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Title and abstract

Democratic Decentralization and Poverty Reduction in Madhya Pradesh Searching for an Institutional Equilibrium

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Abstract

Madhya Pradesh, a poor Indian state, emerged as a leader and bold experimenter in institutional design for democratic decentralization in the 1990s. Throughout India political rights for rural local government have been constitutionally entrenched, but there is a general dissatisfaction with the performance of local government in terms of equity of service delivery, efficiency and governance. Madhya Pradesh has made democratic decentralization central to its development and social service delivery strategy. It has greatly expanded access to education with a rights approach, linked to an Education Guarantee Scheme and decentralization of primary education. An institutional experiment with direct democracy, known as Gram Swaraj, was implemented in 2001, but this has been less successful in building community cooperation or effectively coordinating activities of resource user groups.

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Introduction

This note reviews the lessons of democratic decentralization in Madhya Pradesh (MP), a poor and semi-feudal Indian state, that emerged as a leader and bold experimenter in institutional design in the 1990s.

Since independence, higher-tier Indian governments have called upon rural local government to play substantial poverty reduction, community development, and service delivery roles. Over a decade has passed since the Indian constitution was amended to establish a fundamental political role for local government and to encourage state governments to devolve expenditure, revenue-generating, and rule-making responsibilities. Consequently, democratic decentralization might have been expected to have had a great developmental impact. Yet measurable results in terms of meaningful inclusion of the disadvantaged in decision making, equitable distribution of development benefits, and improved efficiency of resource use have been disappointing in most states. In 2004, the newly-installed Central Government of India has promised to improve decentralization effectiveness, as part of its Common Minimum Programme, through systemic changes including further strengthening of rural local government at the bottom tier. Also, it has proposed to increase local government spending discretion by delinking most central transfers from specific rural schemes and by converting them into block grants, linked to a holistic vision of rural development at the district level.

The constitutional entrenchment of rural local government, known as panchayati raj institutions (PRI), was intended to bring government closer to the people and to enable ordinary people to participate in local matters. Seat reservations on PRI councils were provided for women and scheduled caste persons, who are usually the poorest of the poor. The disadvantaged sections of society were assured a presence in the local government. But downwards accountability remains very imperfect due to elite capture, a lack of clear mandates, little transparency, little monitoring, and a high risk of corruption. Moreover, the poor in rural India are often reluctant to challenge local elites to whom they may be bound by the latter's other roles as landlords, monopsonist purchasers of crops, suppliers of agricultural credit, or intermediaries for the award of local political patronage. Saxena (2000), reporting on all India development, finds that "ordinary village people think that they

have not benefited to the extent of funds provided by government. Corruption is singled out as the most important cause for the ineffective functioning of these institutions.”

Democratic decentralization is expected to succeed in those circumstances where literacy rates are high, inequalities of wealth are not excessive, land has been redistributed or is not inequitably distributed, and caste cleavages do not create insurmountable barriers to community cooperation. Most of these conditions hold in Himachal Pradesh, Kerala, and West Bengal, all states that have strongly embraced decentralization as a tool for development.

Can successful decentralization outcomes also occur in an environment of highly unequal wealth holding, semi-feudal social structures, and low literacy? The state of Madhya Pradesh in the early 1990s matched this description. Nevertheless, despite these inauspicious beginnings, political leadership in MP set out very deliberately to use decentralization as a lever to expand and improve basic service delivery, initially in education, and to overturn the traditional decision-making status quo in rural society. The architects of the MP strategy were without illusion about the social and economic constraints of their society, but they believed that through careful design, through support for the expansion of parallel resource user groups to augment social capital, and through achievements of early successes the initiative could unlock powerful forces for cooperation and community development. Like Indian democracy itself, democratic decentralization in MP would have to succeed by defying the odds.

Institutions

The word panchayat is a traditional one, referring to the five elders in a village who mediated conflict and spoke on behalf of all the residents of a village in pre-modern times. This term has been retained for use by all rural local governments and is used for each of the three elected tiers of local government. The highest is the district or zilla panchayat. The lowest is the gram panchayat that may consist of several villages. In a recent survey, the average village population was found to be 1,500 inhabitants in MP. There were three or four villages per gram panchayat, so that approximately 4,500 people are served by a gram. The zilla panchayat at the district level, serves an average of 1,200 villages and is headed by a directly elected district president. In between is a coordinating level, the block or janpad panchayat, which embraces about 43 gram panchayats and performs some technical functions. All citizens of these villages constitute the gram sabha, a universal assembly,

similar to the Greek city states' peoples assemblies, which is the basic unit of democracy and meets to ratify major decisions of the gram council. The top and middle tier panchayats perform supervisory roles, whereas the gram panchayats actually implement major functions, such as primary health delivery, minor construction, village roads repair, and maintenance of water pumps. For the entire GP area, a sarpanch or chairperson is directly elected, and she chairs the GP. The funds that were devolved to the GP from above go into a bank account that is jointly managed by the sarpanch and a secretary, appointed as a functionary. .

Advocates of decentralization have long claimed that involvement in democratic local government can teach citizens to look beyond their immediate interests, recognize the just demands of others and, if necessary, accept decisions they do not initially like. However, Besley (1997) has cautioned that decentralization enhances the prospects for poverty reduction only when it leads to fundamentally new institutions, changes political structures, improves governance, or changes attitudes towards the poor. Employing caste and gender quotas, as imperfect proxies for under-representation, and tying fund releases to high quorum requirements for gram sabha meetings, have the potential to spur dominant groups to adopt compromise postures towards the previously powerless. The mere experience of having to meet one's long-ignored neighbors at gram council or gram sabha meetings reminds local elites of the prudence of conciliation as a tactic, if not as a fundamental policy conviction. But, it appears that these desired changes in political culture, improvements in governance, and changes in attitudes toward the poor might take a generation to be consolidated.

While the elections brought locally elected representatives into office, many initially lacked the capacity to exercise their powers. Education levels were low; taking decisions was a new experience; the civil servants they had to work with were better educated and organized. It was essential that they be given the support needed to do their jobs. Moreover, many line departments were unsupported of the decentralization initiative. The Government resolved to adopt an approach which can be defined a 'guided decentralization', reflecting the reality that a top-down revolutionary was being initiated. State authorities perceived the risk of failure as too great to adopt a big bang approach, under which effective decision making powers over how to implement programs would be devolved. Additionally, they did not wish to surrender the right to adjust institutional rules, on a trial and error basis, in the search for better solutions.

For each major program, a special office was set up, reporting to the Chief Minister, and named the Rajiv Gandhi Mission (RGM) of a specific function, with specially-selected, motivated officers from the Indian Administrative Service in charge. These RGMs provided the technical support and resources needed for the panchayats to realize their goals, such as acquiring pedagogical inputs, teacher monitoring, and teaching/learning materials for education. Individual missions, such as the missions for eliminating iodine deficiency, had sunset clauses and were closed down once their tasks had been accomplished, thus curtailing the growth of bureaucracy.

Cohen and Peterson (1998) predict that institutional pluralism, such as the use of agencies like the RGMs, should permit governments, opting for administrative decentralization, to decrease unit cost of service delivery while increasing effectiveness. MP has achieved its early objectives by establishing these parallel mission institutions as counterweights to the state bureaucracy and as a way to bypass dysfunctional and costly institutional structures.

Expanding Education Access to the Poor

Setting out easy-to-accomplish tasks in the first phase of decentralization has the potential to build the confidence and credibility of local governments before they are assigned more complex responsibility. In 1995, just after local elections, the elected representatives were asked to conduct a survey of their constituencies, with the support of civil servants who were trained and supervised by the RGMs. This survey resulted in the preparation of Village Education Registers in which details of everyone in the village was noted. For example, it had details on the number of children, whether or not they were going to school, the health status of women, and the number of scheduled caste people. This became the baseline data, and in their meetings the panchayates were encouraged to discuss these results. Why, for example, were so many children out of school? What emerged from this exercise was that most children were out of school because they lacked access.

The government responded to this challenge with the Education Guarantee Scheme, EGS, which works through a tripartite sharing of responsibilities between the panchayat, local communities and the government. The EGS made the following promise: if the gram panchayat, after a formal meeting, agreed to provide space for a school, if it was willing to identify a local person meeting a minimum educational standard to be the teacher, and if there were at least 40 children, (25 in tribal areas), who wished to go to school, then the state government would guarantee

the establishment of a school in that village within 90 days and would pay the teacher's salary. Concurrently, it would train the selected teacher, provide textbooks, and ensure that quality standards were met. The state adopted a "rights approach" to the design of an EGS both to achieve the immediate objective of greatly improving access and to build social capital. A fundamental cause of the success of the EGS has been the decision to vest responsibility for recruitment at the local level. These design choices have proven to be invaluable in eliciting the demands of villagers. Gram panchayats have been used to channel demands, individuals have been recruited in the villages for training as para-teachers, and local PRIs have determined who should be hired.

The RGM for Primary Education achieved its target of almost complete access to primary education by August 1998 and brought two million additional children into schooling, as well as helped to establish over 31,000 new primary schools in little more than two years. Ramachandran (2003) reports dramatic improvement in access to primary education, especially for children from very poor households and in scattered settlements. All EGS schools were found to be functioning regularly with one or two teachers. Community leaders admitted that several children moved from government primary schools to EGS schools, partly because of convenient location and partly because of regular functioning and empathetic teachers. A major repeat sampling exercise conducted both in 1992/93 and again in 1998/99, as part of the National Family Health Surveys (NFHS), provided a fortuitous opportunity to measure school primary school access in the state before and after decentralization. McCarten and Vyasulu (2004) find that between 1992/93 and 1998/99, children from the poorest 40 percent of households, classified by wealth-holding, achieved a major increase in access to schooling. The probability level for completing grade 5 increased by 21 percentage points in MP versus 5 percentage points for all of India.

By 2001 all primary education was decentralized and the state decided that all future primary teachers would be recruited locally under performance contracts. Critics of this approach argue that the decentralization of appointments, inadequate attention to teacher training, and low pay have deprived teaching of its professionalism and worked against teaching as a lifelong career. Para-teachers initially receive contractual appointments at between one-third or one-fifth of the regular salary levels for state-appointed teachers. However, the decision to delegate the power to recruit para-teachers at the gram and zilla level has resulted in dramatic change, by removing some of the scope for institutional corruption, associated with excess wages. It has also empowering local people

to improve the quality of educational service at less than half the unit cost of teachers recruited under the previous system.

Decentralization has provided strong attachments between teacher and community and put in place a potentially effective system of monitoring. In 2002, the state passed a People's Education Act, to improve accountability for quality of education to parents. Under this Act, parent-teacher associations, gram sabha, and district planning committees supervise schools up to the elementary level

After the 2001 census results were announced, MP became known for the tremendous strides it had taken on the literacy front. Literacy increased by 20 percent from 44.7 percent in 1991 to 64.1 percent in 2001. Female literacy rose from 29.5 percent to 50.3 percent in this decade. The gap between male and female literacy, which was 29.3 percent in 1991 declined to 26.5 percent in 2001, the first decline since data were available from 1961.

Gram Swaraj

Dissatisfied with disappointing performance from their PRIs and the autocratic ways of many sarpanches,, Madhya Pradesh and other Indian state governments continued to experiment with institutional rules throughout the decade. During the five years tenure of the first set of elected councils and sarpanches, the decentralization strategists became aware that the prospects for success were undermined by low social capital. In many states, transfer payments from higher-level governments to the PRI, were divided equally among elected members of the gram panchayat leading to fragmentation and wasteful expenditure patterns. Behar and Kumar (2002) report that many MP sarpanches favored developmental activity in their home village at the expense of other villages in the gram, in order to build a vote bank. Assessing the findings of a survey on inclusiveness by local government, Alsop, Krishan and Sjoblom (2000) conclude that the excessive partisanship of the PRI electoral process and post-election patronage have undermined citizen perception of the PRI's usefulness as agencies to foster local development.

In response the state Government sought to curtail sarpange raj or 'rule' of the chairperson of gram panchayats, by substituting a new direct democracy raj in January 2001 that created a fourth layer of local government at the village level called '*Gram Swaraj*'. This initiative, bases on popular

assemblies and implemented through Gram Swaraj Act of 2001 implied a concern about accountability, inadequate transparency in managing finances, and a belief that the excesses of partisan political calculus had undermined equitable allocations during the first phase.

The Gram Swaraj direct democracy initiative can also be interpreted as an attempt to break up the monopoly power exercised by the sarpanch and to redistribute it to eight standing committees. Recognizing that the inhabitants of villages can organize themselves into a great many informal groups to accomplish social goals with greater ease than the gram panchayats, the direct democracy initiative was consciously designed to mobilize the social capital below the gram level. It sought to strengthen the bargaining position of gram sabha activists relative to often unaccountable sarpanches. But accountability mechanisms channeled through grassroots social audit have yet to achieve major improvements. The social audit capacity of the gram swaraj has been inadequate to the challenges of monitoring complex transfer systems and the incentive structures within the local government fiscal frameworks have not undergone the changes needed to build authentic local fiscal accountability. The experiment with direct democracy in the form of gram swaraj disempowered the sarpanch rather than increasing her accountability to her electors and to higher tier governments. The basic conditions for the gram sabhas to function effectively often did not exist. In many areas, the gram sabha was held on paper, with signatures needed for a quorum being collected door to door. The mix of representative democracy, which is what the constitutional amendments brought about, and popular assembly democracy, which is what the 2001 MP Gram Swaraj Act initiated, has not established a stable political equilibrium. These findings suggests that decentralization architects should be careful to distinguish between the effectiveness of institutional pluralism as a tool when employed for administrative decentralization and when employed for the organizational design of local democracy.

The state attempted to bring about spillover of social capital from user groups to elected gram and village panchayats by requiring that user groups, who manage common property resources, must be appointed by grams. However, rather than achieving this outcome the switch to gram swaraj has led to a sense of alienation by members of the user groups. According to Mahapatra (2004) this alienation intensified when used groups that had existed for five years were dissolved and had to be elected afresh through the gram sabha. For members of users groups this led to uncertainty over their future livelihoods. Following a change of state government in late 2003 the continuation of the gram

swaraj is under review and will likely undergo significant modification. Nevertheless, empirical evidence assessed by Alsop, Sjoblom, Namazie, and Patil (2002) for MP and a few other states, shows a positive association between the degree to which a person is networked in user groups and his or her assessment of achievement of objectives and between the density of organizations present in a location and communities rating of user groups' value.

Conclusion

Madhya Pradesh has used demand-driven programs to achieve quick and tangible success in improving educational access and to reap equitable development benefits for basic health during the first phase of its decentralization. The first phase of the Madhya Pradesh decentralization story passes Beasley's test of leading to fundamentally new institutions, changed political structures, improved governance, and potentially changed attitudes towards the poor. Many disadvantaged households have achieved increased access to government services. At the same time, corrupt practices and arbitrary behavior by local office holders have become major concerns. The transition to a mature, second phase has not been as successful as was planned.

A tentative conclusion on the second phase is that elected representatives at different tiers were given too many overlapping roles without clearly-defined mandates leading to political infighting and a lack of accountability. Not enough attention was paid to ensuring future livelihood certainty for members of user groups or to forging incentive compatible linkages between such groups and PRIs. These findings suggest that user groups might be more effective and considered more useful if they were better embedded in the local organizational landscape. In line with recent efforts to decentralize management of development to local elected bodies, designers and implementers of projects should consider forging better relations with gram panchayats, block panchayats, and zilla parishads, depending upon the required economies of scale, and delegating to them functions such as monitoring.

Decentralization from above, as in MP, has to contend with many challenges. State governments have to agree to share power and resources with local governments. They have to conceive and implement systems that work well in the local context. They have to move cautiously and build on successes. But the MP experience shows that initial successes are no guarantee that the choices selected for future adaptation will be successful. Decentralization is unlikely to achieve its

potential in India without the political will to introduce corrective policy measures after the flaws of first round decentralization have become apparent. However, signs of continuous experimentation, as found in Madhya Pradesh and as appear to be emerging from the Central Government in New Delhi in mid 2004, can be interpreted as *prima facie* evidence that India remains committed to institutional strengthening for effective decentralization.

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