

Sustainable health financing in low-income countries: does social capital offer any insights?

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Introduction

Social capital continues to hover around the edges of policy debates regarding sustainable health financing systems in low-income countries, but has failed to become a widely used analytical concept. There is one particularly good reason for this: no one is quite sure what social capital is, reflecting the definitional problems that plague the literature. Nevertheless, the concept does hold some appeal, in that it draws health economists towards a literature otherwise not considered. Putting aside definitional problems, the possible effects of social capital (or rather the set of concepts and ideas related to it) on the development of health financing systems are somewhat ambiguous. This note offers a brief exploration of the issues.

Social capital and health financing

The main attempt to develop a link between social capital and health financing, in the context of low-income countries, was by Hsiao (1995) in an unpublished paper. Drawing on the experience of co-operative health care organisations in China, Hsiao suggests that social capital is critical for the development of risk-sharing arrangements at the community level. By implication, he suggests that community-based health insurance schemes are more likely to succeed in communities with a high stock of social capital. If evidence can be found to support this proposition it would constitute valuable information for policy-makers.

Hsiao's paper draws directly from the work of Coleman (1990), whose theoretical framework of social capital developed out of his sociological analysis of collective action. Interestingly, both Coleman and others, such as Putnam (1993), draw on the existence of rotating savings and credit associations (ROSCAs), prevalent in much of the developing world, in developing theoretical frameworks around social capital. Their argument is essentially that members of successful ROSCAs demonstrate high levels of inter-personal trust, an essential ingredient for co-operation and hence collective action. Hsiao simply extends this idea to risk-sharing mechanisms in the health sector.

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Defining social capital

French sociologist Pierre Bourdieu is generally credited with making the first attempt to define social capital, suggesting that it is:

"...the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectively-owned capital, a 'credential' which entitles them to credit, in the various senses of the word." (Bourdieu, 1985: 248-9)

Social capital can thus be separated into two elements; first the social relationship that allows individuals to access resources owned by their associates and, second, the amount and quality of those relationships. Since Bourdieu, however, there has been a proliferation of articles on social capital, in which the term is variously defined as norms of behaviour, trust, density of social networks, favours, social cohesion, and any number of other related terms. Observing this trend, Portes 1998 states that, "...the point is approaching at which social capital comes to be applied to so many events and in so many different contexts as to lose any distinct meaning." (Portes, 1998: 1) The central problem in arriving at a clear definition is the circularity of the term. Portes (1998) puts the blame for this firmly at the door of Coleman, for including in his definition both mechanisms that generate social capital (e.g. reciprocity, expectations and group enforcement of norms), and some of its consequences (e.g. better information). Equating social capital with the resources acquired through it leads to tautological, or circular, statements.

There are, in addition, at least two further dilemmas in the social capital literature, only one of which has been addressed to date. The first relates to the assumption in early works that social capital has only positive effects, although several authors have since redressed this balance, highlighting a range of possible disbenefits (see Portes 1998, and Woolcock 1998). One obvious example is the existence of organised crime such as the Mafia, which, it can be argued, possesses a high level of internal trust and social capital. By implication the optimum level of social capital in a given situation, and indeed at the societal level, is not necessarily the maximum available.

Secondly, social capital tends to be defined, and measured, only in terms of horizontal social networks, with positive value added when these are heterogeneous in membership (see, for example, the original work of Putnam 1993, and subsequent studies by Narayan and Pritchett 1997, and Grootaert 1999). Whilst this issue is being partially addressed through the idea of bonding and bridging social capital, (see for example Harpham et al., 2002, Mladovsky

and Mossialos 2006), intuitively, social capital can exist vertically (e.g. trust in government institutions). This issue is indicative of the challenges still facing the development of a convincing theory of social capital.

Perhaps the most useful idea introduced by Coleman is that of closure within social networks, which, it is argued, facilitates the development of co-operation (via increased inter-personal trust), allows reputations to develop (i.e. allowing one to establish who to trust), and also facilitates the emergence of behavioural norms that make social sanctions effective. The latter is, in practice, an important condition for individuals to enter informal contracts. However, some of these ideas have already been addressed in the development economics literature.

Risk and the development economics literature

A substantial literature analyses risk in low-income countries, in which savings, credit, and private transfers each play an insurance function (see, for example, Fafchamps 1992, Besley 1995, Grimard 1997, Platteau 1997). This literature also stresses the importance of information flows for the maintenance of such systems, and has given much attention to ROSCAs (Besley et al., 1993; Besley et al., 1994; Levenson and Besley, 1996; Calomiris and Rajaraman, 1998; Handa and Kirton, 1999; Kovsted and Lyk-Jensen, 1999).

Putnam (1993), Woolcock (1998), and other writers on social capital, focus on the necessary conditions for ROSCAs to emerge, highlighting the presence of trust or social capital within a community. In contrast, economists tend to focus on the internal dynamics of such institutions (see, in addition, the substantial work by economists on the Grameen Bank, a similar type of institution which relies on peer monitoring - Stiglitz 1990, Besley and Coate 1995, Conning, 1997). Both sets of literature stress the importance of social mechanisms to regulate behaviour for informal contracts to succeed; whereas the social capital literature talks of social norms, the economics literature uses terms such as reputational and social collateral (Haller, 1992; Besley and Coate, 1995). Repeated games, which allow the development of reputation, creates a similar environment to that described by network closure in the sociological literature.

Another area of work which social capital indirectly draws attention to is that concerned with 'crowding-out' i.e. the displacement of informal risk-sharing networks by large-scale public safety-net programmes (see Morduch 1999, Attanasio and Rios-Rull 2000, Albarran and Attanasio 2002, Dercon and Krishnan 2002). These papers examine how formal and informal risk-sharing institutions interact with each other. Most evidence suggests that formal mechanisms (in particular freely available safety-net programmes) crowd-out informal risk-sharing. However, there is some evidence to suggest the opposite effect, that in those communities where informal risk-sharing networks are well-

established, these are preferred to, and hence effectively crowd-out, formal (often government promoted) voluntary health insurance schemes (Jowett 2002).

More sustainable health services?

It is possible that communities with high levels of interpersonal trust are more willing to pool risks, for example through participation in a health insurance scheme. Whilst such communities have developed informal risk-sharing networks, no evidence exists that this willingness extends to formal risk-sharing schemes. Indeed, it is conceivable that in certain circumstances informal networks may be preferable to formal, voluntary health insurance schemes, promoted by governments.

Many questions remain, such as how social capital can be reliably identified, and then harnessed by policy-makers, and how insurance institutions can combine the benefits of large schemes for risk-sharing, with local management and monitoring to contain moral hazard problems? Such issues offer a rich agenda for future research. To reiterate, social capital has not, to date, become the widely used concept that many expected it to. The principal reason for this is the weakness of its theoretical framework, and lack of a widely accepted definition. Nevertheless, there remains a sense that the idea has something to offer. Perhaps the greatest contribution of the social capital literature for health economics is that it enriches current thinking, by motivating the consideration of existing theoretical frameworks from sociology, political science, and development economics.

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