

*This paper, which is based almost entirely on our research project on India's largest poverty programme, will appear in a forthcoming volume on local democracy edited by Anki Dellnas and Joakim Ojendal, and published by the UNU Press. – James Manor*

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***When Local Government Strikes It Rich:  
Generous Funding is Necessary but Insufficient  
Alongside an 'Accountability Deficit'***

by James Manor

Over the last 25 years, dozens of governments across Asia, Africa, Latin America and eastern Europe have experimented with democratic decentralisation – with the devolution of powers and resources to elected local councils. It is one of the fashions of our time. But in most of these cases, local councils have do not have enough money to operate effectively. Far too little funding has been passed down to them from above, and they have been given few (or no) powers to collect revenue.

This is a deeply serious problem because adequate funding is one of the three things that are essential if democratic local government is to work well. The other two are adequate powers and reliable accountability mechanisms. If any of these three 'essentials' is present but weak, the local councils will limp along. If any is absent, then they always fail. Inadequate funding is often a deeply serious problem, so it is common to find democratic local government limping along or utterly crippled by the scarcity of funds.<sup>1</sup> This is true even in industrialised countries – in for example, Britain and much of the U.S. at present – but it has reached epidemic proportions across the developing world.

But what happens when a startling policy change provides elected local councils with substantial new funds? We need to consider this in order to anticipate opportunities and problems that will arise if governments in developing countries decide to pass substantial resources to democratic institutions near the grassroots. Several governments with growing economies (and thus growing revenues to spend) are considering such steps – partly because

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<sup>1</sup> J. Manor, *The Political Economy of Democratic Decentralisation* (World Bank, Washington, 1999).

they have become interested in a programme that has poured immense sums into elected local councils in India.<sup>2</sup>

This is the Mahatma Gandhi National Rural Employment Guarantee Act (or MGNREGA) which since 2005 has given every rural household the right to demand and receive 100 days of employment per year at (in India terms) a reasonably generous minimum wage. It has provided many tens of millions of poor families with a hedge against destitution during seasons in which the demand for labour is slack or nonexistent.

This programme is important for several reasons. It has more formidable transparency mechanisms, to combat corruption, than any social programme on earth. It reaches more people than any other anti-poverty initiative in the world, and in history. It departs from the predominant pattern, in and beyond India, by abandoning the targeting of the poor. Instead, it gives poor people the right to take advantage of it – so that it is self-targeting. It seeks to inspire demands from the poor, by inculcating in them an awareness of their rights -- to work, to information, and to social justice – which can serve as a basis for demands. It thus attempts to enhance their capacity to operate effectively and to exert influence in the public sphere. It has its critics, but it has been welcomed by many – including, unexpectedly, both corporate and banking executives<sup>3</sup> and ‘Maoist’ insurgents in under-developed areas of India.<sup>4</sup>

What mainly concerns us here is that the MGNREGA requires state governments in India’s federal system to channel at least 50% of the massive funds for this programme through elected councils at the local level in rural areas. That makes this the largest downward transfer of funds to democratic local government ever, anywhere in the world. In India since 2005, local government has struck it rich.

But what happens when elected local councils suddenly experience a surge in funding? That is the topic of this paper. As we might expect, many good things become possible. Those of us who have sat in the offices of penniless local councils in various developing countries, and seen the despair on the faces of elected representatives and council employees, will naturally feel elated at the thought of generous increases in funds.

But we should be careful what we wish for. Painful problems and dilemmas also arise. One unintended consequence is especially important. Despite its transparency mechanisms which are designed to enhance accountability – and which promote it to some degree – the day-to-day operations of the new programme in many local arenas have undermined

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<sup>2</sup> The South African government has recently expanded a small pilot project which closely resembles the Indian programme to include one million people. It is also studying the details of the Indian programme to see if it might be adapted for an even larger initiative. The Chinese government and two other governments in Africa are also examining it, and several in Latin America and elsewhere in Asia have taken note of it.

<sup>3</sup> See for example, *Economic Times*, 21 May 2010.

<sup>4</sup> A recent official analysis of the 33 districts most affected by ‘Maoists’ or ‘Naxalites’, found that the government was permitted by insurgents to spend far more of its funds from the MGNREGA than from other programmes. The percentage of total allocated MGNREGA funds disbursed to beneficiaries was 72.76%, as opposed to 37.60% and 57.44% of the funds from two other programmes. *Economic Times*, 14 April 2010.

accountability by the elected heads of local councils in two ways. First, they have become less accountable (horizontally) to other elected members of their councils. Second, they have become less accountable (vertically, downward) to ordinary people. So while the MGNREGA has increased the provision of one of the three ‘essentials’ (adequate funding), in many localities, it has weakened one of the other ‘essentials’ (accountability mechanisms). This crucial ambiguity is examined in detail in this paper.

Before we proceed further, brief comments are necessary on the meanings of three terms used here. ‘Politics’ looms large in this discussion -- which is appropriate and inevitable since democratic local government opens the door to more robust political activity at the grassroots. As it is used here, the word ‘politics’ implies the interplay of ideas, interests and actors in pursuit of power – within but also beyond formal government structures.

‘Poverty’ is also defined broadly here, and not in narrowly economic terms. It is not just a severe shortage of funds, incomes and assets, but also a severe shortage of liberties, opportunities and the capacity to operate effectively and to exercise influence in the public sphere.

In other words, ‘poverty’ consists in part of a severe shortage of ‘political capacity’. ‘Political capacity’ implies four things: poor people’s political awareness, confidence, skills and connections (to other poor people and to allies among the non-poor). It is surely appropriate to see a severe shortage of these things as one important dimension of ‘poverty’.<sup>5</sup>

The discussion below first reminds readers of the ways in which inadequate funding cripples local democracy across much of the world. It then explains key details of the MGNREGA – including the transfer of substantial funds to local councils -- and discusses how struggles over this new money influence the behaviour (and the accountability) of important actors at and above the grassroots. It then discusses the need for balance between funds, powers and accountability mechanisms, and analyses an ‘accountability deficit’ within the local councils that manage much of this programme. After assessing an important change in the MGNREGA’S rules – a requirement that poor workers be paid through bank accounts – profiles are provided of three local council chairpersons, to illustrate the variations that arise in different places. The paper then tackles a key issue: whether local council leaders are villains, victims, or both. It concludes by arguing that enhanced transparency and greatly increased funds do not – on their own – suffice to make local democracy flourish. Accountability is also crucial, and it is harder to achieve.

### ***The Problem of Inadequate Funding***

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<sup>5</sup> This view is shared by many in international development agencies. See for example the comment by the World Bank’s Vice President for Sustainable Development in H.P. Binswanger-Mkhize, J.P. de Regt and S. Spector, *Scaling Up Local Community Driven Development (LCDD): A Real World Guide to Its Theory and Practice*, ebook (World Bank, Washington, 2009) p. iii.

Most readers with an interest in democratic local government understand the damaging impact of inadequate funding on elected local bodies, but a few comments are necessary here. There are two ways to ensure that local councils can obtain funds: by devolving powers to raise resources locally through taxes and fees, and/or by the devolving funds from higher levels to the councils. The method used is far less important than the amounts of resources which councils acquire as a result. In most decentralised systems across the developing world, they are seriously short of resources. In many they are crippled by under-funding.

Such councils cannot deliver services, create assets, or respond to the needs and preferences of local residents. Ordinary people quickly recognise this and lose interest in elected councils. If the introduction of local democracy has been trumpeted by the government (as it often is), something more destructive happens. At first, local residents become excited by the prospect of influencing decisions to be taken locally about the distinctive needs of their village or town – which the previously over-centralised system neither understood nor addressed. But once a local council is elected, and citizens discover that it lacks the funds to meet those needs, their excitement turns to anger and alienation which can be politically destabilising.

To make matters worse, cash-starved local councils often exist alongside other institutions that are lavishly (and sometimes excessively) funded. These usually take the form of ‘user committees’ or ‘stakeholder committees’ (water users committees, health committees, joint forest management committees, etc.) which are unelected or elected through less reliable processes than those which choose the local council. The local committees associated with the World Bank social funds are another example of this. Such parallel institutions undermine the legitimacy of the local council and thus of local democracy. When ordinary people see that user committees are well funded and thus capable of getting things done, and that the local council is penniless, they naturally gravitate towards the former. Local councils become disregarded or even despised.<sup>6</sup>

In recent years, this problem has become somewhat less serious – because of a growing preoccupation with ‘fragile states’. International development agencies (including the World Bank) have begun to recognise that they should strengthen and not undermine mainstream government institutions – and at the local level, that means elected councils. But the problem still exists in some countries, and even where it has gone away, local councils often remain very short of funds.

Until the MGNREGA was created in 2005, this was true across most of India. Two constitutional amendments in 1993 decreed that elected bodies should be created at three levels – district, sub-district and local.<sup>7</sup> It recommended that state governments in this

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<sup>6</sup> For more detail, see J. Manor, “‘User Committees’: A Potentially Damaging New Wave of Decentralisation?” *European Journal of Development Research* (Spring, 2004) – which also appeared in J. Ribot and A.M. Larsen (eds.) *Democratic Decentralisation through a Natural Resource Lens* (Routledge, London, 2004).

<sup>7</sup> These were the 73<sup>rd</sup> and 74<sup>th</sup> amendments to the constitution which dealt with rural and urban areas, respectively.

federal system devolve substantial powers and resources to these institutions. On paper, this was a huge step forward for democratic decentralisation, but in practice, the ensuing changes were quite modest. This is explained by a provision in India's constitution which gives state governments responsibility for local councils. Ministers and legislators in most states were reluctant to give up powers and resources which they had long controlled to elected representatives at lower levels. Some state governments -- between four and six out of 28 -- have been enthusiastic about decentralisation, but a smaller number have been hostile to it, and most have been lukewarm. So the amendments of 1993 produced only a limited and patchy regeneration of local democracy.

When the MGNREGA which channels massive new funds to elected local councils was introduced in 2005, many observers expected that local democracy would undergo a strong revival. This was, after all, the most generous increase in local government funds ever to occur anywhere in the world. As we shall see, the changes which local councils have experienced are in many ways exhilarating, but they have also encountered complications and serious problems – in large part because (as we shall see below) a surge in funding is not enough. Other things are also essential – most importantly, accountability which has been weakened in many Indian villages by the MGNREGA.

### *The Creation of the MGNREGA*

In 2004, a multi-party alliance led by the Congress Party won a parliamentary election in India. This victory was widely reported in the Indian and international media as the result of a revolt of the rural poor against the previous government's emphasis on globalization and economic liberalization. This was a myth. The Congress and its allies were more strongly supported by prosperous groups and urban dwellers than by the rural poor. But the myth was politically useful since it made Congress-led alliance appear progressive and humane. The party president, Sonia Gandhi, set out to give substance to this image and to win the support of the rural poor at the next national election. They are a potent political resource. Two-thirds of Indians live in villages, many of them are poor, and a majority of them perceive themselves (sometimes inaccurately) to be poor.<sup>8</sup> She gathered round her many of India's most enlightened civil society leaders, academics and former civil servants, and asked them to develop ideas for progressive programmes to reduce poverty.

They came up with several proposals, the most important of which by far was what is now known as the MGNREGA. The work which villagers were given the right to demand would be hard manual toil – digging ditches and wells, repairing roads, etc. – but it would provide poor families that had been left behind by rapid economic growth with crucial protection against destitution.

In this paper, we need to focus on the huge implications of the MNREGA for elected local councils. Other aspects of the programme will be discussed at various points here, but only

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<sup>8</sup> I am grateful to the Lokniti team at the Centre of Developing Societies, Delhi for this last point.

when they become relevant to that topic.<sup>9</sup> State governments are required by this law to permit local councils to manage at least 50% of MGNREGA projects, and that implies that immense amounts of new money will flow to them. A small number of state governments have given those councils much larger shares of the programme's projects – because they believe (correctly) that the work of the councils is far more transparent than the operations of government ministries which control the rest of the projects. Most of the 28 state governments have transferred 50% of the projects to local councils, but two have not done so – in one case because councils were not elected until late 2010, and in the other because the government has broken the law by completely excluding councils from this programme.<sup>10</sup>

Most state governments did rather little, however, to ensure that other key features of the MGNREGA worked as intended. They made little effort to mount effective campaigns to make villagers aware that it differed from other government programmes in that it was demand-driven – that all households had the right to demand and receive up to 100 days of employment. (This is important because it means that the programme is open to significant numbers of poor people who for some reason have not received certificates showing that they live below the official poverty line.) Most state governments did little to explain that the paper 'job cards', which every labourer is given, contained records of days worked which were supposed to match computerised records in a huge IT system – to protect labourers against false entries on 'job cards'. Nor did they do much to explain that people who did not receive work within 15 days of requesting it were eligible for unemployment payments. Nor did most state governments do much to make sure that mass meetings at the local level (*gram sabhas*) discussed MGNREGA plans being developed by local councils, or to see to it that periodic social audits were held to investigate local councils' management of the programme. Taken together, these features of the programme add up to the strongest set of transparency mechanisms in any poverty programme in the world. But nearly all state governments were extremely reluctant to encourage transparency and the downward accountability which might result from it.

Crucially, most chairpersons of elected local councils share this distaste for transparency. They find it extremely inconvenient to be questioned about their actions in village mass meetings, or to submit themselves to social audits. They are also reluctant to share power over decisions about MGNREGA projects with ordinary villagers – or indeed, with elected members of the councils that they head (a key topic discussed in more detail below). So they have done little to compensate for the lack of effort by state governments to promote awareness – which would increase pressure on them to act accountably. Their reluctance is partly explained by their resentment over one feature of the programme. Its powerful transparency mechanisms focus entirely on actions by people (including them) at the local

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<sup>9</sup> This writer and Rob Jenkins are currently writing a book covering all of the important elements of the programme. We are grateful to the UK Economic and Social Research Council and to Britain's Department for International Development (the original source of the funds) for a major grant to pursue this research.

<sup>10</sup> This latter exception was the government in Andhra Pradesh. It got away with this because the state government is controlled by the Congress Party which since 2004 has been in power in New Delhi – and Congress leaders at the national level did not want to undermine their own government in an important state.

level, and not on actions by official at higher levels in the administration – who swiftly began refusing to provide essential assistance unless local council chairpersons offered them bribes (again, see below).

A further comment is required here on local mass meetings, since the issue is complicated. Leaders of elected local councils, across India and all over the world, are reluctant to be interrogated at such meetings. They tend strongly to hold so-called mass meetings without adequate (or any) publicity and/or at times when most people are busy with other activities, or to avoid them altogether.<sup>11</sup> When a group of leading analysts was asked about mass meetings in late 2010, they concluded unanimously that mass meetings had had only a minimal impact – except in a modest number of localities where enlightened civil society organisations had worked intensively.<sup>12</sup> This view understates somewhat the efficacy under this programme of mass meetings -- which are intended to complement the ‘periodic accountability’ represented by elections with more ‘continuous accountability’ between elections. An extensive survey of villages in the state of Rajasthan found that 27% of workers on MGNREGA projects (that is, poor people) had participated in mass meetings in a district where no formidable civil society organisation had worked, and that 38% of workers had participated in a second district where such organisations had been active.<sup>13</sup> These may sound like low percentages because they fall far short of 100%. But since the international norm for participation in mass meetings is close to ‘zero’, these figures indicate that participation under this was programme was not trivial. This evidence is somewhat (though only somewhat) more encouraging than the dismal view which predominates in discussions of this programme.

Immense sums of money have flowed to local councils under the MGNREGA. Actual expenditure (as opposed to budgetary provisions recorded on paper) on this programme has been massive, and has risen during each year since implementation began in 2006. The total outlay for the four years between 2006 and 2010 was Rs. 17.97 billion, equivalent to US\$ 395 million. Since roughly half of this amount went to local councils, this represents a spectacular increase in the resources available to them. Leaders of these councils have repeatedly told this writer (with great pride) that they now have more funds to spend than their state legislator does from the latter’s constituency development fund. The days when legislators sneered at impecunious local councillors are gone.

The number of poor households which have obtained work under the MGNREGA is also enormous – making this the largest poverty programme in the world. Between April 2006 and March 2010, 153.03 million had done so – and the totals have increased every year. So have the number of ‘persondays’ worked: 7.34 billion over that same time span. The use of the term ‘persondays’, rather than ‘mandays’, is appropriate because women have

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<sup>11</sup> See J. Manor, *The Political Economy of Democratic Decentralisation* (World Bank, Washington, 1999).

<sup>12</sup> This view emerged from a workshop which we conducted in New Delhi on 7 December 2010.

<sup>13</sup> The survey formed part of an analysis by Rob Jenkins and this writer of the MGNREGA. Somewhat similar figures emerged from another state, Madhya Pradesh.

participated on an immense scale. They performed 46.02% of the work between 2006 and 2010 – and in 2010-11, they accounted for just over 50%.<sup>14</sup>

### ***When Local Councils Strike It Rich, People ‘Follow the Money’***

When abundant new funds are injected into local arenas, they attract attention. Different groups of people ‘follow the money’ with different aims in mind. The results are partly encouraging and partly destructive.

Increased MGNREGA funds generate excitement among ordinary people and elected members and chairpersons of local councils. Poor people who can obtain well paid work under this programme see that the money may give them opportunities to earn enough to feed their families adequately, to send their children to school instead of to work, and to protect them against shocks such as sudden illnesses and illnesses. All local residents – poor and non-poor -- understand that it may now be possible to create or repair local assets (school buildings, wells, minor roads, etc.) which have long been local priorities but which higher-level government actors have ignored. Ordinary people become more active in the public sphere because at last the resources are available there to get useful things done -- so political participation increases. (That is good news in and of itself, but increased participation in local government has also been shown to benefit poor people.<sup>15</sup>) Local civil society also becomes more vibrant. Old, sleepy voluntary organisations revive and new organisations are formed because people see that collective action may influence decisions that will materially affect their lives. The members and chairpersons of elected councils naturally respond with great relish since they have finally been given abundant resources with which to address local needs. All of this is encouraging.

But that is only part of the story. Other people – and some of the same people – see an opportunity to steal some of the new money. Bureaucrats at higher levels are unhappy that such substantial funds have been passed to local councils, and they set out to force the latter to provide payoffs in exchange for official measurements and approvals which they must issue before funds are fully released to those councils. Some of the members and chairpersons of the councils are also tempted to divert some of those funds – in order to enrich themselves, to amass funds for future election campaigns, and to pay bribes to higher-ups. Contractors who execute minor construction projects see an opportunity to profit from the MGNREGA – even though they are banned by the Act from participating. (In most parts of India, the ban has worked, but contractors sometimes play a role.) And some ordinary people in each locality also hanker after illicit profits.

The result of all of this is a complex game in which various sets of actors pursue their different aims. The outcomes are almost always ambiguous. In some localities we find that corruption is minimised so the constructive intentions of the programme are largely fulfilled,

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<sup>14</sup> Source: The NREGA website at [nrega.nic.in](http://nrega.nic.in).

<sup>15</sup> See the essays in the *IDS Bulletin* (December 2009).

but in others, they are for the most part thwarted. These processes are discussed in more detail later in this paper, when we consider the MGNREGA from the viewpoints of various local actors, and when we examine a twist in the plotline of this story – a change in the rules of the game which altered the way that it is played and reduced corruption. But before we discuss those things, further comments are needed on the three things which are ‘essential’ if local democracy is to work well.

### ***Money Isn't Everything: A Need to Balance Funding, Powers and Accountability***

The finances of local councils must not be seen in isolation. Even where funding is generous – as it is in this case – other things may cause the system to malfunction. Adequate funds must be accompanied by adequate powers and reliable accountability mechanisms – to ensure both the accountability of bureaucrats to elected representatives, and of elected representatives to ordinary people. To reiterate: if any of these three essentials is absent, local democracy will fail. If any is present but weak, local democracy will limp along. None of the three essentials is absent anywhere in India. But as we shall see, in many parts of the country, the latter two essentials are weak – so local councils and the MGNREGA are limping along.

Let us first consider the powers which local councils have been given under the MGNREGA. There must be some sort of balance between funding and powers. In this programme, we find an imbalance. It differs from the usual imbalance. It is quite common – all over the world, including in many Indian states before the MGNREGA was introduced – for local councils to be given significant powers, or at least significant responsibilities (which is not the same thing) but too little money to perform them. This results in unfunded or seriously under-funded mandates. The MGNREGA reverses this pattern. It gives local councils significant new money, but too few powers over how to use it. That is a new type of imbalance, but it is an imbalance nonetheless.

On paper, the imbalance is not immediately obvious. The Act states that elected local councils should control the funds for at least half of the projects to be undertaken under the MGNREGA – which suggests that they will have extensive powers over decisions about those projects. We also read that local councils are to engage in planning exercises, during which they identify a number of projects that they wish to complete, and then list them in order of priority. Those which cannot be started immediately will be placed on a “shelf”, awaiting action later. Elected councils higher up, at the sub-district level, are given the task of combining the plans made by local councils into sub-district plans – a process which does not at first glance seem to undermine local councils’ powers. And then elected councils at the much higher district level are given the power to approve local and sub-district council decisions. Since they too are elected bodies, this sounds like nothing more than a modest check on strange decisions made at lower levels. So, little that we find on paper appears to open the door to bureaucratic meddling or bullying.

We might become a little suspicious when we read the sections of the Act which deal with transparency mechanisms. These are so complex and formidable that at first, our attention

fixes upon how they work. Only when we understand that do we ask who the targets of these mechanisms are – and then we discover that they are aimed entirely at local councils and processes at the local levels. They do not focus on actions that occur at higher levels.

This means that there is an imbalance in the Act. It gives significant new powers to actors at higher levels – especially to those at the sub-district level (the next level up from the grassroots) – at the same time as it gives significant new funds and (apparently) new powers to local councils. But its transparency mechanisms seek to reveal and deter malpractice only at the local level. Corrupt actors at higher levels, especially at the sub-district level, can exercise their new powers under cover of darkness while potent transparency mechanisms shine a bright light on those at the grassroots. Hence the imbalance.

To make matters worse, elected councils at the crucial sub-district level are very weak in all Indian states.<sup>16</sup> Decentralised systems there empower local and district councils far more than the sub-district councils which stand between them on the ladder. As a result, the people at the sub-district level who decide which local preferences to combine into plans are bureaucrats and not largely powerless elected councillors. The architects who designed the MGNREGA were well informed about public works programmes and how to achieve transparency, but they appear to have been insufficiently aware of this important reality -- they were seriously under-informed about the details of democratic decentralisation in various Indian states. This tips the imbalance further in favour of bureaucrats at the sub-district level, to the disadvantage of elected councils and their leaders at the local level.

The fundamental problem here is that, in practice, the MGNREGA has given local councils too few powers in relation to those bureaucrats. As one of the most perceptive analysts of the programme recently said -- in a comment which refers to accountability, the issue that we will consider next:

...responsibilities have been dumped on local councils along with significant funds to fulfil them. But councils were not given adequate powers and accountability mechanisms. That suits the higher-level politicians and bureaucrats who influence how the system will work. They are determined to avoid being made accountable, so they undermine accountability even at the local level – so that a culture of accountability does not develop there. It might spread upwards, like a virus, to reach them.<sup>17</sup>

The ‘power deficit’ in elected local councils arises for three reasons. The first is already apparent: transparency mechanisms focus only on actors at the local level and not on bureaucrats at higher levels. Second, local councils have – not on paper but in practice – too few powers over decisions under this programme. Third, and again in practice, the MGNREGA has triggered a marked shift in power away from members of local councils to their chairpersons (who are squeezed for bribes by bureaucrats at higher levels) – so that the

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<sup>16</sup> I am grateful to S.S. Meenakshisundaram for stressing this point.

<sup>17</sup> Interview, New Delhi, 7 December 2010. This person spoke on condition of anonymity.

councils as collective bodies are left with limited influence. This is examined in the discussion just below. And as we shall see, this ‘power deficit’ produces a further problem which strikes at another of the three essentials: an ‘accountability deficit’.

### ***The Redistribution of Power within Local Councils -- and an ‘Accountability Deficit’***

The substantial new money that the MGNREGA has brought to local councils, and the new responsibilities that it has imposed on them, have altered the distribution of power within most councils. The chairpersons of the councils have become much more powerful in relation to other elected members. Three things are worth noting here.

First, because far more money is now available to local councils, chairpersons make much more energetic efforts than before to manipulate local politics in ways that strengthen their influence over council affairs. They are driven to do this because it will help them to divert money illegally from MGNREGA – partly to enrich themselves, but also to fund bribes that must often be paid to bureaucrats at the sub-district level in order to persuade the latter to provide various certificates and measurements of public works which are required before government funds are fully released to them.

Second, the MGNREGA makes council leaders legally responsible for the maintenance of numerous registers and records – adding to their already very heavy burden of paperwork – so that the total number of such documents now stands at between 19 and 21, depending on which Indian state we are discussing. Other council members do not share in this responsibility – which is both bad news and good news for the chairpersons. It means that they must shoulder the heavy workload. But it also gives them control over the official record of what has happened under the MGNREGA – since other councillors seldom inspect the documents. This enhances chairpersons’ power relative to other council members.

Third, to make the programme work, frequent meetings with officials at the sub-district level are necessary. And since only the local council chairpersons (and possibly the council secretaries – civil servants who assist them) fully understand what has happened at the local level – because they keep the records -- they become the sole gatekeepers over such interactions. This again enhances their influence. Most council members only know what the council chairperson tells them about these crucial meetings.<sup>18</sup>

Readers will have noted the use here of the word ‘chairperson’ rather than ‘chairman’. There is more to this than political correctness because at least 30 percent, and in some states 50 percent of the posts as council leaders are reserved for women. Various proportions of these posts are also reserved for members of disadvantaged social (caste) groups. These reservations influence power relations within local councils. Some women and some members of disadvantaged castes (both female and male) who chair local councils have

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<sup>18</sup> In some Indian states local council chairpersons are directly elected by voters, while in others they are indirectly elected by council members. But in neither case do other councillors have much leverage over the chairpersons.

limited political capacity – that is, political awareness, confidence, skills and connections. When that is true, they are unable to exercise dominant (or often, even strong) influence over council affairs. Other powerful local leaders, who are sometimes councillors and sometimes not, wield great power informally. But in most local councils, including many whose chairpersons hold ‘reserved’ posts, the official leader is very powerful – and has become more powerful thanks to the MGNREGA.

This has ambiguous implications for the health of local democracy. Many influential chairpersons use their power to benefit diverse social groups within the locality, mainly because that is in their political interests. They want to remain broadly popular in order to get re-elected. Where that is true, local democracy suffers limited damage. The main change is that citizens must reach out not to all councillors but mainly to the chairperson since s/he has immense power. But this does not always happen since some chairpersons do not attend to the interests of diverse groups. And even when it does happen, it damages the capacity of other elected members of the council to represent and to meet the needs of their constituents. Hence the ambiguity.

### *A Surprising Twist in the Plot: The Introduction of Bank Accounts*

A year or so after the MGNREGA had been inaugurated, the ministry that administers it in New Delhi became worried by reports that when workers were paid in cash, they were often cheated of some of their wages. To prevent this, a change was introduced requiring them to be paid through bank accounts. This idea was strongly supported by India’s Planning Commission because it meant that most poor villagers would need to open such accounts, and that would lead in turn to their ‘financial inclusion’ in the national banking network – opening up channels through which certain other benefits could reach them. This change has had more far-reaching implications than anyone in New Delhi anticipated. Most importantly, it has largely put an end to numerous manoeuvres or tricks which corrupt leaders at the local level had earlier used to steal money from workers.

A few examples (there are many more<sup>19</sup>) will illustrate this. Before bank accounts, village-level officials sometimes recorded fewer days on a worker’s job card than s/he has actually laboured, and they then entered a larger number of days into the MGNREGA’s IT system which is used to determine how much money should go to each worker. The village officials would then pay the workers for the smaller number of days and pocket the rest of the money. When bank accounts were introduced, this became impossible because the wages, paid according to data in the IT system, all had to go to their accounts. The new system cut out the middle men. It is also now extremely difficult for local officials to claim funds for non-existent workers, since bank accounts must be created for them, and impersonators must withdraw funds from them. It is now much more complicated to arrange wage payments for non-existent local projects, since wages for work allegedly done on them must again pass into bank accounts – which makes the scam apparent to workers, and which may give workers

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<sup>19</sup> A full picture of the tricks that have been used, and of the ways in which the introduction of bank accounts has undercut them, will appear in the book which this writer and Rob Jenkins are producing on the MGNREGA.

opportunities to demand a share of the profits or to keep them all. When the IT records show that workers have completed tasks that have actually been performed cheaply by machines, profits can only be obtained by local officials when (once again) they make workers aware of this and seek a share of the illicit payments which flow into their bank accounts. When the IT system shows that workers have received official wage rates, it is now very difficult to pay them less and then pocket the difference -- because the full wage goes into their accounts. Here again, workers will inevitably become aware of the manoeuvre because the system is now more transparent to them, and they may resist demands for money.

The acute problems which corrupt local officials have experienced since the introduction of bank accounts are apparent in two ways. First, before bank accounts were required, many people paid substantial bribes to obtain posts at the sub-district level, on the assumption that they could make abundant illicit profits from workers' wages. Once bank accounts were introduced, their hopes were dashed. As one of them stated: "before, we got the cream", but now, "we are in a loss as some of them had paid up to 1 lakh (100,000 rupees or US\$2,196) too [sic] get a posting in MGNREGA... now we will not be able to earn anything."<sup>20</sup> Second, those who wish to siphon funds from the programme have largely abandoned attempts to steal from the 60% of its budget allotted to workers' wages, and are concentrating on the 40% or so which are used to purchase and transport materials for projects.

Even before bank accounts were introduced, it was harder to steal money from the MGNREGA than from any other Indian government programme – thanks to other transparency mechanisms built into the system. But bank accounts have added an additional complication which has helped to make several other transparency mechanisms more formidable, and theft more challenging.

It is very important that workers' wages are now largely protected from thieves. But other gains have also occurred. Many corrupt manoeuvres have become apparent to the potential victims, and this newly enhanced transparency has inspired anger, plus greater vigilance and assertiveness, among poor people. In other words, that their political capacity has been strengthened by the greater transparency that bank accounts have produced. Their political awareness has increased markedly, and some have mustered the confidence to assert themselves in response to attempts to cheat them. Those who do so acquire new political skills and often new political connections to other workers who face similar problems. This change has brought greater pressure on the heads of elected local councils to be downwardly accountable. But in most localities, that has not compensated for the decrease in accountability which has occurred. Over time, however, the enhancement of poor people's political capacity may compel local leaders to become more accountable.

Even where greater transparency only or mainly generates frustration among poor people, there is a certain utility in it – and it has not emerged unintentionally. Some of the architects of the MGNREGA hoped that the transparency mechanisms in this programme would reveal

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<sup>20</sup> This is from the field notes of our research team, recorded in late 2008 in Shivpuri District of Madhya Pradesh.

misdeeds to poor workers, and foster constructive discontent among them, which would in turn inspire action that would strengthen their political capacity.

Bank accounts have not been an unmixed blessing for workers. They have also caused serious problems. Their introduction triggered prolonged slowdowns and even stoppages in MGNREGA work in many states, while corrupt officials searched – unsuccessfully -- for ways round the new rules. Lengthy delays in the payment of wages have also occurred. This has enabled private employers, who had been forced by the MGNREGA to pay higher wages, to persuade labourers to work for them at lower wages than the programme pays – because ‘at least we pay on time’. The number of bank branches is so limited that workers often need to travel long distances, and lose a day’s wages, to reach them. Bank employees sometimes turn them away or demand bribes to release funds. And if workers send intermediaries with bundles of account books to extract wages, the latter also sometimes demand bribes. So the gains in income and transparency for workers must be considered alongside these clear disadvantages.

The impact of bank accounts has also had limitations. This was authoritatively explained by a formidable civil society activist in a decidedly under-developed district of Madhya Pradesh state. She knows whereof she speaks since she has helped the poor villagers there to begin to develop the capacity, organisation and inclination to make good use of the MGNREGA transparency mechanisms. She argued that when poor people become capable of making local mass meetings, social audits and other mechanisms operate properly, then the fundamentals of the socio-political order will begin to change.<sup>21</sup> Little of this has yet happened in most of rural India. But the gradual headway that has been made in that district and numerous other apparently unpromising places indicates that it is not entirely naive to expect pressure from below to become significant enough to enhance downward accountability. When we consider this alongside another basic change that occurred across most of the country before the MGNREGA was established, the decline in the power of caste hierarchies (for many learned observers, an unthinkable development only a generation ago), we must conclude that the view of village India as a stagnant place where inequities and injustices are eternal is seriously flawed.

Her comment also reminds us of other crucial concerns. The decision from the apex of India’s political system to require payments through bank accounts has clearly enhanced the transparency of the MNREGA in important ways. But neither this nor any other change imposed from the top will suffice to make this programme and local democracy work well. That will only happen when major changes occur from the bottom up. The introduction of bank accounts has reduced the ‘transparency deficit’ in the system, but it has not entirely removed it. And more crucially, local democracy here – despite (and in part because of) the recent surge in funds for local councils – is still afflicted by an ‘accountability deficit’. Greater transparency will facilitate the further strengthening accountability, mainly from the bottom up. But that will be a slow, difficult, and uncertain process. We must return to these

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<sup>21</sup> Interview with Madhuri Behn, Barwani, 5 December 2008.

issues shortly, but they will become clearer if we first consider the roles played by key local actors – council leaders – in greater detail.

### *The View from the Council Leader's Office: Three Cases*

To illustrate some of the variations that we find as we move from locality to locality, here are concise profiles of three local council chairpersons in a fairly typical Indian state where the MGNREGA has been reasonably well implemented.<sup>22</sup> It should be stressed that the first two people depicted here are rather untypical, in two senses. They have little interest in stealing money from the programme, and they have (for different reasons) largely eluded attempts by bureaucrats at the sub-district level to extort substantial bribes from them. The third chairperson described here is more typical, since he differs from the first two on both counts. These leaders operate in, respectively, a 'best case', a 'worst case', and an ambiguous district.

- A. A formidable woman in a 'best case' district: The first is a woman who has been elected to one of the 30 percent of local council chairs that are reserved for women candidates. She comes from a caste which stands near the middle of the old social hierarchy, so that caste is neither a great help nor a serious hindrance in her political career. She has received a rudimentary education, including a few years in secondary school. She has certain advantages which are unavailable to most council leaders in this state. She comes from a district that is unusually prosperous and comparatively well developed, mainly because it is located near the state capital. A good road links it to the capital, so the district is also quite visible to visitors from outside the state. Voters there form part of the support base for the state's ruling party. As a result, of those last two things, senior politicians in the capital are anxious to ensure that the district is well governed. They have inserted an honest and effective bureaucrat to head the district administration, and to minimise corruption within the MGNREGA. This chairwoman also receives assistance from a strong, constructive civil society organisation. It has run very effective capacity-building programmes for elected local councillors, and has constructed a strong association of council chairpersons – both of which have enhanced this woman's self confidence and her management and negotiating skills. Such support from civil society is available in only a small minority of districts in this state. For all of these reasons, this is a 'best case' district.

She has an ebullient personality, and it quickly becomes apparent from her command of the finer details of the MGNREGA that she has impressive analytical skills. But she is not puffed up with self-importance because she is acutely aware that her political future depends on her capacity to serve the villagers who might re-elect

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<sup>22</sup> The state is Madhya Pradesh, which is typical in many ways, but rather under-developed. By choosing a state where the MGNREGA has been well implemented, we exclude problems and complications which arise for a reason external to the programme -- because a state government manages it poorly. Interviews with the first of these people occurred at a meeting of chairpersons, and with the latter two in their village offices in November and December 2008. I am grateful to Yogesh Kumar and Vashil Naik of the admirable civil society organisation *Samarthan* for assistance in these encounters.

her. That will not be easy since the chairpersons' posts which are reserved for women rotate at the end of every five-year term. When she seeks re-election, she will face competition from male candidates. Most chairwomen who attempt that are unsuccessful. She is therefore intensely focused on the task of leading the council in a responsive, constructive manner.

She is intelligent enough to see that the sharp increase in government funds for her council from the MGNREGA offers her an opportunity to enrich herself. But she also knows that stealing money is bad politics. Local democracy is so transparent that corruption will not go unnoticed in the way that it often does when it occurs at higher levels. She therefore restrains herself in the hope that a good reputation will enable her to defeat male candidates who may have more funds to spend than she does at the next election.

Independent witnesses state firmly that she has not diverted funds from the programme, and that she has refused to provide bribes from the MGNREGA budget to bureaucrats at the sub-district level. When she is asked about this, she explains that three things have enabled her to say no. The first, which she states with fierce pride, is her own stubbornness. "I will not play the game." But she quickly adds a second: the district's senior administrator keeps pressing sub-district bureaucrats to implement the programme properly, without demanding kickbacks for approvals and measurements of the work done by labourers. And he looks very carefully into proposals from the sub-district to prosecute local council chairpersons for misconduct, since he knows that these are often used against honest local leaders to force them to provide bribes. The third factor is the civil society organisation that is active in her area. It supports local councils with effective efforts to enhance their awareness of the details of the MGNREGA and their capacity to administer it. It can publicise attempts by bureaucrats to steal funds from local councils. And above all, the strong association of council leaders that it has helped to create provides a collective defence against demands for payoffs.

She knows that these things – apart from her stubbornness – are largely or entirely unavailable in other parts of this state. Most district administrators are somewhat less energetic and effective than the one here, and a few are deeply corrupt. Constructive civil society organisations operate in strength in only a handful of this state's 48 districts. Most local council chairpersons therefore get no help in developing their political capacity, and strong associations of council leaders exist, again, in only a tiny number of districts. So for her, conditions are unusually promising, and knowledgeable observers of the local scene say that she has a fighting chance to gain re-election at the end of her term.

- B. An adroit young man in a 'worst case' district: Let us now turn from one of a small number of encouraging districts to one of a tiny handful of 'worst case' districts in this state -- where most districts are ambiguous. We find no civil society activity of any

significance there, and instead of preventing sub-district bureaucrats from diverting funds from the MGNREGA, the senior district administrator applies pressure on his subordinates to milk the programme aggressively. This is no accident. Senior politicians in the state capital have inserted him there to do precisely that. He and sub-district bureaucrats are permitted to keep portions of the money, but they must also pass a hefty percentage up to the state level where a leading figure in the ruling party takes charge of it.

This district has three characteristics which make it a logical place for such grand larceny. It is located in a region in which the main opposition party is strong, so that popular discontent there will do little damage to the ruling party. The district is remote and not served by good communications and roads, so problems there are less likely to become visible. And it is extremely under-developed, so that its impoverished and severely under-educated residents are unlikely make much of a fuss.

Most heads of local councils there are at the mercy of higher-level bureaucrats, but there are a few exceptions. One of them is a man in his mid-30s who has made the most of a secondary education in the poor schools of this poor district. He is from a numerically powerful 'backward caste', which in this area – where still lower castes comprise much of the population – means that he comes from the lower-middle tier of the traditional caste hierarchy. He shows no signs of social insecurity. He is bursting with self confidence and determination to get useful things done for his constituents, in a participatory manner that will strengthen their self esteem, their political skills and his popularity.

He plainly believes that this has earned him a positive reputation across this region of the state. That is important to him because he is ambitious – he wants to become a state legislator. Leaders of his party which currently governs the state have not yet awarded him a ticket for a legislative election, but he is solidly committed to the party's success. His well appointed office is festooned with party flags and posters. He stresses that his ambitions provide a clear incentive to avoid stealing funds from his constituents or from government programmes, since a reputation for honesty and efficacy are crucial to his long-term political prospects. Knowledgeable informants from this area, and ordinary people in surrounding villages, consistently attest that his description of himself is accurate.

He is disinclined not just to take bribes but also to pay them to people at the sub-district level. He explains how he minimises the latter. He undertakes no NREGA project that costs more than Rs.500,000 (\$10,750) because if he goes above that amount, he will require approval from block-level officials which will only be provided in exchange for a hefty illicit fee. (If an important local need can only be met by spending more than that amount, he splits it into two apparently separate projects, each of which costs under Rs.500,000.) He carefully maintains detailed electronic and paper records of all actions taken under the MGNREGA, and he faithfully fills in the

21 registers and record books that he is required to provide. So when officials from the sub-district level examine these things, they find no errors which might result in demands for bribes in exchange for their silence. But this man emphasises that most other council chairpersons are less confident, less attentive to record keeping, and less well connected politically than he is. Well informed observers add that most of them are less committed to their tasks and far less politically adroit. So across most of this ‘worst case’ district, council leaders are far more vulnerable to illicit demands from higher up.

But even this able man cannot entirely avoid making payments to sub-district officials. This is because, while the MGNREGA has mightily increased the flow of funds to local councils, it has also provided new powers to bureaucrats at the sub-district level. In districts like the first one described above, where watchful senior officials press their subordinates at that level to restrain themselves from profiteering, the squeezing of local council leaders for kickbacks is limited. But in this ‘worst case’ district, senior officials actively encourage such abuses. This council chairman can minimise such payments by scrupulous record-keeping, but he is unable to escape demands from bribes when measurements of works are made, or when certificates of successful completion are issued. He knows influential figures at higher levels in his party, but his appeals to them for help have produced no response because they are outranked by the senior party leader at the state level who receives funds passed upward from this district.

It bears repeating that in only three or four of this state’s 48 districts is the MGNREGA systematically manipulated in this way. So the number of ‘worst case’ districts is quite small. The leader at the state level who receives funds from ‘worst case’ districts has carefully limited their number, so that the state’s overall performance under the MGNREGA is reasonably good. He and his associates know that when it works well in most areas, the ruling party gains popularity.

- C. A man of average talents in an ambiguous district: Finally, consider a more typical local council leader in a more typical district. He is more typical because, in contrast to the two people discussed above, he is not particularly adroit, self-confident or well connected – he is close to the average on all three counts. His district is typical because, like the great majority of districts in this state, it is neither a ‘best’ nor a ‘worst’ case. Senior bureaucrats there do not seek to milk the MGNREGA for illicit funds, but they also do little to maintain high standards of conduct.

This leaves bureaucrats at the sub-district level with some opportunities to squeeze local councils and their leaders for payoffs from MGNREGA funds. But this is no free for all. Here, as in every part of the state, some of them are sufficiently committed to public service and their professional duty to restrain themselves.<sup>23</sup> So this local

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<sup>23</sup> This comment is based on interviews with the officials themselves and with knowledgeable observers who vouched for them, in November and December 2008.

council chairman faces demands for sizeable kickbacks from some but not all officials at the sub-district level. But the payments that he must make still represent a financial burden that he can only bear by diverting funds from the MGNREGA. The introduction of bank accounts has forced him to rely mainly on phoney or inflated invoices for the purchase and the transportation of materials like cement and bricks to be used in local works projects.

He is alarmed to discover that officials in the sub-district office are beginning to centralise the procurement of materials – a widespread trend which has made things more difficult for local council chairpersons in much of India. They claim that they are seeking economies of scale, but he believes that they want to maximise their control over the 40% or so of the MGNREGA budget which can be used for materials, since they (and he) now recognise that bank accounts make thefts from workers' wages an unpromising option. He – unlike the two leaders discussed above, but like most chairpersons in this state – is often forced to undertake public works projects preferred by sub-district officials rather than by local residents and councillors.<sup>24</sup> He has managed to use his control over documentation (including those invoices) to centralise power within his council, so his profiteering is not obvious to others in his locality. This concealment is widely resented, but he has managed to sustain some of his popularity by ensuring that abundant opportunities for work under the MGNREGA go to members of the factions and castes who have voted for him in the past. But he worries that this may not be enough to secure re-election.

### ***Local Council Chairpersons: Villains or Victims – or Both?***

Most chairpersons of local councils -- like this last, typical leader -- engage in villainy. (So do many council secretaries, the civil servants who assist them.) The architects of the MGNREGA had this in mind when they focused transparency mechanisms only on the local level. Since local officials have been targeted in this way, it is no surprise that these mechanisms have mainly revealed misdeeds committed by them, and not by officials at higher levels. In other words, the MGNREGA has reinforced the image of local leaders as villains. This is not entirely misleading, but we need to ask why they have sought to steal money from the programme, and whether they are mainly villains or victims -- or perhaps both?

The answers to these questions are complicated. Let us begin with provisional comments. First, many (though not most) council chairpersons are actually neutral or constructive figures, as the profiles above suggest. Second as those profiles also indicate, many who indulge in corruption do so partly because they are victims more than villains – because they are squeezed for hefty bribes by actors at the sub-district level. The main villains are often

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<sup>24</sup> Sub-district-level bureaucrats ignore the list of potential projects prepared by the local council and insist that they will only issue certificates and approvals if other projects, which they favour, are undertaken. This enables them to earn the admiration of superiors at higher levels who have pressed them to support the state government's interest in certain sectors: road repairs, irrigation or whatever.

found at higher levels, operating beyond the reach of the transparency mechanisms. But to say only this is to oversimplify. Other things must be considered.

Demoralisation is a serious problem among council chairpersons. It plays nearly as large a role as greed in eroding the inclination of many to restrain themselves from stealing MGNREGA funds. It may seem odd that they should be demoralised since we have recently witnessed a redistribution of power within local councils that has strengthened their hands. But they are disheartened by three things.

First, the additional tasks and pressures that have come with the MGNREGA have left many feeling overwhelmed. Their administrative burden has grown substantially – recall that they must maintain up to 21 sets of records, and that many get only limited help from often semi-capable council secretaries. And to make matters worse, they face increasingly taxing political/diplomatic tasks. They have to decide how to parcel out work opportunities to poor villagers, and/or how to respond to demands for work from them. They also face pressure from (often rich and powerful) contractors who seek a role in MGNREGA projects, despite a legal ban on their participation. And chairpersons must travel two or three times a week (often over considerable distances) to sub-district offices to deliver reports, make requests, and negotiate both the legitimate details of the projects under this programme and illicit demands from officials there for payoffs in exchange for measurements and approvals. Given all of these onerous burdens, it is hardly surprising that council leaders – most of whom are not especially adroit and self-confident – should suffer demoralisation. One knowledgeable civil society activist in Madhya Pradesh reports seeing several of them reduced to tears.<sup>25</sup>

Second, they often find that in practice (though not in theory) they lack the power to decide what MGNREGA projects to undertake. As we saw in the profile of the third chairperson just above, sub-district bureaucrats tend to dictate which projects should be initiated. They ignore the list of preferred projects prepared at the local level in order to emphasise sectors (irrigation, tree planting, road repairs or whatever) that are dear to the hearts of officials at still higher levels.

Third, chairpersons are seriously short of money for their personal use. They receive modest stipends from state governments, but these fail to cover the legitimate costs that they incur in their daily routines. Their trips to sub-district offices are so frequent that travel expenses mount up. Most must also pay literates in their villages to assist in maintaining records and in preparing local councils' plans for higher authorities. If they are to appear responsive enough to be re-elected, they must offer tea to constituents who come calling almost every day – a common estimate is 200 visitors per month. They must provide far more generous hospitality to powerful visitors from higher levels who turn up periodically in their villages. To these legitimate expenses we must add two that are more dubious: the need of chairpersons to recoup their heavy expenses from the last election campaign and to build

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<sup>25</sup> Interview, Bhopal, 21 July 2008.

up war chests for the next one; and of course the demands for bribes by bureaucrats at the sub-district level for approvals connected to the MGNREGA.

These things impose intense pressure upon them to steal from the local councils' main source of funds: the MGNREGA. This pressure and the demoralisation noted above are at least as important as mere greed in inspiring villainy. Many chairpersons can be seen, at least in part, as villains. But they are also victims – of circumstances, and of demands for bribes from higher ups. There is so much transparency within local arenas that their illicit acts become apparent to their neighbours, who are also the voters who elect them. So to divert money from the MGNREGA is to risk unpopularity and defeat at the next election – an acutely painful idea. But the pressures – legitimate and illicit – to acquire funds are so intense that most of them feel compelled to steal. It therefore comes as no surprise to hear that some honest, well-meaning chairpersons have decided to stand down from local councils at the next election.<sup>26</sup>

### ***Increased Funding and Transparency are Insufficient: Accountability is Crucial – and Weak***

To return to our basic question: 'what happens when local democracy strikes it rich?' What have we learned from this particular case, the most generous increase in funding ever seen? Why, despite some encouraging trends, have there also been disappointments? The MGNREGA has provided tens of millions of poor families with opportunities to earn desperately needed wages. It has more potent transparency mechanisms than any poverty programme on earth – and, to a significant degree, they work. They have made it harder to divert funds from this programme than from any other in India. And yet despite this, elected leaders of local councils often steal money from it, and always feel pressure to do so. The main explanation can be found in the new political process which the MGNREGA has set loose -- not just at the local level but in the system more broadly, especially between actors at the local and the higher, sub-district level.

Even though this programme has greatly increased transparency and funds for local democracy, it is still beset by three painful difficulties. First, the enhancement of transparency has been too limited. It has occurred almost entirely at the local level, and therefore has done little to restrain destructive action from higher levels. Second, despite the surge in funding, the new political process has inspired demoralisation among leaders of elected councils. Finally and crucially, the increases in funds and transparency are necessary but not – on their own – enough. They must be accompanied by two other things, each of which is essential if local democracy is to work well: powers for elected councils, and accountability mechanisms.

Why are powers for local councils a problem? The MGNREGA has apparently given them the powers to decide how they should spend the massive new funds that it has given them -- apparently, but in many localities, not in practice. The programme has also increased

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<sup>26</sup> This emerged from numerous interviews in Madhya Pradesh in November-December 2008.

the powers of permission and approval which are exercised by bureaucrats at higher levels -- and the latter have used these to disregard local preferences and to force local councils to do things which are mandated from above. The architects of the MGNREGA appear to have assumed that elected councils higher up at the sub-district level would prevent bureaucrats there from bullying local councils, but the assumption is inaccurate since councils at that level are extremely weak in every Indian state. A five-minute conversation with any of India's numerous experts on democratic decentralisation would have revealed this, but no such consultation ever took place. So the bullying often happens, and it leaves elected councils – or at least their leaders – with too little power.

That phrase “at least their leaders” in the last sentence is important since it points to the other reason that councils have too little power. We have seen that the MGNREGA has triggered a redistribution of power within local councils which has enabled all but the most incapable chairpersons to dominate other councillors. They use their control over record keeping, and over negotiations with over-mighty officials up at the sub-district level, to deprive the full local councils of the influence that they are supposed to have. Many of them also use their dominant position to elude interrogation by local residents in village-level mass meetings.

This brings us to the other, more crucial problem – inadequate accountability in this new political process. It is inadequate in three senses. First, when we see bureaucrats in sub-district offices bullying local councils, we acknowledge that they are not accountable (downwardly) to them, or (horizontally) to toothless elected councils at the sub-district levels. Second, when we see chairpersons dominating local councils, we acknowledge that they are insufficiently accountable to other elected councillors. And finally, when we see that local council leaders usually avoid interrogation at mass meetings, we acknowledge that they are insufficiently accountable to citizens who elected them. All three types of accountability are quite weak -- so on three fronts, we encounter an ‘accountability deficit’.

In the years since 2005 when the MGNREGA was introduced – that is, over the short term – accountability has been weakened. Over the longer term, the political capacity of poor people will gradually strengthen – thanks to the enhanced transparency that the programme makes possible at the local level. In many villages, that will slowly increase pressure on local council leaders to be more downwardly accountable to poor people. That will ease the ‘accountability deficit’ – very gradually. But in the near term, the problem will remain serious.

These things explain why increased funds for local councils, and the greater transparency which the MGNREGA has made possible, are not enough. The councils have – in practice, though not in theory – too little power. And decisively, the new political process malfunctions because it is afflicted by three types of ‘accountability deficit’. When local government strikes it rich, its troubles are far from over.

