1 Revisiting the Collective Action Dilemma

> *The fundamental theoretical problem underlying the question of cooperation is the manner by which individuals attain knowledge of each others preferences and likely behavior. Moreover, the problem is one of common knowledge, since each individual, i, is required not only to have information about others preferences, but also to know that the others have knowledge about i's own preferences and strategies.*
>
> Norman Schofield, "Anarchy, Altruism and Cooperation: A Review," 1985, 218

> *Further, communities of individuals have relied on institutions resembling neither the state nor the market to govern some resource systems with reasonable degrees of success over long periods of time.*
>
> Elinor Ostrom, *Governing the Commons*, 1990, 1

THE RURAL AREAS OF SINDH, the southern province of Pakistan, harbor a rich tradition of voluntarism. These rural communities have traditionally supported a large number of voluntary organizations through which community members have pooled resources, at times for charity and at other times to address a collective need. These organizations are known to be much more effective than the state in responding to emergencies; they are particularly good at mobilizing local donations and volunteers. In the 1980s, Oxfam Pakistan initiated a civil society-strengthening program to provide small grants to some of these organizations. The program was premised on the assumption that placing additional financial resources at the disposal of these groups would, in combination with some capacity-building, enable them to expand their work and improve their efficiency. The outcomes were, however, unexpected. Within a year, the groups supported by Oxfam had lost most of their members. Those who were still attached had split into factions, and the hostility that marked these new alliances was starkly visible in the court cases that some members had filed against each other. The welfare work carried out by these groups was a thing of the past.

This story of the negative impact of aid on local community-based collective action structures in rural Sindh is not unique. Many similarities are contained in the story of donor- and NGO-led programs designed to introduce new methods for cultivating quinoa, a traditional crop harvested by smallholder farmers in the highlands of Bolivia. Starting in the 1990s, many donors launched such initiatives under their livelihood-support and income-generation programs, to improve the income of the smallholder farmers. New technologies for cultivation were introduced; for example, farmers were provided with access to modern machines, such as tractors, for use in replacing traditional cultivation practices. Despite increasing the overall yield and the income of these farmers in the short term, the long-term impact of these programs has been markedly detrimental. The support provided by the donors led to a significant decrease in cooperation among the farmers; the resulting individualization and monetarization of agricultural practices restricts the community's ability to play its role of "collective fertility regulator" (Puschiasis 2009), and the unchecked mechanization of agriculture threatens the fragile stability of the ecological and social systems. In recent years there has been growing evidence of soil erosion, which is restricting the yield, and the strong social ties that sustained the cultivation of this crop have been replaced with feuds over land.

In rural Aceh, Indonesia, community members had long participated in many collectively beneficial activities, such as road work and cleaning water drainage systems, under the rubric of *Gotong Royong*, a traditional institution of collective action. Upon the introduction of cash-for-work schemes by international NGOs (INGOs) and multilateral organizations as part of the reconstruction work in tsunami-hit areas, these activities ceased. The cash-for-work schemes had aimed to rehabilitate the local communities by providing short-term employment opportunities that would generate household income and stimulate the rebuilding of the rural and small-scale infrastructure necessary for commerce and the delivery of essential public services (Thorburn 2007). Instead, these schemes led to the erosion of the patterns of voluntary cooperation that the villagers had traditionally manifested in carrying out these activities. By the end of 2005, many practices that had long been sustained as part of *Gotong Royong* had altogether disappeared from Ache (Brusset et al. 2006).

By developing a typology of seven forms of activity undertaken under *Gotong Royong*, ranging from volunteering time to harvesting the fields to taking part in youth cleaning groups, Ewert (2010) shows that the activities that received support under the cash-for-work program were discontinued after the introduction of these schemes, even though the village leaders themselves continually attempted to organize these activities. The possibility that the tsunami itself led to the collapse of the structures that traditionally facilitated this collective action is ruled out in light of the evidence that these activities did not stop immediately; rather, they remained markedly robust for a significant period after the tsunami, disappearing only after the cash-for-work scheme had been in place for a couple of months (Ewert 2010).

All three of the traditional institutions of collective action noted earlier drew on historic patterns and ties of collective action that had evolved and survived in these communities over many centuries, but all three registered dramatic shifts in the members' willingness to contribute to the group when aid was received. Further, these shifts occurred within only a few months or a year. In all three cases, development interventions that introduced cash incentives with the aim of stimulating activities traditionally done voluntarily had the opposite impact. Although in-depth studies analyzing the cases where aid has had a reverse impact are few, the concern that aid is having a negative impact on civil society groups' ability to mobilize members is by now reasonably well established in the development studies literature on NGOs. Thirty percent of development aid is currently being channelled through NGOs, civil society groups, and community-based organizations (CBOs) involved in development work (Riddell 2005). Recent publications on evaluating aid effectiveness, such as Easterly's *The White Man's Burden* and Moyo's *Dead Aid*, by showing the inefficiency of aid channeled through developing countries' governments, indirectly end up supporting calls for channeling increased aid flows through NGOs and civil society groups. However, such calls are worrying when placed alongside growing evidence that civic groups funded by development aid end up having no members. If aid channeled through NGOs and CBOs is to be effectively utilized, the validity of these concerns needs to be tested. If the concerns are borne out, then development theorists must inquire into why aid has this negative impact on individuals' propensities to cooperate to produce a charitable outcome or a collectively beneficial good.

This book fills this gap; however, it first tests whether the concerns are grave enough to be taken seriously. It does this by addressing three core questions: (1) Is the erosion of the individual's propensity to cooperate upon receipt of development aid a widespread phenomenon? (2) Does losing members affect a group's ability to achieve its stated development objective? (3) What are the underlying factors that make individuals engage in collective action, and what are the incentives provided by aid that can break down this cooperation? In *The Logic of Collective Action*, Olson (1971) established why individuals are likely not to cooperate to produce a collective good, and Elinor Ostrom's (1990) seminal work on collective action has shown how communities can overcome this free-rider problem to provide nonstate and nonmarket solutions to many collective-action dilemmas, especially those involving common-pool resources. The lessons learned from debates about these questions have not yet been systematically applied to analyzing why collective action could break down upon receipt of development aid. This book attempts to build on the analytical tools developed by Olson and Ostrom to explain why aid has this unintended impact.

Collective Action: The Central Puzzle in Development

A collective action situation occurs whenever a desired collective outcome requires the input of several individuals (Gibson et al. 2005); in other words, all productive relationships involve some form of collective action. The problem, however, is that often such collaborative behavior is in short supply: collective action *situations* often become collective action *problems*, in which ensuring cooperation among the relevant actors is a major challenge, despite the fact that collectively they would all be better off if they cooperated (Gibson et al. 2005). The great advancements in the field of new institutional economics in the last three decades have demonstrated how understanding the collective action dilemma rests at the heart of understanding the different development trajectories followed by various countries (North 1990). The growing body of literature in this tradition convincingly demonstrates that the quality of institutions—where institutions are defined as "humanly devised constraints that shape human interaction" (North 1990, 3)—is central to determining how well a society will be able to resolve the challenges to collective action in the sphere of politics, economics, and social organization. Institutions help solve collective action problems by reducing transaction costs—that is, the costs of gathering information and monitoring—and this facilitates exchange (North 1990). Inherent in any collective action decision is the cost of gathering information about the intentions and motivations of other actors (Olson 1971; Ostrom 1990; Schofield 1996). By restricting the choices of individuals, institutions—whether formal (the state, legal systems) or informal (culture, norms, beliefs)—increase the predictability of other individuals' actions and thus make possible outcomes that otherwise would not occur because of the high transaction costs incurred in monitoring others' commitment in the absence of those institutions. As North (1990, 3) puts it, institutions "structure incentives in human exchange, whether political, social, or economic."

The increasing recognition that the development dilemmas faced by many developing countries cannot simply be attributed to lack of resources and that weak institutional arrangements lie at the heart of many such challenges has had direct bearing on donor funding policies. Governance reforms aimed at improving the quality of state institutions in developing countries now form an integral part of the portfolio of most donor agencies. These institutional reforms are given different titles in different donor projects—such as decentralization programs, fiscal reforms, or judicial reforms—but what remains central to these interventions is the desire to replace old-style interventions aimed at ensuring the delivery of the service itself with interventions intended to improve the ability of actors within the recipient country to manage better that activity collectively. Within the education sector, for example, rather than constructing new school buildings, many donors now invest in efforts to improve the governance of existing schools through institutionalizing school management committees and making the central governments devolve school management responsibilities to the district level, thereby helping to resolve the collective action problem that currently exists between state and society and prevents proper governance of schools. Since the late 1990s, all major donors have invested heavily in supporting the introduction of decentralized governance structures in developing countries across Africa, Asia, and Latin America. The logic behind these interventions is to put in place institutional mechanisms that will help make state bureaucracies and elected representatives more accountable to the public and thereby help development reach the poor.

The recognition of the role of institutions in shaping development outcomes has, however, not been restricted to formal institutions of the state. Institutional economists—as well as the donors—have in recent years become equally cognizant of the importance of informal institutions in determining development outcomes, especially in contexts where the formal institutions are weak (North 1990). Informal institutions operate by rules that are not formally endorsed by the state but that are widely adhered to in a given community. Norms, values, and religious beliefs, although often not supported through the legal apparatus of the state, lead individuals to restrict their choices in ways that might not seem entirely rational if seen purely from a wealth-maximizing perspective. Helmke and Levitsky (2004) maintain that *formal* institutions are rules and procedures that are created, communicated, and enforced within officially sanctioned channels; they include political (and judicial) rules, economic rules, and contracts. *Informal* institutions are socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels (Helmke and Levitsky 2004); these include norms, taboos, and traditions.

Unlike formal institutions, informal institutions are little studied, leading Williamson (2000, 597) to argue that understanding of "the *mechanisms* through which informal institutions arise and are maintained" is still missing. The importance of such institutions in helping the poor meet their immediate development needs is, however, well documented (OECD 2007). An Organisation for Economic Co-operation and Development (OECD) conference on informal institutions and development held in 2006 brought together development academics and experts from leading development agencies who noted not only the widespread prevalence of informal institutions in developing societies, and the opportunities and challenges they present for implementing development programs in these societies, but also the limited understanding of how these institutions work. The limited literature available on informal institutions to date does, however, reflect a trend toward greater recognition that informal institutions are particularly resilient and important in shaping individual and collective decisions in contexts where state institutions are failing (Ostrom 1990; OECD 2007). Thus, in the absence of state-led and commercial banking systems and insurance institutions, impoverished communities have developed their own informal credit societies and insurance networks.

It is worth noting here that not all forms of collective action are conducive to development. When small ethnic clans network closely to ensure control over electoral politics, or when mafia groups in Sicily succeed in winning the strong loyalty of their members, the outcomes of this cooperation are not necessarily conducive to development. The donors, not surprisingly, remain interested in promoting pro-poor forms of collective action, with the hope that, in the long term, enhancing the ability of the poor to engage in collective action will enable them to check the entrenched elites who collude for their own narrow gains. The policy of promoting informal institutions that facilitate collective action has thus mainly translated into supporting CBOs and civil society organizations that produce visible and collectively desirable outcomes for the poor, such as ensuring access to basic facilities in the areas of education, health, basic infrastructure, and so on. At the same time, donors have tried to cultivate a culture of democracy and civic participation in developing countries by supporting

NGOs, civic groups, social movements, and advocacy groups, in the hope that they will build local constituencies that will exert pressure on the existing elites to reshape the formal institutions in favor of the public or the poor. The World Bank Social Development Group, for instance, maintains that strong civil society and community participation is required for making the poor voices be heard and for monitoring the state. Strengthening informal institutions of cooperation is thus seen as a means of ensuring service delivery for the poor in contexts where state bureaucracies are failing, while also contributing to the bigger objective of creating a more proactive civil society in the developing world, with the hope that in the long term such a society will be better able to hold the state accountable.

The dilemma, however, is that these donor efforts—despite their clear intention to support community-based collective action and promote individuals' propensity to galvanize around public interest issues—are in many contexts having the opposite impact. As in the cases introduced at the outset of this chapter, funding provided to civic groups and community-based initiatives that traditionally were successfully self-governing has actually eroded their members' capacity to cooperate. Aid given to improve informal institutional arrangements such as civic culture and cooperation in the broader society has led to the rise of NGOs that have no members. Studies documenting such concerns have proliferated since the mid-1990s; the term *NGO* has actually become distrusted in many societies and rural communities. The studies on aid and NGOs show that the provision of aid to civil society groups since the 1980s has definitely led to a dramatic rise in the emergence of organizations claiming to work for civic causes: NGOs in Nepal increased from 220 in 1990 to 1,210 in 1993 (Rademacher and Tamang 1993); in Bolivia they increased from 100 in 1980 to 530 in the early 1990s (Arellano-Lopez and Petras 1994); in Tunisia there were 5,186 NGOs registered in 1991, an increase from only 1,886 in 1988 (Marzouk 1995). These studies also note, however, that these NGOs have no members.

Many studies argue that donor funding to NGOs in developing countries has created a new elite within the population of such countries, an elite that is better versed in the language of foreign donors than the society it claims to serve (Tvedt 1998; Edward and Hulme 1995; Fowler 2000). Henderson (2002) argues that foreign aid designed to facilitate the growth of civil society in Russia has in reality had the opposite effect. Rather than fostering horizontal networks, small grassroots initiatives, and ultimately civic development, foreign aid has contributed to the emergence of a vertical, institutionalized, and isolated (although well-funded) civic community. She argues that a fairly distinct "civic elite" has developed within the NGO community in Russia and that one of the most visible problems facing many of the funded groups is the "lack of a visible constituency" (142). Sperling (1999) records similar concerns after studying the women's movement in Russia. She argues that of the funded groups, few had volunteers and even fewer had a clear concept of the core group of people they claimed to represent. Sobhan (1997) has described how in Bangladesh an entire class has emerged whose ability to reproduce itself is entirely dependent on its capacity to control the use and distribution of foreign aid. Fukuyama (2001, 2002) records concern that foundations and government aid agencies seeking to promote voluntary associations have often simply managed to create a stratum of local elites who have become skilled at writing grant proposals; the organizations they create tend to have little durability once the funds dry up.

Other researchers note the serious trust-deficiency faced by these organizations. Fowler (2002) notes that in many developing countries, NGOs "are the object of government mistrust and public suspicion." Similarly, Harper (1996) writes that in Vietnam, NGOs are a relatively new type of organization that has been strongly supported by external donors, but their poorly developed links with local communities raise serious questions about legitimacy in that Vietnamese in general view NGOs as profit-making or foreign organizations. Kuratov and Solyanik (1995) make the same observation when they argue that external financial dependency and questionable local accountability are two points that differentiate and detach NGOs from the main body of civil society. This literature indicates that rather than strengthening civil society or building social capital, donor aid has led to the rise of a specific kind of civic group, the NGOs whose members claim to work for a group other than themselves but whose characteristics and modus operandi are very different from those of the groups that traditionally played this role in these societies prior to the arrival of development aid.

Anheier and Salamon (1998), in their work on the nonprofit sector in developing countries, express similar concerns and record that traditional voluntary and nonprofit organizations in developing countries are much older and more complex than the NGOs that are the primary focus of development literature. They argue that within the development literature the concept of a nonprofit sector in the developing world has been obscured due to an exclusive focus on NGOs. Rather than helping to create understanding of the nonprofit sector in such countries, the current literature may instead help to reinforce the "long-standing myth that nonprofit organizations, voluntary associations, charity, and philanthropy are basically 'Western' phenomena that do not naturally exist in the developing world" (4). Their study also, however, does not expand on the empirical or theoretical differences between NGOs and other voluntary groups that do not engage with development aid. All of these critiques indicate that donor aid seems to lead to some unique organizational characteristics within NGOs that were not formerly associated with nonprofit groups in many developing countries. In the language of collective action literature (Ostrom 1990), these organizations, which are being funded to address the second-order collective action dilemma of generating institutional arrangements that will promote cooperation in broader society, are in fact unable to overcome even the first-order collective action dilemma, that is, they are unable to retain their core members.

Greater understanding is needed of the formal and informal institutional arrangements that facilitate community-based collective action and participation in civic groups, and why aid could be crowding out such cooperation. This book provides an answer to these questions by drawing on a set of five empirically rich studies conducted between 2003 and 2009 in Pakistan, where, following the global trend, donors have channeled an increasing amount of development aid through NGOs and civic groups. The next section starts exploring possible solutions to this puzzle by engaging with the theoretical works that form the foundation of the donor policy of channeling aid to civic groups in the developing world.

Two Proponents: Tocqueville and Putnam

The idea that donors should invest in civic groups in pursuit of vibrant civic culture and community participation is not a recent one; nor is this policy exclusively embedded in theoretical debates on informal institutions. A product of the early 1980s, this policy draws on two works that have greatly influenced international donors in directing aid toward actors who are viewed as strengthening civic culture: Tocqueville's ([1835] 1994) *Democracy in America* and Putnam's (with Leonardi and Nanetti) *Making Democracy Work* (1993). In his much-acclaimed analysis of the working of democracy in America, Tocqueville commended Americans' propensity to form voluntary organizations, which he considered to be a critical ingredient of U.S. democracy. He maintained: "When some view is represented by an association, it must take clearer and more precise shape. It counts its supporters and involves them in its cause; these supporters get to know one another, and numbers increase zeal. An association unites the energies of divergent minds and vigorously directs them towards a clearly indicated goal" (1994, 190). He argued that through these voluntary organizations, "feelings and ideas are renewed, the heart enlarged, and the understanding developed only by the reciprocal action of men one upon another" (515). Putnam (1993, 90) notes that, in the vocabulary of the present-day political scientist, Tocqueville attributes to voluntary organizations the power to inspire "interest articulation" and "interest aggregation." His own work on identifying the reasons for the contrasting democratic and economic performance of northern and southern Italy further strengthens the Tocquevillean understanding of the role of voluntary organizations in development. In *Making Democracy Work*, he argues that dense networks of voluntary associations are the main explanation for northern Italy's greater economic progress compared to the country's progress in the south. Putnam demonstrates that there are strong causal connections between the existence of "civic engagement," reflected in such factors as high levels of voluntary associations (such as sports clubs, music groups, and bird watcher societies), and outcomes that can be labeled "good governance." Participation in civic organizations, he argues, inculcates cooperation skills as well as a sense of shared responsibility for collective endeavors. As a visible sign of the influence of his work, at one point "social capital" was declared the "missing link" in development theory by the World Bank (Harriss 2002).

Drawing on the work of these authors, many donors have argued that for developing countries a strong civil society is important in providing a counterweight to repressive governments while at the same time resolving the seemingly intractable tension between the state and market (Howell and Pearce 2000). Such a society has been assumed "to hold in check the state," "serve as the moral pulse of society," and "further democratic values." It has thus been argued that strengthening civil society should be an important part of international development institutions' interventions in developing countries. Improving the quality of civic culture through supporting the organizations that constitute this informal sphere—namely NGOs, socially oriented social movements, and community-based organizations—has been an important feature of donor aid policies since the 1980s, leading to increased aid flows to NGOs over time (Edward and Hulme 1995; Howell and Pearce 2000). Most of the positive attributes accorded to voluntary organizations as enabling them to strengthen civil society are based on claims regarding their voluntary nature, that they enable like-minded members to articulate a collective interest and mutually work to attain it (Putnam 1993). It is believed that this coming-together of people to cooperate to produce a common good is valuable not just because it helps attain that good, but more importantly because in the process they learn to cooperate and trust one another, or in Putnam's words, to create social capital, which is in turn good for a society's economic and political growth. The question, then, is why should the organizations supported by donors in the hope of promoting civil society and social capital come to lack the very ingredient that is central to Tocqueville's and Putnam's conception of strong civic culture, that is, active members? What explains this dilemma?

When we study these two theoretical works closely to see why a policy emanating from them may in reality have the reverse impact of breaking down cooperation rather than enhancing it, two issues are noteworthy. First, while drawing inspiration from the work of Tocqueville and of Putnam, international donors have formulated a policy of promoting organizations that in fact are not the kind of organizations that were the primary concern of these authors. Tocqueville and Putnam were mainly concerned with membership-based organizations, that is, self-regarding groups whose members come together to produce a good that they use collectively, rather than other-regarding groups, whose members come together to serve a group other than themselves. The latter organizations are mostly referred to as "charities," even though these authors, in some sections of their work, group together both types of organization. International donors instead are engaged with other-regarding groups. This might not appear to be a fundamental issue, but it does at least indicate a lack of understanding of the groups with which international donors engage. A group that promises gains to its participants clearly offers different incentives to individuals to join than one that aims to involve individuals not for their own gain but for the benefit of other people; it cannot logically be assumed that people voluntarily participate in the two forms of groups, one promising a return and the other not, for the same reasons.

Second, although these authors theorize about the links between strong civil society, democracy, and good governance, they do not present a detailed account of the motivations of individuals to cooperate in generating these membership associations and organizations. Tocqueville (1994, 525) assumes that these organizations are an outcome of "self-interest properly understood," that is, self-interest in the context of broader public needs, self-interest that is "enlightened" rather than "myopic," self-interest that is alive to the interests of others. Putnam, on the other hand, analyzes this cooperation through macrosocial phenomena such as norms, values, and networks rather than explaining how those norms of cooperation come about. He highlights the macro factors that facilitate cooperation but provides limited insight into what motivates individuals to cooperate. In policy design, in order to predict the incentives that will make people act in the desired way, it is critical to understand what motivates them to act. Neither Tocqueville nor

Putnam gives us this understanding. This lack of insight makes it difficult to predict why individuals who have come together to form a group behave differently when development aid is made available.

Compared to the civil society literature, the collective action literature provides a better framework for analyzing this puzzle. Olson (1971) established once and for all the importance of studying how individuals who can benefit from a group will not contribute to the cost of running that group because their personal interest will be best served by free-riding, even when such behavior on the part of all individuals will lead to a collectively inefficient outcome. The strong analytical appeal of this paradox has made some argue that it has a "central place in philosophical discussions" (Campbell 1985, 3). While recognizing the role of the free-rider dilemma in undermining collective action, Ostrom (1990) has built on Olson's framework to illuminate how some groups have overcome this challenge. It is therefore important to engage with the collective action literature within institutional economics to find possible explanations for why aid can erode individuals' propensity to cooperate toward the production of a collective good. What explanations does the existing literature on collective action present for this unintended impact of aid on informal institutions of collective action in many developing countries? The next section turns to this literature.

The Free-Rider Problem: From Olson to Ostrom

The high probability that individuals will not work together to produce a collectively desirable good has been well established by Olson, who, in *The Logic of Collective Action* (1971), shows that the traditional assumption in group theory that individuals with common interests will voluntarily act so as to try to further those interests is misguided (Bentley 1949; Truman 1958):

> The idea that groups tend to act in support of their group interests is supposed to follow logically from this widely accepted premise of rational, self-interested behavior. In other words, if the members of some group have a common interest or objective, and if they would all be better off if that objective were achieved, it has been thought to follow logically that the individuals in that group would, if they were rational and self-interested, act to achieve that objective (Olson 1971, 1).

Olson instead argues that "unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, *rational, self-interested individuals will not act to achieve their common or group interests*" (2, emphasis in original). As Ostrom (1990) notes, Olson's argument rests largely on the premise that a person who cannot be excluded from obtaining the benefits of a collective good once the good is produced has little incentive to contribute voluntarily to the provision of that good unless each member's contributions are very noticeable.

The very same logic drives two other influential models shaping debates on collective action: Hardin's (1968) account of the *tragedy of the commons* and the *prisoner's dilemma game*. In the tragedy of the commons, Hardin asks readers to envision a pasture that is open to all and then assess from the perspective of a rational herder the optimal strategies for making the animals graze the pasture. Each herder receives a direct benefit from his own animals and suffers delayed costs from the deterioration of the commons when his and others' cattle overgraze. Each herder is motivated to add more and more animals because he receives the direct benefit from his own animals and bears only a share of the costs resulting from overgrazing. Hardin concludes: "Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit—in a world that is limited. Ruin is the destination towards which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons" (1244).

In the prisoner's dilemma game, the actors face similar incentives not to cooperate. Each player is always personally better off choosing the strategy to defect—that is, not to cooperate, no matter what the other player chooses. Given these assumptions, when both players choose their dominant strategy, they produce a below-optimal equilibrium; this is not a Pareto-optimal outcome in that at least one other outcome is strictly preferred by at least one player that is at least as good for all the other players. This paradox—that individually rational strategies lead to collectively irrational outcomes—has formed the foundation of the analytical debates on collective action in institutional economics. For a long time it has also shaped the policy conclusion that third-party intervention in the form of state-enforced laws or privatization is the key to solving these collective action challenges.

Seen in this context, the evidence of the breakdown of groups when aid is provided should not be surprising, because this framework sets out the inherent challenge faced by any group in sustaining its membership. The issue, however, is that aid is not just often *failing* to generate collective action in newly formed groups, but it is actually eroding cooperation in groups that, prior to provision of aid, worked effectively. The existence of real-life cases in which collective action did prevail without third-party intervention has led to a rich literature highlighting how the collective action dilemmas predicted by Olson can in some contexts be overcome without the involvement of a third party.