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Experimental Evidence on the National Rural Employment Guarantee Scheme in Bihar

In brief

- MG-NREGS is one of the largest social protection programs in the world, providing employment to a reported 53.5 million Indian households in 2009-2010. Some states have had problems matching demand for work. This study proposes two important questions.

- Regarding implementation, how can policymakers make decentralized social protection programs work where there is limited administrative capacity. Local levels of governments currently have very significant implementation responsibilities regarding MG-NREGS, and as such, there is a high degree of implementation hetereogeneity.

- Bihar is a typical case where local government lacks the administrative capacity, preventing efficient public service provision. This study will evaluate one intervention which combines banking and software innovations.

- Secondly, what are the benefits of public works programs to households who participate and those who do not participate in these programs? MG-NREGS was never tested on a small scale before being rolled out, and most evaluations measure the impact of participats with non-participants in the same village. This does not allow for an estimation of equilibrium effects. Block randomization provides an opportunity to evaluate both the impact on households and local markets.

- As this evaluation is still ongoing, it is not possible to identify any policy implications yet. However, the implementation of this intervention has highlighted that the implementation of a tech-based solution requires important investment in infrastructure. Furthermore, collaborating with government in easing the fund flow may have little impact. There may also be resistance from bureaucrats over interventions that change procedures and allow for closer financial monitoring.

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Policy Motivation

"The Mahatma Gandhi National Rural Employment Guarantee Scheme is among the largest social protection programs in the world"

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MG-NREGS) is among the largest social protection programs in the world. In 2009-2010, administrative sources reported that MG-NREGS provided employment to 53.5 million households. Despite its impressive scale, in some states, the scheme appears to fall short of matching demand for work. JPAL-South Asia is working with the Government of Bihar (GOB) to implement and evaluate a technology-based solution to address an important roadblock of implementation; by introducing the solutions in a phased-in fashion we also aim to examine the impact of MG-NREGS on households.

Our study proposes to answer two important questions about MG-NREGS, which are relevant for India and, indeed, for all developing countries which are currently implementing or planning to implement social protection programs. The first question relates to implementation: how to make decentralized social protection programs work in countries which have limited administrative capacity? Indeed, the lack of administrative capacity hinders public service provision in places where it is most needed. The second concerns program impact: what are the benefits of public works programs to households who participate and to households who do not participate in these programs?

Policy Impact

Findings from this study will primarily inform the Government of Bihar about the benefits of the new fund flow to improve provision of MGNREGA employment. If the results of this study are conclusive, the reform will be rolled out across the State of Bihar. The ongoing evaluation tests an innovative fund management method which could solve a major implementation issue in MG-NREGS and could be replicated in several other states. This work will put the Government of Bihar in a stronger position to advocate the intervention at the national level.

"The conclusions of this project will also inform the policy debate regarding the cost-effectiveness of MNREGA"

The conclusions of this project will also inform the policy debate regarding the cost-effectiveness of MNREGA. If the intervention is successful in generating more public employment, the proposed evaluation will bring new evidence to the public debate on MG-NREGS impact on poverty and the rural economy. The lack of rigorous evidence on MG-NREGS impact has fueled unending debates between opponents and promoters of the scheme. Findings from our evaluation may influence future decisions regarding the continuation of the scheme or its replacement by other forms of social protection.

Audience

Because the evaluation is still ongoing, the present policy brief does not answer the policy questions which are the focus of this study. When the results will be finalized, the research team will write a report targeted to the following audience.

Our primary target audience is the Rural Development Department, Government of Bihar, which is responsible for administering the MGNREGA. If evaluation results are positive, they may also convince the Ministry for Rural Development at the center and Rural Development Departments in other states which face similar challenges as Bihar to replicate the system.

Finally, if the reform of the fund flow is successful enough, the final report of this study will bring new and rigorous evidence regarding the impact of MGNREGA on rural households and on the rural economy. It could hence be disseminated to a large audience in India, including the media, members of the civil society, and policy makers.

Policy Implications

Given that the evaluation stage is yet to begin, it is not possible at this stage to deliver any message on the policy implications of this project. The two main questions which this research aims at answering are the following:

Administrative capacity: How can you make decentralized social protection programs function more effectively in countries which have limited administrative capacity?

The 2005 law which created MG-NREGS provided local levels of government very significant implementation responsibilities. As a result, since its inception in 2006, MG-NREGS implementation has been highly heterogeneous, with some of the poorest States of India showing very little take up of public employment (see World Bank 2011).

The government of Bihar is a typical case of a lack of administrative capacity which prevents political will and financial resources from translating into efficient public service provision in places where it is most needed (Dutta et al. 2012). The proposed study will evaluate one intervention which combines banking and software innovations to facilitate both fund transfers to beneficiaries and expenditure monitoring from the State government. The outcome of this evaluation will be informative about the possibility of overcoming a lack of administrative capacity with the use of technology.

Program impact: What are the benefits of public works programs to households who participate and to households who do not participate in these programs?

The proposed evaluation is of highest interest to the policy debate about cost-effectiveness of MG-NREGS, and public works programs in general. Unlike many recent social protection programs in developing countries (e.g. Progressa in Mexico), MG- NREGS was never tested on a small scale before being rolled out across the country.

Most studies evaluate MG-NREGS impact by comparing participants and matched non participants in the same villages, which does not allow for an estimation of equilibrium effects (Ravi and Engler 2009). Imbert and Papp (2012) estimate

MG- NREGS impact on rural wages by comparing districts from different phases of implementation, which requires heavy identification assumptions. Block randomization in the proposed study is a unique opportunity to evaluate rigorously both the impact of MG-NREGS on households and local markets.

Implementation

"In January 2012 Panchayat assistants for MG-NREGS went on strike against financial audits, which led the government to postpone the implementation of the new fund flow"

Given the current stage of the project, we are not in a position to draw any conclusion about the efficacy of the new fund flow in improving MG-NREGA employment provision. However, a few lessons can be learned from the many challenges encountered during the design and implementation phase of this intervention.

First, the implementation of a technology-based solution requires an important investment in infrastructures and constant provision of technical support. The execution of payments to the beneficiaries via an online portal (CPSMS) has encountered many unexpected issues which delayed the financial reform.

Second, easing the fund flow requires the cooperation of institutions which keep beneficiaries accounts, and may earn little benefit from collaborating with the government. In Bihar, 90% of MG-NREGA beneficiaries hold their accounts in post offices, but the Department of Posts was slow to cooperate with the Rural Development Department.

Finally an intervention which changes procedures and allows for closer financial monitoring is likely to face resistance from lower level bureaucrats. In January 2012 Panchayat assistants for MG-NREGS went on strike against financial audits, which led the government to postpone the implementation of the new fund flow.

Dissemination

The government of Togo, with the support of the World Bank, is currently launching a public works program which aims at providing employment and income to the rural poor. Communities will submit development projects and receive government funding once their projects have been approved. The Ministre Délégué chargé du Développement de Base, Victoire S. Tomegah Dogbe is in charge of the program and could be interested in the findings of the present study.

Further Readings

Puja Dutta, Rinku Murgai, Matrtin Ravallion, Dominique Van de Walle "Does India's Employment Guarantee Scheme Guarantee Employment?", Unpublished 2012.

Reetika Khera (editor) The Battle of Employment Guarantee, New Delhi: Oxford University Press, 2011.

Clément Imbert and John Papp "Equilibrium Distributional Impacts of Government Employment Programs: Evidence from India's Employment Guarantee", Unpublished, 2012.

Shamika Ravi and Monika Engler "Workfare in Low Income Countries: An Effective Way to Fight Poverty? The Case of NREGS in India". 2009.

The World Bank. Social Protection for a Changing India, 2011.

About the authors

Abhijit Vinayak Banerjee was educated at the University of Calcutta, Jawaharlal Nehru University and Harvard University, where he received his Ph.D in 1988. He is currently the Ford Foundation International Professor of Economics at MIT. In 2003 he co-founded the Abdul Latif Jameel Poverty Action Lab and remains one of the directors of the lab. He is a past president of the Bureau for the Research in the Economic Analysis of Development (BREAD). His areas of research are development economics and economic theory.

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