

**State-Community Synergies in Development:  
laying the basis for collective action**

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## Introduction

A major development challenge facing us today is *How can poor developing countries change paths to make institutional settings more conducive to growth and poverty reduction?* Experience and research have shown that the nature of formal and informal institutions go far towards shaping countries' development paths.<sup>1</sup> Much work is being done to illuminate how different types of political regimes and administrative organisation affect development outcomes.<sup>2</sup> However, these studies tend to focus more on the comparative dynamics of these systems, and less on the more challenging question of the feasibility of moving from dysfunctional institutional settings to those with greater development effectiveness. Within these larger discussions, and building on Evans (1995, 1996), we focus on the subset of issues related to getting effective delivery of public goods at the community level, and specifically on the problem of shifting from one path to another.

With growing awareness of the limitations of traditional “top-down” approaches for development and poverty reduction, interest has shifted to the potentially powerful role of the participation of communities in the planning and management of public sector service delivery at the local level. To use the potential of local communities effectively for development, we need to understand the dynamics of communities and of local administrations, and their interaction with higher levels of administration. A better understanding of what constrains these actors in developmental action is essential for building a more synergistic relationship between the state and society.

Communities are characterised by a dense network of multi-stranded relationships, which can be both powerful allies or obstacles to development. Involving local communities in the development process has several advantages. Local information can be put to good use in many ways for planning, implementing and monitoring of programmes.<sup>3</sup> The efficiency of many development actions is enhanced in small-scale communities, whose members not only have a direct knowledge of the situation, but also have a direct stake in the outcomes, despite probable asymmetries of information between members. As illustrated by many studies, local monitoring can be very effective at ensuring accountability in use of funds, and performance of services.<sup>4</sup> Sanctions for offences are hard to ignore when they come from people with whom one necessarily has multi-stranded and longstanding relationships.

And yet many communities are characterised by serious power imbalances, which place severe constraints on community-based development. Where vertical links between local elites and the poor are strong, it is difficult to form the horizontal associations necessary for organising collective action for the common good. Moreover, there is real danger of “local capture” of development programmes. In such settings, higher levels of government may actually be better-motivated to help the disadvantaged than local agencies influenced by local vested interests. For example, the federal government in the United States has a long history of protecting minority civil rights better than state governments (Foner 1989).<sup>5</sup> This may be because of ideological reasons, various political and electoral motives, or merely because the centre is detached from specific local power relationships.

To make the most of the potential advantages of local public services delivery, it is also important to change the *mode of operation* of local government agencies so that they draw on local information and monitoring capacity. In many settings, local administrations are designed to be “instruments of the central government in charge of controlling local resources, and oriented to law and order”.<sup>6</sup> Not only do they have little accountability to the people they serve, but often the system is specifically designed to minimise interchange between communities and local administration, in order to reduce opportunities for corruption.

We argue that reducing socio-political hierarchies through land reform and expanding non-crop sources of income help create more egalitarian communities. This frees up individuals and groups within the communities to initiate actions for their own development. It also prepares communities as a whole for collective action that may be used for the common good, as well as for collaborating with government agencies and monitoring their performance.

We also argue that higher levels of the state can catalyse local administrations into improving their development effectiveness and working collaboratively with communities. By forming alliances with communities to demand and monitor performance, higher levels of government can improve development outcomes while also gaining legitimacy and popular support. Drawing on some successful country examples, and abstracting from their individual historical trajectories, we illustrate how quickly such institutional changes can be wrought. These changes can be powerful in releasing local energies for development: catalysing local initiatives and freeing people to engage in a range of activities to improve their economic and political conditions.

## **I The Community: mitigating socio-political hierarchies**

As many anthropological and economic studies show, strong socio-economic hierarchies seriously undermine the potential for collective action for the common good within communities, and increase the potential for local elite capture of benefits destined for the community. Societies with considerable income and asset inequalities are characterised by sharp conflicts of interest between groups. Quantitative analyses find that collective action works better among people who are relatively equal and have similar needs and resources.<sup>7</sup>

This is contrary to Olson’s (1971) view that inequalities are beneficial for collective action. There is of course considerable scope for collective action for the common good if a local boss so decrees: a common feature of hierarchical agrarian settings was that the local landlord would get poor community members to contribute free labour for a common project. However, this is not conducive to the horizontal associations necessary for engaging community energies in planning and monitoring development activities and generating a civil society (Putnam 1993).

More moderate degrees of socio-economic differentiation are less inimical to collective action. Relatively mild differentiation can actually be helpful by allowing scope for local leadership, as indicated in studies reviewed by Baland and Platteau (1999).<sup>8</sup> We describe

here how the dynamics of more substantial inequalities within communities can hinder collective action. The discussion pertains essentially to settled agrarian societies, such as those in Asia, Latin America and peasant Europe.

***Patron-client relationships as constraints on collective action:***

Patron-client relationships are a familiar feature of many agrarian societies. They are a subset of the “interlinked contracts” analysed by development economists: where contractual relationships have multiple roles, with the terms of one transaction contingent upon the terms of another. The classic example of this is the patronage relationship between landlords and tenants, where a single contract has intertwined within it tenancy and credit arrangements. For example in West Bengal India, Bardhan and Rudra (1981) found a high proportion of labourers borrowed from landowners in the slack season with the commitment to supply labour services in the peak season. The number of labour days needed to repay the loans is usually computed at a per diem which is significantly lower than the rate prevailing at the time of the “subscription” of the loan. Since landlords have much better ability to access credit markets than labourers, they have a monopoly position as financial intermediary between an outside loan market and his labourers.

Using the analytical tools of methodological individualism, development economists have explored how different levels of risk-aversion are exploited in an unequal exchange relationship. In agrarian contexts, work on landlord-tenant “labour-tying contracts” has shown how richer, less risk-averse people can prey on the insecurity of the poor.<sup>9</sup> Taking advantage of the fact that security is the greatest need of the poor, they offer security in exchange for considerable amounts of foregone income and loss of freedom and autonomy. Thus in Bardhan and Rudra’s (1986) study area, many people would not go to work in a neighbouring village despite higher wage rates, because they did not want to risk breaking their ties with their patron.

Over time, social norms emerge from repeated games between contracting parties. As anthropologists and historians have observed, that these agrarian relationships generate not only rules of behaviour but also crystallise a moral universe characterised by an unequal distribution of socio-political power. This moral universe in which people operate goes far beyond the immediate dynamics of “labour-tying” contracts to the formation of class interests.

Patron-client relationships are most obvious when landownership is strongly polarised, with a few large landowners maintaining ties with a large number of tenants or labourers. Examples of this abound in Latin America and Asia, as well as in pre-industrial Europe. Yet these relationships can be just as strong where large landholdings are absent, but where those who dominate the land market act as a class group vis-à-vis the rest of their community. Examples of this abound, for example, in India, where a classic feature of rural social organisation has been *jajmani* relations, whereby landowners (small or large) operate with a clear and strong group interest, and are the patrons of the landless.<sup>10</sup>

The critical feature of these patron-client relationships is that they make for a concentration of power in a community, creating sharp divisions amongst the members of a community. The crux of the matter is summarised in Breman’s (see Breman 1974)

succinct phrase “patronage and exploitation”: flip sides of the same logic of exercising one’s power as a landlord. Landlords have a strong interest in keeping others in a position of vulnerable dependence for economic gain as well as enhanced social status. By offering the poor credit and some measure of generalised insurance against serious contingencies, landlords are able to obtain labour at low rates and charge high interest rates on their capital. The insurance offered is highly elastic, offering greater support when times are very bad and less when they are better. For the patron, such *noblesse oblige* ensures their clients’ continued survival and participation in the relationship.

Another key commodity that patrons offer their clients is negotiating on their behalf with the outside world, in the absence of well-functioning market and non-market institutions. The patrons are not only the source of credit, insurance and employment, but also monopolise sources of information and contacts. They are the indispensable conduit for negotiating all manner of issues. If a client’s child is sick, the patron has the transport and the social contacts with the good doctors. If they need to deal with local authorities and government agencies, the patron has the access to the necessary knowledge and assets. Not surprisingly, the patrons expect to be the prime beneficiaries of any new opportunities made available in the outside world, including development programmes.

This goes far towards shaping the mindsets of the clients in ways which constrain their potential mobility. It is abundantly clear to them that their safest strategy is to maintain good relations with their patron, and never to challenge him. Moreover, their ability to assess the costs and benefits of alternate courses of action is blurred by the fact that they are offered generalised insurance, so they do not have to fully internalise the consequences of their own decisions. Sharp constraints on mobility and aspirations add to their sense of limited ability to improve their lives through their own actions. When patron-client ties dissolve, some important constraints on mobility are lifted, along with the generalised insurance: creating both the possibility and the incentive to try to improve one’s own situation (Das Gupta 1999).

In addition to the substantial economic gains of “patronage”, there are equally compelling gains in terms of status and prestige. In peasant societies, land is much more than a factor of production: it is a source of power, status and authority. Having others dependent on one’s beneficence is one of the major ways of manifesting this status. Thus patrons seek to circumscribe individual mobility among their clients, using if necessary the threat of withdrawing insurance and even physical force.

The calculus of status is powerful. Rural elites scuttle development programmes not only because they want to embezzle the funds, but also to make sure that their underlings do not obtain opportunities for upward mobility.<sup>11</sup> If they permit a school to function, they will try to make sure that it functions only for people of their own class. Many of the “landlords” in Bihar own so little land that they would normally be classified as small cultivators, but they have a strong sense of class hegemony and apparently do not perceive alternative sources of status. This pushes them to expend their energies in class warfare against the lower castes instead of encouraging local development.

Unless patrons can perceive serious alternative sources of prestige (such as through becoming successful in the modern economy, as in the Indian states of West Bengal and Kerala), these social considerations can outweigh the possible economic gains of

permitting greater social mobility. For example, the landlord described in Appendix 1 might well gain financially if he were to join the middle peasants in their strategy of maximising crop incomes, but for him it is far more important to ensure that others do not challenge his socio-political hegemony.

Such rigid socio-political hierarchies not only place crippling constraints on individual action, but also on collective action for the common good. If the distribution of power is too skewed in a community, the prospects of trust and co-operation are low. The elites will perceive collective action by the poor as a threat to their hegemony, and will strongly discourage it. For their part, the poor are unlikely to want to engage in collective action for fear that the elites will seek retribution or appropriate the gains.

In such contexts, the scope for changing social patterns is narrow. When people within a community fight to defend group interests, not merely individual economic interests, it becomes difficult for them to organise for collective action on behalf of the whole community. Ethnographies abound in examples of fights over symbols of status and power, and not merely the substance of their immediate economic gains and losses. In fact, people will make considerable economic sacrifice in the short run to preserve their long-run class/caste status. For example in a village in North India,

the local government decided to divide the village common lands into small plots to be granted to some landless people. Although the plots were so small as to present little economic threat to the landowning caste, the very idea of giving others the status of owning land was enough to galvanise people of this caste-class to action. At their own expense, they came from a radius of hundreds of miles, people of different religions, and supported a political protest over years to prevent this action. They courted arrest, they tied up their tractors for transport and went to all manner of lengths to prevent this trivial distribution of common land in one village. Fortunately, the landless were able to obtain the support of the police and the press to back up the efforts of the local government (Das Gupta 1982).

In that case, state intervention was key to success. The fact that this is class warfare rather than simply individual clashes makes it easier for the state to intervene. A couple of other examples from India illustrate how effective this can be in changing centuries-old patterns of discrimination. Across South India, a common way of keeping the client classes in their place was to deny them access to temples on the basis of their caste. Since 1950, successive administrations were successful in changing this, using the threat of police action effectively to ensure that temple entry could not be denied (Srinivas 1966).<sup>12</sup> This kind of actions are not possible when the state administration continues to be dominated by the interests of the rural elites.

Much of the above discussion has been based on South Asian examples, but there is a rich literature on Latin American countries, detailing even more extreme agrarian inequities based on concentration of landownership. The distribution of landownership has historically been highly unequal across much of Latin America, and patterns of patronage and labour-tying are common. (Thiesenhusen 1995b). For example, under the hacienda system of Mexico, a whole community of peasants lived and worked on a landlord's property under a system of patron-client relations:

The hacienda is not just an agricultural property owned by an individual. It is a society under private auspices. It is an entire social system and it governs the life of those attached to it from the cradle to the grave (Tannenbaum 1962).

Also common is use of violence to keep labour in their place and to resist their acquiring land (Hall 1994). In many Latin American settings, the landowner-politician nexus was successful in resisting reforms or in initiating counter-reforms, and thereby defending their status.<sup>13</sup> For example, the military regime following the assassination of Allende in Chile took measures to reverse land reforms (Thiesenhusen 1995b.). More recently in Brazil, efforts to distribute land to the land-poor were undermined by powerful lobbies, such that in the new settlements in Amazonia 6% of the landowners own 80% of the farm land (Prosterman et al. 1996).

Since the economic insecurity of the poor is primarily what enables their patrons to maintain a stranglehold over them, much can be done to alleviate this situation through land reform and diversification into non-crop sources of income.

### ***The role of land reform:***

Mitigating these socio-political hierarchies opens up the possibility of effective collective action within a community. By releasing people's energies to engage in their own development, land reform can have enormous indirect impact on growth and poverty alleviation.

This can be more important than the direct equity and efficiency gains of land reform on which studies of land reform are typically focussed, and for which the empirical evidence is somewhat mixed. In some settings land reform has been carried out carefully enough to be effective in promoting equity and reducing poverty. Elsewhere, landowning elites have been successful in resisting it through active links with political elites and other evasion tactics.<sup>14</sup> Even where land has actually been redistributed, it can benefit mostly the upper echelons of the rural poor, increasing the gap between them and the poorest.<sup>15</sup>

Some studies have found strong evidence of productivity gains associated with giving sharecroppers and small farmers more secure rights over the land they cultivate. This was found in analyses of data from Tunisia (Laffont and Matoussi 1995), Ghana (Besley 1995) and China (Lin 1992). In West Bengal state of India, increasing tenants' rights was associated with 17-18% average productivity gains (Banerjee et al 1998). In another study in India, Binswanger et al. (1993) concluded that small farms are more productive in settings with little mechanisation and slow technical change. Other studies, however, have found inconclusive evidence of productivity gains (Besley and Burgess 1998).

Apart from productivity gains, strengthening tenants' rights can help make local social and political relationships more egalitarian. Without undertaking the politically more challenging task of altering legal ownership of land, this seeks to strengthen the bargaining position of tenants vis-à-vis their landlords. It gives tenants greater security of tenure, and often also specifies lower ceilings on rents charged. As studies in West Bengal and elsewhere indicate, even this limited change requires considerable political commitment on the part of the state, to overcome landlord resistance as well as tenants' fears of retribution from landlords.<sup>16</sup> Tenants need to be thoroughly persuaded that they

will not be net losers from participating in this reform process: that the reforms will not be reversed, and also that the gains will offset the potential loss of support from their landlords. The state has to be very vigilant to enforce tenancy reforms, as in Kohli's description of West Bengal (1987:127-131):

In a local struggle involving inherently unequal social actors, sustained external support on the side of the underdog was essential to modify the power balance....The local police have moreover been instructed by the government at minimum to refrain from taking sides with the landlords and, at maximum, to provide the *bargadars* with protection in conflicts over crop-sharing and disputes over evictions. Wherever the landlords have hired their own "thugs" to settle conflicts by force, the party has attempted to counter by militant mobilization.

### ***The role of non-crop sources of income:***

Given that large proportions of the rural poor in developing countries are landless or nearly landless --- and that per capita land availability is rapidly diminishing in poorer regions of the world --- it is important to look beyond land reform for ways to make the rural poor less dependent on patrons. Key to this is creating more diversified sources of rural income less dependant on owning land, such as livestock rearing and non-crop activities. These are also politically much less challenging than land reform. Disseminating information on such opportunities, providing access to necessary resources and marketing can all help greatly in helping the poor diversify and increase their sources of income (Appendix 2). Help is required with obtaining credit, finding the appropriate inputs, acquiring know-how about production and marketing, ensuring quality control, and reaching wider markets. The poor have especial need of these services, as richer households are better placed to access them on their own.

Expanding the profitability of raising livestock helps the poor acquire productive agrarian resources even if they have little or no land. Keeping livestock offers a way of moving up the economic ladder: a landless household can begin by "sharecropping" a calf, and gradually save enough to afford more expensive and remunerative livestock (Appendix 2). This has been successful in many contexts. Through a creative model of dairy co-operatives, the National Dairy Project in India has helped to significantly raise rural household incomes, including those of the landless, marginal and small farmers.<sup>17</sup> This has included a range of services, such as giving grants of cattle to the very poor, providing virtually free artificial insemination to improve cattle breeds, and establishing milk collection centres where milk quality is assessed and people are paid on the spot.

Non-crop activities include those related to agricultural production (e.g. repairing tools and food-processing), but even more important from the point of view of risk-diversification are those not related to agriculture. This can range from self-employment in micro-enterprises to larger scale enterprises which hire in labour. The scope for increasing incomes and diversifying risk increases greatly with improved transportation and encouragement of greater geographical spread of industrial enterprises, enabling people living in rural areas to commute to non-farm jobs as is common in China and India. This also increases their access to information and personal networks, and their exposure to new opportunities.

There is a great deal of evidence that non-crop incomes alleviate poverty in developing countries while contributing to growth.<sup>18</sup> By diversifying income sources, non-crop income helps reduce risk, enabling households to take the risks involved in activities with higher returns. As incomes rise in the rural areas, demand grows for all kinds of services and capital becomes available for broadening the range of production. These forward linkages, which further raise income and employment opportunities, are noted in studies across Africa and Asia.<sup>19</sup> The effect on income equity is more mixed: many studies find that they increase income equity, while others find that the rich gain proportionately more than the poor.<sup>20</sup>

However, it needs to be borne in mind that in some settings the main source of growth of non-agricultural sectors is the agricultural sector, which link these alternatives sources of income to the primary sector. They rely more heavily on outside sources of services and infrastructure. They may also create environmental problems, and be less productive. Expanding non-crop sources of income also increases the scope for mobility out of the village, draining the community of some of its most dynamic members. However, in contexts where land reform is politically infeasible, it is rational to foster those alternatives sources of income through provision of services and infrastructure.

### ***Releasing energies for development at the community level***

Land reform and increasing non-crop opportunities have considerable potential to diversify socio-political hierarchies and enable greater mobility in a community as a whole. Since income shocks in the agrarian and non-agrarian sectors are often uncorrelated, non-crop incomes also reduce dependence on patrons for help with tiding over income shocks. Technical and practical measures such as disseminating information on tubewells or establishing milk collection depots thus help propel communities towards a more developmentally-oriented polity. Not surprisingly, rural elites try to scuttle such programmes (Appendix 1). Describing the resistance of local elites to their credit programme, a worker in a Bangladesh Rural Action Committee (BRAC) centre said:

The moneylenders tried many tactics. They threatened their clients never to help them again if they came to us. It was only with a lot of persuasion and reassurance that our program would remain in place for a long time, that we could make headway with these poor families...

Even if the direct beneficiaries of the land reform do not include the poorest, they can benefit enormously indirectly from the social churning generated in the community. The newly-mobile peasants may raise wage rates (Appendix 1); they may take on more remunerative opportunities and free up attractive niches for the landless (Appendix 2); they may hire labour for new crop and non-crop enterprises or house construction. They will also be able to provide some credit and sources of insurance for the poorer, reducing larger landowners' monopoly of these spheres.

The newly mobile peasants may seek greater accountability in the use of local development funds and lobby to ensure that the community receives functioning schools, roads, bus services, clinics and other entitlements. They are better placed to access information and networks, for which earlier the landlords were the indispensable conduit. The community is better placed to provide the peer-evaluation and peer-monitoring required for key facilities such as credit co-operatives. In a multiplicity of ways, land

reform and non-crop incomes help reduce dependence on landlords as a conduit for credit, insurance, employment, information and access to services: reducing the need for the poor to accept low wages, labour-tying contracts, and low aspirations in exchange for their patrons' help.

These changes also help the poorest. They are more likely to be able to access education and information, and obtain loans without tugging their forelocks and mortgaging future generations of labour. Instead of being systematically prevented from aspiring to upward mobility, they are offered new role models and opportunities. Even when the newly mobile peasants struggle to dissociate themselves from the poorest community members to reassert their newly acquired status, these changes in the environment in which the poor function make it easier for them to emerge out of poverty. The broader institutional possibilities enabled by more egalitarian social organisation are discussed in the next section.

Taiwan and South Korea are powerful examples of how reducing agrarian hierarchies can release energies for development. They had almost ideal conditions for radical land reform after the Second World War. Firstly, the departing Japanese colonialists left large tracts of land vacant, available for the initial postwar round of land reform. Secondly, the threat of Communist revolution provided a spur to land reform as a bulwark against Communism. The third factor facilitating the reform was that the new regimes owed little to pre-existing landowning elites. Taiwan came to be ruled by the Kuomintang from mainland China, with little need for support from local elites. In South Korea, the new political leadership was relatively unencumbered by existing political links, as it took root in the vacuum left by Japan and the chaos of the Korean War. Moreover, the Korean landowning class was deeply discredited by their perceived collaboration with Japanese colonists. With active support from the United States, both countries designed imaginative and successful land reforms.

Land reforms facilitated the growth of horizontal developmental associations within South Korean and Taiwanese communities. As mentioned above, Whang (1981) emphasises that the potential for South Korea's rapid rural development was generated by the land reforms, enhanced further by equal access to primary schooling. Making social relations within the community more egalitarian was an essential precondition to the imaginative use of local communities in monitoring local irrigation officials in South Korea and Taiwan (Wade 1997), discussed below. A similar shift in the political economy of community relationships following land reform is well-documented in Taiwan's cooperative movement. Cooperatives were established in Taiwan under the Japanese, but they blossomed after the land reforms into much more active developmental organisations. With government support, farmers' organisations flourished, helping peasants to pool their savings, improve irrigation and obtain new technologies, and over time develop rural industry (Ranis and Stewart 1993).

### ***Broader ramifications for the polity***

The most important gain of land reform is that it lays the basis for more inclusionary and developmental polity. As Harriss (1999) points out, the regions of India in which traditional agrarian power structures have been changed show better development

outcomes. Studies indicate that the tenancy reforms of West Bengal have brought about many positive changes, and helped low-caste people feel that local government is no longer “captured” by the local elites.<sup>21</sup> By contrast in Uttar Pradesh, local elites buttress their power by appropriating public funds for recruiting and rewarding supporters and “Human development and social inequality did not figure as important political concerns at all” (Dreze and Gazdar 1996).

Discussing the impact of land reform in South Korea, Whang (1981:97-98) argues that the gains of land reform were strictly socio-political:

(Land reform) helped to miniaturize farm size ... and in so doing helped the delay of agricultural modernization in terms of productivity and mechanization.... (But it) promoted egalitarianism in rural communities...and thus facilitated the disappearance of class consciousness between landlords and tenants.... Thus the land reform provided the social and psychological precondition necessary for co-operation among framers and that in turn prepared the way for the rural innovation that was later ignited by the *Saemaul Undong*.

These shifts can be powerful and long-lasting, even with relatively meagre levels of redistribution. Studies of the Southern United States show that despite the very limited and truncated efforts at giving land to Blacks during the 1870s:

...well into the twentieth century, blacks who did acquire land were more likely to register, vote and run for office than other members of the rural community (Foner 1989:109, cited in Herring 1999).

Again in the 1930s, landless black tenants who benefited from very limited land distribution created “...a permanent middle class that ultimately emerged in the 1960s as the backbone of the civil-rights movement in the rural South” (Salamon 1979:129, cited in Herring 1999).

## **II The State: creating synergies between local administrations and communities**

The modern state has enormous potential for providing the institutional support, inputs and infrastructure necessary for upward mobility and for triggering local development initiatives. This requires careful design of bureaucratic organisations and staff incentives for performance: a large question that has received considerable attention.<sup>22</sup> It also requires care to avoid “local capture”, which is an especial obstacle to development in settings characterised by wider socio-economic inequalities (Bardhan and Mookherjee 1999).

Several analyses show how service delivery improves if the highly complementary strengths of communities and the state apparatus are blended: using local strengths in information and monitoring capacity to complement technical and other inputs from higher levels of government.<sup>23</sup> For example, the successful South Korean canal irrigation system described below had high levels of government draw up the broad irrigation policy, put technical experts in charge of canal construction, and had routine operation and maintenance carried out by people with strong stakes in the end-user community.

We focus here on the relatively neglected area of the incentives of grassroots level staff, who form the direct interface between communities and the state. Here, too, creative mixing of local and supra-local strengths can be highly productive. In settings characterised by wide socio-economic inequalities, the risk of “local capture” is high. In such cases, it is possible to form effective alliances between higher levels of government and communities to elicit better service delivery from local agencies (Figure 1), and develop tight links between local administrations and communities. We begin by illustrating some key obstacles to performance by grassroots level staff and how they can be averted, drawing on Wade’s (1982, 1997) comparison of South Korean and Indian irrigation agencies. This is followed by description and analysis of country case studies of successful redesign of local agency incentives.

### ***The importance of agency incentives and design: illustrations from Indian and South Korean canal irrigation systems***

The Indian system is carefully designed to minimise the scope for collusion between irrigation staff and the farmers who are their end-users. The canal patroller must be a full-time employee and cannot farm more than a marginal amount of land. He must not be posted in the jurisdiction in which his native village is located, and must be rotated between posts within six years. He is recruited by the irrigation department, and after a probationary period his post is made permanent. His salary derives from the departmental budget.

The work of Indian canal staff is hampered by an elaborate system of checks and balances which separate control of funds from those who need to expend them. For example, if the canal develops a significant breach and labour needs to be hired to repair it, neither the foreman nor the assistant engineer is authorised to undertake the expenditure without the permission of the executive engineer, who is often not contactable at short notice. As a result “most assistant engineers are inclined to play it safe, allowing the breach to deteriorate until they can contact their superior” (Wade 1997:124). Designed to bar corruption, these mechanisms have the resulting effect of discouraging initiative, and are counter-productive.

Distanced from their clients and hampered from effective performance, the Indian canal patrollers have little positive reinforcement from client feedback or their own sense of job satisfaction. Meanwhile, their bureaucratic superiors have their own problems to deal with. Inadequately protected from political pressures, they are faced with arbitrary and unwelcome transfers if they displease their political bosses. As Wade (1985) puts it “Frequently, the pressures on officials to be corrupt cause them to behave in ways contrary to the ostensible objectives of their departments”. These concerns also reduce their responsiveness to requests or alerts from their junior staff, further reducing the latter’s incentive to perform.

By contrast, local management of the South Korean canal irrigation system is carried out by associations with strong links to the state as well as the end-user communities. Staff salaries and their operational budget derive partly from the water charges collected. In most associations, the president is an appointed representative of the national level Agriculture Ministry. The professional staff must belong to the same county as the end-

users, and the actual patrollers are part-time staff who must also be rooted as farmers in the communities they serve. The patrollers, whose job it is to control the water flow and to do small-scale maintenance, are selected by the chiefs of the villages in their jurisdiction and must be re-nominated by them each year. When necessary, patrollers can draw on the technical and other support of the large organisational structure above them.

There are thus multiple incentives for a South Korean canal patroller to perform well, which do not apply to his Indian counterparts. He has an interest in obtaining irrigation water himself, in avoiding sanctions from his own community, and in ensuring his continued employment. Not subject to transfer, he and his colleagues in the irrigation department are also able to develop strong working relationships and exert peer pressure on each other. An Indian canal patroller has little incentive to perform and little opportunity to develop the good working relationships necessary for good performance. His incentives are further reduced by a virtual absence of promotion opportunities, even though he is expected to spend his life as a full-time employee of the department. These two case studies demonstrate the need to consider the impact of different sets of incentives and organisations in different contexts. Well-designed incentives may not work at the implementation stage, if they are not in tune with a particular context, and if external agents – higher level administrations, end-users-- are not made part of the organizational framework.

### *Some case studies of successful re-organisation of local administrative agencies*

In very different political and administrative settings, innovative institutional re-organisation has fostered state-community alliances for development and helped avert “local capture” of development programmes. Encouragingly, these case studies show that such institutional change can be achieved quite rapidly, given strong political will. For example, the above description might suggest that South Korean local government had a long history of good development outreach. Yet the basic structure that Wade describes was put into place in the early 1960s, less than two decades before his study.

Altering the organisation and values of local administrative institutions in *South Korea* required considerable creative organisation on the part of the state:

Historically, local governments in Korea have been instruments of the central government in charge of controlling local resources, and oriented to law and order. Support of rural development for meeting development needs of rural communities seemed to be a new concept to them....The organisation of local governments has been restructured so as to introduce a functional transformation from control and regulation to development support administration. (Whang 1981:17).

In the 1970s, the South Korean government also undertook a programme of rapid community development, the *Saemaul Undong* (Whang 1981, Wade 1982). The idea was to galvanise communities into upgrading their own living conditions, while also incorporating them into the central structure of the state. Through wide information-dissemination and propaganda about the programme, people were informed about the benefits of the programme and encouraged to support it. This was combined at the local level with more direct exhortation and some coercion, reinforced by organised competition whereby more successful communities were rewarded by being allocated more resources by the state. Community leaders were trained and local officials

encouraged to provide back-up and technical support as required. They were also encouraged to interact in many fora with higher officials, such that they could spontaneously develop new ideas and avenues of co-operation:

...the organisational channels provided for *Saemaul* leaders greatly encouraged the participation of village leadership in the decision-making processes both at the township and county levels. Indeed, a few *Saemaul* leaders worked as members with the *Saemaul* Consultation Committee at both township and county levels....(They were also) given the privilege to freely meet with the county-chief or governor if they wanted to do so. (Whang 1981: 96).

The results were to improve villages along a wide range of dimensions. Village infrastructure was extensively constructed and upgraded: including roads, water systems, bridges, small-scale irrigation, and electrification. A variety of income-generating projects and savings programs were initiated. Community and domestic hygiene were greatly improved through various measures, such as better cattle housing and improved water management. Moreover, the costs were borne largely by the communities themselves: the response was so enthusiastic that communities contributed around 70% of the total resources required for these projects (Whang 1981:15).

Clearly a community development initiative trying to upgrade living conditions required the active participation of women. In a sharp break from traditional constraints to women's participation in public life, this was encouraged (Whang 1981:106-110). Women were obliged to participate with men in the village general assembly. The women responded with alacrity to this new opportunity, becoming a driving force of change:

The members of Saemaul Women's Association initiated a campaign for burning up the cards with which their husbands gambled during the off-season. (They) also organized a campaign for closing down the liquor stores within their villages where their husbands used to drink and thus add more hardship to their pains of poverty-stricken housekeeping.

The women's associations undertook many activities to improve their families' lives. They operated a small savings project which evolved into a "mothers' bank" with a small revolving credit union. Income-generating activities included running village cooperative stores and collecting waste for sale. Through a village kitchen project, they organised collective cooking in the busy season, and also taught ways of improving family nutrition.

This model of developing a dense network of ties between communities and local administrations also underlies the stunning growth of township and village enterprises (TVEs) in *China* during the 1980s and 1990s.<sup>24</sup> For various reasons, including a desire to reduce rural-urban migration, the central government took steps to favour industrial development in rural areas, by allowing local communities to organise their own enterprises. Community leaders are elected by the community, but are affirmed by higher authorities and function as members both of the state administrative hierarchies as well as of their own villages. Through their ties with the administration, community leaders obtain information on economic opportunities as well as help with accessing the credit and other resources for realising these opportunities.

The...difference between governments of township and villages and governments above township level is that most officials of township and village governments are at the same time members of collective organisations, and are, therefore, also owners of

TVEs...village officials can be considered as having double identities; they are members both of China's administrative hierarchy and of their own villages. (Pei 1996:45-61)

Collective action is greatly facilitated in Chinese communities by tightly-knit kinship ties and local loyalties, within which framework people are accustomed to co-operating for mutual benefit.<sup>25</sup> Community sanctions are used effectively in this system:

The characteristics of local governments are also rooted in the organization of China's rural communities. ...because of the low information costs of the social group and the geographic immobility of village officials, the cost of choosing and the cost of evaluating performance are very low. The official cannot make a continued return for himself alone ... Should he try to do so, his highly valued reputation and its interrelated benefits will be lost. So it is the official's own long-term interest not to jeopardize them. (Pei 1996: 45-61)

The potential for using these longstanding social institutions could, however, only be realised after crucial changes in financial incentives. Before the market reforms, communities had little incentive to increase output, as the state would appropriate the surplus. The system of taxation now varies between settings, but a common practice is for taxes to be fixed in advance (Qian and Weingast 1996). Any income beyond that is shared by the community and officials, giving both a big stake in the success of the enterprise. At the same time, the state does not provide bailouts: the community faces hard budget constraints and if they cannot make the enterprise work successfully, they stand to bear the full loss. Their continued reliance on agriculture helps cushion them against industrial setbacks, as well as providing a source of capital for investment.

In *Taiwan*, efforts to build active collaboration between the state and communities helped to simultaneously develop agriculture and rural industry. Following land reform, and with the need for fast and strong development successes, the Taiwanese government stimulated rural communities to rapidly develop its agrarian economy. This is succinctly described in Fei, Ranis and Kuo (1979:37-71):

The farmers' associations and credit cooperatives, set up by the Japanese to facilitate agricultural extension programs and rice procurement, were top-down institutions dominated by landlords and nonfarmers. As a result, most farmers did not directly benefit from them. In 1952 government consolidated those institutions in multipurpose farmers' associations restricted to farmers and serving their interests. In addition to the original function of agricultural extension, the activities of farmers' associations expanded to include a credit department, which accepted deposits from farmers and made loans to them, and to provide facilities for purchasing, marketing, warehousing, and processing. The associations thus became clearinghouses for farmers, who controlled and maintained them and viewed them as their own creatures.

With skilful adaptation, these associations were also used to engender rapid growth of industrial production based in rural areas (Fei et al. 1981). Nor was this constrained by the relatively small volume of internal demand for industrial goods: the state made available the necessary information and other organisational support to enable rural industry to produce for the international market.

In Ceara, northeast *Brazil*, Tandler (1997) describes how the state tried to overcome problems in service delivery by forming an alliance with local workers and communities.

It thereby brought pressure on local municipalities from above and below, to improve their performance in areas such as public health, agricultural extension, drought relief and building infrastructure such as schools. The state recruited and trained a fresh cadre of grassroots workers to provide these services, and motivated them highly by publicising their work and offering much official recognition for their services:

Simply by virtue of working in these programs, they were told, they stood above the rest as leaders, and this placed a special burden on them to behave responsibly. All this contributed to a new respect for these workers by the public --- remarkable in a time of widespread contempt for government. (Tendler 1997:136).

A publicity blitz served as a multi-pronged weapon in this strategy. It helped reinforce respect for the workers. At the same time, it encouraged people to have high expectations of the programme and hold workers accountable for their performance. It also informed people of what services they should receive, so that they could pressurise local government to provide them if the services were not forthcoming. This publicity campaign helped galvanise communities into collective action, with technical support where necessary:

...the school maintenance and repair program drew neighborhood associations into the process of selecting small contractors. And to enable these associations to informally monitor the repair and reconstruction work, agency technicians instructed them in some basic procedures that contractors should be following, like the proper preparation of wall surfaces for receiving tiles. (Tendler 1997:140).

Multi-tasking was an important feature of these grassroots workers' job, and this made their services much more attractive to clients. Public health paraprofessionals' primary task was preventive care, but they were also authorised to provide some simple curative care, normally the monopoly of nurses and doctors. Agricultural extension agents were authorised to provide drought relief and to supervise small construction projects in the drought relief program, which is normally the job of engineers and supervisors. Instead of delivering standardized messages about improving farming, these extension workers were encouraged to tackle various problems raised by farmers, including matters such as getting access to an unsympathetic bank.

This seeming jumble of tasks, sometimes involving more brokering than expertise, cohered together in a client-centric, problem-solving approach to service delivery. It gave rise to trusting and respectful relationships between clients and public servants...(Tendler 1997:138).

Lacking the prior extensive land reform of East Asian countries, the state had to tackle problems of landlord interests and their political connections with local government. This created problems, for example, in providing drought relief: "the drought relief programs benefited the region's large landowners, private contractors and suppliers of relief more than those needing jobs, food and water" (Tendler 1997:49). In the 1987 drought, agricultural extension workers were used to break the grip of patronage in the distribution of drought relief. However, sustaining such successes requires much continuing effort, and at least in the early 1990s the powerful vested interests managed to re-introduce some clientelism in drought relief.

As Tendler points out, the Brazilian case shows that the government can be a strong moral force in the realm of public service, and it can use this force to get citizens to

monitor its workers and help protect them from meddling by local politicians and other powerful interest groups. Dedicated workers needed protection from others, including rent-seeking co-workers, superiors and elected officials, and showed much appreciation for receiving this protection. The state's government was less likely to respond to the demands expressed along localized socio-economic divisions and therefore a better ally of community development projects. All the more so that having services delivered at the local level and being able to claim this success as its own was in the state's political interest.

As this model was extended to broader areas of development in Brazil, local political interference has been kept at bay by the state governments' insistence that municipal-level councils for disbursing development funds have at least 80% representation from end-user communities (World Bank 1997b). Moreover, if communities feel they are unfairly treated by the municipal councils, they can by-pass them to apply for funds directly from the state government. Gradually, these councils have gained experience and an estimated one-third of them have begun to actively monitor other municipal activities (Coirolo 2000).

Similar but less dramatic examples of successful generation of state-community linkages for development are to be found in other settings, including in Indonesia and Vietnam.<sup>26</sup> Other examples illustrate the dangers of poorly-designed efforts of this kind. For example, Manor (1999:59) describes how the rush to organise mayoral elections in the Philippines after the war, before constructing local bureaucratic agencies, resulted in the mayors creating their own nepotistic bureaucracies and "creating a system of local bossism which survives to this day". This was displaced by more centralised bossism during Marcos' regime (1966-85), but has re-emerged after his fall in the process commonly known as 'democratization':

The new local government code has restored - and indeed strengthened- the prerogatives of municipal mayors and provincial governors over local agencies and resources of the state apparatus. Given the manifold spoils of these multitudinous offices, elections have been fiercely contested, through machine mobilization, vote-buying, fraud, manipulation and violence (Sidel, 1996).

Here mechanisms of monitoring and accountability were not in place to ensure that collusion was not used only for private gain but also channelled to the common good. Reforms towards democratic decentralization, including the involvement of local NGOs in decision-making at the local level, have not been sufficient to counteract rent-seeking tendencies of local bosses and entrenched bureaucracies.

The Mexican PIDER programme, initiated by the federal government in 1973, was a large investment program for the implementation of small-scale, local projects in some of the poorest areas in the country. In describing how this program operated in the state of Nayarit, Fox (1992) says that it was initially very successful, with a dynamic team of community organizers bringing leaders from several agrarian communities together for the first time.<sup>27</sup> The team raised awareness among peasants of the losses they sustained due to tied-markets and rent-seeking bureaucrats. The peasants mobilized successfully to obtain better access to credit and cheaper fertilisers, by putting pressure on the state's governor, the branch manager of the official agricultural bank, and the government's fertilizer agency. However, in 1976, the presidency changed hands and reformists lost

power, depriving the movement of its federal allies. It became easy for the state governor to subvert the movement. The movement had been too short-lived to create a sustainable force that could stand up alone against the interests of powerful local authorities.

***Commonalities in the East Asian and Brazil examples:***

This model encourages links between higher echelons of government, local officials and community leaders, to make available to communities the information, technical, marketing, credit and other support they need to implement their own programmes of social and economic development. In South Korea, China, and Taiwan, local leaders and officials have overlapping roles as simultaneously members of the community served and of the lowest tier of state administration. In Brazil, grassroots workers are not necessarily members of the community they serve, but are encouraged to develop close links with them. Through these *dense networks of interaction between the state and communities*, they can collaborate in local development.

In all these cases, and especially in East Asia, the success of the model lay in the fact that states built on local institutions, using local idioms to construct their “developmental placentas”. Small-scale communities already have the dense network of ties of co-operation necessary for this purpose, and the trick is to adapt their particular strengths to contribute to development goals. In all these cases, these local institutions were not used for developmental purposes by previous governments. When the states decided to accelerate the pace of development, they were creative in *tapping into existing local institutional structures*, and setting their norms of reciprocity, co-operation and trust to work to achieve development goals. The catalytic role of the state was crucial for communities to achieve so much. Even though the East Asian communities have specific characteristics – low mobility, low information costs within the social group, strong kinship ties and communitarian traditions- the Brazilian example demonstrates that similar experiences are possible outside this particular context. And the strength of African communities, evidenced by their response to the availability of social funds and other community-based funds,<sup>28</sup> would also be an asset to develop similar reforms in this continent.

*Changing local agencies’ mode of operation* requires overcoming their unwillingness to accept demands for greater accountability, especially to clients over whom they are often accustomed to exercising considerable power. Besides, they develop work cultures which are difficult to shake. Officials can become quite adapted to working environments that offer few performance incentives, but that do offer them the benefits of status as the officials who must be petitioned by their clients. They can become accustomed to low work demands and to supplementing inadequate incomes with bribes and payoffs.

To improve local agencies’ performance, states orchestrated pressure on them from above as well as from the clients below (Figure 1), to motivate them into working collaboratively with communities. The modalities of pressure from above varied widely, depending on the country’s political and administrative resources. South Korea’s military government used *fiat* to forcefully prescribe bureaucratic reform, while leaving considerable latitude for local initiative in service delivery. (Even so, officials tried to evade greater accountability, for example by hiding the complaints box behind a

screen).<sup>29</sup> Post-reform China used financial incentives, giving local governments a stake in the profits of community enterprises. In Northeast Brazil, the state used official job recognition to motivate staff. Pressure from below was orchestrated in all cases by getting communities to expect and demand better services.

**Figure 1**  
***State-community alliances for development and improved local public service delivery***

**Central / State government**

*(reward: political support)*



**INFORMATION, & OTHER SUPPORT**

- stimulate local development initiatives
- raise aspirations, demand generation
- information on services offered



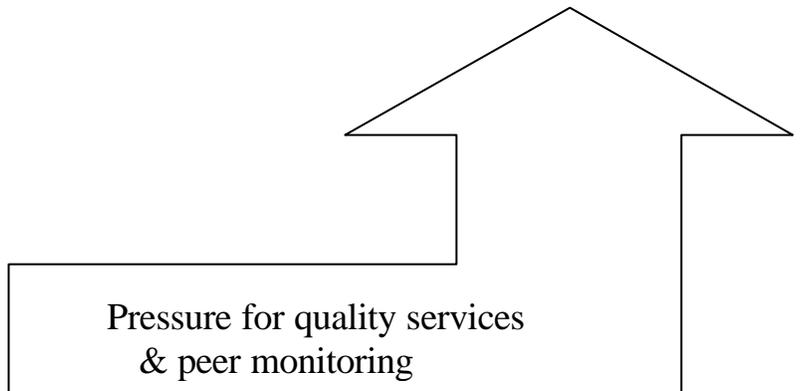
**Communities**

*(rewards: development and political empowerment)*



**Local public agencies & grassroots workers**

*(rewards: public image, material benefit)*



*To motivate grassroots level workers*, a variety of rewards and sanctions were used. Where the workers were also community members, as in South Korea and China, the potential sanctions for non-performance were especially strong as the workers had long-run interest in good relations with their community. They also gained personally from good service delivery (e.g. successful irrigation or enterprises), along with the rest of their community. Another effective strategy was having their salary and/or job renewal dependent on community opinion. Where workers could be outsiders, as in Brazil, communities were exhorted to monitor their workers.

Giving grassroots workers the flexibility to do their work properly was important, as also giving them the scope to *multi-task* such that they could meet client needs more effectively. For example, if irrigation workers or drought relief staff can also provide agricultural extension, they are able to derive more status and satisfaction from being able to help their clients. Getting superiors' official recognition as well as clients' respect for good performance was an important motivating factor.

A key aspect of grassroots workers' jobs in all these case studies was that they were expected not merely to deliver a specific service, but to act as *brokers* between the community and the wider world. Being more in touch with state facilities as well as those of the outside world, they were expected to help their clients expand their access to resources and help them negotiate their way through unfamiliar procedures. This is very important to people deprived of information, and in the absence of adequate state outreach they are forced to depend for such services on exploitative patrons and middlemen.

Note that instead of discouraging collusion, this model actually *encourages collusion* and channels it into forms which can be productive for the common good.<sup>30</sup> The success of the model depends on productive collusion between community members and their leaders, and between these leaders and local officials as well as with successive echelons of the state administration. Through cultivating personal networks, people can access more resources to help their communities prosper. People are expected to use interpersonal networks to enrich themselves. The trick is to ensure that the dense networks of local accountability are successfully used to ensure that while enriching themselves, they also enrich other members of their community, as Pei (1996) emphasises in his discussion of China:

The official cannot make a continued return for himself alone from (his administrative position). Should he try to do so, his highly-valued reputation and its interrelated benefits will be lost. So it is in the official's own long-term interests not to jeopardize them. Thus, the benefits of village officials must be realized through profit maximization of the village coalition. (parentheses ours).

*Generating community demand* for grassroots services was an important component of the strategy used in all the cases discussed here. Through wide *information dissemination*, people were made aware of what services should be available to them, so that they would pressurise the staff of their local agencies to provide them. This is crucial for informing communities of new opportunities and of new rights:

...the proclamation of a right (is) if not automatically self-fulfilling, at least the first step to any serious attempt to secure that right (Hirschman 1984a:9).

Moreover, aspirations were systematically raised to create additional demand for services. For example, South Korea used organised competition between villages to generate demand for upgrading village facilities, where if left alone people's aspirations would not have risen so quickly. In the other settings too, information was actively disseminated on new opportunities in order to motivate clients into demanding and using services more actively and increase the pace of development.

*Adjusting the roles of higher levels of government* was critical to the success of the enterprise: requiring creative management to alter work habits and perceptions of roles. Higher levels of bureaucracy were encouraged to shift away from monitoring and co-ordinating outreach services, to focus more on the specialised tasks of managing overall strategy, providing technical support, and regulation and facilitation. Politicians had to learn to adapt their strategies to make greater use of offering visible gains and empowerment to communities. The centre's motivation may be ideological and developmental, but well-understood immediate political interests have also been a powerful driving force to mobilise communities and improve service deliveries. The risk of encroachment of the centre on local administrations, which would impede the development of strong local administrations (or in cases of decentralised administrations, strong local governments), is real. Avoiding local capture requires efficient accountability mechanisms both to the centre and to the end-users. At the same time, these have to be done in such a way as to permit and facilitate the development of local administrative and governmental capacities.

It is important to note that these cases do not bear out some fears commonly associated with "going directly to communities". Firstly, *higher levels of government did not lose power* as a result of these changes, and their new roles offered greater scope for using professional expertise than before. Secondly, *governments were not weakened by the process*. On the contrary, these initiatives had *substantial political payoffs*. For example, in a municipal election in Brazil, candidates emphasised that they had to support the new arrangements if they wanted to get elected (Coirolo 2000).

Instead of being undermined, potentially weak governments were strengthened through this process. Communities were brought into direct contact with the central structure of the state. Governments were able to inculcate loyalty to the regime during the elaborate training of community workers in central locations. Politicians in democracies gained votes, while developmental authoritarian regimes gained legitimacy. At the same time, the conditions were strengthened for a plural polity:

...this sort of mobilization can lead to ... a more vital interaction between top and base.  
(Hirschman 1984a:8)

## **Conclusion**

We analyse country experiences to examine the conditions required to tap the enormous potential for local energies and resources in development in rural settings. At the level of the community, this requires broadening the distribution of power to avert local capture

and facilitate collective action. At the level of the state, much success has been achieved by creating alliances between higher levels of government and communities, to provide incentives for local administration to collaborate with local communities and thereby improve public service delivery.

The extensive discussion of rural stratification that is reflected in the economic literature on land reform, inter-linked contracts and the anthropological literature on patron-client relations has indicated that redistributing land rights can increase equity and growth. We argue that land redistribution has even more powerful benefits for development through opening up socio-political hierarchies in the village. Diminished dependence on strong vertical links with patrons also releases people's energies for upward mobility: energies that are otherwise suppressed by fear that patrons will seek to maintain their hegemony through retribution or by cornering the benefits of any collective action. These changes can also be effected through expanding economic opportunities in rural area, and their ramifications spread to help build a more developmental polity at a national level.

The literature on the institutional settings necessary for a developmental state can sometimes suggest that institutional change is a slow process, and that the emergence of functional institutions is almost a matter of historical accident rather than of deliberate engineering. Yet both history and social engineering shape institutional outcomes. We discuss examples from East Asia and Brazil, of fairly rapid re-engineering of countries' institutions towards a more developmental direction, and successful re-modelling local administrations. We analyse the commonalities in these experiences, as a first step towards distilling some generalisable lessons from them.

The combination of creating more egalitarian social organisation at the community level and of local bureaucratic reform enables the creation of powerful coalitions and synergies for rapid development, with a potentially self-sustaining dynamic. This model has proved to be very successful in achieving a wide range of outcomes, ranging from health and drought relief to generating agrarian and industrial economic growth. As evidenced by China and Taiwan, community-level development can help produce not only for local consumption but also for a rich export market. The Brazilian case indicates that institutional change is considerably more difficult in highly inegalitarian settings, while also illustrating how these obstacles can be gradually overcome by carefully designing changes which bring grassroots electoral pressure to bear on local government.

These case studies also indicate that states, both authoritarian and democratic, have much to gain in legitimacy and popularity from initiating these institutional changes. Above all, these examples show that with some creative political thinking it is possible to effect rapid change even in poor institutional settings. At the same time, the example of Mexico shows how fragile such efforts can be if political support from above is prematurely withdrawn. This paper provides some initial insights into these processes, which deserve systematic consideration if local energies and resources for development are to be effectively unleashed.

## Appendix 1

### *Breaking the power of landowning elites through development programs: a case study from Uttar Pradesh, India.*<sup>31</sup>

The socio-economic hierarchy of the village is apparent even before the bus arrives at the village: there is one large brick white-washed mansion, standing out among a sea of mud huts. The mansion is the home of the *talukdar* family, the erstwhile large landowner whose duty it was to collect land revenues for the colonial power. They lost some of their holdings when land ceilings were imposed in the 1950s, although they evaded much of this through fictitious division.

For the next couple of decades, the *talukdars* consolidated their relationships with the new power structures of the state. In a typical pattern of diversifying family networks, the father arranged for one son to be in the police service, while another managed the land. They continued to be the critical source of credit and employment for the villagers, and their overwhelming social superiority was acknowledged by the villagers as they prefaced every interaction with the greeting “Touching your feet, Lord...”

For this family, well-educated and well-connected, it was easy to divert development funds to their own benefit and the other villagers would typically not even come to know of the entitlements of which they were being deprived. Even if they did come to know of it, they could hardly protest about it when the *talukdars* had guns and were known to rape and maim at will.

In the mid-1970s, information on tubewells reached some middle-level peasants, who pooled resources to sink a tubewell to irrigate their contiguous plots. Eager to maximise their profits, they began to sow cash crops and raised the wages they offered agricultural labour. The *talukdar*'s son responded by striding around at the weekly market with a gun slung over his shoulder, threatening that he would shoot anyone who offered labourers more than the “going rate”. This temporarily thwarted the middle peasants' efforts.

However, new opportunities offered by tubewells and the opening of a milk-collection center in the village made it increasingly difficult for the *talukdars* to retain their position in the village society and economy. Over time, the middle-level peasants were successful in raising their incomes, and offered a greater multiplicity of sources of employment and credit for the poor. The bi-polar polity of the village changed into one with a broader distribution of power.

In a study of another Uttar Pradesh village, Dreze et al (1998) noted similar tensions between the same middle peasant group and the ex-*talukdars*. There, the *talukdars* had tried methods such as arson and election-rigging to maintain their power, but the middle peasants' determined use of the new agrarian opportunities was eventually successful in challenging the hegemony of the *talukdars*. By the 1990s, the middle peasants had become prosperous and educated, and formed a serious challenge to the *talukdars* in the village polity.

## Appendix 2

### **The ladder out of poverty for a low-caste labourer household in Haryana, India <sup>32</sup>:**

Emarti's father-in-law was displaced from his patron-client ties when his patrons' families grew large enough to manage most of their own labour needs. For some years after her marriage, her husband scraped together a minimal living for them and his brother's widow, but then became too weak to work. The two women worked long hours at whatever tasks they could find: cutting the harvest; cleaning seed corn before sowing; making ropes; spinning; some daily wage labour. They had one child each, whom Emarti's husband minded during the day.

As they gained confidence, the two women took in a buffalo calf to "sharecrop" for a landowning family. The arrangement is that the "sharecropper" tends and feeds the calf until it begins to give milk, whereupon they receive half the market value of the grown buffalo. They fed the calf with green weeds collected from landowners' standing crops, which is permitted because it gives the fields a free weeding. When the buffalo matured, they took their share of the proceeds in cash.

Both their sons, Kirshan and Puran, went to the village school and when they were around sixteen they started working as casual labourers. Kirshan was an enterprising and reliable worker, and succeeded in leasing a plot of land on which he grew labour-intensive vegetables. He put in the labour and a third of the inputs, and kept a third of the value of the crop. By the standards of his household, this was a lucrative arrangement, and their mothers' earnings from the buffalo made it possible to take the contract. With these earnings, Puran bought a sewing machine and began work as a village tailor.

Emboldened by their growing savings, the mothers bought out the landowner's share of the next buffalo calf. Taking advantage of a state cattle-breeding programme, they had for a nominal fee had the buffalo inseminated with high-quality semen to raise its milk yield. Now the proud possessors of a lactating buffalo, they fed it with cottonseeds and mustard cakes to increase the milkfat, and processed it into clarified butter for sale. By this time, the household was well out of the days of daily struggle to make ends meet. Over time, Kirshan was able to obtain a salaried job as a security guard in a town, and sent regular remittances home. The growing sense of domestic prosperity was finally sealed when the mothers felt able to retire from hard labour while they were still able-bodied.

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Endnotes:

- <sup>1</sup> See for example North (1989, 1991), Ostrom et al. (1993), Putnam (1993) and Dollar et al. (1998).
- <sup>2</sup> See for example Bardhan (1996), Evans (1995,1996) and Manor (1999).
- <sup>3</sup> For example, providing credit to rural communities is often possible only with organised use of local knowledge of individual credit-worthiness and community sanctions against defaulters: without this, credit agencies shy away from providing credit to the poor, because of the heavy costs of information-gathering (Kohli 1987:135).
- <sup>4</sup> Wade 1997, Probe Team, 1999, King
- <sup>5</sup> The potential for "capture" by local elites is far higher in regions of India still characterised by deep socio-political inequalities than in more egalitarian regions (Dreze and Sen 1996).
- <sup>6</sup> Whang 1981, describing local government in South Korea in the early 1960s.

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<sup>7</sup> For example, Banerjee et al. (1998) find that sugar cooperatives work less effectively in more unequal communities, and Bardhan (1999) finds the same in the context of local cooperation for managing irrigation systems.

<sup>8</sup> See also Olson (1971).

<sup>9</sup> See for example Braverman and Stiglitz 1982, Srinivasan 1979, Binswanger and Rosenzweig 1984, Ghatak and Pandey forthcoming.

<sup>10</sup> This is a highly incomplete description of the *jajmani* system, but captures the essential features relevant for this paper.

<sup>11</sup> Crook and Manor 1994.

<sup>12</sup> Symbolic actions taken by poorer caste-classes, even at considerable risk, can often only be understood in terms of the need to challenging monopoly over symbols of status if socio-political hierarchies are to be challenged. For example in Jammu India, a landless group's marriage party was predictably brutally attacked by local landowners because they had dared to use a horse. Risking one's life to ride a horse evokes the Civil Rights movement in the United States, where apparently trivial symbols of dominance were challenged --- and evoked violent responses from Whites --- because both races perceived these symbols as key to keeping African-Americans insecure and vulnerable. Similar methods are employed in highly class-stratified societies to identify the disadvantaged classes and "keep them in their place".

<sup>13</sup> See, for example, Thiesenhusen (1995b) and Deere (1997).

<sup>14</sup> Examples include the counter-reforms initiated in several Latin American countries (Kay and Silva 1992, Thiesenhusen 1995).

<sup>15</sup> as in the Philippines (Hayami, Quisumbing and Lourdes 1990) and in some Latin American countries (Thiesenhusen 1995).

<sup>16</sup> Kohli 1987; Boyce 1987.

<sup>17</sup> Candler and Kumar (1998); Sampark (1997).

<sup>18</sup> This is shown in many studies in Asia and Africa. See, for example, Lanjouw and Lanjouw 1995, Newman and Canagarajah 2000; and Eder 1993.

<sup>19</sup> Haggblade et al. 1989; Hazell and Haggblade 1990; Lanjouw and Lanjouw 1995; Ranis et al.1990.

<sup>20</sup> See Lanjouw and Lanjouw 1995 for a review of several studies on this subject.

<sup>21</sup> Mitra 1997, cited in Bardhan and Mookherjee (1999).

<sup>22</sup> See for example Manor (1999) and Bardhan (1997).

<sup>23</sup> For example, the school programme in Himachal Pradesh in India blended the technical skills of higher levels of government in designing curricula and textbooks, with community-level monitoring of school (Probe Team 1999). Similarly, the highly successful programme to eradicate river blindness in SubSaharan Africa combined the logistical strengths of the state for aerial spraying, and with those of communities for managing smooth distribution of drugs through civil wars and other crises (World Bank 2000a).

For less complex tasks, bottom-up collective action is also very powerful, as Hirshman (1984) has illustrated through empirical examples from Latin America. See also Ostrom et al. (1993), Owen and van Domelen (1998) and The World Bank (2000a and 2000b).

<sup>24</sup> See, for example, Pei 1996, Johnson 1991, Oi 1999. The growth of TVEs is slowing down now, as problems of communal ownership of enterprises become more apparent.

<sup>25</sup> See, for example, Johnson (1991). This is greatly aided by the systematic cultural homogenization of the Chinese into membership of the dominant Han group.

<sup>26</sup> Ranis and Stewart (1994), Evans (1996).

<sup>27</sup> Mexican agrarian reform communities, the ejidos, are institutions to which the government cedes land uses rights. They are corporatist institutions, which take decisions through democratic mass membership assemblies, but government officials supervise and often intervene in internal elections. Ejidos can from regional unions to collaborate on agricultural development projects.

<sup>28</sup> World Bank 2000c.

<sup>29</sup> Wade 1997

<sup>30</sup> See Baumol (1990).

<sup>31</sup> Source: Vinod Jairath and Monica Das Gupta, fieldnotes from HarDOI district.

<sup>32</sup> Source: Monica Das Gupta fieldnotes from a village in Haryana, India