

RESEARCH INSIGHT

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CLIENTELISTIC POLITICS AND PRO-POOR TARGETING: RULES VERSUS DISCRETIONARY BUDGETS

Researchers: Dilip Mookherjee, Boston University and Anusha Nath, Federal Reserve Bank of Minneapolis

Studies examining expenditure policies of local governments (panchayats) in India have found evidence of failure to target benefits to poor regions or households. This mis-targeting can be either in the form of diversion to local elites, or forms of political clientelism whereby benefits are distributed opportunistically to help generate votes for incumbents. In the context of West Bengal, most of the evidence indicates clientelism, rather than elite capture, to be the dominant source of mis-targeting. This suggests that a transition to more centralized programmatic distribution of benefits which reduces scope for local officials to exercise discretion may improve targeting.

This paper examines anti-poverty targeting improvements that could realistically be achieved from such a transition. In the institutional context of contemporary West Bengal, there are a number of informational and administrative constraints that would also hamper the capacity of the state and central government to target benefits accurately if they were to switch to a formula-bound program. They do not have access to information about individual household characteristics relevant to determining their poverty status. Nor can they implement transfers directly to households. Hence a realistic formula-based program would have to be restricted to a geographic targeting mechanism determining budgets of local governments (or gram panchayats (GPs)), while continuing to delegate to GPs the distribution across households within their respective areas. Moreover, the formula would have to be based on proxy measures of need at the GP level, based on census or existing survey data on GP characteristics. Consequently, we estimate the anti-poverty targeting impacts that might be expected from a transition to formulae based on proxy need measures actually used by the West Bengal State Finance Commission (SFC) to recommend devolution of grants to GPs.

Conceptually, whether targeting would improve or worsen depends on a trade-off between the benefits of the current discretionary system to take advantage of superior information about the geographic distribution of poverty compared to the SFC formula, and the hazard that this information is opportunistically exploited by incumbents for political purposes.

We use longitudinal household surveys spanning ten years (1998-2008) of a sample of 2400 households throughout all rural areas of West Bengal, providing data on household characteristics and benefits received. Households are classified into four different categories, depending on the number of proxy measures of poverty they satisfy, based on landownership, caste, and education.

Our first main result is that the actual distribution of anti-poverty benefits was progressive both within and across GPs with poorer households and GP areas receiving a larger share of benefits. We show that this is explained by the political incentives generated by clientelism: poorer households tended to be more responsive with their votes to the receipt of benefits from current incumbents.

Second, the cross-GP allocations were more progressive than would have been achieved if the state had switched to the geographic targeting formula used by the SFC.

Finally, even if the state geographic targeting were to be based on the same information set or proxy means utilized by the SFC but with different weights assigned to different dimensions, only marginal improvements in anti-poverty targeting could have been achieved. For employment benefits for instance, we estimate that the share of the ultra-poor (households satisfying all three poverty criteria) could at best have been increased from 18.4 to 19.2%, and the moderately poor (those satisfying two or more criteria) from 35.9% to 36.3%. The predicted changes in their corresponding shares of non-employment anti-poverty benefits were of a similar order of magnitude.

In summary, the scope for improving pro-poor targeting by switching to formula-based GP budgets is limited at best, as long as the formula is based on indicators used by the West Bengal SFC. This owes partly to a degree of pro-poor accountability in West Bengal local governments, and partly to superior information of local government officials about the distribution of need compared with measures utilized by the SFC. For formula-based budgeting to achieve further improvements, they would have to rely on better information regarding ownership of key assets of land and education at the household level. In the absence of better measures of geographic need, the current system of delegation of authority to local governments seems to be justified.

It is important to note some qualifications. We are not addressing the broader question of the overall anti-poverty effects of clientelism. Our analysis concerns only effects of discretionary budgeting on pro-poor targeting of private benefits within a clientelistic regime. By focusing on pro-poor targeting or vertical equity, we ignored horizontal equity considerations, e.g., the allocation of benefits between different poor groups, either between or within villages. Indeed, by showing how this allocation seems to have been manipulated for political purposes, the existing literature has already demonstrated patterns of unfairness. Another important dimension ignored in this paper is insurance with respect to uncertain shocks to household or village needs. Moreover, as often alleged, clientelism could cause under-supply of local public goods essential for long-term reduction of poverty, and undermine political competition, transparency, state legitimacy and rule of law.

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