

Final report

# Decentralisation and candidate selection

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## Table of Contents

Introduction	3
Literature Review	4
The Model	5
Data Collection and Design	6
Results	7
Policy Implications and Recommendations	12
Conclusion	13

## Introduction

A devastating earthquake struck Nepal in April of 2015. The event created a dramatic need for reconstruction. It also galvanized a political consensus to move forward with a set of decentralization reforms originally conceived during discussions around the peace agreement that ended the Nepalese Civil War in 2006. Following the earthquake, Nepal embarked on one of the world's most ambitious decentralization processes, articulated in the September 2015 Constitution. It includes both political and fiscal decentralization over a very short period of time. The underlying aim was that decentralization -- by fundamentally changing how citizens interact with the government -- would enable Nepal to sustain the delicate peace process. The political parties that led the negotiation process for the new constitution had been key actors in the conflict. Decentralization also provided an opportunity to improve the process of recovery following the earthquake by placing the power of service delivery and reconstruction in the hands of local representatives and introducing a new set of social protection programs, which leverage the local knowledge of newly elected representatives. Just over two years later, in May of 2017, Nepal held its first local elections in more than 20 years.

The potential for decentralization to benefit Nepal lies in the hands of the 34,908 newly elected representatives. As these politicians assume office, they face a range of policy choices and challenges with important implications for governance, service delivery, and institutional development. Understanding the competencies of these politicians and how they have been shaped by more than a decade of civil conflict is of clear importance. Unless these representatives adequately represent the needs of the population and have the requisite skills to do so, this experiment in decentralization may only result in stalled recovery and further instability.

The purpose of studying the institutional transformation in Nepal is to better understand two fundamental questions of democratic performance in contexts of instability and recovery: (1) who becomes a politician and how does this impact institutional development? and (2) how do institutions—specifically decentralized authorities—shape state capacity, service delivery, and political stability?

A key goal of decentralization is to expand citizens' access to political institutions through the facilitation of contact with politicians and by broadening the talent pool of potential candidates. Politician's identities and characteristics affect the representation of political interests, capacity for political action, and ultimately the performance and outputs of government. Additionally, local elections in Nepal included quotas for women representatives – we ask whether politician selection differs by gender and whether parties strategically manipulate candidate placement along gender lines.

Understanding selection into candidacy and the characteristics of newly elected local political leaders is an important first step in evaluating the impact of decentralization on reconstruction, service delivery, state capacity, and ultimately economic performance. We evaluate how the characteristics of local representatives correlate with service delivery and capacity for accomplishing earthquake reconstruction.

A recent paper by Dal Bó et. al. (2017), finds that an inclusive meritocratic system is possible by contrasting competence and social background characteristics of politicians in Sweden across the general population -- including family relations as a mean to control for education level and income. Our project expands on the findings of Dal Bó et al. (2017) in three critical ways: (1) evaluate candidate and politician selection in a post conflict low income context where political linkages and institutions are likely to differ substantially from those in high income countries; (2) examine locally elected offices which pose the lowest costs of entry for potential candidates; and (3) further examine the candidate selection process by collecting information on potential candidates screened out by parties in addition to information on all successful and unsuccessful candidates.

## Literature Review

The question of who becomes a politician has garnered significant attention in the developed world as a result of the findings in Dal Bó et al. (2017), which suggest that democracies can produce both competent and socially representative leaders. In this research paper, Dal Bó et al. (2017) use a rich database compiling individual observations on personal competence and social background characteristics for all national members of parliament and local politicians in Sweden. The data is analyzed by comparing politicians' characteristics to those of the general population and their own family relations to determine whether ability or socioeconomic status prevail in public elections.

Contrary to elitist and meritocratic schemes in which ability correlates positively with socioeconomic status, Dal Bó et al. (2017) find that Swedish politicians are positively selected for all ability measures independently of social background -- signaling a weak tradeoff between competence and social representation, at most. These results suggest the possibility of an inclusive meritocracy that promotes a Democracy with competent leadership.

Another relevant research paper for our project is that of Cruz et. al. (2017) on politician family networks and electoral outcomes in the Philippines. According to Cruz et. al. (2017), intermediaries play an important role in clientelistic political exchange. Hence, politicians that are centrally located in networks garner more votes.

In the Philippines, Cruz. et. al. (2017) find that politicians tend to come from the most central and well-connected families in the municipality regardless of wealth and size of the family. In order to measure the candidate's connectedness, this paper uses the eigenvector centrality for the candidate's intermediaries. Using a probability linear model to explore the weight of centrality in predicting selection into politics, Cruz et. al. (2017)

find that social distance between voters and the incumbent is negatively correlated with access to private clientelistic goods and services such as vote buying and other favors from politicians.

Our paper also relates to the issues around financial incentives and political selection raised in Finan et. al. (2015) which shows that financial incentives also matter for selection. Higher wages for public servants are not, however, a sufficient condition to guarantee talent recruitment. The screening mechanisms to select public servants may well depend on patronage rather than meritocratic reasons, in which case positive selection is undone. Such findings help us characterize the pool of candidates from which political parties select people they allocate tickets to – an area with little empirical evidence. This, in turn, speaks to important literatures on the role of institutions in shaping political selection, particularly in areas with unstable and weak institutions (Beath et al. 2015).

Finally, on how devolution of power to local authorities increases representation, trust in government, and political stability -- Myerson (2009) posits that decentralizing power to local institutions can reduce conflict and increase political stability by providing citizens with a non-violent means of making demands on the state and more localized political information generating greater trust in representatives. In addition, Myerson argues that by expanding the talent pool, decentralization provides a means for parties to cultivate capable politicians and build a trusted cadre of representatives who citizens will view as legitimate.

## The Model

In the first stage of our project, a descriptive analysis using summary statistics was conducted to draw comparisons across the following groups: the general population, potential nominees, candidates, and elected representatives. For this purpose, we define 'potential nominees' as those who were considered to run by political parties but were consequently disqualified. On the other hand, 'candidates' include all those who did run for election. Statistics were disaggregated by caste, gender, education, and income brackets to perceive the degrees of social representativeness among the pool of politicians contending for various posts at the municipal and ward level. The data was also parsed to show the proportion of selected candidates in terms of caste and political party against the general population.

The predictors of candidacy were analyzed using the following regression:

$$Candidate_{ic} = \beta_0 + \beta_1 Elite_{ic} + \beta_2 Female_{ic} + \beta_3 Education_{ic} + \beta_4 Income_{ic} + \sum \beta_j Asset_{jic} + \gamma_c + \epsilon_{ic}$$

for candidate  $i$  running in constituency  $c$ , where  $\gamma_c$  are constituency fixed effects.

For this regression, we define 'elite' as a dummy variable indicating whether the candidate belongs to the historically elite caste. In Nepal, the monarchy concentrated most political power until 2007. Historical literature points to consistent dominance both in the palace

and in the constitutional assembly, of two of the higher castes – the Chhetrees and the Brahmins. However, it is likely that, informally, different castes held informal power in different regions. Our approach identifies elite castes in each municipality and ward as those with highest average education, income, and largest population. Nonetheless, it is important to note that the largest group is not necessarily the politically dominant group.

According to this regression, the value attached to  $\beta_1$  may be interpreted to signal the candidate selection mechanism. If greater than zero,  $\beta_1$  denotes a historical determinism in which traditional power structures are not affected by reform. On the other hand, if  $\beta_1$  equal to zero after controlling for ‘competence’, this result points to an elitist meritocracy. Finally, if  $\beta_1$  is equal to zero, independent of ‘competence’, we expect to observe an inclusive meritocracy. This regression was further replicated after substituting candidates for nominees. The same variables were used to predict probability of nomination.

## Data Collection and Design

To answer the question of who becomes a politician, we used data from four main sources. First, we were able to secure access to the 2016 ‘Nepal – Household Registration for Housing Reconstruction Survey’ (HRHRS) due to the cultivation of close-knit relationships with National Reconstruction Authority (NRA) officials, including Mr. Yubraj Bhusal and Dr. Bishma Bhusal. For security reasons, access to the HRHRS data was supervised by the NRA and was shared with us only after extracting all personally identifiable information.

This data includes over 3 million observations on household owners such as age, sex, marriage status, income of the household head, education status, size of family, and social security allowance. In its first phase, the HRHRS covered the 11 districts and rural areas of the Lalitpur area using a census model. For the second and third phase, 20 additional districts were surveyed using a verification method to cover damaged houses only.

Second, with the help of the Election Commission (EC) of Nepal, we were granted access to administrative data (2017) on 3,615 representatives. The data provided by the EC was partially in Nepali which required phonetic translations of candidate names into English. Third, three research assistants with inside access to political parties were hired to mobilize resources and connections in order to obtain party lists of potential nominees. Candidate party lists were hence collected for the three largest Nepali political parties – the Nepali Congress (NC), Communist Party of Nepal (Unified Marxist Lenninst) and Communist Party of Nepal (Maoist Center). The lists covered all 11 districts where census was conducted. In total, we obtained information pertaining to 17,338 potential nominees and 13,834 candidates.

However, most of the lists were for non-reserved posts such as ward chairpersons and municipal positions. Lists for reserved posts were less accessible and had a smaller pool of potential candidates in general. Also, some parties followed a consensus method of

selection at local level which resulted in no difference between nominee list and candidate list.

Consecutive steps consisted of matching the parties' nominee list and EC's candidate lists to the HRHRS data using name, age, sex, municipality, ward, and district of the nominees and parents' names. Nonetheless, while conducting a fuzzy match, we ran into an obstacle – while parents' names are available for candidates, the same is not true for the general population and parents may only be identified via the Household Survey if they live in the same household as the head of the house.

Finally, to surpass this hurdle, a fourth data set was scraped using the online voter list from the 2017 local election from the Nepali election commission website. This will help us obtain additional covariates to facilitate fuzzy matching nominees with census data. Another relevant caveat is that the HRHRS data from 2016 and the Electoral Commission data from 2017 pertain to different geopolitical entities due to the redrawing of administrative boundaries between 2015 and 2017. In order to match the data for both datasets, we collected an administrative crosswalk between 2015-2017. This crosswalk was then used to match across datasets to conduct the main analysis.

For our next steps, we plan to conduct a survey of the selection committees from major parties at different tiers of government to further understand the candidate selection process at the local level. In addition, we have collected data for provincial and federal election to test the external validity of the selection process we find at local level elections in Nepal.

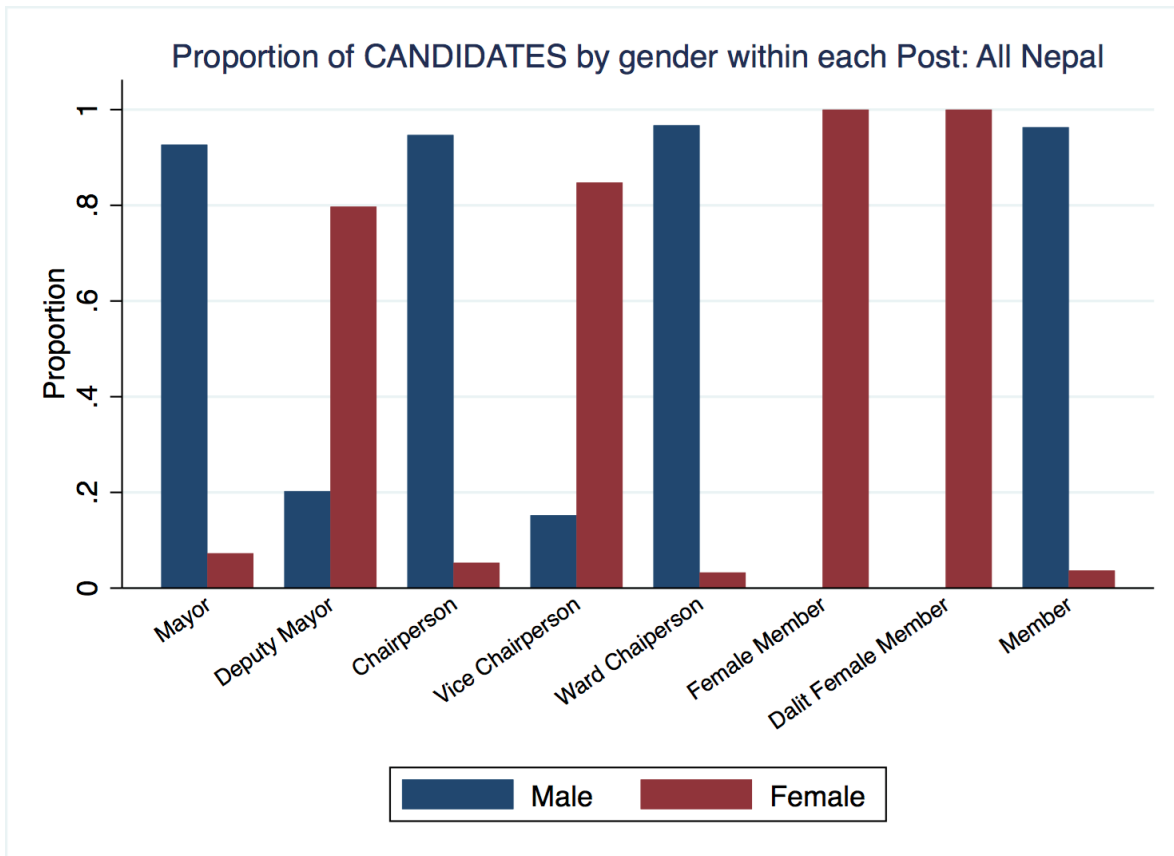
We also plan to carry out an analysis of the reconstruction grants and how that would have affected the political selection, and once an individual becomes a politician how can they influence access to reconstruction grants. Finally, in the post conflict context, we seek to understand Maoists presence on political inclusion by using the violence data that was collected during the 1996-2006 civil conflict in Nepal.

## Results

Our results are divided in three separate sections: (i) gender and caste representation, (ii) patterns of political selection, and (iii) caste, competence, and elitism. In Nepal, the reservation and quota system in the local elections states that parties have to ensure that they nominated women in one of the municipal positions - that is, either for Mayor or Deputy Mayor. At the ward level, two-member positions are reserved for women - Female Member and Dalit Female Member. This means that out of four members, two should be women, and of those two, one should be from a lower caste.

Our results show that women are disproportionately assigned to Deputy Mayor and Vice Chairperson candidacies for open-race posts. While Dalit Female Member and Female Member races are truly closed elections, the Deputy Mayor and Vice Chairperson races are effectively closed elections. In regard to castes, all major parties select candidates that

are broadly representative of the population. It nonetheless stands out that the Maoist Party is less likely than the other two to nominate historically elite castes such as the Brahmins or Chhetrees.

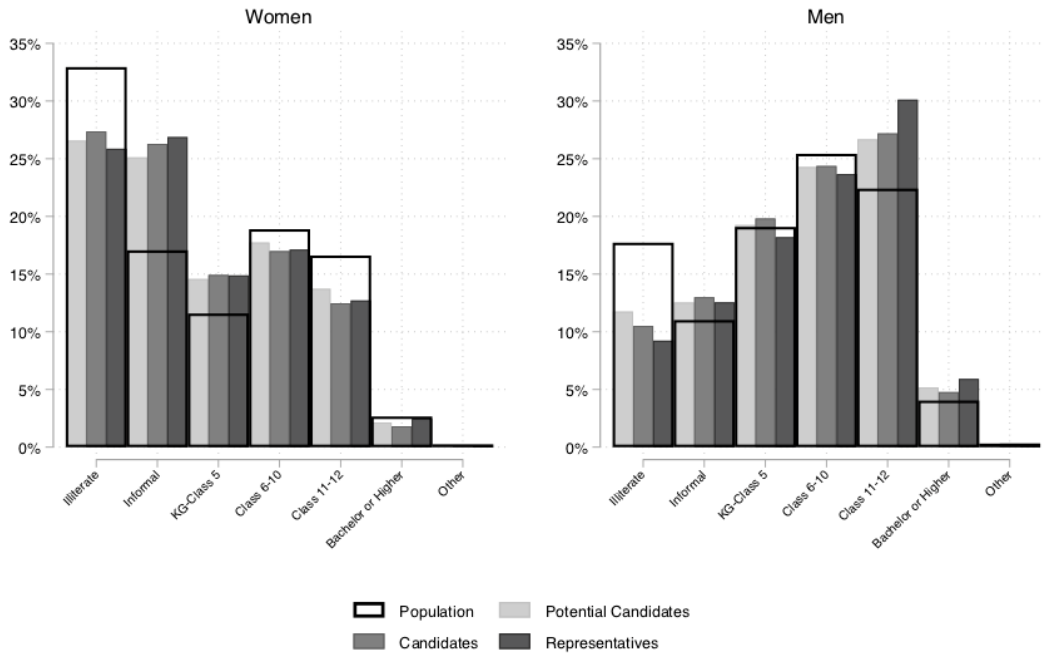


	Population	All Cand.	Maoist	Marxist-Leninist	Congress
Brahmin Chhetree	31.55	29.43	25.76	29.66	30.78
Janajatis	50.21	47.47	49.72	46.08	46.42
Newar	9.06	7.74	6.63	8.26	7.52
Dalits (untouchables)	7.95	14.30	16.6	15	14.16
# Observations	3,239,288	13,824	3,438	3,594	3,376

For the second part, we conducted a descriptive analysis which shows that politicians are positively selected by education and income. Furthermore, while women and Dalits only gain representation because of the quota system, intermediate castes gain broad representation due to the inclusive candidate selections measures of the Maoist party. The following graphs and table show the aforementioned results.



## Education Level By Gender



## Income Category By Gender

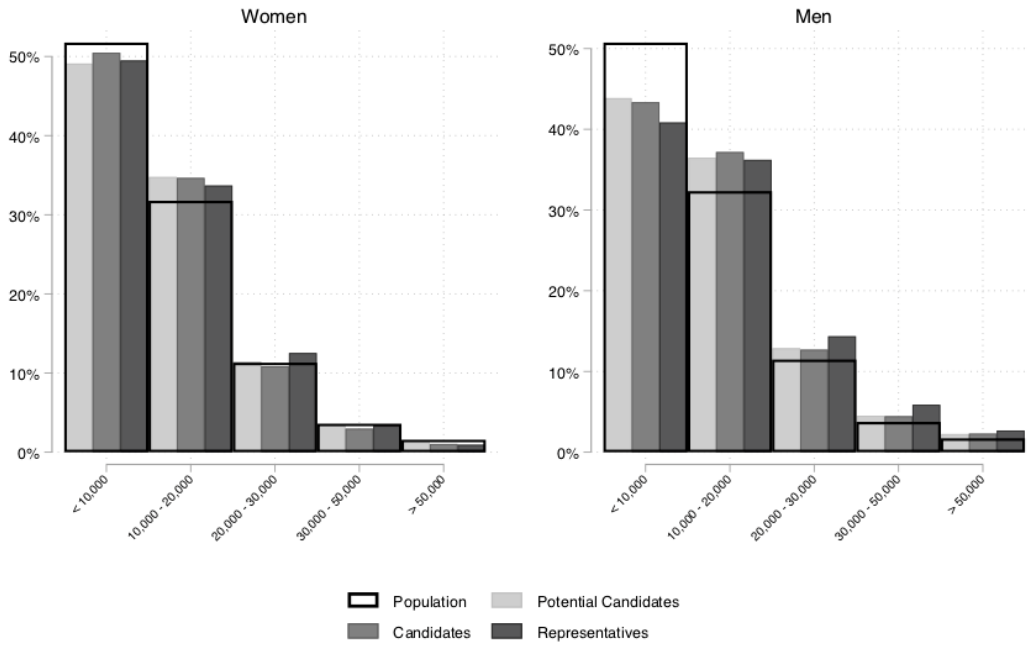


Table 1: Summary statistics for the population and politicians

	Population	Men	Women	Representatives	Open Race Candidates	Closed Race Candidates	Dalit Female
Income* (1-5)	1.7 (0.90)	1.71 (0.91)	1.7 (0.91)	1.85 (0.97)	1.76 (0.94)	1.76 (0.92)	1.54 (0.76)
Education** (0-5)	2.1 (1.43)	2.32 (1.36)	1.86 (1.46)	2.33 (1.51)	2.28 (1.49)	1.75 (1.54)	1.32 (1.32)
Age	28.5 (19.82)	28.15 (19.55)	28.86 (21.1)	40.87 (10.52)	40.64 (15.05)	37.05 (14.61)	37.26 (12.12)
Gender	.5 (0.5)	- (-)	- (-)	0.38 (0.49)	0.03 (0.16)	0.97 (0.16)	- (-)
Owens Land	0.95 (0.21)	0.95 (0.21)	0.95 (0.21)	0.97 (0.16)	0.97 (0.16)	0.97 (0.18)	0.95 (0.21)
Owens TV	0.29 (0.45)	0.29 (0.45)	0.29 (0.45)	0.37 (0.48)	0.30 (0.45)	0.31 (0.46)	0.27 (0.45)
Owens Refrigerator	0.05 (0.22)	0.05 (0.22)	0.05 (0.22)	0.07 (0.26)	0.05 (0.23)	0.05 (0.23)	0.02 (0.14)
Owens Motorcycle	0.07 (0.26)	0.08 (0.26)	0.07 (0.26)	0.14 (0.35)	0.1 (0.3)	0.08 (0.27)	0.05 (0.22)
Observations	3,249,920	1,640,162	1,609,759	3,615	21,598	7,928	2,422

\*Income is coded 1 to 5 using the following categories: less than 10,000 rp; 10,000 - 20,000 rp; 20,000 - 30,000 rp; 30,000 - 50,000 rp; and more than 50,000 rp.

\*\*Education is coded 0 to 5 using the following categories: illiterate; informal education; kindergarten - class 5; class 6 - 10; class 11 - 12; bachelor or higher.

Finally, after running the regression specified in the Model section of this report, we find that before and after controlling for education, being in an elite caste has little predictive power. Prediction power only increases marginally for ward-level races versus municipal-level races. Hence, the regression points towards a candidate selection mechanism that is closest to an inclusive meritocracy in which candidates are positively selected due to competence and representative of their constituents. The ‘elite’ coefficient, nonetheless, remains significant with fixed effects.

## Ward Elections

Dependent variable:	Candidate in Open Race (=1) x 100				
	(1)	(2)	(3)	(4)	(5)
Historically Elite Caste (=1)	0.030*** (0.006)	0.049*** (0.007)	0.047*** (0.007)	0.031*** (0.008)	0.024*** (0.008)
Female (=1)			-0.488*** (0.006)	-0.517*** (0.006)	-0.520*** (0.006)
Education (z-score)				0.055*** (0.003)	0.049*** (0.003)
Income (z-score)					0.047*** (0.004)
Constant	0.249*** (0.003)	0.243*** (0.003)	0.974*** (0.011)	1.047*** (0.012)	1.054*** (0.012)
# Observations	3,249,921	3,249,921	3,249,921	2,973,745	2,964,048
R-Squared	0.000	0.000	0.003	0.003	0.003
Mean in Population	0.258	0.258	0.258	0.282	0.283
FE	No	Yes	Yes	Yes	Yes
Assets	No	No	No	No	No

## Municipal Elections

Dependent variable:	Candidate in Open Race (=1) x 100				
	(1)	(2)	(3)	(4)	(5)
Historically Elite Caste (=1)	0.005*** (0.002)	0.006*** (0.002)	0.006*** (0.002)	0.004** (0.002)	0.003* (0.002)
Female (=1)			-0.028*** (0.001)	-0.028*** (0.001)	-0.028*** (0.001)
Education (z-score)				0.008*** (0.001)	0.008*** (0.001)
Income (z-score)					0.005*** (0.001)
Constant	0.014*** (0.001)	0.014*** (0.001)	0.056*** (0.003)	0.058*** (0.003)	0.059*** (0.003)
# Observations	3,249,921	3,249,921	3,249,921	2,973,745	2,964,048
R-Squared	0.000	0.000	0.000	0.000	0.000
Mean in Population	0.016	0.016	0.016	0.017	0.017
FE	No	Yes	Yes	Yes	Yes
Assets	No	No	No	No	No

Dependent variable:	Candidate in Open Race (=1) x 100						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Historically Elite Caste (=1)	0.049*** (0.007)	0.013* (0.008)					
Caste with Highest Education			0.045*** (0.010)	0.001 (0.010)			
Caste with Highest Income					0.039*** (0.010)	0.001 (0.011)	
Largest Caste							0.059*** (0.006)
Constant	0.243*** (0.003)	0.920*** (0.017)	0.250*** (0.003)	0.922*** (0.017)	0.250*** (0.003)	0.922*** (0.017)	0.221*** (0.005)
# Observations	3,249,921	2,964,048	3,249,921	2,964,048	3,249,921	2,964,048	3,249,921
R-Squared	0.000	0.003	0.000	0.003	0.000	0.003	0.001
Mean in Population	0.258	0.283	0.258	0.283	0.258	0.283	0.258
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Full Controls	No	Yes	No	Yes	No	Yes	No

## Policy Implications and Recommendations

This project will directly inform policy-making, motivate a larger research program in Nepal, and contribute to burgeoning academic literatures. Our research will require that we directly engage both with aspiring and active politicians, as well as the parties that support them. Our objectives are to understand how politicians are selected from the general population and their motivations for seeking office. In addition, we seek to understand how political parties scope and develop talent. This will require substantial collaboration both with politicians at the grass roots level and with political parties.

At present, a range of actors in Nepal are working to develop capacity-building programs for local politicians, including training programs, localized support systems, and other incentive interventions. Over the past year our study team has developed relationships with several of these organizations, including the three main political parties (Nepali Congress, Communist Party of Nepal (Unified Marxist-Leninist, and Communist Party of Nepal (Maoist Centre)), the National Planning Commission, the National Administrative and Staff College, and the Ministry of Women, Children and Social Welfare. Hence, we plan to work with these varied actors to identify a set of capacity-building programs targeted at local politicians with the particular aim of building their capacity to hasten reconstruction. Finally, our research will contribute to deepening our understanding of the links between local institutions and service delivery and begin to shed light on the capacity for decentralization to improve political stability.

## Conclusion

The main conclusions of our research so far maintain that Nepal is in the middle of a transition from monarchic rule to a highly decentralized federal system. Despite limited information on political selection in general, we know little about whether civil conflicts and political transitions expand political access.

As the devolution of power in Nepal seeks to expand political access in terms of representation, our findings also show that the new Federal system is effectively in place and that women are being represented at higher rates, albeit in less desirable posts. In addition, although competence seems to matter in the candidate selection process, the quota and reservation system makes it so that lower caste member - Dalits - are over-represented and are mainly represented by women.

Despite our suggestion that an inclusive meritocracy is currently underway at local-level open races in Nepal, it is relevant to highlight that vast underlying differences in education, income, and wealth, as well as persistent gender norms, remain as hurdles to a fully inclusive meritocracy.

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