

Dear Peter,

The best guide to the content and the implementation of India's 'Mahatma Gandhi National Rural Employment Guarantee Act' – or NREGA for short – is the note below which I prepared for a South African policy advisor. After the note, I attach a short text which I prepared for possible publication in the South African press. But the note provides more information.

The points in the first document below emerge from three years of research on the NREGA, with very extensive field work in two typical but somewhat different states where the uptake on the programme was substantial – plus extensive consultations with people who work in or who have studied other states. I am now finishing a book on the subject with a co-author in New York. We have had a great deal of interaction with India's Ministry of Rural Development, the Planning Commission and the Prime Minister's Office. But this is very much an independent study which deals with shortfalls and ambiguities as well as successes. Our findings are complicated, but broadly positive.

Regards, James Manor

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1. The reach of the NREGA is enormous. Between April 2006 and March 2010, 153.03 million households had found work, with numbers increasing each year. Over 7.34 billion persondays have been worked.
2. It has had a strong impact on gender equity. Women performed 46.02% of the work between 2006 and 2010, and in the latest year, they have accounted for 51.11%. This often provides women with greater financial autonomy, and with valuable experience of taking independent action in the public sphere. There is evidence which strongly suggests that one result is less tension and conflict within poor households.
3. India's (difficult to measure) rates of unemployment and under-employment are less worrying than South Africa's, but the huge uptake on the NREGA indicates that there is an immense appetite for work at what is – by Indian standards – a respectable wage for non-skilled labour. [The current wage is 120 rupees per day, which is about US\$3.]
4. That level of wages enables poor households to obtain enough food from heavily subsidised programmes for poor people to make the difference between one basic meal per day and at least two relatively nourishing meals.

5. For the most part, the wages earned have been used for constructive purposes: to improve nutrition, to purchase livestock or better agricultural inputs to improve productivity on small plots of land belonging to poor families. Many have thus not just found the NREGA a crucial hedge against destitution in seasons when the demand for labour is slack, but a source of greater economic autonomy and a sense of economic agency and even some dynamism. These things have made poor people more productive -- which is important both for their own well-being and dignity, and for the rural economy which has been struggling.
6. The NREGA has also caused a marked reduction in 'distress migration' by individuals or entire households – to urban areas or to other regions where the demand for labour is greater. This reduces the social dislocation within families that are divided when one earner migrates, and ensures that more kids get to schools in their home areas where they enjoy a more settled life. And those who still migrate find higher wages and better conditions being provided, in order to attract enough labour. The NREGA has driven up private sector wages rates for unskilled labour, above their previously abysmal levels.
7. The NREGA is not intended to make a major contribution to boosting economic growth. India's growth is mainly driven by the services sector in urban areas – not least by information technology. But the NREGA has made at least a modest contribution to productivity and growth within many local arenas in rural areas – and most of it is for the poor.
8. Wages to NREGA workers must be paid through bank accounts in rural bank branches or post offices. This has caused some problems, but on balance, its impact has been very positive. It has resulted in the 'financial inclusion' of vast numbers of poor people – which means that they will find it easier to gain access to certain other opportunities and poverty programmes.
9. More importantly, the use of bank accounts – together with the other very potent transparency mechanisms built into the NREGA (which I can briefly identify) – makes it almost impossible for corrupt actors to steal money from workers' NREGA wages (which constitute over 60% of the expenditure on the programme). Would-be thieves must concentrate on theft from materials for works projects and on the transport of materials – which together constitute less than 40%.
10. Bank accounts also reveal to workers (largely unsuccessful) attempts by corrupt actors to steal from their wages. That has made poor people more politically aware – which is a clear gain.
11. Indeed, the NREGA is intended to strengthen what I call the 'political capacity' of poor people – by which I mean four things: their political awareness, their confidence to become proactive in the public sphere, their political skills, and their political

connections (to other poor people, and to allies among the non-poor). Despite ambiguities and problems, it has succeeded somewhat in this vein – not least because bank accounts make corrupt manoeuvres so visible.

12. There is some enthusiasm in India for cash transfers. I have co-authored a book with a Brazilian and a Kenyan colleague on the politics of poverty reduction in Brazil, Uganda and India – and I therefore recognise that in Brazil, cash transfers have had a constructive impact. BUT those who benefit from cash transfers are entirely passive. Their political capacity is not enhanced. This is a serious problem which makes rights-based, demand-driven programmes like the NREGA preferable. I say this on the basis of a broad definition of ‘poverty’ – so that it entails not just a severe shortage of incomes, assets and funds, but also a severe shortage of liberties, opportunities and political capacity. It is surely appropriate to see a shortage of ‘political capacity’ as an important dimension of their ‘poverty’.
13. At least half of the NREGA’s very substantial funds must pass through elected local councils (*gram panchayats*), and in some states (state governments in this federal system have great influence over the shape that the NREGA takes in different regions) as much as 90% of the funds pass to them. This stipulation was introduced because the architects of the NREGA believed that while local councils would be at least somewhat transparent, line ministries which received NREGA funds would be extremely non-transparent. Our research indicates quite definitively that this belief was well founded. Line ministries offer zero transparency. Local councils offer some.
14. Social audits in India’s NREGA usually work well only when civil society organisations which are skilled in social audits are present to assist the process. Such civil society organisations are (to my certain knowledge, from another research project that I conducted in South Africa) thicker on the ground in India than in South Africa (especially in rural parts). But even in India, they have limited reach – they reach less than 20% of rural dwellers. So social audits in the NREGA remain a disappointment. They are mainly left to elected local councils, but in India (and every country on earth) elected local councillors and especially their leaders are intensely allergic to being questioned and constrained by mass meetings and social audits. [For this reason, participatory planning and budgeting at the local level are rather unusual.] So we should not share the euphoria of some writers about the promise of social audits – anywhere. One of India’s 28 states has a government which is hostile both to elected local councils and to civil society organisations – and which has therefore made strenuous efforts to drive social audits in a top-down manner. The results are mixed at best.
15. Many state governments use the NREGA to emphasise their policy priorities – minor irrigation, forestation, rural roads, etc. This undermines somewhat the bottom-up, demand-driven character of the NREGA – since it is common for sub-district-level

bureaucrats to disregard plans made by local councils and impose their own priorities. But this practice has produced some significant gains in prioritised sectors.

16. There is some evidence which suggests that the NREGA has reduced social tensions and violence. Let me briefly summarise an example. In one sub-region of India, violent factional strife (Sicilian-style vendettas) has long been (unusually for India) a severe problem. High caste leaders who are in deadly conflict with other high caste leaders mobilize lower caste foot soldiers to mount violent attacks on their enemies and on lower caste foot soldiers loyal to their enemies. In one village, one section of a low caste had murdered members of another section of the same caste in a faction fight. When the NREGA arrived on the scene, poor people from that low caste found that they could earn enough from it to purchase agricultural inputs to use on their small plots of land, and as they became preoccupied with improving their lands, they acquired the economic autonomy to turn away from their high caste patrons and from violence. And when they and other members from the same caste who had been part of the rival faction worked side by side on NREGA projects, they discovered that they had much in common, and this also inclined them to abandon violence. Peace has come to that and similar villages.
17. On corruption: this is the best of times and the worst of times for India. A string of major scams involving senior politicians have been luridly exposed by a lively media and by independent agencies of government since November – it has been the worst of times. BUT several senior figures (including a cabinet minister and a state chief minister) have gone to jail, and more will follow because the Prime Minister is angry at being tainted by their behaviour, the media will not stop shouting about this, and the courts are ferociously determined to sort this out. A new anti-corruption law with real teeth will soon be passed – the best of times. In this context, corruption within the NREGA is a salient issue. It is something of a problem, mainly because the very potent transparency mechanisms are focused almost entirely at the local level and thus do not expose sub-district level bureaucrats who squeeze local councils for bribes in exchange for essential certificates. But it is harder to steal from the NREGA than from any other government programme, and it is almost impossible to steal from workers' wages.
18. Finally, the NREGA and similar demand-driven poverty programmes are 'good politics'. They enhance the popularity and legitimacy of the leaders and parties which introduce them. I did a careful analysis of the election results in 2009 at which the Congress-led government that created the NREGA was re-elected -- something that has been extremely difficult in India for a generation. I can confidently say that while the NREGA and other poverty programmes were not decisive in ensuring re-election, they enabled the Congress and its allies to win between 10 and 15 extra seats in a Parliament of 543. That may not sound like a lot, but it represents the difference between a wafer thin majority and a big enough majority (which the government possesses) to govern fairly comfortably for five years – 'good politics'.

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And here is a short piece that I write for the South African Press:

India's Promising Right-to-Work Programme

by James Manor

A new kind of 'right-to-work' programme in India has had a major impact on poverty and might be worth adapting elsewhere. Its name is a mouthful -- the Mahatma Gandhi National Rural Employment Guarantee Act. Everyone calls it the NREGA.

It gives every household in rural areas (where two-thirds of Indians live) the right to demand 100 days employment – hard manual labour -- on public works projects every year. They earn a decent minimum wage which is a hedge against destitution during seasons when the demand for unskilled labour is slack. The NREGA differs from most other poverty programmes in one important way. Instead of being passive recipients, poor people must proactively seek work. The aim is to strengthen their capacity to pursue their own interests in the public sphere.

It is the largest poverty programme in history. Since 2006, it has provided over two billion person-days of work – 48% of which have gone to women, enhancing their financial autonomy. To combat corruption, it includes the most powerful transparency mechanisms in any poverty programme on earth. Its design represents the most productive collaboration between a government and civil society ever seen, since the main ideas for it came from civic associations that had worked among the rural poor.

It is not easy to make the NREGA work well. Many bureaucrats, politicians and the rural rich prefer that poor people remain passive and dependent. They are strongly allergic to transparency and downward accountability which the programme seeks to promote. They see the funds which the NREGA injects into rural areas as an opportunity to rake off percentages and enrich themselves.

On that last front, they have been disappointed. The NREGA records every detail of a worker's involvement both on paper and in a sophisticated computerised system. The two sets of records are easily inspected, and if they do not match, theft from the programme becomes apparent. This system has certain limitations, but it makes it excruciatingly difficult to steal from workers' wages.

One further set of transparency mechanisms, social audits, turn out to be harder to implement. Powerful local people hate being cross examined in mass meetings of villagers, so they usually find ways of avoiding genuine social audits.

But the programme works well enough in most parts of India, to have a tangible impact on the lives of the poor. The minimum wage paid by the NREGA has forced up wages for unskilled labour more generally. The kind of migration that is driven by desperation – to find work in cities or rich agricultural regions – has declined dramatically. That means that some families are not divided when the main earner migrates for long spells during which women and children are vulnerable to exploitation. Families which migrated together can now remain at home, so that children live more stable lives and can attend school.

If we look beyond these conventional measurements, we find that the NREGA has made an impact on poverty in two other crucial ways. It has strengthened both the political capacity and the economic agency of the poor.

These technocratic terms mean something important in the real world. When poor people are drawn proactively into this programme, their political awareness increases -- along with their confidence, their political skills and their connections (with other poor people and with allies among the nine-poor). Those four things add up to their 'political capacity' – a severe shortage of which is one important dimension of their poverty.

They also earn enough wages to give them a little financial autonomy, so that they are less dependent on rich people who often dominate village life. Many poor people use their wages to buy more and better food for their families – so that their nutrition improves and they become more productive. Many find it possible to keep their children in school, instead of sending them out to earn as child labourers. Many invest in livestock or better seeds and fertilisers for their own small plots of land. They can begin to exercise 'economic agency'.

The NREGA has also turned out to be 'good politics'. It has made the government and parties that introduced it more popular. It helped India's government to win re-election in 2009. That is far more stunning news in India than it would be in South Africa, since governments in New Delhi had been thrown out by voters at five of the previous seven national elections.

Even the Chinese, who seldom find merit in Indian policies, are talking about developing a programme modelled on the NREGA. South Africans, whose politics are far more like India's and whose unemployment rates are staggering, might consider something similar.