

No Proof Required

Corruption by any other name

By

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(*Indian Express*, Feb. 4, 2012)

Blurb:

The Supreme Court has “officially” declared corruption in the 2G case. All licenses stand cancelled. The 2G scam has been the most talked about corruption case in India. Land grabs and mining are the other two areas of widespread corporate and public servant (bureaucrat and politician) corruption.

Less talked about, actually hardly, is in the name of the poor corruption. This is corruption in programmes meant for the poor. Indeed, when reference is made to the possibility of corruption in schemes like MNREGA, the refrain is “Why are you criticizing money spent on the poor? What about telecom licenses, diesel subsidies, and other expenditures in the name of the rich?” These questions are worthy of an answer; perhaps not, because corruption is corruption no matter in whose name it is pocketed.

This year, 2012, is also the six year anniversary of MNREGA, the heartship of the UPA government, both Mach I and Mach II. In a recent interview, the Rural Development Minister, Mr. Jairam Ramesh, admits to corruption in MNREGA and points to introduction of MNREGA 2.0 in the very near future. He also points to the great success of Andhra Pradesh in performance; “traditional communities who were expected to kowtow to the local elites to the dominant castes today have a certain sense of empowerment. They are getting money...they have an assurance of employment...”. Also, in places like Andhra, “we have a strong management information systems, where we can track the flow of funds”. Andhra is repeatedly mentioned by Jairam, and always glowingly, a total of five times in the interview. (Mint, Feb. 2, 2012). It is also the only state whose performance is lauded by Mr. Ramesh.

It maybe a coincidence, but Andhra is also a Congress ruled state. Jairam’s boss, Mr. Rahul Gandhi, has made pointed references to corruption, and particularly MNREGA corruption, in Uttar Pradesh, a state where important elections are underway. This is a state ruled by Ms. Mayawati, a chief minister who has often been accused of rampant corruption. Of course, the Congress shares this dubious honor, especially now that the “honor” has the imprimatur of the Supreme Court.

A reasonable assumption is that all political parties are corrupt. But who is more corrupt? This question can be answered, in a narrow sense, by examining the relative performance of the different parties with respect to MNREGA. The NSS Employment-Unemployment survey for 2009-10 included several specific questions pertaining to a household participation in the employment guarantee scheme. As the Congress, and Mr. Ramesh, have repeatedly stressed, this employment program involves back-breaking work, and is available on demand by those really poor, and really in need of some employment.

The NSS survey has the advantage that it not only asked questions on employment, but also on consumption. It is the only survey that has detailed information on both the participation in the MNREGA program, and the poverty and caste and other characteristics of the household. If the program is only availed by the really poor, the data will show it. If the non-poor are benefitting from the program, the NSS data will show it. And if the non-poor are participating, then questions need to be asked – why are the non-poor availing of such low paying, minimum wage and lower jobs? Are they so desperate for low wages? Most likely not, otherwise they will not be dirt absolute poor.

If the non-poor are benefitting from an exclusive pro-poor program, then one has the beginnings of an index of corruption. There are two separate indices of corruption that can be objectively defined. The first is the difference in *participation* of the poor and non-poor in the program. The second is the difference in *expenditure* on the poor and non-poor. The sum of the two differences is the corruption index.

The table ranks the different states in India according to this index. The second and third columns list the political party administering the program and the fraction of rural population that is poor according to the Tendulkar poverty line. The computation is illustrated with respect to the best performing (least corrupt) state, Chattisgarh. The fourth column shows that 58 percent of the poor in the state benefitted from participation in MNREGA; but a third of the non-poor, 35 percent, benefitted as well. The difference in these two percentages, 23 percent, is the net performance gain. In terms of expenditure, of every Rs. 100 spent on wages, Rs. 63 accrued to the poor and Rs. 37 accrued to the non-poor. The difference, 26 percentage points, is the second component of the index. Adding the two differences yields 49 as the corruption index for Chattisgarh. (Note that the index is computed such that large values mean less corruption). In contrast, the worst performing state, Kerala, has a net difference of minus 64. In this Communist ruled state, an overwhelming amount of money – 84 percent - went to the non-poor.

Mr. Ramesh's comments about the great performance of Congress ruled state of Andhra Pradesh can now be put in perspective. Three-fourths of the "well administered" and well-monitored money went to the self-confessedly non-poor! The much Congress maligned performance of Ms. Mayawati turns out to be a case of pure politicking. In reality, UP MNREGA administration was significantly better than average. The distribution of wages went equally to the poor and non-poor. Its net index of 13 is 30 index percentage points better than the national average of minus 17.

A casual perusal of the second column shows an overwhelming presence of non-Congress ruled states in the top half of performance. The only Congress ruled state that performs better than the bad national average is Maharashtra, a state that Congress administers jointly with the NCP. Rajasthan, the flagship Congress state of its flagship pro-poor program provided more than twice as much in wages to the non-poor than to the poor. Maybe the Supreme Court and/or the CAG would like to look at these corruption numbers as well – now that the case is closed on the telecom scandal!

MNREGA: Outreach to the Rural Poor, NSS 2009-10

States	Party in Power	Rural poverty %	NREGA				Corruption Index
			Household Participation		Wage Expenditure		
			Poor %	Non-Poor %	Poor %	Non-Poor %	
Chattisgarh	BJP	55	58	35	63	37	49
Madhya Pradesh	BJP	43	47	27	59	41	38
Bihar	NDA	50	12	5	63	37	33
Orissa	BJD	42	32	14	55	45	28
Maharashtra	Cong/NCP	28	7	3	60	40	24
Jharkhand	BJP	43	20	11	52	48	13
Uttar Pradesh	BSP	34	24	11	50	50	13
West Bengal	CPI(M)	31	54	37	40	60	-3
Gujarat	BJP	25	22	16	40	60	-14
All India		30	31	20	36	64	-17
Rajasthan	Cong	23	72	54	30	70	-22
Andhra Pradesh	Cong	17	51	32	25	75	-31
Tamil Nadu	DMK	19	50	30	24	76	-32
Karnataka	BJP	24	15	4	25	75	-39
Kerala	CPI(M)	11	14	10	16	84	-64

Notes: 1) the corruption index is computed such that high values mean less corruption.

2) The data for NREGA are taken from the household level questionnaire in the NSS employment and unemployment survey, 2009-10. Detailed questions on NREGA were asked from each household for the last 365 days period. Household participation by the poor means that out of total rural poor households, the percent that participated in NREG; hence, poor and non-poor participation rates do not sum to 100. Wage expenditure computations do add up to 100. Performance (Corruption) Index is derived by adding up the two differences – participation and wages – for each state.

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