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**Local Politics, Political Institutions, and
Public Resource Allocation**

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INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

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ABSTRACT

This paper examines how political institutions and local power structures interact with and influence local public resource allocation in the Indian state of Karnataka. We use data from 80 village councils and 225 villages to examine how this local political economy influences the allocation of public resources. Our empirical strategy exploits certain features of a policy that mandates representation for historically disadvantaged groups, including the Scheduled Castes (SC) and Scheduled Tribes (ST), in village councils. These features imply that representation is a nonlinear function of the demographic shares of these groups. Controlling for the latter allows us to identify the role of local power structures through the effect of social identities and the associated relative bargaining powers of different caste groups. We find that the design of political institutions matters to resource allocation. Although a formula-bound allocation of fiscal grants to the village councils was successfully implemented, the within-council allocation governed by a legislative voting process reveals severe targeting failures. Importantly, we find that these targeting failures reflect elements of elite capture. Villages represented by politicians belonging to the SCs and STs get fewer fiscal resources. We also find evidence that villages represented by the politically dominant castes are likely to get more resources. Taken together, these results suggest that the capture of decentralized institutions by the local elite skews public resource allocation. The results also suggest that the use of a formula might lead to a more equitable intervillage allocation of public resources.

Keywords: local government, institutions, elite capture, decentralization

1. INTRODUCTION

The prevailing wisdom on policies of decentralized provision of public goods suggests that the promises of greater accountability, quality, and distribution of public services rest on the nature of institutions that govern this delivery. These institutions of local government are typically situated in imperfect institutional environments that render them vulnerable to elite capture. Hence it is important to understand both the political economy that underlies these institutions of local governance, and how local power hierarchies shape the forces of local politics that influence the distribution or allocation of resources. In this paper, we evaluate how local power structures influence the functioning of two institutions that shape local public resource allocation in the South Indian state of Karnataka: a formula-based system of intergovernmental fiscal transfers to the village council¹ or gram panchayat (GP), and a legislature-based voting system at the level of the GP. Though a set of rules defines the operation of both institutions, these rules are set in an institutional environment wherein the structure of the local governments and the bargaining power of the politicians who belong to these governments could skew the allocation of resources. This bargaining power in turn varies across disadvantaged and elite social groups and defines local power hierarchies.

While much attention has been paid to evaluating the decentralization reforms in India, the impact of the reforms on distribution of resources, and the role of power hierarchies in shaping this allocation, have not been systematically studied. Besley, Pande, and Rao (2007,2004) find that the president of the GP enjoys agenda-setting power, and that the villages represented by the president get the lion's share of resources. However, their characterization of the political economy ignores the intervillage bargaining process that takes place within the GP. This bargaining process is critical to the local public resource allocation and is embedded in local power hierarchies. While the president of the GP does enjoy *de jure* agenda-setting power, the process of intervillage resource allocation might just as well be dominated by a village councilor who is part of the local elite. Or it could equally be the case that the president is lobbied for resources by other village councilors, each of whom has different bargaining powers depending on the social or caste group that they belong to. Hence, the *de facto* agenda-setting power of the president depends on the composition of caste groups within the GP that she presides over.

A representation of local politics that excludes this bargaining process and its concomitant power hierarchies is therefore incomplete. Bardhan and Mookherjee (2006) study the allocation of resources across village councils and find evidence of inequalities in this allocation. However, they use village-level measures of capture that are correlated with elite capture such as poverty, rather than direct measures of bargaining power of legislators. Any inference on the role of local power hierarchies therefore relies on a revealed preference approach. Although this suggests that power structures matter to village governance, there is no evidence on how such hierarchies influence the working of formal political institutions that are central to policies of decentralization. This paper presents empirical evidence on how local power interacts with and influences the functioning of political institutions that allocate public resources.

We exploit a policy of mandated representation in village councils to identify the effects of power hierarchies, and we identify public resource allocation through the fiscal resources received by the GP and its constituent villages.² Specifically, the former policy allows us to identify the bargaining powers of both the disadvantaged caste groups and that of the local elite

¹A village council is a body of elected legislators, each of whom represents a village. A typical village council has 10–15 such legislators.

²In most other papers, the allocation of resources is identified through policy activism of local governments. However, such activism may capture the effect of several factors, including the individual characteristics of the legislator. Access to resources, the central measure of distribution of public resource allocation, is only one factor that might determine such activism.

and allows us to examine how these differential powers influence local public resource allocation. Our results suggest that the power of an elite caste group, the Other Backward Castes (OBCs), distorts the intervillage allocation of resources. Although this caste group is at the center of rural power structures and politics in contemporary South India,³ it has received no attention in the several studies of local politics and decentralization in South India. We find that the process of intergovernmental transfers governed by a formula is successfully implemented. Although fiscal resources devolved to the village council follow the stipulated formula, the intervillage allocation of resources reveals severe inequalities. Villages represented by councilors belonging to disadvantaged castes receive fewer fiscal resources relative to those represented by councilors from the local elite OBCs. In addition, we also find that villages represented by politicians from the politically dominant castes, and GPs with a higher share of these councilors, receive more resources.

The rest of the paper is organized as follows: Section 2 presents details about the institutional context. Sections 3, 4, and 5 describe the data, empirical strategy, and results. Section 6 provides the conclusion and discussion.

³See Beteille 1961 for Tamilnadu, Manor 2007 for Karnataka, and Varshney 2000

2. INSTITUTIONAL CONTEXT

The 1992 amendment to the Indian Constitution transferred responsibility for the delivery of several public goods and services to a three-tier local government, collectively called the Panchayati Raj Institutions (PRI). The upper tiers of this government were defined at the level of the district (zilla panchayat, or ZP) and the block (taluk panchayat, or TP). The third tier, the GP, was defined at the level of a group of villages. The GP typically comprises several villages, each of which has an elected village representative or councilor. Each GP also has a president who is elected either by the other village councilors or by popular vote of all eligible voters within the GP. The method of selection of the president, the division of the responsibility for service provisions across the three tiers, and design of the decentralization reform itself was left to the discretion of the Indian states. In an overwhelming majority of the states, the *de facto* implementation of this reform has been through the devolution of programs, rather than through the devolution of responsibility of specific services. This program-based decentralization has typically involved an unbundling of activities. This in turn has defined a division in the responsibilities for the distribution of funds, planning, and the implementation of programs among the three tiers of local government.

We focus on one program devolved to the PRI in the state of Karnataka, the Sampoorna Grameen Rozgar Yojana (SGRY). This program, which aims to create wage employment and durable community infrastructure in rural India, is the largest and only universal decentralized program of public goods provision implemented through the PRI in the state of Karnataka. In 2004–2005, the state spent Rs 2.63 billion (US\$53 million) on this program, representing a 57 percent increase from 2001. This spending also represents a considerable share of the total finances received by the GPs, with the share ranging from 27 percent to 35 percent in our sample. Under this program, the ZP and the TP have two distinct mandates: to plan and implement programs at the village level with 50 percent of the total SGRY resources received by the district, and to devolve the remaining half of the resources to the GP. The devolution of funds to the GPs is governed by a formula that gives 50 percent weight each to the total population of the GP and to the demographic share of the SC and ST caste groups in the GP.⁴ The GP then decides how to allocate these funds among its constituent villages, and the decision is subject to being approved by the all the councilors in a vote.

The 1993 amendment also put in place a policy of mandated political representation for historically disadvantaged castes. Under this policy, a certain share of the total TP, ZP, and GP seats and presidencies would be reserved for the councilors from these castes. As with the decentralization reform itself, the Indian states were allowed discretion in the implementation of this policy. Discretion was allowed on three key aspects. First, while the reservation rules for village council seats mandated that this reservation reflect the demographic share of these groups in the panchayat area, states could choose to define this area to be the ZP, TP, or GP. Second, states were allowed to choose the manner in which to allocate this reservation across GPs. Third, states could choose whether or not to reserve council seats and presidencies for another caste group, the OBCs (Government of India 1992). The policy of mandated representation therefore extends reservations to an umbrella category of historically disadvantaged caste groups, which includes the SCs, the STs, and the OBCs. The OBCs, however, are different from the other two groups. The OBCs are characterized by a sharp distinction between the backward among the OBCs and the other OBCs, with the latter comprising powerful social groups also known as the dominant castes.⁵ Although all dominant castes are not deemed to belong to the OBC category,

⁴This formula contains two additional mandates: that each GP should receive with a minimum of 25,000 Rs, and that half of the funds received by GPs should be spent on infrastructure that benefits the SC and ST caste groups.

⁵The notion of "dominant castes" was coined to specify those groups that in a ritualistic or formal sense of the all-India caste hierarchy have been termed lower castes, but the ritualistic usage of the term is vacuous because these

there are some intersections (Varshney 2000, Beteille 2002). The reservation policy adopted in Karnataka includes one such intersection between the dominant castes and the OBC, and this provides us with an opportunity to identify the influence of the local elite.

The form of the reservation policy adopted by the state of Karnataka is as follows. Reservation at the level of the GP reflects the demographic share of the SCs and STs within the GP, and the proportion of villages within the GP to be reserved (henceforth called *reserved seats*) for members of the OBC castes is fixed at one-third. Given that the OBCs are a heterogeneous social group, this reservation is divided into two subcategories: one for the politically dominant, or OBC “B,” groups⁶; and the other for the backward OBC “A” castes. The reserved OBC seats are then split between these OBC “A” and OBC “B” categories in a 4:1 ratio. The SC and ST reservation is allocated using an ordered list, where all villages within the GP are listed in descending order of their demographic SC and ST shares. A rotation rule that stipulates that the same village cannot be reserved in two consecutive elections is also in place. Taken together, this implies that the first round of elections reserved those villages where the SC and ST castes had their largest demographic presence, and that with every subsequent election the councils that were to be reserved moved lower down the ordered list to villages where these groups have a lower demographic share. There is also an order in which the reservation for each category is chosen. The seats to be reserved for STs are picked first, followed by the seats for the SCs. The seats for OBC “A” and OBC “B” then follow, with rotation being the key principle guiding this allocation. The villages not chosen to be reserved under these multilevel reservations are then the unreserved seats. One-third of each of these categories, both reserved and unreserved, are then reserved for women. These seats are once again chosen using the rotation principle (Government of Karnataka 1993,1998). Two elements of this policy allow us to identify power hierarchies: that of the reservation for the disadvantaged castes, along with the reservation for politically dominant castes. As pointed out earlier, the OBC category does not overlap entirely with that of the dominant castes, but there are intersections. Notably, the OBC “B” category in Karnataka is made up almost entirely of politically dominant castes—the Vokkaligas and the Lingayats.⁷

groups have historically been substantial landowners and rather powerful in their local or regional settings.

⁶The OBC “B” group also includes reservations for religious minorities.

⁷Although in principle this category also includes religious minorities (i.e., Muslims and Jains), in our sample only Vokkaligas and Lingayats are elected on these OBC “B” reserved seats. Moreover, these religious minorities do not have a substantial presence either in rural Karnataka or in our sample of 240 villages.

3. DATA

Our data come from a survey conducted by the IFPRI and the Institute for Social and Economic Change in September 2006 in the state of Karnataka. Karnataka was chosen for its status as a forerunner in strengthening devolution to the PRI. Additionally, since Karnataka has devolved funds for various programs including the SGRY to the GP, a key area of focus in the survey was on collecting detailed income and expenditure data for each of these programs.

The survey covered 80 GPs in 12 districts. Three districts were randomly drawn from each of the four administrative divisions of Karnataka, and the 80 GPs were randomly chosen from these districts. Within each GP, up to 3 villages were randomly chosen, giving us a total of 225 villages. In 110 of the 225 villages, a total of 966 household surveys were also conducted in this survey. In addition to the household survey module, three other modules compiled information on GP activities and finances, on the political background of GP councilors, and on the facilities (infrastructure) available at the level of the village.

The GP module includes detailed GP income and expenditure accounts for the year 2005–2006. For grants received from the central and state governments, our data record the income and expenditures under each of these grants, and match these expenditures to the different activities undertaken. For the SGRY, we have information on income or funds received by the GP, and expenditures taken out of these funds. We also have a detailed breakdown of the different kinds of goods provided from these expenditures. This allows us, for example, to separate the SGRY expenditures into those spent on roads, drainage, building, and repairing schools and bridges. Because each GP has more than one village, our survey also collected village-level expenditure data. These data include information on the expenditures for various activities implemented in the village, and the source of funds, that is, whether it was from the SGRY program or from other programs or funds devolved from the GP to its constituent villages. The GP module also includes information on a variety of GP characteristics that may determine public resource allocation from higher tiers of government to the GP. This includes information on the reservation status of the GP president's seat and the number of seats reserved for the SCs, STs, OBCs, and women. The latter allows us to measure the composition of the GP in terms of the various caste groups. For each elected member of the GP, we have detailed information on characteristics that may influence their bargaining power. This includes information on their caste identity, education, and gender, and on whether they were elected unopposed. We also have information on whether a member of Legislative Assembly (MLA), a member of Parliament (MP), or a ZP or TP member lives in the GP. This is supplemented by census population estimates from the 2001 census for each GP in our sample. Table 1 presents the descriptive statistics for GP characteristics, GP SGRY funds received or SGRY income, and GP expenditure under SGRY for the year 2005–2006.

Table 1. Descriptive statistics—Gram Panchayats

| Variable | Mean | Std. Dev. |
|--|-----------|-----------|
| GP population | 5885.16 | 3110.99 |
| GP SC population | 1099.05 | 786.45 |
| GP ST population | 290.29 | 480.10 |
| Number of wards in the GP | 15.38 | 7.71 |
| Number of GP seats reserved for SC | 3.30 | 2.09 |
| Number of GP seats reserved for ST | 1.20 | 1.22 |
| Number of GP seats reserved for BC | 6.16 | 4.09 |
| Number of GP seats reserved for women | 5.91 | 2.52 |
| GP president seat reserved dummy | 0.71 | 0.46 |
| GP president seat reserved for SC/ST dummy | 0.23 | 0.42 |
| GP president seat reserved for women dummy | 0.23 | 0.42 |
| Number of OBC elected to the GP | 9.61 | 6.26 |
| Average Number of ward members elected unopposed | 4.09 | 4.65 |
| Number of counselors with high school or higher level of education | 6.65 | 4.25 |
| Dummy for MLA/MP/ZP/TP member residing in GP | 0.56 | 0.50 |
| GP SGRY income (Rs) | 286223.60 | 170352.80 |
| GP SGRY expenditure (Rs) | 327128.30 | 480291.60 |
| SGRY expenditure on roads and drainage (Rs) | 53450.16 | 50556.95 |
| SGRY expenditure on drinking water (Rs) | 12224.54 | 25075.33 |
| SGRY expenditure on administrative expenses (Rs) | 2681.86 | 3436.27 |
| Share of SGRY expenditure on roads and drainage | 0.209 | 0.164 |
| Share of SGRY expenditure on school repairs | 0.062 | 0.104 |
| Share of SGRY expenditure on drinking water | 0.041 | 0.069 |
| Proportion of SGRY income spent on works in SC/ST colonies | 0.402 | 0.162 |
| Proportion of SGRY expenditure spent on works in SC/ST colonies | 0.418 | 0.179 |
| Number of observations | | 80 |

For the villages in our sample, we collected information on the SGRY expenditures incurred and on the purposes for these expenditures. Since the SGRY is an employment-generation program, we also collected data on the number of households who benefited from the expenditures of this program. Finally, our module on the GP members or elected councilors collected information on the characteristics of these councilors that may influence their ability to lobby for resources from the GP. This includes information on the reservation status of the village councilor, on her political background, and on whether the village is represented by the GP president. This data also includes variables that are correlated with measures of elite capture, such as the land owned by the village councilor and whether she belongs to one of the dominant OBC castes. Table 2 shows summary statistics for the village-level data for the year 2005–2006.

Table 2. Descriptive statistics—Villages

| Variable | Mean | Std. Dev. |
|--|-------------|------------------|
| Village population | 1400.36 | 2234.7 |
| Village SC population | 251.48 | 432.82 |
| Village ST population | 68.68 | 218.79 |
| Village represented by SC reserved member | 0.3 | 0.459 |
| Village represented by ST reserved member | 0.076 | 0.266 |
| Village represented by OBC-A reserved member | 0.242 | 0.429 |
| Village represented by OBC-B reserved member | 0.161 | 0.369 |
| Village represented by OBC reserved member | 0.404 | 0.492 |
| Village represented by woman reserved member | 0.43 | 0.496 |
| GP president village dummy | 0.197 | 0.399 |
| Village represented by SC/ST reserved GP president | 0.256 | 0.437 |
| Village SC/ST hamlet dummy | 0.538 | 0.5 |
| Land owned by village councillor | 5.33 | 9.34 |
| Village represented by member of OBC dominant castes | 0.3 | 0.459 |
| GP population | 5671.59 | 2734.13 |
| GP SC populaiton | 1053.81 | 735.44 |
| GP ST population | 278.62 | 457.76 |
| Number of wards in the GP | 14.9 | 6.82 |
| Number of GP seats reserved for SC | 3.16 | 1.91 |
| Number of GP seats reserved for ST | 1.18 | 1.13 |
| Number of GP seats reserved for women | 5.8 | 2.24 |
| Village SGRY expenditure (Rs) | 77564.82 | 153067.6 |
| Share of village expenditure to benefit SC/ST | 0.141 | 0.331 |
| Number of households who are SGRY beneficiaries | 45 | 93.84 |
| Proportion of households who are SGRY beneficiaries | 0.008 | 0.016 |
| Number of observations | | 225 |

4. EMPIRICAL STRATEGY

We estimate two sets of regressions in order to examine the link between local politics and the allocation of public resources. Each regression focuses on one of two political institutions: the formula-based mechanism that allocates resources across GPs, and the voting-based mechanism that determines the intervillage allocation of resources, or the allocation within GPs. The first set, which is estimated at the level of the GP, examines the determinants of GP SGRY income, or funds received by the GP under the SGRY program, and GP SGRY expenditures, or the funds spent from the resources so received. The second set of regressions, which is estimated at the level of the village, examines the determinants of intervillage allocation of fiscal resources. The SGRY program also stipulates a formula for the devolution of resources to the GPs. Under this formula, the amount of fiscal resources that a GP receives depends on the size of the GP's total population, its SC and ST populations, and the amount of SGRY funds devolved to the district to which the GP belongs. Deviations from the formula could potentially be explained by the ability of the GP and its constituent councilors to lobby for resources over and above what is stipulated by the formula. In particular, the composition of the GP may matter, as well as the characteristics of its councilors. The absence of a formula governing the intervillage allocation of SGRY resources, on the other hand, allows for greater leeway for individual village councilors to influence this allocation. Bargaining power therefore is potentially critical to the latter.

We identify the effect of the composition of GPs and the bargaining power of village councilors through the effect of the mandated representation policy that guarantees seats in GPs for members of disadvantaged groups. As pointed out earlier, this policy of reservation varies by social group and depends only on the census estimates of SC and ST populations. Thus, our empirical strategy controls for the variable that causes reservation, and as a result, we can identify the causal impact of the composition of GPs that is determined by reservations among various groups. The composition of the GP is measured by the proportion of reserved seats for various social groups, including minorities, women, and other politically dominant castes within the GP. This allows us to make inferences on whether GPs that have a larger share of disadvantaged caste groups are likely to be at a disadvantage in the resources that they receive from the ZP/TP, and if the identity of the GP president matters similarly to fiscal resource allocation. The effect of village-level reservations is identified by controlling for the within-GP variation in village census population shares. Controlling for these shares, the induced caste or gender identity of the village councilor allows us to make causal inferences.

Our estimation also controls for other variables that are potentially correlated with elite capture, such as the land ownership and the political competition faced by councilors.

Since members of the dominant castes also get elected on unreserved seats, we also include a dummy variable for whether the village councilor belongs to one of the dominant castes in the village regressions, and related measures in the GP regressions. Inferences about the influence of the dominant caste are not causal; however, they may point to the influence of local elites or indicate that there is something about villages and GPs that elect these dominant castes that is correlated with the ability to get more fiscal resources.

Summing up, our GP regressions estimate the following specifications:

$$y_g = \alpha + \delta \text{District} + \beta P_g + \gamma R_g + \nu S_g + \varepsilon_g$$

and

$$y_g = \lambda + \mu \text{District} + \pi P_g + \rho R_g + \tau S_g + \chi X_g + v_g$$

where y_g are measures of the income received from the SGRY program and expenditures incurred from these funds by GPs in the year 2005–2006; District is a full set of district dummies; P_g is a vector of GP-level population measures from the 2001 census; R_g is a vector of reservation

measures, such as the number of seats reserved for SCs, STs, OBCs, and women; S_g is the total number of seats or wards in the GP; and X_g is a vector of GP-level measures of elite capture that may be correlated with the amount of SGRY income and the pattern of expenditure. We also present estimations using log specifications for SGRY income and one-expenditure variables. In each of the above specifications, our coefficient vectors of interest are the estimated coefficients on the GP population variables, which relate to the effect of the formula for devolution, the reservation-induced caste and gender variables, and the coefficients on measures correlated with elite capture, which relate to the role of local power relations.

At the village level, we estimate:

$$y_{vg} = \phi + \delta GP + \beta P_v + \gamma R_v + \varepsilon_{vg}$$

and

$$y_{vg} = \psi + \mu GP + \pi P_v + \rho R_v + \tau S_v + \chi X_v + u_{vg}$$

where y_{vg} represents village-level SGRY expenditure, GP is a full set of GP dummies, P_v is a vector of village census population measures, R_v is a vector of dummies indicating the reservation status of the village representative, and X_v is a vector of village-level variables correlated with capture. The latter include variables that capture whether the village is represented by a member of the dominant caste, the councilor's land holdings, and whether the councilor was elected unopposed. Since village-level SGRY expenditures are all nonnegative, with some clustering of observations at zero, we also present Tobit estimates of the above specifications treating village SGRY expenditures as corner solution outcomes instead of log specifications for expenditures.

We also run another set of specifications for the village regressions to examine the influence of GP composition on village SGRY expenditures. This specification includes district dummies instead of GP dummies, and includes measures of reservation at the GP level, GP census population measures, and the number of seats in the GP. Note that the identification of the effect of reservation at both the GP and village levels is valid in this specification, because it also includes the relevant population estimates.

$$y_{vg} = \alpha + \beta \text{District} + \gamma P_v + \delta P_g + \zeta R_v + \theta R_g + \sigma S_g + \eta_{vg}$$

and

$$y_{vg} = \kappa + \lambda \text{District} + \mu P_v + \nu P_g + \xi R_v + \pi R_g + \rho S_g + \phi X_v + \omega_{vg}$$

where y_{vg} represents village-level SGRY expenditure; District is a full set of district dummies; P_v and P_g are vectors of village and GP census population measures, R_v and R_g are vectors of dummies indicating the reservation status of the village councilor and the reservation-induced composition of the GP; S_g is the number of seats in the GP; and X_v is a vector of village-level variables correlated with capture, including whether the village is represented by a member of the dominant caste, the councilor's land holdings, and whether the councilor was elected unopposed. Again, we also present Tobit estimates of these specifications.

Finally, we also regress the share of SGRY expenditures in each village spent on SC/ST households and the number of SGRY beneficiaries in each village on the independent variables above. In each of the above specifications, our coefficient vectors of interest are the coefficients on village population measures, the caste and gender variables, and on measures correlated with elite capture, where the latter two sets of variables measure the relative bargaining ability of the village councilor.

5. RESULTS

GP Results

The first set of regressions estimates the effect of GP composition on GP SGRY income and GP SGRY expenditures. In each of these regressions, columns 1 and 2 include as explanatory variables GP census population estimates, the number of seats reserved for SCs, STs, and OBCs, as well as a dummy variable indicating whether the GP president's seat is reserved for SC or ST. Columns 3 and 4 examine the effect of women's reservation and the GP president reservation variable while controlling for census population shares. We estimate the effect of women's reservation separately from reservation for SC, ST, and OBC in order to estimate the average effect for the latter groups, irrespective of whether these seats are reserved for men or women. Columns 2 and 4 also include variables that may be correlated with capture at the GP level or may measure the ability of the GP to lobby for resources from higher levels of government.

In Tables 3 and 4 GP SGRY income is the dependent variable. The results in Table 3 show that the variables that determine the formula—GP population measures, and district dummies—explain most of the variation in GP SGRY incomes. The only other variable that is correlated with SGRY income is the number of OBCs elected to the GP. Controlling for OBC reservations in the GP, this may be interpreted as the number of OBCs in the GP elected on unreserved seats. Although this relationship cannot be interpreted as causal, it indicates that GPs that elect more OBCs on unreserved seats may be more likely to influence resource allocation in their favor. Note that while the effect of SC reservation is not significant, the magnitude of the effect is not small. Table 4 presents the same regressions using a log specification for GP SGRY incomes. Our results still hold with this specification.

Table 3. GP composition and GP SGRY income

| | (1) | (2) | (3) | (4) |
|------------------------------------|----------------|------------|------------|------------|
| | GP SGRY income | | | |
| GP population | 21.71* | 2.52 | 20.42*** | 8.08 |
| | (10.25) | (12.38) | (4.94) | (9.78) |
| GP SC population | 40.80 | 47.67 | 77.74*** | 95.31*** |
| | (59.01) | (59.66) | (21.56) | (25.27) |
| GP ST population | 1.88 | 28.88 | 2.54 | 17.32 |
| | (68.92) | (62.28) | (36.78) | (38.04) |
| No. seats reserved for SC in GP | 15524.73 | 23385.81 | | |
| | (19269.34) | (21357.21) | | |
| No. seats reserved for ST in GP | 2041.97 | 96.52 | | |
| | (28588.11) | (24659.22) | | |
| No. seats reserved for BC in GP | 3520.84 | 3308.22 | | |
| | (6056.49) | (6571.32) | | |
| GP president reserved for SC/ST | -17998.19 | -17949.97 | -18024.51 | -18478.30 |
| | (35765.35) | (33433.02) | (35100.13) | (34996.56) |
| No. OBC in GP | | 10386.59* | | 6471.38 |
| | | (5501.83) | | (5521.86) |
| No. elected unopposed | | -2665.65 | | -1626.35 |
| | | (3299.48) | | (3658.82) |
| No. high school or higher educated | | -3418.90 | | -917.49 |
| | | (5691.27) | | (5912.64) |
| MLA/MP or ZP/TP member lives in GP | | 6744.76 | | 684.81 |
| | | (31375.02) | | (29731.59) |
| No. seats reserved for women in GP | | | 7157.40 | 5196.88 |
| | | | (6287.24) | (7415.75) |

Table 3. Continued

| | (1) | (2) | (3) | (4) |
|------------------|----------------|------|------|------|
| | GP SGRY income | | | |
| District dummies | Yes | Yes | Yes | Yes |
| Observations | 79 | 79 | 79 | 79 |
| R-squared | 0.75 | 0.76 | 0.74 | 0.74 |

Notes: Robust standard errors in parentheses, clustered at the district level; Regressions include a constant term.

* significant at 10%; *** significant at 1%

Table 4. GP composition and log GP SGRY income

| | (1) | (2) | (3) | (4) |
|------------------------------------|-----------------------|-------------------|--------------------|---------------------|
| | Log of GP SGRY income | | | |
| GP population (in thousands) | 0.084** (0.035) | 0.036 (0.061) | 0.078** (0.032) | 0.040 (0.062) |
| GP SC population (in thousands) | 0.295 (0.210) | 0.308 (0.221) | 0.265** (0.093) | 0.333*** (0.089) |
| GP ST population (in thousands) | 0.058 (0.226) | 0.083 (0.191) | 0.033 (0.106) | 0.090 (0.115) |
| No. seats reserved for SC in GP | -0.014 (0.061) | 0.008 (0.073) | | |
| No. seats reserved for ST in GP | -0.011 (0.092) | 0.001 (0.072) | | |
| No. seats reserved for BC in GP | -0.009 (0.024) | -0.002 (0.021) | | |
| GP president reserved for SC/ST | 0.018 (0.159) | 0.010 (0.146) | 0.013 (0.150) | 0.012 (0.149) |
| No. OBC in GP | | 0.028 (0.024) | | 0.028 (0.020) |
| No. elected unopposed | | -0.006 (0.009) | | -0.006 (0.010) |
| No. high school or higher educated | | -0.023 (0.018) | | -0.022 (0.018) |
| MLA/MP or ZP/TP member lives in GP | | 0.101 (0.108) | | 0.102 (0.105) |
| No. seats reserved for women in GP | | | -0.008 (0.033) | -0.011 (0.028) |
| District dummies | Yes | Yes | Yes | Yes |
| Observations | 79 | 79 | 79 | 79 |
| R-squared | 0.74 | 0.75 | 0.74 | 0.75 |

Notes: Robust standard errors in parentheses, clustered at the district level; Regressions include a constant term.

** significant at 5%; *** significant at 1%

In Tables 5 and 6, we examine the effect of the composition of the GP on SGRY expenditures. The results show that variation in SGRY expenditures at the level of the GP is not significantly influenced by the composition of the GP or by most of the variables correlated with the bargaining power of elites. However, in many cases, these coefficients are large in magnitude relative to average SGRY expenditure amounts.

Table 5. GP composition and GP SGRY expenditures

| | (1) | (2) | (3) | (4) |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | GP SGRY expenditure (Rs) | | | |
| GP population | -18.99 (47.70) | -38.74 (61.22) | 32.67* (16.69) | 25.75 (32.83) |
| GP SC population | 147.85 (103.69) | 124.00 (132.07) | 21.28 (83.31) | 127.09** (55.76) |
| GP ST population | 93.36 (165.96) | 210.29 (255.33) | 20.73 (43.32) | 87.57 (122.18) |
| No. seats reserved for SC in GP | -42449.98 (50196.44) | 9398.06 (35218.68) | | |
| No. seats reserved for ST in GP | -62494.48 (69722.59) | -75983.03 (88002.38) | | |
| No. seats reserved for BC in GP | 48357.95 (50091.91) | 39980.44 (44298.27) | | |
| Pradhan reserved for SC/ST | -159213.50 (146346.99) | -139500.24 (141727.23) | -163172.36 (173383.28) | -147358.99 (166364.42) |
| No. OBC in GP | | 38885.40 (33496.35) | | 32345.95 (32176.75) |
| No. elected unopposed | | -16012.98 (17443.95) | | -15234.32 (17278.67) |
| No. high school or higher educated | | -43332.67 (44410.27) | | -40428.56 (42864.79) |
| MLA/MP or ZP/TP member lives in GP | | -67758.58 (70299.73) | | -145874.71 (154218.63) |
| No. seats reserved for women in GP | | | -383.69 (13004.28) | -15146.95 (28175.15) |
| District dummies | Yes | Yes | Yes | Yes |
| Observations | 79 | 79 | 79 | 79 |
| R-squared | 0.32 | 0.36 | 0.26 | 0.32 |

Notes: Robust standard errors in parentheses, clustered at the district level. Regressions include a constant term.

* significant at 10%; ** significant at 5%;

Table 6. GP composition and log of GP SGRY expenditures

| | (1) | (2) | (3) | (4) |
|---------------------------------|-----------------------------|-------------------|--------------------|---------------------|
| | Log of GP SGRY Expenditures | | | |
| GP population (in thousands) | 0.059 (0.048) | -0.008 (0.063) | 0.084** (0.029) | 0.034 (0.061) |
| GP SC population (in thousands) | 0.379 (0.221) | 0.376 (0.261) | 0.256** (0.114) | 0.406*** (0.093) |
| GP ST population (in thousands) | 0.246 (0.337) | 0.367 (0.341) | 0.165 (0.137) | 0.278* (0.149) |
| No. seats reserved for SC in GP | -0.047 (0.061) | 0.015 (0.082) | | |
| No. seats reserved for ST in GP | -0.055 (0.112) | -0.054 (0.106) | | |

Table 6. Continued

| | (1) | (2) | (3) | (4) |
|------------------------------------|-----------------------------|-------------------|-------------------|--------------------|
| | Log of GP SGRY Expenditures | | | |
| No. seats reserved for BC in GP | 0.020 (0.044) | 0.021 (0.038) | | |
| GP president reserved for SC/ST | -0.110 (0.214) | -0.104 (0.215) | -0.120 (0.231) | -0.111 (0.241) |
| No. OBC in GP | | 0.059* (0.031) | | 0.055** (0.024) |
| No. elected unopposed | | -0.017 (0.014) | | -0.016 (0.013) |
| No. high school or higher educated | | -0.055 (0.039) | | -0.052 (0.034) |
| MLA/MP or ZP/TP member lives in GP | | 0.047 (0.111) | | 0.005 (0.147) |
| No. seats reserved for women in GP | | | -0.009 (0.022) | -0.022 (0.022) |
| District dummies | Yes | Yes | Yes | Yes |
| Observations | 79 | 79 | 79 | 79 |
| R-squared | 0.65 | 0.69 | 0.65 | 0.68 |

Notes: Robust standard errors in parentheses, clustered at the district level; Regressions include a constant term.
* significant at 10%; ** significant at 5%; *** significant at 1%

Village Results

At the village level the main dependent variable of interest is village SGRY expenditures. In each table, columns 1 and 2 report specifications that include GP dummies. In addition to village-level reservation variables, each column includes dummies for whether the village is the GP president's village and whether the GP president's position is reserved for SCs or STs, as well as village census population shares. Column 2 also includes variables that may be correlated with stronger bargaining ability of the village councilor in the GP and a dummy for whether the village has a separate SC or ST hamlet. Columns 3 and 4 present an alternative specification, which includes district dummies, and GP composition variables that may influence SGRY spending in the village.

Table 7 reports our results on the effect of village bargaining power on village-level SGRY expenditures. Columns 1 and 3 show that in each specification, the average effect of being represented by either an SC or ST reserved councilor is negative and significant. When variables that may be correlated with superior bargaining power are included (see columns 2 and 4), the only variable significantly correlated with greater SGRY expenditure is the dummy variable, indicating that the village is represented by a councilor of the OBC dominant castes. This suggests that SC and ST councilors elected from reserved seats may perform worse in relation to everyone else, but not when compared with councilors who do not belong to the dominant castes. Columns 3 and 4 also indicate that GPs represented by more SCs spend less on villages within the GP. We also present Tobit estimates in Table 8, and our results do not change. Columns 2 and 4 show that another variable associated with elite capture, that is, whether the village councilor was elected unopposed, is also positively correlated with greater SGRY expenditure in the village. They also suggest that villages with an SC/ST hamlet may be more likely to get more SGRY funds.

Table 7. Village bargaining power and SGRY expenditures

| | (1) | (2) | (3) | (4) |
|---|---------------------------------------|---------------------------|----------------------------|---------------------------|
| | SGRY expenditures in the village (Rs) | | | |
| Village represented by SC reserved member | -48,104.10* (28,701.81) | -14,862.50 (32,126.17) | -52630.16** (25055.06) | -13174.88 (24825.49) |
| Village represented by ST reserved member | -127,161.69** (60,463.24) | -87,577.99 (68,184.89) | -105590.93** (44880.65) | -75333.51 (45787.10) |
| Village represented by OBC reserved member | -37,608.31 (33,254.13) | -33,462.41 (40,201.35) | -53824.22* (31266.31) | -48703.45 (33193.44) |
| Village represented by woman reserved member | -18,543.26 (23,832.22) | 6,981.79 (30,668.22) | -32927.14 (23553.25) | -14199.21 (23755.74) |
| Village population | 4.19 (6.91) | 4.18 (6.73) | 15.81 (17.49) | 15.73 (16.03) |
| Village SC population | -59.87 (68.46) | -66.73 (74.52) | 1.92 (71.77) | -16.80 (67.69) |
| Village ST population | -2.86 (36.04) | -29.37 (54.85) | -198.09 (137.02) | -182.92 (135.89) |
| Village represented by member of OBC dominant caste | | 48,021.55* (25,552.96) | | 53666.50*** (18773.26) |
| Village represented by member elected unopposed | | 39,442.39 (44,849.32) | | 48708.93 (29785.68) |
| Land owned by village representative | | 333.37 (793.74) | | 1017.37 (1054.24) |
| SC/ST hamlet dummy | | 47,951.68 (39,867.39) | | 28811.20 (21815.93) |
| No. seats reserved for SC in GP | | | -28491.63* (16013.79) | -26039.41 (15859.09) |
| No. seats reserved for ST in GP | | | 9347.68 (15884.54) | 5852.39 (16319.13) |
| No. seats reserved for women in GP | | | 14773.3 (12911) | 15898.73 (12924.76) |
| GP number of wards covered | | | 4398.82 (13639.53) | 2696.46 (14964.05) |
| GP population | | | -26.15 (33.65) | -22.01 (36.90) |
| GP SC population | | | 80.52* (44.04) | 78.54* (42.46) |
| GP ST population | | | 25.57 (53.61) | 28.78 (56.48) |
| GP dummies | Yes | Yes | No | No |
| District dummies | No | No | Yes | Yes |
| Observations | 199 | 196 | 196 | 196 |
| R-squared | 0.69 | 0.73 | 0.19 | 0.24 |

Notes: Robust standard errors in parentheses, clustered at the district level; Regressions include a constant term, and dummies for the GP president's village and GP president reserved for SC/ST.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 8. Tobit estimates: Village bargaining power and SGRY expenditures

| | (1) | (2) | (3) | (4) |
|---|--------------------------|---------------------------|----------------------------|---------------------------|
| Tobit estimates: SGRY expenditure in the village (Rs) | | | | |
| Marginal effects based on the fitted values calculates at the means of the regressors | | | | |
| Village represented by SC reserved member | -40055.42* (20887.39) | -20779.14 (22801.53) | -54003.41* (28756.13) | -24600.80 (30981.73) |
| Village represented by ST reserved member | -55635.46* (31689.19) | -47973.09 (31868.70) | -70901.69 (44226.58) | -56493.21 (44445.29) |
| Village represented by OBC reserved member | -17683.90 (17194.56) | -17917.02 (16748.69) | -36235.74 (22677.10) | -32092.88 (22554.37) |
| Village represented by woman reserved member | -13836.64 (14831.90) | 7279.27 (15038.58) | -21316.50 (20362.34) | -4542.91 (20794.54) |
| Village population | 2.98 (4.68) | 3.10 (4.44) | 8.57 (6.55) | 8.61 (6.41) |
| Village SC population | -35.13 (26.16) | -44.21* (25.51) | 10.80 (35.62) | -6.31 (35.61) |
| Village ST population | -27.67 (54.26) | -51.75 (52.39) | -165.40*** (62.71) | -155.32** (61.67) |
| Village represented by member of OBC dominant caste | | 41265.75*** (15571.89) | | 49833.80** (19782.29) |
| Village represented by member elected unopposed | | 25619.21** (12892.30) | | 35502.62** (16305.58) |
| Land owned by village representative | | 249.83 (592.94) | | 719.55 (818.14) |
| SC/ST hamlet dummy | | 50011.00*** (15230.83) | | 32878.35* (16890.46) |
| No. seats reserved for SC in GP | | | -31849.35*** (11984.90) | -30271.88** (11964.52) |
| No. seats reserved for ST in GP | | | 9000.23 (15879.32) | 6165.22 (15533.22) |
| No. seats reserved for women in GP | | | 7124.29 (7738.57) | 8544.00 (7567.06) |
| GP number of wards covered | | | 6590.81 (7093.53) | 4903.31 (6924.69) |
| GP population | | | -23.40 (16.91) | -20.01 (16.53) |
| GP SC population | | | 79.10** (32.47) | 79.29** (32.24) |
| GP ST population | | | 22.16 (45.20) | 24.21 (44.89) |
| GP dummies | Yes | Yes | No | No |
| District dummies | No | No | Yes | Yes |
| Observations | 199 | 196 | 196 | 196 |

Notes: Standard errors in parentheses; Regressions include a constant term, dummies for whether the village is the GP President's village and whether the GP President's seat is reserved for SC/ST.* significant at 10%; ** significant at 5%; *** significant at 1%

In order to disentangle the effect of dominant OBC castes and "backward" OBC castes, we estimate regressions that separate OBC "A" and OBC "B" reservations. The latter include reservations for the OBC dominant castes. Columns 1 and 2 of Table 9 show that our previous results hold. Our results also hold when we allow for GP composition to affect the dependent variable, as in column 3. The latter results show that SC, ST, and OBC "A" reserved councilors are all likely to spend less in their villages. In column 4, we also include other variables correlated with greater bargaining power, such as land owned by the village councilor, and whether the councilor was elected unopposed. When we compare the performance of these same three groups with the performance of councilors other than those belonging to the dominant castes, they are not significantly likely to spend less on their villages. This is caused by a change in the magnitude of the effects and is accompanied by a strong positive correlation between SGRY village spending and being represented by a member of the dominant castes. Once again, we also present Tobit estimates in Table 10, and our results remain unchanged.

Table 9. Village bargaining power and SGRY expenditures—Separating the effect of OBC "A" and OBC "B" reservations

| | (1) | (2) | (3) | (4) |
|---|--------------------------------------|-------------------------|----------------------------|--------------------------|
| | SGRY expenditure in the village (Rs) | | | |
| Village represented by SC reserved member | -48407.03* (29035.31) | -9110.52 (36644.50) | -53167.85** (25016.94) | -5517.13 (27060.65) |
| Village represented by ST reserved member | -128662.73** (57620.55) | -79206.00 (63739.22) | -107494.88** (45033.83) | -65447.78 (47613.89) |
| Village represented by OBC "A" | -42620.30 (36421.34) | -18184.40 (45329.10) | -61395.16** (27934.82) | -27186.60 (31416.00) |
| Village represented by OBC "B" | -33006.90 (46956.26) | -42818.07 (55569.55) | -47472.17 (40809.99) | -62365.83 (44949.73) |
| Village represented by woman reserved member | -22302.41 (26946.73) | 16475.78 (42166.14) | -38488.96 (27007.01) | -311.79 (31512.74) |
| Village population | 4.15 (6.97) | 4.33 (6.78) | 15.74 (17.54) | 16.12 (16.32) |
| Village SC population | -60.16 (69.36) | -67.49 (73.45) | 1.30 (72.31) | -19.19 (66.95) |
| Village ST population | -3.54 (35.40) | -25.62 (53.28) | -196.65 (139.31) | -182.52 (136.56) |
| Village represented by member of OBC dominant caste | | 55245.62 (34213.14) | | 63857.36** (26367.15) |
| Village represented by member elected unopposed | | 39205.15 (44430.47) | | 49627.36 (30363.80) |
| Land owned by village representative | | 200.63 (829.50) | | 902.31 (973.77) |
| SC/ST hamlet dummy | | 47400.80 (39264.21) | | |
| No. seats reserved for SC in GP | | | -28339.29* (16201.45) | -26434.67* (15818.75) |
| No. seats reserved for ST in GP | | | 8554.20 (16005.69) | 7041.98 (16450.87) |
| No. seats reserved for women in GP | | | 15147.03 (12403.11) | 14919.04 (12511.26) |

Table 9. Continued

| | (1) | (2) | (3) | (4) |
|----------------------------|--------------------------------------|------|-----------------------|-----------------------|
| | SGRY expenditure in the village (Rs) | | | |
| GP number of wards covered | | | 4210.37 (13642.47) | 2951.47 (15130.53) |
| GP population | | | -26.05 (33.78) | -21.72 (37.23) |
| GP SC population | | | 79.95* (44.37) | 81.01* (42.88) |
| GP ST population | | | 28.63 (50.89) | 23.72 (54.54) |
| Dummies | GP | GP | District | District |
| Observations | 199 | 196 | 196 | 196 |
| R-squared | 0.69 | 0.73 | 0.19 | 0.24 |

Notes: Robust standard errors in parentheses, clustered at the GP level; Regressions include a constant term, GP president dummy, and a dummy for whether the village is reserved for an SC/ST GP president.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 10. Tobit estimates: Village bargaining power and SGRY expenditures—Separating the effect of OBC "A" and OBC "B" reservations

| | (1) | (2) | (3) | (4) |
|---|---|----------------------------|--------------------------|---------------------------|
| | Tobit estimates: SGRY expenditure in the village | | | |
| | Marginal effects based on the fitted values calculates at the means of the regressors | | | |
| Village represented by SC reserved member | -40159.54* (20870.22) | 10911.52 (26542.59) | -54314.44* (28678.50) | 2814.39 (35787.55) |
| Village represented by ST reserved member | -55806.67* (31711.65) | -33779.61 (34180.74) | -72090.28 (44228.08) | -37335.06 (48061.85) |
| Village represented by OBC "A" reserved member | -21522.36 (19447.27) | 27147.31 (25022.55) | -45156.22* (25621.66) | 6315.98 (33780.75) |
| Village represented by OBC "B" reserved member | -11961.10 (19874.86) | -38939.05* (20798.14) | -22794.13 (25836.36) | -49166.44* (27225.16) |
| Village represented by woman reserved member | -12712.64 (14965.90) | 3255.15 (14950.22) | -19715.06 (20395.33) | -6198.97 (20684.79) |
| Village population | 3.30 (4.71) | 1.90 (4.42) | 9.21 (6.56) | 7.88 (6.41) |
| Village SC population | -37.39 (26.45) | -41.42 (25.27) | 3.44 (36.20) | -5.52 (35.44) |
| Village ST population | -28.32 (54.23) | -37.15 (52.15) | -163.29*** (62.58) | -146.05** (61.69) |
| Village represented by member of OBC dominant caste | | 102030.41*** (26387.35) | | 99283.29*** (33664.63) |
| Village represented by member elected unopposed | | 22503.40* (12841.04) | | 35706.31** (16207.92) |
| Land owned by village representative | | 56.58 (591.40) | | 619.36 (816.60) |

Table 10. Continued

| | (1) | (2) | (3) | (4) |
|---|-----|---------------------------|----------------------------|---------------------------|
| Tobit estimates: SGRY expenditure in the village | | | | |
| Marginal effects based on the fitted values calculates at the means of the regressors | | | | |
| SC/ST hamlet dummy | | 52207.93*** (15071.36) | | 38212.98** (17157.95) |
| No. seats reserved for SC in GP | | | -31931.43*** (11999.39) | -29760.55** (11870.01) |
| No. seats reserved for ST in GP | | | 7666.36 (15891.99) | 5919.99 (15461.10) |
| No. seats reserved for women in GP | | | 7846.96 (7752.50) | 7230.66 (7579.66) |
| GP number of wards covered | | | 6063.32 (7093.59) | 5203.15 (6889.86) |
| GP population | | | -22.71 (16.88) | -19.56 (16.44) |
| GP SC population | | | 81.56** (32.58) | 76.80** (32.04) |
| GP ST population | | | 29.88 (45.75) | 14.97 (44.99) |
| GP dummies | Yes | Yes | No | No |
| District dummies | No | No | Yes | Yes |
| Observations | 199 | 196 | 196 | 196 |

Notes: Standard errors in parenthesis; Regressions include a constant term, dummies for whether the village is the GP president's village and whether the GP president's seat is reserved for SC/ST.

* significant at 10%; ** significant at 5%; *** significant at 1%

In Table 11, we decompose the role of gender and caste identities in bargaining for resources. We use interaction terms for women councilors elected on reserved seats in order to separate effects of caste and gender. In each specification, the average effect of SC and ST councilors on village SGRY expenditures is negative. In addition, ST and OBC "B" councilors, as well as SC women, tend to perform worse even when compared with councilors other than those belonging to the OBC dominant castes, as shown in columns 2 and 4. Again, this suggests that even within the dominant castes, there is a difference in the bargaining ability of the dominant, or OBC "B," castes depending on whether they are elected on reserved seats. As in the above specifications, there is a strong positive correlation between the dominant caste variable and the amount of village expenditure. Table 12 shows the same results using a Tobit specification.

Table 11. Identity and gender of the village representative and village SGRY expenditures

| | (1) | (2) | (3) | (4) |
|--|--------------------------------------|---------------|--------------|---------------|
| | SGRY expenditure in the village (Rs) | | | |
| Village represented by SC | -57,690.82* | 26,202.53 | -55,411.33** | 30,881.57 |
| | (29,970.56) | (35,529.49) | (24,751.55) | (28,427.27) |
| Village represented by ST | -304,839.20** | -266,548.38** | -244,016.91* | -185,646.74 |
| | (128,919.78) | (114,460.21) | (123,617.66) | (119,413.18) |
| Village represented by OBC "A" | -65,806.51* | 1,261.89 | -74,111.39** | 1,088.21 |
| | (38,349.42) | (41,678.14) | (30,542.54) | (26,321.42) |
| Village represented by OBC "B" | -50,265.23 | -100,795.50** | -55,132.04 | -103,837.45** |
| | (36,558.48) | (47,100.31) | (35,508.98) | (46,367.81) |
| Village represented by SC female (interaction) | -201,552.95 | -215,331.52* | -152,631.47 | -137,867.41 |
| | (129,845.99) | (110,009.46) | (126,126.79) | (119,128.09) |
| Village represented by ST female (interaction) | -13,113.20 | 34,303.27 | 3,545.14 | 45,859.88 |
| | (39,147.61) | (59,185.85) | (40,082.55) | (58,115.55) |
| Village represented by OBC female (interaction) | 14,887.47 | 39,282.56 | -8,452.01 | 8,662.05 |
| | (30,140.01) | (35,160.68) | (22,652.49) | (23,911.38) |
| Village population | 2.88 | 1.33 | 15.75 | 14.60 |
| | (5.88) | (5.26) | (17.21) | (15.86) |
| Village SC population | -52.68 | -52.66 | 1.17 | -13.25 |
| | (57.74) | (51.45) | (66.22) | (59.14) |
| Village ST population | 2.78 | -1.64 | -197.95 | -172.91 |
| | (38.42) | (62.86) | (139.59) | (134.78) |
| Village represented by member of OBC dominant caste | | 127,972.51*** | | 125,657.83*** |
| | | (46,071.67) | | (41,941.90) |
| No. seats reserved for SC in GP | | | -24,534.33 | -21,949.19 |
| | | | (17,032.35) | (15,796.90) |
| No. seats reserved for ST in GP | | | 7,428.64 | 4,301.30 |
| | | | (14,893.30) | (14,963.18) |
| No. seats reserved for women in GP | | | 15,475.41 | 13,889.61 |
| | | | (12,690.56) | (12,824.78) |
| GP dummies | Yes | Yes | No | No |
| District dummies | No | No | Yes | Yes |
| Observations | 199 | 196 | 196 | 196 |
| R-squared | 0.71 | 0.76 | 0.21 | 0.26 |

Notes: Robust standard errors in parentheses, clustered at the GP level; Regressions include constant term, GP president village and GP president reserved for SC/ST dummies.

Columns 2 and 4 include village represented by member elected unopposed, land owned by village representative, SC/ST hamlet. Columns 3 and 4 include no. wards in GP, GP total, SC, and ST population.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 12: Tobit estimates: Identity and ender of the village representative and Village SGRY expenditures

| | (1) | (2) | (3) | (4) |
|---|---------------------------|----------------------------|---------------------------|----------------------------|
| Tobit estimates: SGRY expenditure in the village | | | | |
| Marginal effects based on the fitted values calculates at the means of the regressors | | | | |
| Village represented by SC reserved member | -45688.87** (20812.53) | 8871.26 (26085.60) | -55884.04* (28570.96) | 665.52 (35543.22) |
| Village represented by ST reserved member | -68035.92 (59439.04) | -63281.41 (59127.68) | -94379.23 (80892.28) | -82520.21 (82024.23) |
| Village represented by OBC "A" reserved member | -35853.85* (20814.16) | 8175.78 (25273.13) | -54917.01** (27093.31) | -7034.06 (34236.26) |
| Village represented by OBC "B" reserved member | -23985.84 (20527.15) | -50352.86** (21488.83) | -32156.89 (26962.65) | -57542.83** (28409.97) |
| Village represented by an SC woman reserved member (interaction) | -70516.31 (43390.80) | -72453.77* (41077.06) | -79125.31 (54683.69) | -72977.05 (53101.94) |
| Village represented by an ST woman reserved member (interaction) | -13524.39 (45356.60) | 2874.45 (44435.34) | -14513.15 (63931.02) | 12152.31 (63257.90) |
| Village represented by an OBC woman reserved member (interaction) | 10908.67 (18326.51) | 34654.16* (18043.09) | 2445.58 (24287.40) | 17690.34 (24132.41) |
| Village population | 2.26 (4.71) | 0.82 (4.40) | 8.68 (6.56) | 7.44 (6.39) |
| Village SC population | -31.08 (26.43) | -33.87 (25.00) | 8.33 (36.26) | -1.20 (35.37) |
| Village ST population | -26.60 (53.65) | -35.30 (51.46) | -164.24*** (62.22) | -148.96** (61.21) |
| Village represented by member of OBC dominant caste | | 113438.94*** (26107.93) | | 100104.57*** (33438.71) |
| Village represented by member elected unopposed | | 29945.13** (12874.92) | | 37679.51** (16217.89) |
| Land owned by village representative | | 235.44 (583.59) | | 711.73 (815.19) |
| SC/ST hamlet dummy | | 51357.45*** (14940.10) | | 39356.01** (16970.92) |
| No. seats reserved for SC in GP | | | -30160.80** (12149.57) | -27391.26** (11982.02) |
| No. seats reserved for ST in GP | | | 5704.50 (16127.45) | 4386.23 (15663.40) |
| No. seats reserved for women in GP | | | 8656.36 (7777.04) | 8127.88 (7586.80) |
| GP number of wards covered | | | 6105.89 (7058.24) | 5141.19 (6838.53) |
| GP population | | | -23.06 (16.81) | -19.77 (16.32) |
| GP SC population | | | 74.18** (32.97) | 68.01** (32.34) |
| GP ST population | | | 32.38 (45.59) | 18.29 (44.71) |
| GP dummies | Yes | Yes | No | No |
| District dummies | No | No | Yes | Yes |
| Observations | 199 | 196 | 196 | 196 |

Notes: Standard errors in parenthesis; Regressions include a constant term, dummies for whether the village is the GP president's village and whether the GP president's seat is reserved for SC/ST.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 13 shows that SC reserved councilors spend at least 30 percent more as a share of village expenditures on works to benefit SC and ST in their village. Thus, while villages represented by SC councilors get a smaller amount of SGRY expenditures, a greater proportion of this money is spent on benefiting SC and ST households. In Table 14, the dependent variable is the number of households in the village who benefit from SGRY works. Although there is some weak evidence that more households in villages represented by an ST councilor benefit from SGRY, fewer benefit in GPs with more SC and ST councilors.

Table 13. Village bargaining and the share of village expenditure targeted toward SC/ST

| | (1) | (2) | (3) | (4) |
|---|--|---------|--------|--------|
| | Share of village SGRY expenditure to benefit SC/ST | | | |
| Village represented by SC reserved member | 0.50** | 0.59*** | 0.31** | 0.34** |
| | (0.23) | (0.22) | (0.15) | (0.15) |
| Village represented by ST reserved member | 0.38 | 0.43* | 0.30 | 0.32* |
| | (0.24) | (0.25) | (0.18) | (0.19) |
| Village represented by OBC reserved member | 0.08 | 0.08 | -0.00 | 0.02 |
| | (0.17) | (0.16) | (0.08) | (0.09) |
| Village represented by woman reserved member | 0.03 | 0.08 | 0.03 | 0.03 |
| | (0.11) | (0.12) | (0.05) | (0.06) |
| Village population | 0.00 | 0.00 | 0.00 | 0.00 |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| Village SC population | -0.00 | -0.00 | -0.00 | -0.00 |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| Village ST population | -0.00 | -0.00 | -0.00 | -0.00 |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| Village represented by member of OBC dominant caste | | 0.18 | | 0.05 |
| | | (0.13) | | (0.06) |
| Village represented by member elected unopposed | | -0.02 | | -0.05 |
| | | (0.13) | | (0.07) |
| Land owned by village representative | | 0.00 | | -0.00 |
| | | (0.00) | | (0.00) |
| SC/ST hamlet dummy | | 0.05 | | 0.08 |
| | | (0.11) | | (0.05) |
| No. seats reserved for SC in GP | | | -0.03 | -0.03 |
| | | | (0.05) | (0.05) |
| No. seats reserved for ST in GP | | | -0.03 | -0.04 |
| | | | (0.05) | (0.05) |
| No. seats reserved for women in GP | | | 0.03 | 0.03 |
| | | | (0.03) | (0.03) |
| GP number of wards covered | | | -0.01 | -0.01 |
| | | | (0.02) | (0.02) |
| GP population | | | -0.00 | -0.00 |
| | | | (0.00) | (0.00) |
| GP SC population | | | 0.00 | 0.00 |
| | | | (0.00) | (0.00) |
| GP ST population | | | -0.00 | -0.00 |
| | | | (0.00) | (0.00) |
| GP dummies | Yes | Yes | No | No |
| District dummies | No | No | Yes | Yes |
| Observations | 160 | 159 | 159 | 159 |
| R-squared | 0.50 | 0.52 | 0.23 | 0.25 |

Notes: Robust standard errors in parentheses, clustered at the GP level.

Regressions include a constant term, GP president village and GP president reserved for SC/ST dummies.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 14. Village bargaining and the number of SGRY beneficiaries

| | (1) | (2) | (3) | (4) |
|--|------------------|------------------|---------------------|---------------------|
| Number of households in the village who are SGRY beneficiaries | | | | |
| Village represented by SC reserved member | 64.20 (54.37) | 64.20 (54.37) | 29.82 (25.02) | 54.65 (39.21) |
| Village represented by ST reserved member | 24.24 (39.68) | 24.24 (39.68) | 35.45 (27.67) | 56.19* (31.08) |
| Village represented by OBC reserved member | 15.75 (33.26) | 15.75 (33.26) | 15.10 (20.94) | 25.72 (28.24) |
| Village represented by woman reserved member | 5.22 (19.28) | 5.22 (19.28) | -2.71 (16.86) | -3.12 (18.59) |
| Village population | 0.02 (0.01) | 0.02 (0.01) | 0.02* (0.01) | 0.02** (0.01) |
| Village SC population | -0.01 (0.05) | -0.01 (0.05) | -0.04 (0.05) | -0.05 (0.06) |
| Village ST population | 0.12 (0.17) | 0.12 (0.17) | 0.00 (0.07) | 0.02 (0.08) |
| Village represented by member of OBC dominant caste | | 45.87 (54.95) | | 42.55 (32.06) |
| Village represented by member elected unopposed | | 28.47 (18.27) | | 2.43 (11.76) |
| Land owned by village representative | | -0.29 (0.80) | | -0.74 (0.67) |
| SC/ST hamlet dummy | | 15.05 (12.49) | | 6.75 (11.38) |
| No. seats reserved for SC in GP | | | -25.73** (11.39) | -25.28** (11.44) |
| No. seats reserved for ST in GP | | | -24.96* (14.79) | -28.06* (15.61) |
| No. seats reserved for women in GP | | | 8.88 (6.24) | 8.82 (6.14) |
| GP number of wards covered | | | 1.39 (3.15) | 0.23 (3.56) |
| GP population | | | -0.01** (0.01) | -0.01* (0.01) |
| GP SC population | | | 0.08** (0.03) | 0.08** (0.03) |
| GP ST population | | | 0.05 (0.04) | 0.06 (0.04) |
| GP dummies | Yes | Yes | No | No |
| District dummies | No | No | Yes | Yes |
| Observations | 196 | 196 | 196 | 196 |
| R-squared | 0.58 | 0.58 | 0.29 | 0.32 |

Notes: Robust standard errors in parentheses, clustered at the GP level.

Regressions include a constant term, GP President village and GP President reserved for SC/ST dummies.

* significant at 10%; ** significant at 5%; *** significant at 1%

For each of these regressions, we also include higher-order population terms to check for the robustness of our results. In most cases, our results are unchanged in terms of significance, and in all cases, the results remain very similar in terms of magnitude. Table 15 shows such a specification for our most important result, that relating village-level bargaining power and expenditures in the village. Columns 1 and 2 present the same specification as columns 1 and 3 in Table 7, while columns 3 and 4 present the same specification as columns 1 and 3 in Table 9.

Table 15. Including higher-order population terms: Village bargaining and SGRY expenditure in the village

| | (1) | (2) | (3) | (4) |
|--|---------------------------------|----------------------------|----------------------------|----------------------------|
| | SGRY expenditure in the village | | | |
| Village represented by SC reserved member | -54359.42* (32571.72) | -54319.26 (32760.98) | -46808.26* (26202.36) | -47068.56* (26564.08) |
| Village represented by ST reserved member | -139528.04** (67835.24) | -139603.48** (67965.10) | -106447.92** (48031.00) | -110839.82** (48881.82) |
| Village represented by OBC reserved member | -43288.72 (37934.77) | | -36655.78 (25962.93) | |
| Village represented by OBC "A" reserved member | | -44117.15 (39731.27) | | -52746.91* (28452.95) |
| Village represented by OBC "B" reserved member | | -42045.39 (42657.41) | | -16449.24 (29319.09) |
| Village represented by woman reserved member | -18022.88 (25117.12) | -17835.54 (25205.57) | -35684.41 (24934.23) | -34064.73 (24055.78) |
| Village population | 8.34 (9.04) | 8.38 (9.11) | 13.00 (18.93) | 13.63 (18.46) |
| Village SC population | 166.23 (207.82) | 164.06 (225.18) | -397.48 (314.95) | -433.95 (320.67) |
| Village ST population | 35.09 (347.19) | 35.46 (348.49) | 268.42 (430.49) | 312.47 (437.79) |
| Village SC population, squared | -0.43 (0.28) | -0.43 (0.30) | 0.66 (0.53) | 0.70 (0.54) |
| Village ST population, squared | -0.21 (1.15) | -0.21 (1.15) | -1.71 (1.66) | -1.83 (1.68) |
| Village SC population, cubed | 0.00 (0.00) | 0.00 (0.00) | -0.00 (0.00) | -0.00 (0.00) |
| Village ST population, cubed | 0.00 (0.00) | 0.00 (0.00) | 0.00 (0.00) | 0.00 (0.00) |
| GP population | | | -29.85 (27.70) | -28.75 (27.95) |
| No. seats reserved for SC in GP | | | -26482.27* (13651.46) | -26110.19* (13504.78) |
| No. seats reserved for ST in GP | | | 10817.29 (14530.53) | 9362.52 (14544.54) |
| No. seats reserved for women in GP | | | 6749.21 (14786.20) | 7580.66 (14563.71) |
| GP number of wards covered | | | 9206.45 (11730.28) | 8450.49 (11759.20) |
| Dummies | GP | GP | District | District |
| Observations | 199 | 199 | 196 | 196 |
| R-squared | 0.70 | 0.70 | 0.26 | 0.27 |

Notes: Robust standard errors in parentheses, clustered at the GP level; Regressions include a constant term, GP president village and GP president reserved for SC/ST dummies.

Columns 3 and 4 include GP total, SC, and ST populations.

* significant at 10%; ** significant at 5%; *** significant at 1%

6. DISCUSSION

There is a general consensus that the centralized provision of rural public goods in India has typically been beset with problems of resource diversion and targeting failures of public resources. However, the relevant question at this point is whether the Indian decentralization reform has led to improvements in the allocation of public resources in a manner that has addressed the problems of resource diversion and targeting failures. In this paper, we have examined how local politics and political institutions influence public resource allocation and therefore intervillage targeting outcomes. We also examined two issues critical to the question of elite capture. First, we explored how such capture might skew intervillage resource allocations. We then asked whether the design of political institutions, such as through a policy of political reservations, can mediate the power of the local elite on intervillage targeting outcomes.

The analysis investigated how these local politics interact with two distinct political institutions in determining the allocation of fiscal resources: one with a formula-based process governing its implementation, and one with a legislature-based vote. The patterns that we find are robust and lend themselves to specific policy dimensions. Our results suggest that structure of local political institutions has the potential to influence public resource allocation outcomes. The formula-bound inter-GP allocation of fiscal grants had the desired targeting outcome, while the purely legislature-voting-based allocation revealed severe intervillage targeting failures. Hence, political institutions matter to resource allocation.

We also find that the form of local politics potentially reflects elements of elite capture. Villages represented by politicians from a range of disadvantaged social groups get fewer fiscal resources, and those represented by the local elite get more resources. Although the latter result on the local elite is not causal, taken together with the former result on the groups that get fewer resources, it suggests that local capture of resources might be a real concern. The results on the local elite also raise the importance of including those social groups who are "observably" the rural elite in any analysis of local resource allocation.

However, we caution against attributing the result on the structure of local political institutions strictly to the presence of the formula-bound allocation itself, as the intervillage allocation process is inherently more likely to be embedded in local contexts and the politics thereof. In particular, the political accountability of village councilors is directly tied into public service provision outcomes at the level of the village. The GP, on the other hand, is a legislative body wherein the village councilors who are the members of the legislature may not have direct incentives to bargain for resources that accrue to the GP, as these resources are allocated among all its constituent villages. This accountability of village councilors to their constituencies, combined with our results on local power structures, suggests that the institution of the GP naturally lends itself to being embedded in the local politics defined by these power structures.

Finally, we find that the policy of reservation for historically disadvantaged social groups in the village exacerbates intervillage inequalities in the distribution of resources. This suggests that local politics continues to find expression through entrenched social inequities in rural South India. To conclude, while we caution against using our results on the relatively superior targeting performance of formula-based processes of resource allocation in a direct manner, our results on the bargaining powers of individual politicians being the key determinant of intervillage allocation do point toward potential policy interventions. Specifically, a formula-bound allocation process could mitigate the influence of these local power structures and improve intervillage targeting outcomes.

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