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Decentralisation, clientelism and social protection programmes: A study of India's MGNREGA

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Abstract

Does decentralisation promote clientelism? If so, through which mechanisms? We answer these questions through an analysis of India's (and the world's) largest workfare programme, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), in two Indian states: Rajasthan and Andhra Pradesh (AP). The two states adopted radically different implementation models: Rajasthan's decentralised one stands in contrast with Andhra Pradesh's centralised and bureaucracy-led model. Using a mixed method approach, we find that in both states local implementers have incentives to distribute MGNREGA work in a clientelistic fashion. However, in Rajasthan, these incentives are stronger, because of the decentralised implementation model. Accordingly, our quantitative evidence shows that clientelism is more serious a problem in Rajasthan than in AP.

1. Introduction

Does democratic decentralisation promote clientelism? If so, through which mechanisms? We answer these questions through a qualitative and quantitative analysis of the world's largest workfare programme, India's Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), in two Indian states, Andhra Pradesh (AP)¹ and Rajasthan. These have adopted radically different implementation models: while the latter devolved implementation to elected village councils (the *gram panchayats*, or GPs), the former implemented the programme through the state bureaucracy. Which model is more effective at reducing clientelism? Is AP's 'depoliticised' implementation less prone to be captured by local elites?

We find that some degree of clientelism in the allocation of MGNREGA work is present in both states. However, clientelism is significantly less pronounced in AP's centralised setting. This is explained by the different set of incentives generated by the different institutional models: in AP, local implementers have stronger incentives to maximise the generation of MGNREGA employment, which in turn incentivises them to distribute work more broadly, going beyond their circle of supporters, relatives and friends. In Rajasthan's decentralised model, these incentives are missing and local implementers distribute work 'politically'.

This paper contributes to three domains. First, we add to the literature on decentralisation and governance, which has 'largely ignored' the effects of the former on the latter (Faguet 2014, p. 10). This is rather ironic, considering that one of the main objectives of the decentralisation wave of the 1980s and 1990s was precisely to promote good governance (Widmalm 2008; Manor, 1999, WDR, 2004). As clientelism has several negative consequences on governance (Mansuri and Rao 2013; Stokes, Dunning, Nazareno & Brusco 2013; WDR 2017, p. 11; Weitz-Shapiro 2014), we contribute to this

¹ In June 2014 the state of AP was bifurcated. The ten northern districts now form the state of Telangana. In this paper we refer to the unified state.

literature not only by establishing a correlation between decentralised implementation and clientelism, but also by looking inside the ‘black box’ (Hedstrom and Ylikoski 2010) and explaining the mechanisms through which clientelism finds a more or less prominent role in the implementation of the MGNREGA.

Second, we provide an answer to a seriously under researched question, namely whether decentralisation promotes clientelism (Bardhan & Mookherjee 2017). Existing studies reached mixed conclusions: some authors concluded that decentralisation does reduce the scope for clientelism and capture, at least under certain conditions (Faguet and Pöschl 2015; Bardhan et al. 2015), while others found that decentralisation actually promotes it (Manor 1999; Sadanandan 2012; Crook 2003). We look at the relation between decentralisation and clientelism from a particularly advantageous point of view: by comparing two states that are very similar in terms of the factors that the literature has associated with clientelism, we can focus on the hypothesised institutional driver of clientelism, namely democratic decentralisation. Our paper also adds to the literature on variance of clientelistic practices at the subnational level.²

Third, building on what Fox (1994) refers to as “semiclientelism” and on recent scholarship (Hicken, 2011), we argue that clientelism should not be seen as a dichotomous category (the absence or presence of it), but rather as a continuous variable (from a purely programmatic to a purely clientelistic distribution). This is because, as detailed below, clientelism is the result of a complex set of incentives, which in turn depend on the institutional set up in which implementation takes place and on the broader political and social context. In other words, clientelism is not an exclusive relation between a patron and a client that interact in a vacuum, but it depends also on other actors’ interests, power and agency.

The paper is structured as follows. The next section details our research design. Section 3 describes the functioning of the MGNREGA in our two fieldwork states and presents the basic premises on which the paper relies. Section 4 unpacks the different

² Examples of such studies are Weitz-Shapiro 2014 and Heath and Tillin, forthcoming.

sets of incentives that MGNREGA local implementers are subjected to in the two states. Qualitative evidence is corroborated, in section 5, by a quantitative analysis of the role of GP-level implementers in the allocation of MGNREGA work. Section 6 concludes.

2. Research Design and methodology

The MGNREGA guarantees 100 days of employment per year in public works to every rural household. Rajasthan and AP are similar in terms of factors usually associated with clientelism such the electoral system (McGillivray 2004), levels of poverty and of party competition (Brusco , Nazareno & Stokes 2004; Weitz-Shapiro 2014; Kitschelt and Wilkinson 2007; Sadanandan 2012), the role of the state in the economy and the size of the informal sector (Chandra 2004; Bardhan and Mookherjee 2017), and the design and quality of institutions (Golden 2003; Heath and Tillin, forthcoming), as shown by the fact that both states were quite successful at implementing the MGNREGA (Table 1)³

[TABLE 1 AROUND HERE]

The two states, however, adopted radically different models of implementation. In Rajasthan, the key implementer at the local level is the *sarpanch*, who is the head of the elected council (GP) and is therefore accountable to the beneficiaries who form a sizeable part of the electorate. In AP, the GPs are excluded from playing any meaningful role in the MGNREGA and the key decision-maker is an employee of the state government, the Field Assistant (FA), who is accountable to the higher echelons of the state administration (Maiorano, 2014; Veeraraghavan 2015, p. 25 and p. 34; Jenkins

³At least as far as the implementation of the MGNREGA is concerned. In line with other scholars, we take the average number of persondays per household as a key indicator of success (Chopra 2015).

and Manor 2017, p. 255).⁴ This was a conscious choice of the state administration. The architects of the MGNREGA in AP shared an “ambedkarite” view of the GPs.⁵ One of the top officials in the Rural Development Department of AP told us:

We decided not to involve the GPs because 95 per cent of them are dominated by the upper castes and they rule according to feudal rules. We thought that nothing good for the poor could come out of them (interview, Hyderabad, 20/12/2012).

Other officials expressed similar feelings of mistrust: one of them told us that they feared that “once you open the gate [of decentralised implementation] you are not able to control it” (interview, Hyderabad, 17 December 2012); another very senior official stated that the MGNREGA could just “not work” if implemented through the GPs: “they don’t even have computers!” (interview, Hyderabad, 15 December 2012).

In other words, the two states represent a very good exemplification of a major debate in development research: Rajasthan’s decentralised and GP-led model stands in contrast with AP’s centralised, technocratic and administration-led model. This provides an empirical basis to ask, which model is less prone to clientelism and why?

We used a broad definition of clientelism as an exchange system where state officials (elected or appointed) discretionally distribute state resources to citizens in exchange of political support. By ‘political support’ we do not intend only voting, but also other forms of support that increase the power and status of the official, like favours, services, and respect, all very valuable resources in an Indian village.

We adopt a mixed method approach combining 150 semi-structured interviews with survey data collected between October 2013 and January 2014, in six districts (three in each state) chosen to maximise intra-state variety.⁶ In each district, two GPs were

⁴ The MGNREGA Act mandates that at least 50 per cent of the funds are spent through the GPs. AP has blatantly violated this provision of the national Act. This was confirmed to us in interviews with Member of Legislative Assembly (MLA) Jayaprakash Narayan (Hyderabad 17 December 2012). The Union Minister for Rural Development has repeatedly asked the AP government to rectify this (to no avail). See The Hindu (2013).

⁵ This refers to the Dalit leader, B. R. Ambedkar, who believed that Indian village councils were a major source of oppression by the dominant castes on the Dalit communities.

⁶ The districts in AP are Visakhapatnam, Chittoor and Karimnagar; in Rajasthan: Churu, Kaurali and Sirohi.

randomly selected within the same sub-district⁷ and respondents were randomly selected among the GP's MGNREGA beneficiaries.⁸

The next section spells out three important premises on which the rest of the paper is based.

3. MGNREGA: a post-clientelistic policy?

By conferring *the right* to obtain employment on demand, the MGNREGA was specifically designed as a “post-clientelistic” policy (Manor, 2013; Elliott, 2011) and some studies do find very limited distributive distortions (Sheahan et al. 2014; Johnson 2009). However, numerous studies showed that supply-side issue like administrative incapacity and lack of political commitment result in work being ‘rationed’ (Dutta et al. 2014; Chopra, 2014 and 2015; Jenkins and Manor 2017; Mukherji & Jha, 2014; Ravi & Engler, 2009) and that clientelism affects implementation (Das 2015; Khosla 2011; Mukhopadhyay, Himanshu, & Sharan, 2015; Marcesse 2018). What these studies do not do, however, is explaining *why* clientelism is present or absent from the implementation of the programme. Our paper provides such an explanation through an analysis of the mechanisms that shape the distribution of MGNREGA work.

This paper is based on three premises. First, the more MGNREGA work is rationed, the more local implementers will have the incentive to distribute it in a clientelistic fashion, as scarcity is a key determinant of a distorted distribution (Chubb 1982; Weitz-Shapiro 2014). Das and Maiorano (2015) find this to be true in the context of MGNREGA. From the perspective of a local implementer, a greater availability of MGNREGA work makes it less costly to distribute to someone who will not provide (or is less likely to provide) political support in return.

⁷Sub-district units are referred to as “blocks” in Rajasthan and “*mandals*” in AP.

⁸One GP in Kaurali was excluded from the final dataset due to lower data quality. All respondents had a job card and had worked under the scheme in at least one fiscal year since 2008/09.

Second, local implementers have the power to determine how scarce MGNREGA work is in their GP. It should be noted that there are a number of supply-side factors that determine scarcity of MGNREGA work that are beyond the control of local implementers, the most important of which is funding from the central (federal) government, that provides 90% of the total funds. Figure 1 shows that the central government has significantly reduced funding for the programme over the last few years.

FIGURE 1 ABOUT HERE

Limited funding is a significant constraint to the generation of MGNREGA employment, as it limits the number of worksites that can be opened in any given GP, which in turn limits the number of people that can be employed. In principle, the central government should provide enough financial resources to cover the theoretical possibility that all rural households demand 100 days of employment in any given year. However, the central government simply violates this provision of the Act and instead caps budgetary allocations. Simply put, if the central government does not allocate enough resources, local implementers will not be able to meet the demand for MGNREGA work.

Given the constraints on employment generation determined by central funding and other supply-side issues, local implementers can nevertheless determine how scarce (or abundant) MGNREGA work actually is in their GP. This is so because they have the monopoly of information on all aspects of the programme, including about how many and what projects are approved by sub-district level officials. Therefore, the *sarpanch* in Rajasthan and the FA in AP can determine levels of scarcity by controlling the number and the type (more or less labour intensive) of worksites that are started in their GP. In other words, without their nod, no worksite can start and no one can be employed. In the next section we analyse the incentives that local implementers have to generate more (or less) employment in their GPs.

The third premise is that local implementers have the power to distribute MGNREGA work at their discretion, which is a hallmark of clientelism. Our qualitative evidence fully supports this, and so does the literature (Marcesse 2018; Dunning & Nilekani 2013). In Rajasthan, the *sarpanches* have a crucial influence on selection of beneficiaries (Mukhopadhyay et al., 2015). Our survey shows that 41% of the respondents approach the *sarpanch* to demand work and 66% of them think that he/she is the most-important decision-maker within the program.

A *sarpanch* reported:

When a worksite is approved, I approach the people living nearby and I ask if they want to work. I hired a person (that I pay from my own pocket) to help them fill the “Form 6”⁹ (Interview, Kaurali district, February 7, 2014).

A *rozgar sevak*¹⁰ described a similar procedure:

When the *sarpanch* tells me that a worksite is ready to be opened, I approach the workers that live near the worksite location and ask them if they want to work. If they do, I fill in the “Form 6s” and submit them to the block office. (Interview, Sirohi, district February 10, 2014).

In short, work is available only if and when the *sarpanch* offers it, as they have full authority over the list and location of works to be taken up.¹¹

In AP the institutional set up is very different. The key implementer at the GP level is the FA, a contractual employee of the state government, appointed at the GP level. However, they are *not* accountable to the GP, but to the *mandal* (sub-district) level officials. Moreover, as we shall see below, FA are also closely monitored by Members of the Legislative Assembly (MLAs). Similarly to the *sarpanches* in Rajasthan, the FA

⁹ Form 6 is the form that needs to be filled in to demand work.

¹⁰ The functionary in charge of the MGNREGA at the village level.

¹¹ Marcesse (2018) finds the same in UP.

controls every aspect of the program including the selection of the beneficiaries and, to a lesser extent, the worksite location (interview, state official, Hyderabad, December 6, 2012).

One 'mate' told us:¹²

When some works are ready to start, the FA calls me and asks if we are interested in that particular type of work. I then ask to my group's members and report to the FA. We are lucky because I am in a good relationship with the FA, so he calls me often (interview, Chittoor district, October 4, 2013).

In other cases, the FA decided to allocate work on a rotation basis to avoid discrimination and protest from the villagers (interview with two FAs, Chittoor and Karimnagar districts, October 9 and 31, 2013). In other cases, the start of a worksite is announced with drums, so that people interested in working come to the GP office and let the FA know (direct observation, Karimnagar district, November 2, 2013).

In short, despite the difference in institutional settings, the situation strongly reminds that of Rajasthan: work is provided only if and when the FA decides so.¹³ In the words of a state official, "if the FA doesn't want to provide jobs, he doesn't" (interview, Hyderabad, December 19, 2012). Our survey data show that 69.2% of the respondents are "offered" work (rather than "demanded") and 69% indicate that the FA is the most important decision-maker in MGNREGA.

To sum up, the MGNREGA is implemented through quite different institutional set ups in the two states. In Rajasthan, the key implementer (the *sarpanch*) is directly accountable to the beneficiaries who form a sizeable part of the electorate, while in AP

¹²In AP all MGNREGA beneficiaries are organised in groups of about 20 members called SSS groups. Each group is led by a 'mate'. The groups' members get employment as a group, rather than individually.

¹³Recently, the Rural Development Department has introduced a standardised procedure for "capturing" the demands for work. In most villages across the state, job applications are registered on one given day every week, irrespective of the will of the FA. During one field visit to one pilot site by one of us in October 2013, we saw that the procedure was duly followed and written receipts were issued.

the process is completely in the hands of the state's administration, which is scarcely accountable to the MGNREGA beneficiaries. Despite the different institutional set up, however, the process of allocation of MGNREGA jobs is similar in the two states. In both cases, it depends on the discretion of one key actor at the GP level. We now look at the incentives that local implementers have to generate as much (or as little) MGNREGA employment as possible.

4. Political, Economic and administrative incentives

4.1 Political Incentives

Local implementers' political incentives for the maximisation of MGNREGA work are different in the two states, mainly because of the different institutional set up. The most obvious political incentive for providing MGNREGA jobs in (decentralised) Rajasthan is the fact that the *sarpanch* is able to distribute tangible benefits – employment – to the poor who, in many cases, form a sizable part of the electorate.¹⁴ Assuming that the *sarpanch's* primary objective is to be re-elected, he/she will have the incentive to use the MGNREGA to keep their support base intact and/or to enlarge it. This should incentivise them to provide as much work as possible.

However, budgetary constraints and low administrative capacity seriously limit the availability of MGNREGA work, as illustrated above. Furthermore, *sarpanches* know that their prospects of being re-elected are very low, especially if their post was reserved for women or other disadvantaged communities¹⁵ (Chattopadhyay & Duflo 2004). Hence, the incentive to maximise the generation of MGNREGA work and enlarge the distribution of employment is limited. In this situation, we can expect *sarpanches* to prioritise their supporters, families and relatives, when allocating the available work. This is consistent with our survey

¹⁴We focus here on village-level political incentives. Other papers (Zimmermann 2015; Johnson 2009; Elliott 2011) have explored this type of incentives at higher levels.

¹⁵ The post of *sarpanch* is reserved for women, Scheduled Castes, Scheduled Tribes and Other Backward Castes on a rotation basis.

data (see below), with our interviews with the *sarpanches* of the surveyed GPs, and with theory on clientelism according to which politicians tend to target the core of their support base when allocating scarce goods and services, especially when they have a direct relations with their clients (like the *sarpanches* have) (Cox 2010). This meets the theoretical expectations of Stokes et al. (2013)'s 'broker-mediated theory', according to which the lower one descends in the party hierarchy, the higher the incentive to target core (rather than swing) voters. This expectation is also backed by studies of the MGNREGA in other states (Das 2015; Dey and Sen 2016).¹⁶

In AP, FAs have political incentives too. The FA posts are frequently found to be political posts controlled by the local MLA, who in India are able to exert significant control over the bureaucracy (Iyer & Mani, 2012). MLAs are usually not interested in *who* gets MGNREGA work, but they are interested in making sure that work is available in their constituencies.¹⁷ It is not uncommon, for example, for them to exert pressure on the state administration (in particular at the district and *mandal* level) and on the FAs to generate enough employment to satisfy people's demand, but at the same time not to hurt the interests of the farming community (see below). Moreover, FAs are fully embedded into the GP's political economy and they could therefore be taking the *sarpanch's* (or other powerful actor's) political needs into consideration when allocating MGNREGA work. Additionally, FAs have the incentive to be as generous as possible when allocating work in order to build up their reputation and increase their status and power.

In both states, local implementers have a strong counter-incentive to generate employment, which is the big farmers' opposition to the MGNREGA (Jakimow, 2014; Veeraraghavan 2015). According to a senior official of the Rural Development department of AP, the pressures of the farmers' lobby to limit the availability of MGNREGA work is the "single most important reason why we fail to provide 100 days of

¹⁶ Chau, Liu & Soundararajan (2018), in contrast to most literature and to our argument, argue that *sarpanches* adopt an expansionist strategy.

¹⁷ This came out of interviews with 4 MLAs, two ministers and numerous state government officials.

work to whoever demands it" (interview, Hyderabad, 6 August 2013). Landowners claim that the scheme has caused an increase in wages (thus making farming unprofitable)¹⁸ and that it has become difficult to find labourers during the agricultural peak season.¹⁹ Moreover, dominant caste landlords resent the fact that the MGNREGA has contributed to alter power relations at the village level (Roy, 2014, 2015; Jakimov, 2014; Maiorano, Thapar-Björkert & Blomkvist 2016). As one farmer we talked to put it: the MGNREGA 'is part of the system of injustice that the government created against the farmers. It is perpetuating the disrespect that we are experiencing from the lower castes (interview, Anantpur district, January 2017).

To sum up, political incentives in both states push in two opposing directions as GP-level implementers must reconcile the interests of two opposing constituencies: usually powerless workers pushing for more MGNREGA work on the one hand, and usually very powerful farmers pushing for less availability of work on the other. This limits their incentive to maximize employment.

4.2 Economic Incentives

A second type of incentive to provide MGNREGA work relates to the possibility by local level implementers to extract an illicit fee out of it. This is, of course, an incentive per se. However, in the case of Rajasthan (and of politically ambitious FAs in AP) it is also a way to fund their electoral campaigns. In fact, the increased importance of the office since the introduction of the MGNREGA has also brought about increased electoral competition and higher electoral expenses.²⁰

The main way through which local implementers in both states can pocket some money is through kickbacks on the purchase of the materials needed for the execution of works. This is in fact where the bulk of corruption is to be found (Afridi & Iversen, 2013). However, the expenditure on materials cannot exceed 40 per cent of the total in any

¹⁸ Indeed MGNREGA has been identified as one of the factors contributing towards the upward trend in rural wages (Himanshu and Kundu 2016; Imbert and Papp 2015).

¹⁹ This came from numerous interviews with farmers in both states. See also Veeraraghavan 2015.

²⁰ This was confirmed by almost all the *sarpanches* we spoke to in Rajasthan.

given GP. Thus, the more employment a local implementer provides, the higher would be the (absolute) expenditure on materials, from which they can extract a fee.

However, this incentive to maximise MGNREGA employment is limited by the strong transparency and accountability measures that the MGNREGA contains. Not only are all data related to program implementation – including the flow of funds – available online, but the act prescribes that social audits are held regularly in every single GP.

AP is the only state that has institutionalised social audits and implements them regularly through an independent society (Aiyar, Kapoor & Samji, 2009; Akella & Kidambi, 2007). Rajasthan, on the other hand, has conducted a number of extremely successful social audits through civil society organisations such as the Mazdoor Kisan Shakti Sangatan (MKSS); however, in villages that lack a strong network of civil society organisations their efficacy is rather limited (Jenkins and Manor, 2017). In any case, as one *sarpanch* puts it, stealing from the MGNREGA “is a lot of work for little reward; and with a high probability of being caught” (interview, Churu district, 1 February, 2014). Another *sarpanch* agrees: “why should I try to steal from the MGNREGA when the probability of being caught are so high and the money must be shared with a lot of other people?” (Interview, Sirohi district 24 February, 2014). This of course does not mean that *sarpanches* renounce to steal from the programme, but it is clear that the incentive to maximise employment generation in order to extract an illicit fee is limited by the difficulties in doing so.

The situation in AP is even more difficult for those who want to steal from the program, as social audits are regularly conducted in all GPs and they constitute a deterrent for FAs and other officials who wish to supplement their salary. As Aiyar and Mehta (2015) found, in order to steal from the MGNREGA in AP it is now necessary to build large corruption networks which, by involving numerous actors, increase the possibility of being caught and diminish the amount of resources that can be pocketed.

Therefore, the transparency mechanisms in place limit the possibility of extracting an illicit fee out of it. The reduction in corruption witnessed in recent years is an indication of the efficacy of these measures (Drèze, 2014). This acts in opposition to the

incentive to maximise MGNREGA employment described above. Furthermore, it reinforces the incentive to provide work according to political considerations, as these remain the most tangible benefits for local implementers.

4.3 Administrative incentives

The third type of incentives for the maximisation of MGNREGA work is of an administrative kind. In Rajasthan, these are virtually absent, since the decentralised setting chosen for the implementation of the MGNREGA leaves the *sarpanches* free to set their own targets.

In AP, on the other hand, where the FA is accountable to the state government, the latter has the power to impose targets from above. In fact, FAs must generate at least 15,000 workdays per year. If they fail, their contract may be terminated, or their salary reduced. This constitutes an important incentive to maximise MGNREGA employment. A FA told us that at times she has to “chase” villagers to work under MGNREGA in order to meet the target (interview, Karimnagar district, August 23, 2013). In fact, all the FAs we talked to were very concerned about meeting the target. In certain cases, this was completely unrealistic given the small size of the GP where the FAs worked. In all the GP that we visited, the administrative incentive to provide a fixed number of persondays worked as a potent incentive to maximise MGNREGA work, which in turn pushed for the broadening of the pool of beneficiaries and hence a reduced scope for the allocation of MGNREGA work along strict clientelistic lines.

5. Quantitative Analysis

As we have seen, different institutional settings generate different types of incentives in the two states, which have, however, similar effects: political and economic incentives to maximise MGNREGA employment are set off by powerful counter-incentives to keep MGNREGA employment to a minimum.

[TABLE 2 AROUND HERE]

As table 2 summarises, the incentives of GP-level implementers to maximise the allocation of MGNREGA employment (subject to scarcity determined by factors beyond their control) are stronger in centralized AP than in decentralized Rajasthan. This should make MGNREGA work less scarce in AP and therefore less costly to distribute widely and not along strict clientelistic lines. In this section, we adopt regression analysis to test this hypothesis.

(a) Variables

(i) Outcome Variables- getting work, number of days of work and earnings from MGNREGA

We use three main dependent variables for the econometric analysis: whether the household got work or not, the number of days of work, and the earnings from MGNREGA for the year 2013-14. These data are taken from the official MGNREGA website, and associated to the job-card numbers recorded during the survey. We categorise getting work as “1” or “0” depending on whether the household got work or not, respectively. For number of days of work and earnings, we add 1 and take the logarithmic value of both these variables as the dependent variables to generate a value of zero for those who did not work.

(ii) Explanatory Variables

Our primary variable of interest is local implementers’ political interests in the two states. The proxy used for political interests in Rajasthan is a dummy variable which takes the value of “1” if the household resides in the same village (within the same GP) of the *sarpanch* and the value of “0” otherwise. Many Indian GPs consist of several villages (or habitations). For AP, this dummy variable is taken for the FA instead. We also take a dummy for households residing in the village where the FA and *sarpanch* both live. The objective is to test if households residing in the village of the *sarpanch* and FAs get more benefits from the program. Our qualitative evidence indicates that this is where the core of the support base of the *sarpanches* lives.

Moreover, proximity to the voters makes it easier for the *sarpanches* to acquire information on who voted for whom. It is also plausible to assume that, for politically ambitious FAs, their habitation would be the main source of political support.²¹

We include a number of explanatory variables to capture the economic, demographic and village level factors. Caste dummies are included as it is a crucial indicator of backwardness and social discrimination. Land holdings, household size and occupational structure are included as these variables can serve as the major indicators of socio-economic condition of a household. Further, distance of the household from the GP headquarters is taken as indicator of isolation and seclusion from the GP center. Moreover, this variable can control for the fact that AP GPs are not as scattered as those in Rajasthan. This can make it very difficult for the FAs to discriminate across the households that live in different habitations.

To control for other occupational opportunities for the household apart from MGNREGA, we use the logarithmic value of the reported non-MGNREGA wages received when MGNREGA works are implemented. Further, we incorporate political party dummies in the regression to control for the party locally in power. For AP, a dummy of whether any member of the household or immediate relative is an elected representative of the GP is included as one of the explanatory variables in the econometric exercise. For Rajasthan, we were not able to include this variable because of less variability in the data. In Rajasthan, we have also controlled for woman/SC/ST reserved GPs. For AP, however, we have not used this variable as all the reserved GPs are ruled by the YSR Congress or the Telugu Desam Party (TDP) and hence this variable is already captured by the political variable we incorporated. Since caste composition in a habitation can determine demand for MGNREGA works, we also control for the proportion of SC or ST in the habitation where the household resides. Finally, we control for meteorological conditions, as a lack of rainfall can determine a surge in demand for MGNREGA work. We thus include district-wise

²¹ Mukhopadhyay et al. (2015) and Dey and Sen (2016) adopt the same criterion to analyse distributive strategies of the *sarpanches*.

rainfall data for 2012 (proportion of monsoon months from June to September, when deficit rainfall was experienced as against the long-term average in that month) as a demand-side control variable.

(b) Regression Strategy

The first objective of the econometric exercise is to explore if households residing in the habitation where the *sarpanch*/FAs reside have higher probability of getting work under MGNREGA. Since getting work is a dichotomous variable, we apply logit regression to estimate the determinants of a household working under MGNREGA in 2013-14. The second and third objectives are to find if these households work for higher number of days under MGNREGA and earn more in comparison to others. Number of days of work or earnings is censored from below since a substantial proportion of the households did not work and hence the variables would show a value of zero for these households. Since simple Ordinary Least Squares (OLS) estimates might yield biased estimates, we apply tobit regression (Long, 1997).

(c) Descriptive Statistics

Table 3 gives an indication of how MGNREGA has been implemented in the survey areas. It is found that 41% of the sample households in Rajasthan worked in MGNREGA in 2013-14. These households worked for 37.5 days and earned Rs. 4027.5 on average from the program. About 57% of these households are found to reside in the habitation where the GP *sarpanch* resides. For AP, 48 % of the sampled households worked under MGNREGA in 2013-14 for 61.5 days on average and earned Rs. 8268.5. 60% of the sampled households stay in habitations where the FA resides and 85% of these households also stay in the habitations where the *sarpanch* lives.

(d) Results

Table 4 shows the regression results for Rajasthan, which contains the estimates for the probability of getting work under MGNREGA in 2013-14 as well as that for the number of days of work and earnings. The first column gives the odds-ratio. An odds-ratio greater than 1 indicates a positive relationship, which implies a greater

chance of achieving the outcome for a particular group in comparison to the reference group. An odds-ratio lower than 1 indicates a negative relationship. We find that households residing in the same habitation of the *sarpanch* have significantly higher chances of working under the program and also earning more. This indicates that MGNREGA can be seen as an instrument for the *sarpanch* to get political leverage by allocating the benefits of the program proportionately more to the households, which live in close proximity of him/her. Mukhopadhyay et al. (2015) show similar findings in Rajasthan.

Table 5 shows the estimates from the regression for AP. Analogous to the results from the estimates for Rajasthan, we find households residing in habitations of the FAs work significantly more in terms of the number of days and earnings from the program, though no significant relationship is found in terms of probability of getting work. Interestingly, the findings are true for household residing in habitations where both FA and *sarpanch* live. This probably hints at the fact that in AP, the discretion of choosing households and selective rationing comes through the FAs and partially through *sarpanches* as well. Of note is the fact that these findings are independent of the socio-economic characteristics of the households, which have been controlled for in the regression.

The empirical results show similar findings as observed from the qualitative narratives discussed in the paper. As indicated, implementation of MGNREGA in Rajasthan comes through the *sarpanches*, whose incentives to maximise MGNREGA employment are rather weak and they will therefore be inclined to distribute work in a clientelist fashion. We find that they choose to give priority to their own supporters. In fact, we find households residing in the same village of the *sarpanch* to get higher benefits out of MGNREGA. In AP, where the implementation responsibilities are in the hands of the FAs we find that, unlike in Rajasthan, households who live in the village where the FA resides do not have higher probability of getting work compared to others. However, the FAs tend to prioritise their supporters in terms of allocating a higher number of workdays to these households compared to other who got work,

but unlike in Rajasthan, these individuals do not have higher probability of getting at least some work.

6. Discussion and Conclusion

This paper analysed the set of incentives that shapes the implementation of the MGNREGA as a result of two different implementation models: in Rajasthan, the implementation is in the hands of an elected official who is accountable to the programme's beneficiaries, whereas in AP the key field implementer is a bureaucrat accountable to the state administration.

Based on a combination of quantitative and qualitative analyses, we find that in the centralized setting (AP), clientelism plays a comparatively less prominent role: MGNREGA work is distributed to those who demands it, although the amount of work allocated varies according to political considerations. In the decentralized setting (Rajasthan), both the allocation of work and the amount of work allocated are distributed in a clientelistic fashion.

The key mechanism that explains these findings relates with the incentives that field implementers have to maximize the generation of MGNREGA employment: the more work is available to be distributed, the more local implementers will enlarge the pool of beneficiaries. The political and economic incentives to maximise the availability of MGNREGA work are similar in the two states and are weaker than it might be assumed: what is crucial is that in the centralized setting, field implementers respond to incentives to maximise MGNREGA employment that are imposed from above, which in turn results in a fairer distribution of work.

Our findings have three main implications. First, along with some well-established predictors of clientelism like poverty and party competition, the institutional set up matters greatly. In the two cases analysed in this paper, it is the centralised setting chosen for the implementation of the MGNREGA that allows for specific policy correctives – like the administrative incentives that we discussed – to be introduced and put in operation.

Secondly, clientelism cannot be treated as a dichotomous variable. The ground reality is more complex and the empirical evidence that we present suggests that clientelism should rather be understood as a continuous variable. In our analysis, the distribution of MGNREGA work is clientelistic in both states, but much less so in AP. This is not only an analytical distinction: less clientelism in AP means that households are not excluded from the programme for political reasons, which makes a big difference on the ground.

Furthermore, we show that clientelism is seldom if ever an exclusive relationship between a client and a patron that occurs in a vacuum. Instead, both actors are embedded into a net of social and political relations that inevitably affect and shape their own (clientelistic) relationship. The fact that MGNREGA implementers take into consideration the interests of the big farmers when distributing jobs is a clear example of how a clientelistic relationship is affected by the broader political and social context.

Finally, our analysis shows that democratic decentralisation facilitates clientelism, but also that bureaucracy-led implementation does not completely eliminate it. Moreover, top-down implementation is inherently fragile: the existence of administrative incentives that limit clientelism in AP is crucially dependent on state officials at higher levels who are committed to enforce the respect of targets. A few administrative transfers could change the situation radically, altering local implementers' incentives and their effects on clientelistic practice.

As a final normative remark, the findings presented here support the argument that policymakers should pay much more attention to the political context in which policies are implemented. In order to ensure a fair distribution of MGNREGA work and ensure its demand-driven nature, local implementers should be incentivised to generate as much employment as possible. While a key policy correction in this regard is to guarantee enough financial resources, the political context still matters greatly. For instance, establishing a dialogue with farmers' associations in order to ensure continuity in the availability of MGNREGA jobs throughout the year could make a big difference in terms of ensuring that the gap between demand and supply of work is minimised, which is a key indicator of the success of the policy (Gaiha, Kulkarni, Pandey, & Imai 2010). Similarly,

offering rewards to highly performing GPs offers *sarpanches* incentives to guarantee the right to work, ultimately translating the rights-based nature of the MGNREGA into reality.

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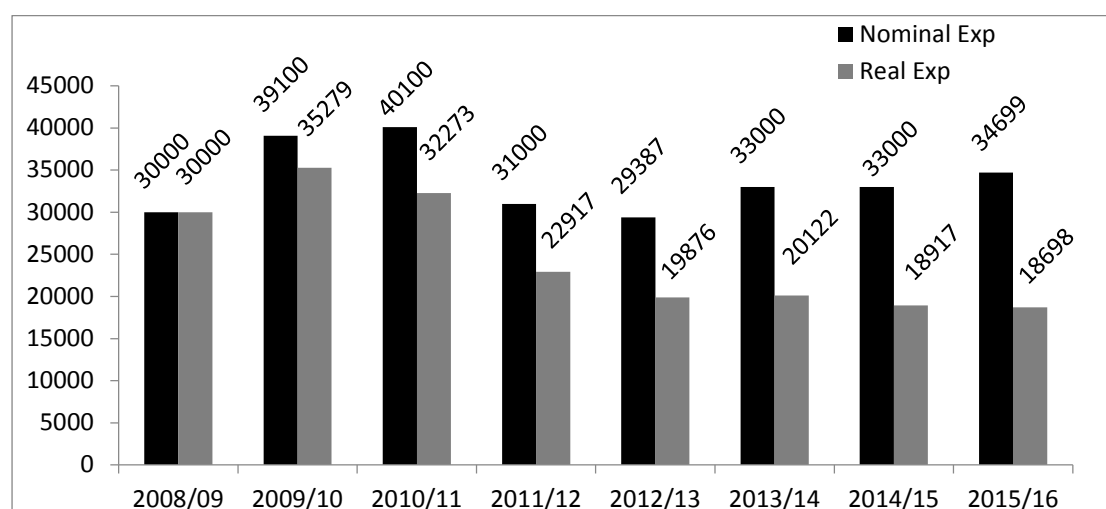
Figures and tables

Table 1. Employment generation in India, Andhra Pradesh and Rajasthan 2008/09-2014/15.

	2008 /09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	Average 08/09- 15/16
AP	47,99	65,67	54,05	56,49	55,69	49,60	41,82	46,68	52,25
Rajasthan	75,78	68,97	51,64	46,60	51,90	50,85	43,95	48,57	54,78
All India	47,95	53,99	46,79	42,43	44,99	45,86	37,74	41,95	45,21

Source: Official MGNREGA data.

Figure 1. MGNREGA Nominal and Real Expenditure 2008-16. Figures are in Indian rupees (Rs.) crores. One crore corresponds to 10 million.



Source: Budget documents (Revised Estimates except for 2015/16) and authors' calculations based on the Commodity Price Index.

Table 2 – Impact of the incentives to generate MGNREGA employment

	Political Incentives	Economic Incentives	Administrative Incentives
AP	Limited	Limited	Strong
Rajasthan	Limited	Limited	No

Table 3: Indicators of MGNREGA implementation in 2013-14 among sampled households in Andhra Pradesh and Rajasthan

	Rajasthan	Andhra Pradesh
Got work (proportion)	0.41	0.48
Number of days of work (mean)	37.51	61.47
MGNREGA earnings (Rs.) (mean)	4027.51	8268.47

Source: Author's calculation based on field survey as discussed.

Table 4. Regression results for Rajasthan

	Logit (Getting work)	Tobit (Log of days worked+1)	Tobit (Log of wages earned+1)
<i>Ref. Households not residing in sarpanch habitations</i>			
Households residing in sarpanch habitation	2.500 ^{***} (0.81)	1.037 ^{**} (0.44)	2.360 ^{**} (0.98)
Controls	Yes	Yes	Yes
GP fixed effects	Yes	Yes	Yes
N	482	482	482
R ²	0.29	0.15	0.12

Robust standard errors are put in parenthesis. The first column gives the odds-ratio from the logit regression and the second and third column gives the co-efficient estimates from the tobit regressions. Controls used are household size, caste dummies, land holdings, distance of the household from GP headquarters, occupation dummy, non-MGNREGA wage, GP reservation dummy for woman/SC/ST, proportion of SC/ST in the habitation and number of monsoon months that experienced deficit rainfall in 2012 as against long term average. The full regression table can be provided on request. ***p<0.01, **p<0.05, p<0.5.

Table 5. Regression results for Andhra Pradesh

	Probit (Getting		Tobit (Log of days		Tobit (Log of	
	work)		worked+1)		wages	
					earned+1	
<hr/>						
<i>Ref. Households not</i>						
<i>residing in FA's habitation</i>						
Households residing in FA's habitation	1.336		0.332 ^{***}		0.948 ^{***}	
	(0.55)		(0.09)		(0.19)	
<i>Ref. Households not</i>						
<i>residing where both FA and</i>						
<i>sarpanch lives</i>						
Households residing where both FA and sarpanch lives		2.288*		1.051 ^{***}		2.477 ^{***}
		(1.03)		(0.09)		(0.21)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
GP fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
N	618	618	618	618	618	618
R ²	0.23	0.23	0.12	0.12	0.09	0.09

Robust standard errors are put in parenthesis. The first two columns give the odds-ratio and the last four columns give the co-efficient estimates. Controls used are household size, caste dummies, possession of BPL card, land holdings, distance of the household from GP headquarters, occupation dummy, non-MGNREGA wage, GP reservation dummy for woman/SC/ST, party locally in power, proportion of SC/ST in the habitation and number of monsoon months that experienced deficit rainfall in 2012 as against long term average. Due to paucity of space, we do not present the results for controls. It can be provided on request. The full regression table can be provided on request. ***p<0.01, **p<0.05, p<0.5.

