responsibility to monitor the PGCs. This section will argue
that the regulatory strategy in each municipality was quite different. In Estelí, the
regulatory strategy of the municipal government would best be described as ‘preventive’,
seeking to avoid mistakes and violations of the rules by focusing on the process of
execution, by requiring that the municipal regulator build up the capacity of the
community to perform its duties, and by visiting frequently in order to instruct the
community as to how to do things. In contrast, the regulatory approach of the technician
in Jinotega can best be characterized as a ‘reactive’. This strategy would focus on only
the technical aspects of the project, with infrequent visits. If major mistakes were made

\textsuperscript{149} The Municipal Technician claimed that they had to provide a bit of paint to Community I so that they
could complete the project.
or infractions committed, the technician would resort to threats or punishment. However, the technician would do little to help the community prevent these infractions. The remainder of this section will seek to elaborate on the qualitative differences of these two strategies according to the two municipal experiences.

Regulatory Focus/ Constant Supervision

When visiting the community, the Estelian Municipal Technician would focus on a wide range of aspects. The project logs showed that the municipal technician was not just concerned that the project meets the minimum technical requirements, i.e. the physical specifications and quality standards. Rather, the municipal technician concerned himself with broader citizen participation, meeting administrative standards and the capacity of the community. One entry of the technician in the project log, dated March 25, 2004 for Project 2, illustrates this broad focus.

1) All receipts and approvals of payments and checks, etc., should be signed by the [President], [Vice President] and Treasurer and the person who is receiving the check (in this case the signature of the person who sold the product or receive the money).
2) Solicited money from the small expenses account must be used only for these goals and not mixed with other expenses.
3) The seminars should not wait so long, so the community needs to have a meeting with the Executive Committee and planned them immediately. It’s not, there will not be another payment.
4) The cost associated with transport should not exceed c$65 when it is a trip to the city. When overnight, c$60 is permitted for sleeping arrangements and depends on the presentation of a receipt.
5) The contribution of the community should be summarized daily, in order to correctly summarize information.
6) We again remind the teachers that in previous meetings we explained that the savings of the project depend on the community contribution, but [members of the Executive Committee] have informed us that the teachers have put the community in opposition to this.
The entry then goes on to discuss a number of technical issues that the community must address. In a separate entry, the municipal technician emphasizes the need for broader participation. The project log\textsuperscript{150} shows that he asked the community to “Start a campaign of consciousness with the residents in the Parents’ School Association, in order to complete the required work agenda.”

The municipal technician in Jinotega appeared to focus only on technical aspects of the project during his visits. Project logs made no reference to any aspect of the project except for the technical specifications and physical progress. For instance, a typical entry would be\textsuperscript{151}:

The advance of the project is good with respect to the last period. They are in the stage of constructing a foundation. The wall bases are placed in sync with the technical specifications and the frames are placed for the seismic beams. The select material utilized is of good quality and a compacting is done every 10 cm, floored and wet. They use hand tools for the compacting. There are: 1000 quarter pound bricks; 15 m\textsuperscript{3} cubed of sand; and 6 m\textsuperscript{3} of stones.

In sum, while the municipal technician of Jinotega focused exclusively on the output of the process, the technical progress of the project, the municipal technician of Estelí concentrated on the process of reaching those outcomes as well, such as the administrative aspects and the capacity of the community.

\textsuperscript{150} Dated April 14, 2004 for Project 2 of Estelí.
\textsuperscript{151} Entry by the municipal technician of Jinotega for Community 1 on 5/23/05.
The government of Esteli held their own meetings to explain the central elements of the PGCs to the community, and especially to the Executive Committee. In every case, municipal government technician planned these early meetings, which were attended by the director of the Department of Citizen Participation for the PGC. Together, they discussed the many responsibilities of the community, and of the Executive Committee in particular, such as how to make purchases of materials, how to keep those materials safe, which receipts are needed, and whose signatures should be on the receipts. They also went through the common errors committed with these projects, such as checking prices only at one store, or leaving materials out in the rain. Members of the community often preferred the sessions provided by the municipal government to the official ones that the Social Fund was supposed to provide. As the Treasurer of Project 1 claimed, “The capacity building of the Social Fund doesn’t work because it is theory without practice.” The sessions with the municipal officials, he claimed, mixed the theory with the practice.

In the four communities of Jinotega, no such sessions took place. Rather, a short introductory meeting was held, in which an official from the Department of Citizen Participation presented the project to the community, briefly described the role of the community in the project, and then held elections for the Executive Committee. The capacity building sessions that are mandated by the Social Fund would not take place until several weeks into the project. Not surprisingly, in interviews, members of the Executive Committee, particularly the Presidents and Treasurers, complained that they

---

152 Indeed, according to interviews, the technician predicted that the Social Fund capacity building sessions would be late.
153 As discussed in Chapter 2, these were consistently provided quite late in the execution process due to the urgency with which the Social Fund wanted the projects to start.
felt totally unprepared for their new roles in the projects. For instance, the President of Community 1 stated, “We didn’t know what to do. We began with no support.” The President of Community 2, likewise, said, “They expected us to do many things, but we had no experience. We started unprepared.”

Interviews with community members also made reference to the dynamic role of officials from the government of the Esteli, and particularly to the capacity building and recommendations made by the municipal technician. The Vice President of the PGC of Project 2 proclaimed, “They were directing us, they were supervising us, they were educating us. We worked together.” Also, the Treasurer of that committee stated that, “When one receives direction, one doesn’t make a mistake about what to do.” In contrast, members of Executive Committees in Jinotega were quite stoic towards the role of the municipal government. Mostly they complained that no one came to check up on them, much less provide substantial support. The President of Community 2 in Jinotega claimed that, “We hardly saw him. He came once in awhile to check on the project, but I didn’t speak with him much.” Some even struggled to remember the name of the municipal technician.

Practices of Participation

Chapters 1, 3 and 4 discussed the difficulties in achieving broad and costly forms of participation in participatory processes. In particular, due to opportunity costs and the collective action problem, it would be difficult to mobilize citizens for the project. Unlike Jinotega, the projects in Esteli were able to consistently achieve participation, mainly due to the unusual informal rules dictated by the municipal government. Informal
rules are guidelines that the municipal government employs, but that do not appear in any project manuals. Given that they are not written, they are very tricky to measure without in-depth interviews and analysis of the project logs.

Seemingly small rules on citizen participation had the potential for having a big impact in terms of transparency and accountability. One of these was that the government of Estelí emphasized that the Executive Committee for the PGC should meet as a group every day or every other day. The municipal government technician believed that these meetings were fundamental to a well functioning project. He argued that they bring transparency to the project execution, and provide greater motivation to addressing whatever problems the project was having. Members of the Executive Committees confirmed these observations. The Vice President for Project 1 claimed, “It was a good thing that we met all the time. We shared the responsibilities, talked about what was going on, and included everyone in the project.” The municipal technician further required that three members of the Executive Committee signed all receipts, while the project guidelines only required two members to do so. He also created a separate committee called the “vigilance committee” made up of three community members, whose job was to watch over the process of purchasing materials that the Executive Committee would handle. Given the possibility of corruption in this area, the technician wanted to ensure the greatest level of transparency. The idea of a vigilance committee was adopted in the Operations Manual in its latest 2008 form. When explaining the motive for these requirements, the technician referred to the old adage, “Sunlight is the best disinfectant.”
Also, the municipal government required that communities donate all unskilled labor to the project at no charge. As mentioned in Chapter 2, one of the original purposes for the Social Fund was to create employment in poor communities. Consequently, the Social Fund generally requires that all unskilled manual labor come from the community. At the same time, the Social Fund gave any difference between the budget and the actual costs to the community for development projects, representing an incentive for the community to donate its labor and find ways to cut costs. In the case of Esteli, the government simply required that the community do so, but still rewarded the remaining budget to them.

The municipal government would not just require participation, but also advise communities on how to carry it out. In particular, the technician directed communities to exact a kind of labor tax on every household in order to fulfill this obligation. For Projects 2 and 3, which were private goods of latrines and a potable water distribution system, the technician mandated that every household provide the unskilled labor for its portion of the project. With Projects 1 and 4 - both latrines projects - the household would provide a helper to the skilled worker who installed the latrine. The water system, which was both a private and public good, was slightly more complicated. Each household was responsible for providing a helper to labor with a skilled worker in order to install the pipes leading to their home. Within the water treatment area, which was not a private good, the Executive Committee assigned workdays to each household. Likewise, in the school project, the Executive Committee divided up work responsibilities by household. In each of the projects, if a household could not or did not
want to provide the labor, the community would require that household to pay the equivalent of the manual labor.

*Punishment*

To correct behavior, the municipal technician could use two official forms of punishment. The first is a legal case for violations of the rules. The municipal government could sue the responsible members of the Executive Committee, and the local supervisor, for violating their agreement and embezzling project resources. However, legal proceedings faced two main limitations. First, the legal basis is fuzzy in the PGC, because Executive Committee members are volunteering for the project, and thus are not under a formal contract that normally forms the basis of a contracting relationship. As a result, according to the technician of Jinotega, it is not clear what type of legal case they can actually bring. Second, legal proceedings are very costly. The technician would have to gather evidence as to who exactly is responsible for wrongdoing via documentation and witnesses, hire a lawyer and complete a process of litigation. As such, it is not surprising that, in the above two cases of corruption in Jinotega, the technician only threatened members of the Executive Committee, along with the local supervisor, with a court case; and as a response, the stolen money and resources were returned, for the most part.

The other form of punishment is that the municipal technician can refuse to disburse the next installment of funds, of which there were three (40%, 40% and 20%). Not surprisingly, the technician found this threat insufficient in curbing corruption, in Communities 1 and 3. If the culprits are caught, which is not a certain event, they need only return the money and the municipal technician will then disburse the next financial
installment, meaning that there is no actual punishment involved. In other words, if community members are both individually selfish and rational, they will try to steal money and resources, because the worst that can happen via this mechanism is that they will have to give back what they have stolen, contingent on getting caught.

The technician of Esteli has shown little or no use of punishment mechanisms. He believes that “At the worst, simply telling the community that they will not finish the project if there is any wrong doing is enough [to keep them in line].” He used this threat once in a community that was violating, not a FISE rule, but rather the municipal precedent that they must donate labor, which is described below. However, he does have these punishment mechanisms at his disposal, and so he could take in more reactive approach if he wished.\footnote{One could argue that the possibility of using punishment mechanisms reflects the concept of responsive regulation, developed by Ayres and Braithwaite (1992), in which regulators use different regulatory tools, such as persuasion, before resorting to punishment mechanisms, which they termed ‘the benign big gun’. In their analysis as well, punishment mechanisms are quite difficult and costly to use, while other mechanisms are much cheaper and easier.} As such, one may argue that the regulatory mechanisms at his disposal are diverse, and that he only uses punishment when all other mechanisms fail.
**Time Intensity**

Chart 5.4 Frequency of Visits by Municipal Technician in the Municipalities

<table>
<thead>
<tr>
<th>Esteli</th>
<th></th>
<th>Total Time for Project (in months)</th>
<th>Average Visits per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Visits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project 1</td>
<td>n/a</td>
<td>2.5</td>
<td>n/a</td>
</tr>
<tr>
<td>Project 2</td>
<td>18</td>
<td>4</td>
<td>4.50</td>
</tr>
<tr>
<td>Project 3</td>
<td>n/a</td>
<td>4</td>
<td>n/a</td>
</tr>
<tr>
<td>Project 4</td>
<td>6</td>
<td>2</td>
<td>3.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>24</td>
<td>For Projects 2 &amp; 4: 6</td>
<td>4.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Jinotega</th>
<th></th>
<th>Total Time for Project</th>
<th>Average Visits per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Visits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project 1</td>
<td>7</td>
<td>5</td>
<td>1.40</td>
</tr>
<tr>
<td>Project 2</td>
<td>9</td>
<td>4</td>
<td>2.25</td>
</tr>
<tr>
<td>Project 3</td>
<td>8</td>
<td>6.5</td>
<td>1.23</td>
</tr>
<tr>
<td>Project 4</td>
<td>9</td>
<td>3.5</td>
<td>2.57</td>
</tr>
<tr>
<td>TOTAL</td>
<td>33</td>
<td>19</td>
<td>1.74</td>
</tr>
</tbody>
</table>

Source: Project Logs, 2003-2006 and PGC Project Documents, 2005

As shown in Chart 5.4, the municipal technician of Esteli visited the communities once a week on average. Unfortunately, the project logs, in which the technicians record the results of their visit to the project, were not available for two of the PGCs in this municipality, but interviews with members of the Executive Committee for those two PGCs suggest that the municipal government technician would visit with roughly the same frequency. In Jinotega, the municipal technician visited the projects with much less frequency, averaging less than two times per month. The municipal government technician visited Projects 1 and 3 slightly less often than the others, and much less so when weighted by the length of time; these are the projects in which he actually found embezzlement.

---

155 The President of Project 1 and the VP of Project 4 affirmed that the municipal technician was probably there every week, though they could not confirm with any evidence.
Though difficult to measure, evidence suggests that, when visiting, the technician from Estelí would spend much more time in the communities than the technician from Jinotega. According to interviews with the Estelían technician and with members of the communities, his visits could last anywhere from one hour to a whole day. In contrast, the technician from Jinotega claims that his visits would last, at most, two or three hours long. Project logs confirm that the visits from the technician of Estelí were longer, since each entry was at least two pages long. The technician from Jinotega, on the other hand, would rarely write more than half of a page.

Interviews and project logs also suggest that the municipal technician in Estelí would speak with more people when visiting. He claims that, at a bare minimum, he would talk with the local supervisor and the President of the Executive Committee, but he would also frequently speak with workers, the rest of the Executive Committee and other prominent community members, such as the teacher. In contrast, the technician from Jinotega would normally speak with the local supervisor, and maybe the President of the Executive Committee, if he were around. He only began to talk to other members of the community once a corruption scandal began.

Another difference between the two municipal governments is the level of involvement from the Department of Citizen Participation. The director of the Department of Citizen Participation in Estelí would consistently visit the projects. Unfortunately, not all of these visits were recorded, but the project logs suggest that he would travel to communities at least once a month to check on the projects. He would

156 Various entries in the project log mention talking with individuals outside of the Executive Committee. Also, in several interviews in the communities, the person mentioned that the technician would talk with “everyone” and “not just the workers”.

162
also attend all of the initial meetings when preparing the community for the PGCs, which are described below. On the other hand, the director of the Department of Citizen Participation in Jinotega never actually visited the projects. His only involvement was that he sent a lower-level official from his department to go to the communities in order to support the elections for the Executive Committee of the PGCs. As a result, while the Department of Citizen Participation in Estelí was fairly involved in the PGCs, the department in Jinotega was not involved in any significant way.

On the other hand, these frequent visits seem to represent an enormous cost for the municipal technician in terms of time. Frequent and long visits, along with the travel time, can take up quite a bit of the technician’s workday. As a result, the technical unit in Estelí tries to limit the number of projects that each technician takes on, to ensure that they are able to thoroughly execute the regulatory strategy. However, they feel that it is worth it. As the municipal technician claimed, “We see our investment of time in the results.”

It is notable that the time cost of visiting can increase substantially, depending on the accessibility of the community. Clearly, frequent visits to a project are greatly facilitated if that project is just down the road. Many regions in Nicaragua are very mountainous, and sometimes have very poor infrastructure. Also, occasionally there is no road access to the village, meaning that the municipal technician must hike for at least part of the distance. Other times, the road is so poor that only a motorcycle may be used on it; normal vehicles will fail to surmount the inclines or get flat tires. The geography and the infrastructure of the municipality can therefore greatly increase the costs that regulators face when doing their job, both in terms of time and effort. In Estelí, access to
three out of four of the communities was quite easy, less than a half hour drive from the head office. In one community, access was much more difficult, with a drive of just over two hours. In contrast, access to all the communities in Jinotega was fairly difficult. Two of the communities could be reached in approximately two hours of driving in a 4x4 vehicle from the municipal head office, but the others required a one-hour drive, along with a half an hour hike, although a motorcycle could cover much of that stretch. Two of those communities were adjacent to each other, and the third was less than half an hour drive from there, meaning that the technician could visit several projects in one day. So, while access may be difficult, visiting multiple sites in a day made the work easier.

Another factor that would allow for more intense regulation of the PGCs is a larger number of regulators to share the work. Clearly, it takes time to visit the projects frequently, and to stay there for a long time. Municipalities that hire more regulators will have more working hours to expend on each project. At the time of execution of the PGCs, Esteli had four technicians in the Municipal Technical Unit. When Jinotega completed the PGCs, three technicians worked in the Municipal Technical Unit, which is roughly the same in terms of work hours per project, when one considers that Estelí’s project budget was approximately 42% higher. However, because of the turnover at that time, the municipal government had not hired replacements for all the positions, with only one of the three technician positions having been filled when the first of the PGCs began.
The Two Strategies Compared

To summarize, the two municipal technicians used distinct regulatory strategies for the PGCs, one labeled as reactive, the other as preventive. The reactive strategy is characterized by its emphasis on responding to mistakes and ill intended breaches of the rules once they have been committed. Here, the regulator focuses on the technical aspects of the project, to make sure that the actual physical piece is completed according to design. The regulator makes infrequent visits to the site, in which he or she focuses on evaluating the physical state of the project. Some recommendations, of a technical nature, are made in order to ensure that the project stays on track, but these are generally not very detailed. If serious infractions are found, especially corruption, the regulator will use the formal punishment mechanisms available. He or she can refuse to make the next financial disbursement to the community; or, if the nature of the infraction is serious, such as corruption, he or she can implement legal proceedings. However, according to the analysis, these forms of punishment are ill suited to participatory processes.

In contrast, the preventive strategy emphasizes avoiding mistakes and ill intended breaches of the rules. The regulator is very concerned with non-technical aspects of the project, and especially the process involved, including project administration, capacity and participation of the community. The regulator provides training sessions at the beginning of project, and continues elements of capacity building throughout. This approach necessitates frequent visits to the site, in which the regulator speaks with a number of individuals, beyond just checking on the physical advance of the project. He or she also makes constant recommendations in these diverse areas, often in detail. The regulator places particular emphasis on citizen participation, urging more individuals to
take part in Executive Committee activities, and in this case requiring that all households
in the community contribute to the project with either labor or resources. The same
formal punishments are available, but the regulators generally do not have to use them.

The broad regulatory focus found in the preventive strategy improved project
outcomes in several ways. The municipal technician would catch mistakes before they
became serious problems. For instance, in Project 1, the President and Secretary of the
Executive Committee planned to purchase a concrete base for the latrines. The municipal
technician checked the quality of these bases, and found that they easily shattered. He
therefore saved the community a sizable amount of money that would have been spent on
substandard materials, as well as the time for repurchasing them. In Jinotega, mistakes
were more frequent. For instance, the Executive Committee of the community of Project
3 purchased far too much concrete than was needed for the school, and so they resold it at
half the price.

The research design does not test whether the preventive regulatory strategy
curbed corruption in the process, because one cannot know ex ante whether the members
of the Executive Committee definitely have this tendency. However, many of the
characteristics of the regulatory strategy should operate to avert corruption. The constant
presence and broad regulatory focus of the municipal technician served to prevent
corruption in the process. The project actors would know that they were being watched
quite diligently by the technician, and should realize the improbability of getting away

---

157 I did not complete a full analysis of the associational life in every community, but one, the recipient of
Project 1, had a very similar lack of associations that was found in community one, with only a relatively
inactive Parents' School Association. Based on the ideas in Chapter 3, corruption would have been possible
here. In another community, the recipient of Project 3, the associational life was very vibrant, and in the
election for the Executive Committee, a community leader who some members of the community accused
of being corrupt was not elected.
with stealing any resources, particularly with the conventional techniques of falsifying prices. Indeed, the municipal technician claimed that, “Even though I don’t intend it, my constant presence adds pressure to perform well and honestly.”

Given the municipal technicians’ focus on citizen participation, more individuals were involved within the community, which brings greater transparency to the process and thus prevents corruption as well. On the other hand, it appeared that in two of the communities of Jinotega, members of the Executive Committee hoped to get away with embezzling resources. There was little transparency in the process because very few individuals were involved, partly due to the technicians’ lack of interest in citizen participation. The municipal technicians’ focus on technical aspects, and rather infrequent and more superficial visits to the community appeared to provide an opportunity to get away with this, which did not occur in the end.

Furthermore, the requirement that communities donate unskilled labor led to huge savings, particularly because labor was one of the main project costs. Unfortunately, a breakdown of the project budget was not available, but one can calculate that, with six laborers working for free for 60 days, and the normal unskilled labor salary of c$75, this adds up to approximately c$27,000. Though this would not represent the entire project savings in every case, it was a substantial portion, which could then finance other projects.

Making a normative statement about which of these strategies is better, particularly using only two examples, is difficult and depends on the standards used. Also, in both municipalities, the projects were completed successfully, in that they met
the project design. However, the empirical evidence overall suggests that the preventive strategy is better in discouraging corruption and promoting citizen participation. It does not leave room for the community level variation, particularly in associational life, that will sometimes fail to perform these functions, as outlined in the previous chapters. In contrast, when the state takes the reactive regulatory strategy, the autonomy left to the community means that community level characteristics take on a heightened importance in determining the quality of participatory project governance.

Though the reactive strategy appears to save time, as discussed previously, it may not do so in practice. The process of applying the punishments means that the regulator has to spend quite a bit of time gathering evidence, stopping the project, organizing meetings, etc. Likewise, as discussed previously, the system of incremental disbursements of funds to the community does not actively discourage corruption. As a result, the punishment mechanisms in this case appear quite flawed. The one that has teeth, legal proceedings, is very difficult to implement, and the one that is easily applied, incremental disbursement of funds, has no teeth.

On the other hand, one might argue that the constant involvement of the technician reduces their autonomy, particularly the insistence that the community provide manual labor for these projects reduces their autonomy. If these are indeed projects guided by the community, then perhaps the community should make the decisions of whether they want to pay a tax to receive these public goods. As mentioned, in the community of Project 2, a problem arose when the schoolteachers informed the community that FISE indeed budgeted enough funds to pay for manual labor. As a

158 The cases of corruption served to undermine the reputation of PGCs locally, though, especially with the technician.
result, the community insisted to the municipal government that they wanted the budget to pay for the labor with those funds, which violated the municipal government's informal rule. In the end, the community relented when the municipal technician explained that this was a requirement for all municipal projects, and that the project would not proceed unless the community did so.

One obvious critique is to argue that, had the technician from Jinotega better applied the reactive strategy, results would improve and, in particular, corruption could have been avoided. For instance, perhaps the technician could find other punishment mechanisms, such as informal disciplining, that would avert undesirable activities. Or, had the technician simply monitored more intensively, the community members would not have hoped to get away with embezzling resources. The available evidence cannot disprove this assertion; however, these steps could be limited in their effectiveness, for two reasons that are presented in the literature on regulation. First, they may prompt opposition from the community. For instance, as argued by Ayres and Braithwaite (1992), "When punishment rather than dialogue is in the foreground of regulatory encounters, it is basic to human psychology that people will find this humiliating, will resent and resist in ways that include abandoning self-regulation." (Ayres and Braithwaite, 1992: 25) If the community senses constant oversight from the technician, and dislikes this pressure, they might react by simply quitting. Second, as the regulatory literature (Ayers and Braithwaite, 1992) also recognizes, a reliance on monitoring and punishing may simply prompt a cat and mouse game, in which the community simply tries to hide any violations of the rules for fear of punishment. Knowing that the
technician will seek out their mistakes and threaten them, members of the Executive Committee may simply disappear during the technicians’ visits or create false documents.

EXPLAINING THE CHOICE OF STRATEGY

One possible explanation for the regulatory approach of the technicians is their education and overall level of work experience. However, the backgrounds of the two technicians were not vastly different. Both had the equivalent of a bachelor’s degree, one in architecture and the other in engineering. The technician from Estelí had been working in government for a longer period of time, for years when the first PGC took place. In contrast, the technician from Jinotega had only served almost 5 months when he started his first PGC, though he had previously worked with a large contractor for five years. Training in the PGC methodology did not make much difference either; the technician from Jinotega attended a one-day seminar on the PGCs, while the technician from Estelí did not attend any such seminar. None of these factors suggest a vast difference in capability.

A better explanation emerges from the fact that the reactive regulatory strategy reflects habits from the regulation of conventional municipal projects. As mentioned in Chapter 2, under the normal decentralized system of the Social Fund, private contractors are hired to complete infrastructure projects. The contractors in that system are selected based, not just on price, but also on experience, which ensures that they are able to complete the project in a timely manner and meet the minimum quality standards. As a result, there would be no question as to whether the contractor knew how to finish the project, as it would have already constructed several of them previously. Capacity building was therefore not necessary under this system. Rather, the main concern of the
regulators was that the contractor meets the technical specifications of the project, the minimum quality standards and the timeframe. Municipal technicians would generally visit just before the next scheduled payment, which were given in three installments, to make sure that the contractor had completed all of the tasks assigned for the installment; in other words, the technician would only visit around three times for the duration of the project, with perhaps a few quick checkups in between. Also, under the conventional contracting system, the municipal technicians kept an almost exclusive focus on the technical aspects of the project, with little concern for the administrative side—except that the paperwork was filled out correctly—and none for the skills and work organization of the contractor. These characteristics of the regulatory approach under the decentralized system of the Social Fund seem to correlate quite well with the regulatory approach taken by the government in Jinotega.

There were a series of factors that meant that the government of Estelí took a very different approach to the PGCs. First, there is a long tradition of citizen participation in municipal projects. The mayor, who was in office from 1986-1996, even made the claim, "We [in the municipality] invented citizen participation." The Estelían municipal government created a department devoted to promoting citizen participation in the 1980s, calling it the Department of Community Affairs, which is reputed to be the first of its kind in Nicaragua. This department was responsible for managing all activities related to the communities, and it had strong ties with the famous neighborhood committees called the Committees for the Defense of the Sandinistas (CDS). It would also help arrange for a direct citizen consultation in the municipal budget. Long before the Social Fund mandated it in the late 1990s, the Municipal Government of Estelí would present the
municipal budget to local communities, and ask them to prioritize the most urgently needed projects for their community. The mayor of Estelí himself would attend the majority of these community consultations. Though the methodology was rather informal, these consultations contrasted sharply with the normal participatory method of having a large town hall meeting in which the already formulated municipal budget would be presented to the community and discussed, but with no real changes made afterwards.

Estelí also has extensive experience with projects that were very similar to the PGCs. Launched in 1994 with the support of the Swedish International Development Agency, the Program for Local Development (PRODEL) seeks to provide development assistance to the poor in the north and east of Nicaragua. One of its main functions is to finance the construction of small infrastructure projects in poor communities, such as latrines, health centers and community centers, as well as provide credit, housing and technical assistance to local government and local financial institutions.

The methodology utilized by PRODEL, which is quite similar to that of the PGCs, places great emphasis on citizen participation, not only in contributing resources to the projects, but in the planning and execution phases as well. The community is involved in the decision-making phase, holding sessions in which they would prioritize the most needed projects. The community then organizes a Community Project Administration Committee (CPAC), whose responsibilities included:

- Reviewing the budget and design, as prepared by municipal technicians
- Coordinating the management of the project
- Administering the stocks of materials, equipment and labor
• Auditing the financial and physical aspects of the project
• Participating in the annual evaluations

It is also worth noting that PRODEL mandates that the community contributes all unskilled labor for the project, and also requires substantial financial contributions from the municipal government. PRODEL only finances a maximum of 60% of the total project cost.

Esteli was one of the five municipalities in which PRODEL ran the first three-year phase of its program. From 1994 to 1997, PRODEL financed 30 projects, the second largest program in the country. Then, from 1998 through 2000, it financed another 19 projects in Esteli. As a result of these numerous participatory infrastructure projects, the municipal government gained extensive experience with community participation, particularly in project administration. Indeed, the municipal government technician, who first began his public service in 1999, claimed that he was quite well versed in the projects, having managed several of them. He felt that the methodology was so similar that he called the PRODEL program the “mother” of the PGCs. He described the transition into doing the PGCs as completely fluid, given that he had gained ample experience with methodologies in which the community is responsible for project management.

When developing their level of experience, the municipal government of Esteli did not fall victim to another problem that is quite common in government in developing countries. According to one article describing the PRODEL projects in Nicaragua, approximately 90% of the personnel in the institutions working with these projects, including Municipal Government, banks, NGOs and PRODEL management, left their

---

159 Stein, 2001.
jobs for one reason or another in 1997, which coincides with the change in municipal government administrations around the country (Stein, 2001: 16). Very often, after the newly elected Municipal Governments took office, they will get rid of the employees of the previous government, and hire new people for those jobs. While this is particularly true for places in which the government changes party hands, it is sometimes true within the same party. New mayors may want to reward their supporters with the relatively well-paid government jobs. The new mayors might also want to put in people they believe to be more capable and/or trustworthy. The effect of this scenario is that the knowledge gained from experience is generally lost, and the newly employed people must build up that knowledge again.

As mentioned previously, Estelí had a long history of supporting the Sandinistas. The revolution against the Somoza dictatorship was particularly brutal for the city’s population. During the Contra war, the city was also a main stronghold for the Sandinistas. As a result, to this day, members of the Sandinista party hold practically all of the elected offices in the city. The Sandinistas have won every single mayoral election since democracy was reinstated in 1990.160 Because of the permanence of the Sandinista party, turnover has never been a problem in the municipal government administration. Knowledge gained from the experiences with citizen participation, in particular with the projects of PRODEL, was not lost, as would occur in many other municipalities. In interviews, the technician who handled the PGCs proudly stated, “I have worked under three different mayors, and soon to be four. There are few municipalities where I could say that.”

160 In fact, a huge portrait of Daniel Ortega was painted on the wall adjacent to the entrance to the municipal government office.
Finally, emerging from the 1980s was the informal rule that the community provides unskilled labor, free of cost, to all municipal government projects. It is unclear exactly how this informal rule came about. The Sandinista mayor from 1986-1996 claims that he simply believed that both the government and citizens held a joint responsibility for projects, and therefore he insisted that the community play their part in making the project happen. He also notes several other advantages to requiring community participation. First, it greatly reduces project costs, so that the government can execute more projects. Second, donors like this initiative, and so it helps to win favor with them. Third, projects should reflect the most urgent needs of the community, and the community’s willingness to provide labor is a litmus test for these needs. Whatever it is, this rule has remained in place since the 1980s, and was applied to the PGCs.

Jinotega did not have the same level of experience with citizen participation. The Department of Citizen Participation was not founded until the late 1990s, with no precedent. Municipal budgets were constructed in a traditional way until 1998, when the Social Fund mandated that it undergo consultations for the multiyear municipal development plan. To do so, the government simply arranged a single meeting with community leaders. It was not until 2000 that the municipal government held a series of local meetings to plan the municipal budget; it was also in that year but they began to consult the annual municipal budget.

Jinotega also had relatively less, but still significant experience with community management of projects. After their initial success with the community-managed projects in places like Esteli, PRODEL decided to scale up their program to cover several other municipalities, including Jinotega. The municipal government began to execute
PRODEL projects in 1998, and by 2001 they had executed 17 of them. These experiences should have allowed the municipal government to develop the knowledge necessary to successfully execute the PGCs, but this knowledge was lost in 2005. For the first time ever, the Sandinista candidate for mayor won a popular election in November of 2004. In January of 2005, when the mayor-elect took office, all three technicians of the municipal technical unit left. The exact motivation for these technicians’ decision is not clear, but it was certainly related to the change in the mayor’s party. The newly elected government had to hire three new people to fill those positions. Soon after filling these positions, the technicians took on the PGCs, meaning they had no personal experience with these types of projects.

CONCLUSION

While much of the participatory literature either places little emphasis on or remains skeptical of the state, this chapter argues that the qualitative features of state intervention can actually greatly influence the participatory project governance. Chapter 2 described the decentralized system in which regulation took place, which increased the possibility of variation at the local level. This chapter asserts that the particular regulatory strategy will determine the participatory experience of the community, presenting two such strategies, one named preventive and the other reactive. The chapter evaluates the two approaches, in terms of their ability to preclude corruption, generate citizen participation, produce savings, and complete the project on time, amongst others. It concludes that, in the two municipal cases, the preventive approach seems to be more effective in

---

161 Since then, Esteli has not executed more PRODEL projects, but Jinotega did, but only after having completed the PGCs.
improving outcomes, even if it reduces community autonomy regarding decisions, making the projects less guided by the community.

However, the chapter does not argue that these dynamic roles of government are easy to play; even honest and capable governments will find them demanding. Rather, they utilize a particular knowledge that can be quite costly to develop, often requiring extensive experience with these projects. Additionally, knowledge regarding the preventive strategy is difficult to accumulate because of the sparse general experience with participation. Many governments, and particularly those in developing countries, face quite a bit of turnover after elections. Even if knowledge regarding the preventive approach is generated, it is often lost when new government officials are brought in with the new administration. Given that few governments have extensive experience with participatory processes, and even fewer avoid this electoral turnover, a natural prediction is that very few municipal governments will be able to gain the knowledge to use the preventive strategy in the regulation of participation, unless projects like the PGCs become more mainstreamed. The concluding chapter looks at its implications and argues that perhaps other interventions can further develop the preventive strategy amongst municipal governments.

Also, the dissertation does not take a position on which factor is more important, associational life of the community or the regulatory strategy of the government. Both factors determine outcomes, i.e. successful project governance. However, because the regulatory strategy functions at a more macro level, the preventive strategy may appear to bring about results in a large number of communities, regardless of associational life. Meanwhile, it is unclear exactly what happens if both factors are present. Capable,
honest and responsible leaders should make implementing the preventive strategy much easier, mainly because the executive committee should be able to learn more quickly, follow through with agreed upon actions and require less follow up. Further research should look into exactly how these two factors intersect and interact.
Chapter 6 - Conclusion

THE DISSERTATION IN 8 POINTS

This dissertation has two overarching themes. First, to explain the dynamics and outcomes of participatory processes, one must look to the qualitative features of two factors outside the process, the local associational life and the regulatory environment. Associations do not affect processes in a uniform manner; rather, particular associations bring about honest leaders or collective action. Government regulators, likewise, do not always influence the participatory experience in the same way; instead, the qualitative features of their regulatory strategies will determine their impact. In sum, the devil is in the detail. Second, these factors will vary at a local level. Not all communities will have a vibrant associational life in which the groups exhibit desirable qualitative features. Even communities right next to each other may differ sharply on this front. Similarly, regulators may approach participation differently, even in adjacent municipalities.

These themes rest on eight main points made in the dissertation. Chapter 1, and the subsequent chapters, argued that each participatory experience will vary in terms of the dynamics of the process and the outcomes, in this case, the quality of participatory project governance. Instead of a back and forth debate as to whether participatory processes are a good thing, a much more productive discussion starts with an understanding of the conditions under which participation achieves its intended goals.
This focus on variation is emphasized by authors such as Woolcock (2009)\(^{162}\), and evidenced by the raging debates in the literature on participatory processes that were discussed in Chapter 1. The cases in the dissertation also exhibit this variation at a local level and on a number of dimensions, including the incidence of capture, corruption, inequality of power, the behavior of the powerful, collective action, efficiency of execution, timeliness, savings and others. Though not necessarily controversial, this point is crucial because it forms the launching pad for the dissertation, which seeks to explain this variation.

Second, participatory processes can, by design, create an inequality of power amongst participants. In the cases presented, the community elected an Executive Committee to perform the main project activities. The dissertation presents several possible reasons to design the processes in this way. First, it would be quite inefficient for the whole community to make every decision, an idea argued by Michels (1911). The design may also reflect the norm for this kind of organization, as other groups in the communities have a similar design. Finally, the community would face a collective action problem if it did not assign responsibilities to a few individuals. Because of this inequality of power, the behavior of a select few individuals will have a substantial influence on the quality of participatory project governance.

Given that the behavior of individuals with power strongly affects outcomes, the dissertation focuses on the dynamics of the selection process for representatives, which

\(^{162}\) As mentioned, he says that, “Participatory projects, by design, adapt themselves to the idiosyncrasies of the contexts in which they operate... In effect, ‘the project’ as experienced by participants is as varied as the range of contexts in which it is implemented.” (p. 5)
will determine the quality of these individuals with power. In particular, as illustrated by the cases in Chapter 3, elections for these representatives may contrast sharply along two dimensions: the number of candidates and the amount of information available to the community. Armed with more options and better information on those options, the communities will be able to select higher-quality candidates. On the other hand, communities with fewer candidates and less information will, on average, elect relatively lower quality individuals for those positions.

Fourth, Chapter 3 argues that particular qualitative features of associations create information and a supply of leaders in the community that serve to increase the probability that high-quality leaders will be elected. Associations can generate leaders because they normally have some level of hierarchy, such as a President or Executive Committee, often with elections. When an individual holds an office such as this, a community is likely to view the person as a potential candidate for leadership positions in other associations. Communities with mutually exclusive associations, active associations, rotating leadership of the association or restricted membership associations are likely to produce more leaders and thus have more potential candidates for the Executive Committee of the participatory body. Associations also produce and spread information on those candidates. Particular characteristics that facilitate information are the level of activity, especially when that activity is visible to the public, the type of requirements for membership, and the number of members of the association. Communities without the latter characteristics amongst its associational life will have less

\[163\] A similar point is made by Mansbridge (2008).
information in the election of the Executive Committee, leaving them less capable of predicting the performance of the individual in the elected position.

Fifth, Chapter 4 argues that *particular groups are able to mobilize their members to participate in the process*. Participation can be quite costly, requiring time and resources; these costs are especially difficult for the poor to manage, as they may have to forego much needed income in order to take part in the process. Communities also face a collective action problem, with the benefits of participation being non-rival and nonexclusive.¹⁶⁴ In the case study, the local Pentecostal Church mobilized its members to devote time and resources to the process, with huge cost savings for the project. The chapter identifies two characteristics of this particular Pentecostal Church that gave it the ability to overcome the collective action problem. First, this church espoused an ideology of participation amongst its members, emphasizing that a good Pentecostal must be involved in efforts to improve the community. Second, this church exhibited the characteristics of a solidarity group, as outlined by Hechter (1987). Members were dependent on the group for a number of benefits, and particularly spiritual benefits, with only the Catholic Church available as another option. Moreover, the group had a strong control mechanism, in which church members could easily monitor each other’s behavior, and sanctioning members who did not participate and meet expectations. These characteristics allow the group to extract behavior from its members that benefit the group as a whole.

Sixth, Chapter 4 also argues that, *in order for these groups to use their power to mobilize, they must see an interest in doing so*. A group will not agree to participate in

¹⁶⁴ Of course, this depends on the particular good in question. If the participatory project is to distribute private goods, this is obviously not the case.
every conceivable opportunity, but rather remain selective. As a result, in participatory processes, a distribution of benefits from the process may be biased towards the mobilizing group, possibly representing a form of group capture,\textsuperscript{165} in order to achieve substantial voluntary participation. Group capture in this case means that the participating group receives more project resources relative to the rest of the community. Rather than representing a malicious form of stealing, capture may in fact be desirable.

The dissertation also focuses on the role of the state in participatory processes. Given variation in outcomes, partly due to the variation in the characteristics of communities’ associational life, the state will try to ensure that projects are completed in an acceptable manner. As a result, in this regulation of participation, government officials will seek to hold the processes to certain standards. In the PGCs of the Nicaraguan Social Fund, the main regulator was the local government technician. Because of the decentralized system under which the Social Fund functions, the regulators work with quite a bit of autonomy, characteristics that define “street level bureaucrats”\textsuperscript{166}.

Seventh, Chapter 5 argues that the qualitative features of regulation, and particularly the regulatory strategies, vary amongst the regulators. In the comparative cases, these strategies fit into two categories. The first category, labeled “reactive”, takes the approach that the regulator’s job is to check up periodically on the project and make sure that it is meeting the technical specifications. If not, the regulator will give warnings to correct it or face penalties. If corruption is found, the regulator must investigate and use legal means to punish the perpetrators. A closer analysis of these punishment

\textsuperscript{165} Group capture in this case means that the participating group receives more project resources relative to the rest of the community.

\textsuperscript{166} As conceived by Lipsky (1980).
mechanisms shows that they are ill suited to curbing breaches of the rules, particularly corruption. The second category, labeled “preventive”, seeks to avoid problems before they begin. In this case, the regulator focuses on capacity building in the community so that they don’t make mistakes. The regulator visits the community frequently and gives them constant directives of what to do. The regulator also emphasizes broad citizen participation, as a way to curtail corruption and improve transparency. Though the latter approach seems much more time intensive, the difficulty of applying punishment mechanisms means that, when problems arise, regulators using the reactive strategy may end up spending long hours investigating the case and arranging the penalties. As a result, there may be no savings in time with the reactive strategy.

Eighth, to explain why regulators choose one strategy or the other, Chapter 5 focuses on the municipal governments’ histories. The regulators who chose the preventative strategy had years of experience with other participatory projects that had required them to use this preventive strategy. Moreover, in the comparative cases, one municipal government bureaucracy was extremely stable, because a single party, the Sandinistas, won every single municipal election in a landslide victory. The other municipal government had developed experience with these projects, but the particular administration lost the municipal elections in 2004, causing the regulators to leave their positions. Their replacements only had experience with the reactive strategy, which is much more common in Nicaragua. Overall then, the accumulation of experience with the preventive strategy is required, but this will depend on the political context of the regulators.
CONTRIBUTIONS TO THE LITERATURE

Elite Capture

The dissertation builds on the critiques of the elite capture literature presented in Chapter 1. Regarding the inequality of power, which certain authors (Sanders, 1997; Alderman, 2001; Galasso and Ravallion, 2001; Platteau and Abraham, 2002; Platteau and Gaspart, 2003) predict will lead to a regressive distribution of project benefits, the dissertation points out that this is not necessarily due to factors such as inequalities in income or education, but rather an intended result of the design of participatory institution. While some may argue that this means that the PGC is not a truly participatory institution, the most famous example of citizen participation, participatory budgeting in Brazil, designs an inequality of power by mandating that executive bodies perform the main functions.\(^{167}\) Given that an inequality of power is pervasive amongst the PGCs, clearly it is not a sufficient condition for explaining the incidence of capture.\(^{168}\)

The dissertation rather argues that the quality of the individual in the positions of power will determine whether capture occurs, especially in the form of corruption. The dissertation further argues that the conditions by which these individuals are selected will determine the type of person in these positions. More specifically, if citizens are provided with more candidates and more information on those candidates, they will choose higher quality individuals who are less likely to embezzle resources.

\(^{167}\) Whether the concentration of power is pervasive amongst participatory processes is an open question that should be tested empirically.

\(^{168}\) As discussed in Chapter 1, capture is not clearly defined, but generally refers to a regressive distribution of project benefits, either via corruption or skewing of the allocation of resources in favor of a particular group, normally the elite.
However, regulators can also play a role in preventing corruption. Their constant presence and focus on the details of the process mean that the community members would have little hope of embezzling resources. Likewise, a punishment mechanism would discourage corruption, but the dissertation discusses the difficulties in applying official forms of punishment. Instead, regulators may require communities to participate more in the process. For instance, regulators can insist that at least a few more individuals attend meetings of the Executive Committee; they may also mandate that oversight committees be created within the community, particularly focused on those areas in which corruption is most possible. Regulators can therefore introduce an element of transparency that would not otherwise be present.

The dissertation builds on the argument of the elite capture literature, that participation will be quite low due to the costs associated with it, and because community members face a collective action problem (Mansbridge, 1980; Platteau and Gaspart, 2003). While this is evident in some cases, others are able to mobilize the community to engage in the projects in ways that are sometimes very costly in terms of time and resources. The dissertation offers two explanations for this.

First, particular types of associations are quite effective in mobilizing their members to participate. As mentioned, these associations may exhibit particular characteristics, such as an ideology of participation or a high level of group solidarity. As a result, certain groups can offer alternative incentives for members to participate in the process, moving them beyond a simple calculation that only takes account of direct benefits from the process and the investment of time and resources. Beyond just having the capacity to inspire participation, the case presented suggests that the mobilizing group
must see an interest in using this power. Interestingly, while the elite capture literature implies that capture is detrimental and even the result of a lack of widespread participation, the case suggests that capture may in fact be desirable, because it serves as an incentive for groups to participate in the process.

Second, participation may result from pressure from government regulators, who either encourage or require that the community engage in the process in a variety of ways. Regulators can instigate participation in different areas of the project. They may urge widespread attendance at the meetings, in order to ensure that the meetings include a variety of viewpoints in the community or to bring transparency to proceedings; or, the regulators may oblige community members to donate labor to the project, to minimize costs and guarantee that the committee is willing to sacrifice for the project. However, one may argue that this participation is not voluntary, and represents an attack on the autonomy of the community to decide whether it wants to participate or not.

Social Capital

The dissertation presents a set of ideas that overlap substantially with Putnam’s theory of social capital, especially in the crucial role for associations in bringing about good governance. In his renowned 1993 book Making Democracy Work, Putnam includes associational life as one of the four measures of a civic community, which in turn explains the success of northern Italy in achieving good governance and economic growth. Associations play two functions in Putnam’s theory of social capital. First, they represent a kind of outcome, because they arise from collective action. Communities heavy in social capital will have the trust necessary to work together to address common
social goals. Associations also serve as networks of civic engagement, which form a part of social capital. These networks play a variety of roles, but most importantly, Putnam emphasizes the following:

Networks of civic engagement facilitate communication and improve the flow of information about the trustworthiness of individuals. Networks of civic engagement allow reputations to be transmitted and refined. As we have seen, trust and cooperation depend on reliable information about the past behavior and present interests of potential partners, while uncertainty reinforces dilemmas of collective action. Thus, other things being equal, the greater the communication (both direct and indirect) among participants, the greater their mutual trusts and the easier they will find it to cooperate. (Putnam, 1993: 174)

In line with Putnam, and a larger literature on social capital and information flows (Granovetter, 1973), Chapter 3 argues that information plays a crucial role in bringing about good outcomes of participatory processes. Indeed, the trustworthiness and honesty of the leaders are essential to preventing corruption in the process.

However, while this discussion of networks tends to focus on spreading information, Putnam mentions that networks can also produce information, though in a very simple and blunt way. Because they represent a form of collective action, the individuals who do not participate are labeled as undependable; the network then serves to pass on this information. In contrast, the dissertation discusses a variety of other ways by which associations produce information. Some of that information is approximate, such as characteristics that are suggested by being a member—for instance, that all members of the Evangelical Church are honest—and characteristics that are

---

169 Putnam discusses three other functions of networks of civic engagement: increasing the potential cost of defection by increasing the iteration and interconnectedness of games; fostering robust norms of reciprocity; and embodying past success in collaboration, which creates a cultural template for future collaboration.

implied by activities if an individual is the leader. Associations that give leaders more responsibilities will better produce information on their capabilities and degree of honesty. However, overall, the discussion of information and social capital tends to focus much more on how information is passed amongst associational networks, rather than how they generate information.

The dissertation also differs with Putnam’s theory in two ways. First, Putnam is extremely skeptical of vertical associations, and generally argues that hierarchy works against the mechanisms of social capital. The arguments presented in Chapter 3 assume at least some level of verticality of associations, as just about every kind of group has an administrative structure with a form of hierarchy. Even more importantly, the chapter argues that the hierarchy commonly found in associations produces leaders; and having more leaders is desirable because they provide communities with more candidates for positions of power. Because Putnam’s theory negates the pervasiveness of hierarchy, his account of social capital says little regarding this idea.

Second, in the two communities presented in Chapter 3, as well as the case in Chapter 4, the source and variability of associational life contradicts Putnam’s account. Putnam argues that the stock of social capital is historically rooted and characteristic of larger regions, painting the north of Italy as civic and the south of Italy as un-civic due to their divergent histories. However, as discussed previously, associational life in the two communities varied primarily because of geography and recent random events, not because of events from centuries ago. Also, clearly, associational life varied quite a bit

---

171 See for instance Putnam’s discussion of vertical associations (pp. 74-5).
172 Putnam (1993) does, however, admit that almost all associations have some element of verticality; however, this plays no role in his overall theory.
between two communities that are located practically next to each other, leading to very
different governance outcomes. This suggests that one cannot simply write off entire
regions or countries as lacking social capital, which then leads to poor governance and
mediocre economic development. Instead, the crucial variation that exists at a very local
level, in both the number of associations and their qualitative features, leads to the
differing participatory experiences.\footnote{On the other hand, Chapter 4 seems to flow naturally from ideas already present in the literature on social capital. In particular, it seems an exemplary case of what Putnam refers to as bonding social capital, which he argues is “good for undergirding specific reciprocity and mobilizing solidarity.” (Putnam, 2000: 22) In particular, the chapter uses ideas on the social capital literature regarding solidarity groups (Hechter, 1987) and value injection (Coleman, 1988; Portes, 2000). The chapter’s main contribution is to apply these ideas from the social capital literature and apply them to the concept of participatory democracy, in which participation is rarely discussed in these terms.}  

\textit{Literature on Regulation}

The literature on regulation recognizes that government officials use different regulatory
strategies. In their discussion of firm regulation, Kagan and Scholz (1984) argue that, empirically, these strategies may be put into one of three categories. In the first category, regulators view firms as rational calculators, and so regulation seeks to detect infractions and structure firm incentives correctly, so that they avoid them. In the second, firms are “political citizens” who must be convinced that the regulation is not arbitrary or unreasonable, but rather a desirable thing to do. In the third, firms are prone to organizational failure, and so the regulator must work with the firm to improve their capacity to meet regulations. While regulators may mix these strategies, Kagan and Scholz argue, “[s]ometimes … lawmakers or top enforcement officials compel inspectors
to act on the basis of a single theory of noncompliance and to adopt a single enforcement strategy for all cases.” (Kagan and Scholz, 1984: 69)\textsuperscript{174}

While empirical analyses in the literature on regulation recognize variation in regulatory strategies, they often focus on variation at the national or institutional level (Kagan, 1984; Kelman, 1984).\textsuperscript{175} For example, Kelman (1984) presents a comparison of labor regulators in Sweden and the USA. Sweden is characterized by informal, long-term relationships between labor regulators and businesses, in which the regulators encourage these firms to adopt certain practices that reflect the spirit of the regulations. On the other hand, the American system is much more formal, in which regulators monitor the workplace, and give citations to the businesses for infractions, sometimes with heavy penalties.

In contrast, the dissertation argues that regulatory strategies may vary from one regulator to the next within the same institution. The Social Fund presented these regulators with the same rules, guidelines, incentives and institutional goals. However, their behavior varied in terms of the frequency of visits, the focus of those visits, the time devoted to capacity building and providing direction and the use of punishment mechanisms. Interestingly, in the cases in Chapter 5, this variation took place even amongst regulators working in municipalities that were practically side-by-side.

The dissertation argues that this variation is conditional on decentralization in the Social Fund, and particularly in the regulatory function. Local governments are

\textsuperscript{174} Braithwaite (2006) and Ayres and Braithwaite (1992) argue that regulators must use a dynamic strategy that is responsive to the particular situation, referring to a regulatory pyramid. Regulators first seek to persuade the firm to meet regulation; then, if the firm does not respond, the regulator seeks to sanction the firm. Finally, if sanctions fail, the regulator must seek to incapacitate the firm, meaning that they put them out of business.

\textsuperscript{175} Other literature (Braithwaite, 2006; Ayres and Braithwaite, 1992) argues that regulators should have several regulatory tools at once, and must adjust them according to the type of actor to be regulated.
responsible for overseeing the PGCs, and not a central bureaucracy. As recognized in the
literature on decentralization (Grindle, 2007; Rodden, 2006; Crook and Manor, 1998),
decentralizing central government functions often means that local factors take on
increased prominence in how these functions are applied.\footnote{176} The dissertation points to
two related factors. First, past experience of municipal officials with particular regulatory
strategies will determine later regulatory strategies. Second, political stability will
determine the experiences of municipal officials, because, if a given administration stays
in power, its personnel have the time to accumulate experience. As a result, the local
context will determine the regulatory strategy of regulators, which will establish exactly
how they influence participatory processes.

POLICY IMPLICATIONS

As mentioned, the dissertation argues that interventions with participation will likely lead
to varying outcomes, where success is determined on a case-to-case basis. The processes
are not like a vaccine program, in which the results are quite clearly determined. Rather,
when applied, a participatory program can have quite contrasting outcomes in apparently
similar communities. The dissertation’s implication is that participatory processes will
not have the kind of impact that can be easily labeled as a success or failure on the
aggregate, but will likely end up being a mixed bag of experiences.

The dissertation therefore supports the idea that participatory programs tend to
confound randomized impact evaluations. According to conventional techniques,
randomized impact evaluations work under the assumption of unit homogeneity, which

\footnote{176}{Bardhan and Mookherjee (2006) actually claim that decentralization can represent a way for the center
to further extend its control.}
means that the treatment is the same in every context. However, in line with Woolcock (2009) and Barron et al. (2007), the dissertation argues that the participatory process itself will function quite differently depending on local factors such as the associational life of the community and the regulatory strategy of regulators. As a result, when measuring the aggregate impact of a program, the conclusions of impact evaluations must be put in the context of how and where the participatory program is applied. It is quite possible that, using such tools as targeting or by designing the program slightly differently, the aggregate impact of the program would be quite changed. Because the results are so sensitive to these conditions, it is difficult to state decisively “the program’s impact is X”; rather, the program is highly manipulable, depending on how the program is applied and targeted.

The dissertation makes contributions to two means of improving the outcomes of participatory processes. First, by understanding not only that variation takes place, but also the characteristics of the places that are more successful, the dissertation opens up the possibility of targeting resources to those cases of likely success. If policy makers know beforehand where the program will work best, they can maximize the impact and greatly improve aggregate outcomes. Second, by understanding exactly how certain factors affect the processes, policy makers can try to develop these factors so that they are present in otherwise less successful cases. In this case, having determined the exact characteristics of organizations and of regulators that improve participatory processes, policy makers can attempt to advance the conditions for the programs that lead to desirable outcomes.

177 For a further discussion, see Whiteside et al., 2005.
1. To select honest, capable and responsible leaders

The analysis presented in Chapter 3 suggests that the government should target communities whose associational life has particular characteristics. Overall, the easiest way to do this is simply to avoid targeting projects to communities with few or no associations. If a community does not have any active civil society groups, then none of the mechanisms will work, whereby associations allow the community members to select better quality leaders. Avoiding these communities will mean that the processes will focus on places where these mechanisms have a chance of functioning.\textsuperscript{178} Second, the government can try to target these projects to those communities with associations that have the particular characteristics mentioned in the chapter.\textsuperscript{179} However, while this option is more likely to select for communities where these mechanisms work, the government officials may find that assessing the presence of these characteristics will be difficult, because they represent very detailed information that is not readily available.

On the other hand, the government and NGOs can take measures to promote the particular characteristics of associations that bring about good leaders. When executing a project in the community, the government or NGO can seek to place greater responsibilities on the community, either by working through groups already present in the community, or by creating new groups. If the latter, there is a greater chance that a new “leader” may rise, because the new group will elect an Executive Committee; if the former, the community will gain more information on the quality of the leader. Either

\textsuperscript{178} Of course, given that poor communities may, on average, have fewer associations, this type of targeting must avoid discriminating against all poor communities.
\textsuperscript{179} Again, these include a restricted membership, an exclusive membership, a more widespread membership, a rotation of leaders, and a high level of activity,
way, bringing in more participation into development projects will naturally create spillovers that will benefit participation in the future.

Also, the government or NGOs can encourage associations to take on the particular characteristics that Chapter 3 discusses. Projects with specific groups, especially traditionally marginalized groups such as women and small producers, will create more local leaders. Facilitators working with the communities can urge more people to join meetings and get involved with projects, thus spreading more direct information on the quality of elected project representatives. Facilitators can also require groups to rotate leadership every several years. Donors, NGOs and government officials should realize that the attention to the process of execution would not only influence the project at hand, but also represent investments for later participatory projects.

2. To encourage voluntary participation

The government can take a number of steps to ensure that there is substantial voluntary participation in participatory projects. Chapter 4 argues that particular groups will have the characteristics that allow them to mobilize their members into the process. If this is a goal, the government should take two steps. First, it should target these projects to communities that have a group that exhibits these characteristics. The chapter suggests that the Pentecostal Churches generally maintain these characteristics, but that is a question for further research. Other groups may also be able to mobilize their members, such as social movement groups or, in some cases, the local Catholic Church.

Second, the government can offer particular benefits to these groups in exchange for their participation. In Chapter 4, the Pentecostal Church captured the remaining funds
from the project and used them to invest in church infrastructure; the more participation they mobilized, the more funds were left over. If not financial, the government can offer other incentives, such as preferential access, official recognition of participation, private development goods or even just access to local government officials. Though there is a danger that this may strain relations with other groups, transparency in the process can help to minimize this.

The chapter also suggests that working with religious groups may bring desirable benefits. The development community has traditionally shunned working with spiritual organizations, regarding it as unfair favoritism or a breach of the division between church and state. However, in Latin America, churches are undeniably involved in a variety of development efforts, such as providing medical attention and advice, emergency relief, funding for education, micro credit, and many others. Also, the church has a number of advantages that even the state doesn’t have. For example, according to accounts of emergency relief in Nicaragua, including the earthquake of 1972 and Hurricane Mitch in 1998, both the Catholic and Evangelical Church were essential for alleviating the humanitarian crisis. These churches have presence in many communities where even the state does not reach, meaning that they have a basic infrastructure and ready personnel to work. On top of this, Chapter 4 argues that they have the ability to mobilize people and resources. Perhaps the time has come to pay greater attention to the role of the church in development, and for the development community to reconsider its tendency to avoid working with these religious institutions.

---

180 Interview with the Executive Director of CEPAD, 2008.
181 The analysis also implies that the church personnel are relatively honest as well, which is important in these cases because corruption was rampant in these relief efforts.
3. To promote the preventive regulatory strategy

Chapter 5 argues that projects with regulators who use the preventive regulatory strategy, on the whole, perform better than those under the reactive strategy. If so, then the government can seek to target projects to those municipalities with regulators who have shown a propensity for this strategy. The easiest way to do so is simply to try to seek out those municipalities in which many of these participatory projects have taken place.

Given that the idea is quite popular with donors, it is not surprising to find pockets of participatory activity. However, when targeting, the government must take care that the technicians themselves have their own experience with participation, and not a previous administration. 182

Chapter 5 also asserts that regulators must go through a process of learning by doing in order to use the preventive strategy. As such, the government must fund participatory processes, so that municipal governments gain experience with it; in general, the more funding, the more experience will result. Also, targeting a select few municipalities to use this strategy means that the municipal governments can develop a larger base of experience necessary to use it effectively. To ensure that regulators use the preventive strategy, the government can require that regulators perform the functions characteristic of the strategy, as presented in Chapter 5. 183 However, the government

182 The government may also seek to identify those municipalities in which regulators' strategies reflect the preventive approach, as outlined in Chapter 5. However, if regulators have little experience, it will be difficult to do so without running a pilot in the municipality.

183 Including frequent visits, an emphasis on capacity building, making constant recommendations and citizen participation, and a focus on administrative aspects of the project along with technical ones.
must be cautious of devoting time and resources in training municipal governments that face electoral turnover, as the experience and knowledge gained may be lost.\textsuperscript{184}

GENERALIZABILITY AND FURTHER RESEARCH

Although the case studies in the dissertation have been selected systematically, they represent just a handful of instances of participatory processes in one program, in one country, during one period of time. Clearly, the arguments made in this dissertation must be empirically tested on a much larger scale in order to more credibly reach some level of generalizability. At the least, they must be tested in cases of Social Funds in other countries. If associations in Pakistan and Malawi influence participatory processes in like ways, the arguments will gain traction. If regulators in Brazil and Vietnam take on similarly varying regulatory strategies in the context of decentralization, the ideas will likewise achieve enhanced credibility. Also, the arguments should be tested across programs, in areas such as education and environmental management, and over time as well, particularly tracking how the conditions evolve as a country gains more and more experience with participation.

It is worth mentioning that practically all the cases presented in the dissertation have a clear bias in that they take place in villages of rural areas. Urban settings may take on different dynamics. Work experience can function in a similar way that group leadership does, creating information for citizens. For instance, medicine may be a very trustworthy profession, and so citizens will assume that a doctor will be very honest.

\textsuperscript{184} Interestingly, this analysis begins to put the recommendations into an organizational learning framework, which suggests several other ways of building knowledge, such as networking between those municipalities with and without the knowledge and creating internal knowledge that can be passed within the organization.
Also, the state has much better access to neighborhoods in the city than to rural communities. This will reduce the cost for regulators of visiting and increase the flow of information between citizens and government. Urban areas will tend to have higher incomes and levels of education, which authors argue will influence the dynamics of the process.\textsuperscript{185} Associational characteristics may differ; for instance, urban groups often take on a permanent professional leadership and bureaucracy, which can influence their ability to produce local leaders.

The cases presented in the dissertation have further significant characteristics that may differ in other contexts, particularly the lack of stark divisions within the communities. Barron et al. (2007) argue that ethnic differences may be exacerbated by the process, and may even lead to violence. Similarly, political groups can divide citizens into competing and violent factions.\textsuperscript{186} Other than diverse religious groups, who have maintained peaceful relations so far, the communities in the dissertation are relatively homogenous.

Clearly, much more work remains in developing the ideas in this dissertation. Hopefully, its contribution is to better inform the back and forth debate about whether participation is a good thing, and to pay critical attention to the conditions under which it works. By explaining not just the potential of citizen participation, but also when it reaches that potential, academics can greatly inform policy and more honestly address the shortcomings of participation. Participation is far from perfect, but if it is worth fighting for, the ideas in this dissertation should help with that fight.

\textsuperscript{185} For a further discussion, see Chapter 1.
\textsuperscript{186} I did hear of a case in which the Sandinista and Liberal political groups in a neighborhood fought for project resources, with one or the other embezzling resources and the project eventually being taken over by the municipal government due to the inability of the neighborhood to complete it.
Appendices

Appendix 1.1 Incidence of Capture for a Sample of PGCs

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Cases of Capture</th>
<th>Total PGC Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juigalpa</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Jinotepe</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Jinotega</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Estelí</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Santo Tomás</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Trinidad</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Esquipulas</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Acoyapa</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Yali</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Rio Blanco</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

Source: Interviews with the respective Municipal Technicians, 2008.

In order to measure capture, I interviewed the municipal technician, who is the government official that most closely with the community in these projects. It is not at all certain that they detected every instance of capture in these communities. Furthermore, it is possible that they did not share this information in interviews.

In four out of five cases of capture, PGC resources were embezzled either in the form of cash or materials. In the case of Santo Tomás, the community members apparently tried to get away with lower quality standards in order to save money for the project. To be fair, it is not clear exactly what level of responsibility is born by the various individuals involved. The municipal technician claims that it is possible that community members were just extremely naive, signing away funds whenever other individuals wanted. It is also not clear exactly how much each individual stole. The least extreme case is that the community members authorized embezzlement and totally mismanaged the state funds provided to complete the project.

The process of sampling is neither fully systematic nor random. The chapter later describes how each of these municipalities was selected, except for the first two. These were chosen as potential comparison cases to Jinotega for Chapter 5, though in the end I selected Estelí.
Appendix 1.2 Discussion of the Outcome Variables.

Three main quantitative indicators are used as dependent variables in the dissertation: 1. The amount of time to complete the project, 2. How much the project finished over or under budget and 3. Whether there was embezzlement in the process. The length of time it takes to complete the project is important both inherently and as an indicator of efficiency. In the PGCs, certain costs rise with delays. Workers receive a daily wage and must be paid more accordingly.\(^\text{187}\) Next, material prices increase over time, particularly the cost of steel. According to officials involved in one project, the price of steel jumped around 30% in a single month. Finally, the length of time represents an opportunity cost for the community members who volunteer for the project. While this does not represent an increase in project costs, it is an important part of the overall social costs. Delays can also represent an indicator of efficiency. If the project is managed and coordinated well, it should be completed in a timely manner. On the other hand, if community leaders are slow to complete their responsibilities, or have mismanaged funds, the project will finish late.

However, a whole variety of factors can cause delays, some completely out of the control of the individuals involved in the project. One common factor is rain, which would stall most construction activities. Rains can also damage whatever structure is already in place. Indeed, in several community case studies, weeks were lost when rains damaged the structural foundation of the school. In fact, in two communities, it rained so much that the school's floor began to slide along the incline on which it had been constructed. Nevertheless, my cases suggest that the most significant cause for delays is corruption, whether the actual act or the long process of dealing with it.

Savings and losses make up a second measure of success. Again, this indicator is both inherently important and a sign of deeper issues in the project. A project that goes over budget requires that spending be diverted from other priorities in order to complete the project. The rules regulating the PGCs dictate that the Social Fund will not pay more for a project that runs over budget. Therefore, funds must come from either the municipal government budget or the community. Given the already extremely tight municipal budget, it is extremely difficult to find spare resources to dedicate to the budget overrun, often diverting funds from other badly needed projects. In other words, the opportunity cost for municipal government spending is extremely high. The opportunity cost for communities is very high as well, given that they are extremely poor. On the other hand, project savings are extremely desirable. As described in detail in Chapter 2, the design of PGCs dictates that extra funds will be used to finance local development projects, as determined by the community. In non-PGC cases, savings would mean that the government has extra resources to dedicate to other projects.

As with the timing of the project, the budget can also be a sign of deeper issues. Again, if the project is managed and coordinated well, it should be completed on or below budget. A transfer of resources, such as in money, materials or labor, will be reflected in this indicator. For instance, the budget will reflect a scenario in which resources are stolen from the project. On the other hand, the previously mentioned

\(^{187}\) However, this does not include the external supervisor, local supervisor, and skilled laborers, who are paid a fixed rate no matter how long the project takes.
incentive system encouraged community members to find ways to save money. If the community volunteers free labor for the project, the budget will reflect that as well. It is worth noting that the project quality standards are quite firm and well monitored, so that communities cannot steal materials from the project in order to create savings.

Savings and losses were measured using several different sources. In some cases, bank records showed the final balance for the project, with this money passed on to the community. When bank records were not available, interviews with the municipal technician and the Executive Committee of the PGC would yield an approximation of the final balance. Losses were well documented, as the municipal government would investigate instances of corruption. While several projects had problems with rains destroying materials, the only cases in which a project went over budget involved corruption.

Embezzlement, the third indicator, represents one of the major motivations for implementing the PGCs, and is therefore of great interest. As described in Chapter 5, the process of dealing with an uncovered corrupt act can be long, costly, and arduous. Government officials halt the project while they decide how to deal with the case. They hold meetings in order to scold the perpetrators, put together a plan on how to recover funds. If all stolen resources cannot be recovered, government officials must seek them from other sources. Often, more senior officials must get involved in these processes, and negotiate with, or threaten, the individuals involved.

Measurement of corruption is notoriously difficult, and clearly I could not “catch them in the act”. As such, I depended on other sources of information. Through documentation, my interviews with the municipal technicians, and discussions with the PGC Executive Committee, a story unfolded of how people involved in the project found ways to extract extra money and resources for themselves.
### Appendix 1.3 List of PGC Projects.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Schools</th>
<th>Latrines/Well</th>
<th>Pavement</th>
<th>Sports Field</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Acoyapa</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>2 Camoapa</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>3 Cárdenas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5 Condega</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>6 Diríomo</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>8 El Ayote</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>9 El Coral</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>11 Esquipulas</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>12 Jinotepe</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>14 La Libertad</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>15 Larreynaga</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>16 Macuelizo</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>18 Nandayme</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>19 Niquinohomo</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>20 Posoltega</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>21 Pueblo Nuevo</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>22 Río Blanco</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>24 S. F. del Norte</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>25 San Juan Nicaragua</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>26 San Lucas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>27 San Miguelito</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>28 Somoto</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>29 Sta. Lucia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>31 Santo Domingo</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>32 Santo Tomás</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>33 Telica</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>35 Terrabona</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>36 Teustepe</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>37 Villa Sandino</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>38 Villanueva</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>39 Wiwili Jinotepe</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>41 Yalaguina</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>42 Yali</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
<td><strong>16</strong></td>
<td><strong>9</strong></td>
<td><strong>2</strong></td>
<td><strong>2</strong></td>
<td><strong>51</strong></td>
</tr>
</tbody>
</table>


According to the above list, five municipalities had two or more of similar types of projects, but only two of them had executed two or more schools. In the end, I chose a
matched pair in the municipality of Jinotega, which had the largest number of projects for the same project, each of them two room primary schools.
Appendix 1.4 Outcome Measures for Two Room Primary School PGCs

<table>
<thead>
<tr>
<th>Municipality</th>
<th>General Impression</th>
<th>Savings/Losses (cordobas)</th>
<th>Project Duration (months)</th>
<th>Level of Community Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Esquipulas</td>
<td>Good</td>
<td>10,000</td>
<td>3.5</td>
<td>Good</td>
</tr>
<tr>
<td>El Coral</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Acoyapa</td>
<td>Ok</td>
<td>0</td>
<td>5</td>
<td>Ok</td>
</tr>
<tr>
<td>Yalí</td>
<td>Good</td>
<td>45,000</td>
<td>5</td>
<td>Good</td>
</tr>
<tr>
<td>Rio Blanco</td>
<td>Good</td>
<td>50,000</td>
<td>3.5</td>
<td>Good</td>
</tr>
<tr>
<td>Rio Blanco</td>
<td>Good</td>
<td>54,000</td>
<td>3.5</td>
<td>Good</td>
</tr>
<tr>
<td>Rio Blanco</td>
<td>Good</td>
<td>59,000</td>
<td>3.5</td>
<td>Good</td>
</tr>
<tr>
<td>Santo Tomás</td>
<td>Good</td>
<td>68,803</td>
<td>3.5</td>
<td>Good</td>
</tr>
<tr>
<td>Jinotega</td>
<td>Bad</td>
<td>-68,000</td>
<td>5</td>
<td>Bad</td>
</tr>
<tr>
<td>Jinotega</td>
<td>Good</td>
<td>2,000</td>
<td>4</td>
<td>Ok</td>
</tr>
<tr>
<td>Jinotega</td>
<td>Bad</td>
<td>-20,000</td>
<td>6.5</td>
<td>Bad</td>
</tr>
<tr>
<td>Jinotega</td>
<td>Good</td>
<td>5,600</td>
<td>3.5</td>
<td>Ok</td>
</tr>
</tbody>
</table>

Source: Interviews with the respective Municipal Technicians, 2008; Project Documents, 2003-7; Interviews with the respective Executive Committees, 2008.

Note: The losses were not the final project deficit, but a deficit during the project.
Note: Unfortunately, communication with El Coral was very difficult and I was never able to contact them.

Above is a list of the municipalities with similar projects, two room primary school construction projects. The measures for success are very approximate, because detailing a dependable set of measures would require a time and resource intensive process of visiting the municipal government offices as well as the rural communities to gather documents and interview the involved individuals. Instead, I simply asked the municipal technician, the government official most involved in these projects, to estimate the quantitative indicators -the savings or losses (which were due to corruption) and delays to the project - as well as provide general impressions of the project, including the participation of the community and the experience overall, which I categorized as bad/ok/good. The measures for the last five projects are much more dependable, because I also used documentation and interviews to back up this information, as they were cases chosen for study.

Based primarily on these interviews, I selected what seemed to be the most successful project amongst the group according to these four measures, as a best-case comparison to the matched pair.
Appendix 1.5 List of Interviews

**Managua:**

Damaris del Socorro Ruiz Ruiz, Executive Director, Nicaraguan Network for Democracy and Local Development
Andrea Sálazar, Technical Secretary, Intermon Oxfam
Jorge Granera, Director, Association for Municipal Development
René Rivas, Coordinator, Grupo FUNDEMOS
Dr. Mario Castro, Former Chief of Staff, Government of Nicaragua
Silvio Prado, Consultant
Lic. Manuel Ortega Hegg, Director, Center for Socio Cultural Analysis
Desirée Elizondo, Executive Director, CABAL
Violeta Granera, Executive Director, Movimiento por Nicaragua
Luz Marina García, Governance Specialist, USAID
Aida Mayorga, Researcher, IPADE
Félix Maradiaga, Director, Instituto de Liderazgo de la Sociedad Civil
Antonio Belli, Executive Director, CONADES
Edgar Sotomayor, Coordinator, PASE
Joseph Owen, Country Representative to Nicaragua, World Bank
Rosario Rodríguez-Chávez, Legal Assistance Director, AMUNIC
Hugo Francisco Romero Mejía, Hagamos Democracia
María Estelí González, Consultant
Aline Coudouel, Senior Economist, World Bank
Jose Luis Martínez Ricardo, Director’s Assistant in Local Development, INIFOM
Professor Parajón, CEPAD
Dámaris Albuquerque, Executive Director, CEPAD

**FISE:**

Azucena Castillo, Former Executive Director, FISE
Juan Manuel Sánchez, Former Assistant to the Executive Director FISE
Virginia Cordero, Former Official, FISE
María José Torres, Former Official, FISE
Fabiola Torres, Director, Office of Regulation, Research and Development, FISE
Mario Castro, Consultant on Local Development, FISE
Eduardo Medina, Former Director of Operations, Pacific Region, FISE
Stephen Grun, Coordinator, FISE-GTZ Program
Luis Ernesto Gómez, Regional Delegate to Jinotega, FISE
Marisol Nurinda, Regional Delegate, FISE
Marvin Lopez, Technician, Regional Office of FISE
Luis Javier Almanza Arostegui, Technician, FISE

**Jinotega:**
Hon. Eugenio Lopez Lopez, Mayor, Jinotega
Ivan Gonzalez, Director, Department of Citizen Participation, Municipal Government of Jinotega
Servio Espinoza Herrera, Chief of Staff, Municipal Government of Jinotega
Larry Escorcia, Technician, Municipal Technical Unit, Municipal Government of Jinotega
Oliver Castro, Director of Public Works, Municipal Government of Jinotega
Gerardo Luis Centeno Gonzalez, Secretary, City Council of Jinotega
Freddy Amador, Councilor, City Council of Jinotega
Freddy Norlasco, Councilor, City Council of Jinotega
Georgina Lopez Rodriguez, Councilor, City Council of Jinotega
Jairononio Fajaro Lopez, Former Mayor, Jinotega
Elida Jiménez Chavarria, President, Comité de Desarrollo Departamental de Jinotega
Justiniano Monzon, Director, AMUIJIN
Rita Muckenheim, Executive Director, Cuculmeca
Harnhel Dallatorre, Director, Cuculmeca
Alfredo Palacios Mairena, Coordinator, Comité de Desarrollo Departamental de Jinotega
Mario Gonzalez Glez, Rural District Representative, Jinotega
Victorino Centeno, Director, AVODEC
Liliam Palacio Ramos, Director, Funjides
Renato Quintero, Doctor, Ministry of Health Department, Jinotega

Community 1:
President, Executive Committee
Vice President, Executive Committee
Treasurer, Executive Committee
Secretary, Executive Committee
5 Members of the Community (snowball sample)
Leader of the Community

Community 2:
President, Executive Committee
Vice President, Executive Committee
Treasurer, Executive Committee
Secretary, Executive Committee
5 Members of the Community (snowball sample)

Estelí

Dr, Ulises Gonzalez, Former Mayor, Estelí
Wilfredo Rodriguez Dávila, Director, UTM, Municipal Government of Estelí
Ramón Rodriguez, Director, Department of Citizen Participation, Municipal Government of Estelí
President, Executive Committee for Project 1
Vice President, Executive Committee for Project 1
President, Executive Committee for Project 2
Vice President, Executive Committee for Project 3
Treasurer, Executive Committee for Project 3
Vice President, Executive Committee for Project 4

**Santo Tomás**
Bernabé Martínez Reyes, Director of Citizen Participation, Santo Tomás
Javier Avilés Technician, Department of Projects, Santo Tomás
Muriel Dugure, Technician, UTM, Santo Tomás
Xiomara Torres, Technician, Department of Projects, Santo Tomás

In Community 3:
Vice President, Executive Committee
Treasurer, Executive Committee
Fiscal, Executive Committee
Pastor, Evangelical Church
Community Leader, Catholic Church
School Teacher
School Teacher
5 Members of the Community (Snowball Sample)
Angel Avalles Hernandez, President of Milk Cooperative

**Other Municipalities**

Jose Alexander Baquedano, Mayor, San Francisco del Norte
Jose Andres Hernandez Morales, Mayor, Palacaguina
Edgar Espinoza, Director of the Projects Department, Municipal Government of Palacaguina
Mayra Zeledón Vasquez, Director, CAPRI
Miguel Angel Dávila Sanchez, Chief of Police, Palacaguina
5 Citizens (Snowball Sample at Neighborhood Budgeting Meeting in Palacaguina)

Rodolfo Dinafi, Vice Mayor, San Rafael del Norte
Juan Ramon Mendoza Perez, Deputy Mayor, San Juan de Limay
Felix Pedro Zeledon Chavarria, Mayor, La Concordia
Juan de Dios jirón Zeledón, Technician, UTM, Municipal Government of La Concordia

Douglas Salmeron Vegas, Technician, UTM, La Trinidad
Osmín Torres, Technician UTM, Somoto
Bayardo Linarte, Coordinator, Technical Secretary, Consejo de Desarrollo Departamental de León
Juan Pablo Quesada, Technician, UTM, Jinotepe
Juan Francisco Gea, Technician, Public Works Department, Municipal Government of Esquipulas
Technician, UTM, Yalí
Francisco Cano, Technician, UTM, Rio Blanco

209
Erwing de Castillo, Former Mayor, Juigalpa
Nimia Guzman, Secretary, Consejo de Desarrollo Departamental, Chontales
Analy Mendoza, Department of Planning, Municipal Government of Juigalpa
Juan Carlos Sanchez, Technician, UTD, Juigalpa
Roberto Vilse, Director of the Department of Finance, Municipal Government of Pueblo Nuevo
Jose Antonio Vallas, Technician UTM, Acoyapa
Reynaldo Valle, Council Member, Ciudad Dario

Note: the cases of corruption and other errors were committed by community members; for this reason, I have
Appendix 1.6 Selected Cases

Note: the light colored star is Jinotega, the nearby darker star is Esteli, and the black star to the Southeast is Santo Tomás.

Appendix 2.1 Responsibilities of the Community in the PGC

1. Constitute and integrate the organization for the administration and execution of the project. The community may establish alliances with other communities and other local actors, in order to opt for social investments in an established fund or for the assignment of funds.

2. Prioritize feasible projects for the community or for the communities based on the participatory auto diagnostic, and make the obligation to execute the project through the identification of resources that the community and the families can contribute as a donation.

3. Manage the registration of the land when necessary and quantify the community contribution when given in kind, based on local prices.

4. Prepare the request to the municipal government to participate as the executing body for the PGC. Present a letter of acceptance of this modality to the municipal government as a requirement for the request for funds.

5. Sign the Act of Guaranteed Honor of the community and the agreement between the municipal government and the community promising the execution of the PGC.

6. Sign the agreement of project execution with the municipal government.

7. Contract a capacity builder, local supervisor and other services that assure the efficient execution of the project.

8. Receive capacity building in administrative, social and technical themes to assure the efficient management of the project, sufficient social auditing and optimal functioning of the community organization.

9. Manage the legalization of the community organization and their certification in the municipal government. This may take effect during project execution.

10. Open an account or savings account in the closest bank branch.

11. Assure that project components are executed according to the technical, environmental, and budgetary specifications taking into account the focus of gender and social inclusion.

12. Exercise social control and auditing through the general assembly and vigilance council.

13. Make a contribution of community resources. These may be made in cash or in kind. The volunteer of labor will be considered as a contribution and should be quantified and included in the project costs. The community organization should create a registry of the person and hours worked during the execution of the project.

14. Administer the execution of both the physical project and the finances.

15. Identify the resources of the community and solicit from the municipal government the funds for the required contribution when that is established.

16. Manage community and other resources, and execute the necessary activities for the operation, maintenance, and sustainability of the project.

17. Administer and show accounts for the resources for preventive maintenance. Organize and execute the preventive maintenance of the projects. Sign the act of official receipt of the project and preventive maintenance and other documents...
for showing the accounts.

18. Periodically inform and show the accounts to the general assembly about the level of execution of the project in its physical, financial, social and organizational aspects.

19. Inspect the management of project resources via the vigilance committee, including materials, finances and social resources, exercising an effective social auditing that informs the general assembly.
## Appendix 2.2 Particular Tasks of the Members of the Executive Committee of the PGC

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>President, with Local Supervisor and Capacity Coordinator</td>
<td>Plan weekly the physical advance of the project, spending and requirements of materials and labor.</td>
</tr>
<tr>
<td>2.</td>
<td>President and Local Supervisor</td>
<td>At the end of every day, complete the work sheet regarding the plan for the following day, defining the activity, labor and work target</td>
</tr>
<tr>
<td>3.</td>
<td>President, Vice President, Member and Local Supervisor</td>
<td>Supervise daily the physical advance of the project, requirements of materials, labor and others</td>
</tr>
<tr>
<td>4.</td>
<td>President, Local Supervisor (and Vigilance Council)</td>
<td>Verify the Quality Standards for the project and materials.</td>
</tr>
<tr>
<td>5.</td>
<td>President</td>
<td>Inform the Local Supervisor of the advance of the project, and the challenges or problems observed</td>
</tr>
<tr>
<td>6.</td>
<td>Vice President (with warehouse supervisor)</td>
<td>Control the use of materials, according to established norms</td>
</tr>
<tr>
<td>7.</td>
<td>Vice President and Local Supervisor (with the warehouse supervisor)</td>
<td>Assure the safety of the materials and equipment</td>
</tr>
<tr>
<td>8.</td>
<td>Treasurer (with purchase manager)</td>
<td>Assure the availability of materials. Plan purchases weekly.</td>
</tr>
<tr>
<td>9.</td>
<td>President and Treasurer</td>
<td>Assure the collection of the community contribution, whether in labor, cash, materials and others. Assure that the contribution ‘in kind’ is counted and incorporated into the overall contribution.</td>
</tr>
<tr>
<td>10.</td>
<td>Treasurer (with the purchase manager, warehouse supervisor and vigilance council)</td>
<td>Provide daily control over purchases and use of materials.</td>
</tr>
<tr>
<td>11.</td>
<td>President and Vice President</td>
<td>Control the time and assure the correct use of machines and tools.</td>
</tr>
<tr>
<td>12.</td>
<td>President</td>
<td>Verify along with the Local Supervisor that changes in technical specifications are applied in accordance to the norms of FISE.</td>
</tr>
<tr>
<td>13.</td>
<td>President and Treasurer (with vigilance council)</td>
<td>Exercise the financial control of the project.</td>
</tr>
<tr>
<td>14.</td>
<td>Secretary</td>
<td>Assure the participation of the designated personnel in capacity building and register all proclamations made by the General Assembly.</td>
</tr>
<tr>
<td>15.</td>
<td>President, Secretary and Local Supervisor</td>
<td>Evaluate the performance of community labor and inform the General Assembly.</td>
</tr>
<tr>
<td>16.</td>
<td>Treasurer</td>
<td>Administer funds from the small account</td>
</tr>
</tbody>
</table>

Again, when the cases in the dissertation were executed, the vigilance council was not required, though one municipality, Esteli, came up with the idea and voluntarily implemented them. As a result, I placed the name in parentheses. Also, the warehouse supervisor is a designated member of the Executive Committee, as is the purchase manager. Again, I did not find positions in any of the cases in the dissertation, possibly because they are recent additions to the manual.
Appendix 2.3 Why the Social Fund Undermines Official Capacity Building

The Social Fund technicians undermined the PGCs by rushing them to begin construction. Donors had set up a results-driven system that exerts enormous pressure on the Social Fund to spend money in a timely manner, while ensuring the technical quality of the projects. It is understandable that donors put so much emphasis on these things. The bilateral donors have to report back to their funding government, stating the results of their work. They would like to say that their money, for instance, constructed a certain number of schools in a given period of time. Delays would jeopardize these results. In the end, these external pressures for results become internal pressures that are passed on to the technicians. As various officials of the Social Fund explained in interviews, when they evaluate the performance of a technician, they look at two main indicators: the project start date, and the current phase of the project. If the project is not at a sufficiently advanced stage for the time it has been running, the manager considers the technician as underperforming, and pushes him or her to get results. On the other hand, until recently, a quick completion of projects was rewarded. The Social Fund set up an award to recognize the good performance of their technicians, primarily based on how quickly the technician can get assigned projects done. Though many favor this results-based approach, it appeared to undermine participatory processes, which often take longer to complete. For instance, according to Operations Manual, the community should receive several rounds of training before the execution stage of the project begins. The Executive Committee must be properly versed in their responsibilities, and how to fill them. At the same time, a variety of other actors are supposed to share information and training with the community, such as the Municipal Government technician, the external supervisor, and local supervisor. As a result of these pressures on time, the Social Fund technicians would urge the project to begin before the communities had gone through the multiphase training sessions, which some believe left the communities less prepared than they should have been. Starting sooner than later would reduce the likelihood that any of the other actors could share necessary information with the community. As a result, several of the communities in this dissertation complained that they felt rushed into the project before being properly trained. On the other hand, Social Fund officials are skeptical of being able to change this system. As one prominent former Social Fund executive stated, “If a donor institution that is financing the Social Fund sees that execution is falling behind and the money that was requested is not being spent, and then if the Social Fund responds that it is because they are worried about local participation, the donor institution would laugh.”

\[188 \] I was told this award system ended several years ago.
Appendix 2.4 Responsibilities of the Municipal Government:

The following is a list of the official responsibilities of the municipal government according to the Operations Manual of the PGC, 2008. I have omitted the steps that relate to the bureaucratic process of securing funding from FISE for the project.

11. Sign the agreement of administration of the PGC with FISE
12. Sign the agreement of execution of the project with the community
13. Ensure a maintenance fund
14. Improve the access and sustainable use of the social and economic infrastructure by the poor communities and facilitate the sustainability of the PGC
15. Support the legalization of the community infrastructure for the management of funds and its institutionality
16. Receive from the capacity builder the services contracted, including the community diagnostic, the management plan, the community plan and information for preparing the community to organize itself.
17. Adjust information for the formulators so that they modify the work to the local reality.
18. Formulate in a direct manner, guaranteeing the participation of the community, the design of the project.
19. Contract supervision of the project (with the help of the social fund representative) and strive for the correct contracting process on behalf of the community, of the person who provides capacity building, of the person who becomes the local supervisor, and from an accountant, taking in consideration and banking procedures of FISE and the municipal government
20. Monitor the physical and financial execution of the project via the municipal technical unit, the financial department of the municipality and the external supervisor, with the assistance of FISE representative
21. Assist the communities via the municipal technical unit, the financial department and the capacity builder, in the technical, social and financial aspects that are required for the satisfactory management of the project.
22. Open an account for the management of the project in which the funds will be deposited by FISE and the municipal government.
23. Assure the physical and financial execution of the project during a period of no more than three months, and once the project is completed, for projects of lesser complexity, complying with the rules, norms and procedures established in the Operations Manual. For the projects of greater complexity, the time allotted will depend on the type of project and the grade of difficulty that it represents, the allotted time not exceeding six months.
24. Solicit release of funds via a letter sent to the financial department of FISE. Submit the accounts regarding the previously received funds before receiving the next installment.
25. Preside over the process of soliciting services and purchasing materials in condemnation with the community.
Official Project Documents:

These documents were gathered in Jinotega (4 Projects), Estelí (4 Projects) and Santo Tomás (4 Projects). The available documents included:

- Project Logs (Bitacora), written by the Municipal Technician and an External Supervisor
- Project Accounts, which sometimes included the final balance
- Various Official Letters between the various actors
- Official Project Report, by the Municipal Technician and/or the FISE representative

Notes:

Jinotega: The project accounts included a number of receipts and a description of exactly how money was stolen for Communities 1 and 3

Estelí: Only parts of the Project Log were available in Projects 1 and 3; it seems that parts had been lost in the files.

Santo Tomás: All documents were available
Bibliography


Baccaro, Lucio, and Richard M. Locke. 1996. The end of solidarity? : the decline of egalitarian wage policies in Italy and Sweden. [Cambridge, MA: Sloan School of Management, Massachusetts Institute of Technology].


Barron, Patrick, Rachael Diprose, and Michael Woolcock. 2007. Local Conflict and Development Projects in Indonesia: Part of the Problem or Part of a Solution? SSRN eLibrary.


221


Fondo de Inversion Social de Emergencia. 2006. Libro Blanco, Contribucion del FISE. Managua, Nicaragua: FISE.


Granovetter, Mark S. The Strength of Weak Ties. The American Journal of Sociology 78 (6):1360-1380.


Pritchett, Lant, and Michael Woolcock. 2002. Solutions When the Solution is the Problem: Arraying the Disarray in Development. SSRN eLibrary.


Santana, Arthur, and Manny Fernandez. 2001. Police Await 100,000 Protesters
Some IMF Activists Dispute Figure; Groups to Continue Push for Access. Washington Post, August 18, 2001, B01.


