

1. The Poor in India: A Profile

1.1 Inclusive growth should mean recognizing that reducing poverty is a primary goal of government policy and the primary objective of the 11th Five Year Plan. India is a nation of over 300 million poor people, a number that has not shown any signs of decline over the last two decades of development. It is therefore, essential that the Eleventh Five Year Plan addresses the task of reducing the numbers of the poor frontally inclusive growth should mean that the poor benefit disproportionately from growth. That can only happen if economic growth is treated on par as a policy objective with human capital formation and programmes that directly target poverty reduction – so that a synergy emerges between these objectives.

1.2 The good news is that the number of poor is not increasing; so clearly growth is benefiting some people. But for growth to be pro-poor, it will have to benefit the poor disproportionately only then can the numbers of the poor decline. All growth benefits the poor, but the appropriate definition of pro-poor growth should be that it benefits them disproportionately. It is clear that rapid growth will be essential to sustainable poverty reduction, but for growth to benefit the poor disproportionately, it will have to be accompanied by more rapid employment expansion than hitherto, greater investment in health, education, water/sanitation and child nutrition than so far, and directly targeted poverty-reduction programmes. The Approach Paper to the Eleventh Five Year Plan did attempt to lay out such a vision.

1.3 This chapter has three sections. In Section (i) we examine the data on the poor, their characteristics and attempts to profile the poor. Section (ii) addresses the need to devise a vision for the Eleventh Plan, which derives from the Approach Paper and builds upon it. Section (iii) refers to directly targeted poverty reduction programmes and the strategy of inclusive growth.

1.4 Measuring and Profiling the Poor in India

1.4.1 The Head Count Ratio

1.4.1.1 India has been successfully reduced the share of the poor in the population by 27.3 percentage points from 54.8 in 1973 to 27.5 in 2004 (National Sample Survey), the method uses the consumption expenditure on food and non-food items, based on a basket that was determined in 1973-74 (which has since remained constant). Between 1973 and 1983, the headcount ratio of the poor had declined from 54.8% to 44%, and it fell further from 36% in 1993/94 to 27% by 2004/5. Thus, sixty years after independence, a quarter of our population is still below the national Benchmark, which is *known to be well below the international poverty line of a \$1 a day per person.*

1.4.1.2 Some states have been particularly successful in reducing the head count ratio. In 2004/5, the states with the lowest headcount ratio are J & K (5.4%), Punjab (8.4%), Himachal Pradesh (10%), Haryana (14%), Kerala (15%), Andhra Pradesh (15.7%), and Gujarat (16.7%); at the other end of the spectrum are Orissa (46.3%), Bihar (41.3%), Madhya Pradesh (38.2%) and Uttar Pradesh (32.8%) – which also happen to be among the most populous states of India. The states that were formed recently (Chhatisgarh 40.8%, Jharkhand 40.3%, Uttarakhand 39.6%) have among the highest ratio (Tables-1,2 and 3).

1.4.2 The Absolute Number of Poor

1.4.2.1 Over time, while the head count ratio of the poor barely changed over the last three decades: from *3213 lakhs in 1973* to *3229 lakhs in 1983*, *3203 lakhs in 1993/94* to *3017 lakhs in 2004/5* (Table-4). *Therefore, income poverty in the country has declined over three decades by less than one million a year, and it will take at least 300 years at this rate to eliminate poverty from India.*

1.4.2.2 India also has the largest number of poor in the world. As we will see below, India also has the largest number of illiterates in the world; of the 1 billion illiterates in the world (a sixth of the total world population), about 300 million are in India – larger than the population of the US, and twice the population of Brazil or Russia. India also has among the world’s worst child malnutrition rates. Given this scale of illiteracy and malnutrition, taken together with the fact that India has the largest number of poor in the world, the challenges for one of the fastest-growing economies in the world – India – become manifest.

Table-1: Percentage of people below poverty line					
S.No	States/U.Ts	Combined			
		1973	1983	1993	2004
1	Orissa	66.18	65.29	48.56	46.37
2	Bihar	61.91	62.22	54.96	41.35
3	Chhattisgarh	—	—	—	40.88
4	Jharkhand	—	—	—	40.35
5	Uttarakhand	—	—	—	39.63
6	Madhya Pradesh	61.78	49.78	42.52	38.29
7	Dadra & Nagar Haveli	46.55	15.67	50.84	33.17
8	Uttar Pradesh	57.07	47.07	40.85	32.81
9	Maharashtra	53.24	43.44	36.86	30.75
10	Karnataka	54.47	38.24	33.16	24.98
11	West Bengal	63.43	54.85	35.66	24.72
12	Andaman & Nicobar Island	55.56	52.13	34.47	22.62
13	Tamil Nadu	54.94	51.66	35.03	22.53
14	Pondicherry	53.82	50.06	37.40	22.41
15	Rajasthan	46.14	34.46	27.41	22.06
16	Sikkim	50.86	39.71	41.43	20.06
17	Assam	51.21	40.47	40.86	19.73
18	Nagaland	50.81	39.25	37.92	19.05
19	Tripura	51.00	40.03	39.01	18.94
20	Meghalaya	50.20	38.81	37.92	18.52
21	Arunachal Pradesh	51.93	40.88	39.35	17.60
22	Manipur	49.96	37.02	33.78	17.34
23	Gujarat	48.15	32.79	24.21	16.75
24	Lakshadweep	59.68	42.36	25.04	16.02
25	Andhra Pradesh	48.86	28.91	22.19	15.79
26	Kerala	59.79	40.42	25.43	15.04
27	Delhi	49.61	26.22	14.69	14.73
28	Haryana	35.36	21.37	25.05	14.03
29	Goa	44.26	18.90	14.92	13.83
30	Mizoram	50.32	36.00	25.66	12.62
31	Daman & Diu	—	—	15.80	10.45
32	Himachal Pradesh	26.39	16.40	28.44	9.96
33	Punjab	28.15	16.18	11.77	8.41
34	Chandigarh	27.96	23.79	11.35	7.07
35	Jammu & Kashmir	40.83	24.24	25.17	5.43
	All India	54.88	44.48	35.97	27.50

Table-2: Percentage of people below poverty line

S.No	States/U.Ts	Rural			
		1973	1983	1993	2004
1	Orissa	67.28	67.53	49.72	46.76
2	Jharkhand	—	—	—	46.25
3	Bihar	62.99	64.37	58.21	42.14
4	Chhattisgarh	—	—	—	40.80
5	Uttarakhand	—	—	—	40.78
6	Dadra & Nagar Haveli	46.85	14.81	51.95	39.82
7	Madhya Pradesh	62.66	48.90	40.64	36.87
8	Uttar Pradesh	56.53	46.45	42.28	33.40
9	Maharashtra	57.71	45.23	37.93	29.58
10	West Bengal	73.16	63.05	40.80	28.62
11	Andaman & Nicobar Island	57.43	53.99	32.48	22.85
12	Tamil Nadu	57.43	53.99	32.48	22.85
13	Pondicherry	57.43	53.99	32.48	22.85
14	Arunachal Pradesh	52.67	42.60	45.01	22.33
15	Assam	52.67	42.60	45.01	22.33
16	Manipur	52.67	42.60	45.01	22.33
17	Meghalaya	52.67	42.60	45.01	22.33
18	Mizoram	52.67	42.60	45.01	22.33
19	Nagaland	52.67	42.60	45.01	22.33
20	Sikkim	52.67	42.60	45.01	22.33
21	Tripura	52.67	42.60	45.01	22.33
22	Karnataka	55.14	36.33	29.88	20.85
23	Gujarat	46.35	29.80	22.18	19.08
24	Rajasthan	44.76	33.50	26.46	18.71
25	Haryana	34.23	20.56	28.02	13.57
26	Kerala	59.19	39.03	25.76	13.25
27	Lakshadweep	59.19	39.03	25.76	13.25
28	Andhra Pradesh	48.41	26.53	15.92	11.17
29	Himachal Pradesh	27.42	17.00	30.34	10.72
30	Punjab	28.21	13.20	11.95	9.15
31	Chandigarh	27.96	23.79	11.35	7.07
32	Delhi	24.44	7.66	1.90	6.93
33	Goa	46.85	14.81	5.34	5.37
34	Daman & Diu	—	—	5.34	5.37
35	Jammu & Kashmir	45.51	26.04	30.34	4.57
	All India	56.44	45.65	37.27	28.30

Table-3: Percentage of people below poverty line					
S.No	States/U.Ts	Urban			
		1973	1983	1993	2004
1	Orissa	55.62	49.15	41.64	44.31
2	Madhya Pradesh	57.65	53.06	48.38	42.14
3	Chhattisgarh	—	—	—	41.16
4	Uttarakhand	—	—	—	36.48
5	Bihar	52.96	47.33	34.50	34.64
6	Rajasthan	52.13	37.94	30.49	32.94
7	Karnataka	52.53	42.82	40.14	32.57
8	Maharashtra	43.87	40.26	35.15	32.24
9	Uttar Pradesh	60.09	49.82	35.39	30.64
10	Andhra Pradesh	50.61	36.30	38.33	27.99
11	Tamil Nadu	49.40	46.96	39.77	22.20
12	Pondicherry	49.40	46.96	39.77	22.20
13	Andaman & Nicobar Island	49.40	46.96	39.77	22.20
14	Goa	37.69	27.00	27.03	21.27
15	Daman & Diu	—	—	27.03	21.16
16	Jharkhand	—	—	—	20.20
17	Kerala	62.74	45.68	24.55	20.18
18	Lakshadweep	62.74	45.68	24.55	20.18
19	Dadra & Nagar Haveli	37.69	27.00	39.93	19.11
20	Delhi	52.23	27.89	16.03	15.21
21	Haryana	40.18	24.15	16.38	15.06
22	West Bengal	34.67	32.32	22.41	14.80
23	Gujarat	52.57	39.14	27.89	13.03
24	Jammu & Kashmir	21.32	17.76	9.18	7.93
25	Punjab	27.96	23.79	11.35	7.07
26	Chandigarh	27.96	23.79	11.35	7.07
27	Himachal Pradesh	13.17	9.43	9.18	3.37
28	Arunachal Pradesh	36.92	21.73	7.73	3.30
29	Assam	36.92	21.73	7.73	3.30
30	Manipur	36.92	21.73	7.73	3.30
31	Meghalaya	36.92	21.73	7.73	3.30
32	Mizoram	36.92	21.73	7.73	3.30
33	Nagaland	36.92	21.73	7.73	3.30
34	Sikkim	36.92	21.73	7.73	3.30
35	Tripura	36.92	21.73	7.73	3.30
	All India	49.01	40.79	32.36	25.70

Table-4: Number of Persons below poverty line (Lakhs)

S.No	States/U.Ts	Combined			
		1973	1983	1993	2004
1	Uttar Pradesh	535.73	556.74	604.46	590.03
2	Bihar	370.57	462.05	493.35	369.15
3	Maharashtra	287.42	290.89	305.22	317.38
4	Madhya Pradesh	276.30	277.97	298.52	249.68
5	West Bengal	299.30	318.69	254.56	208.36
6	Orissa	154.47	181.31	160.60	178.49
7	Tamil Nadu	239.52	260.07	202.10	145.62
8	Karnataka	170.67	149.81	156.46	138.89
9	Rajasthan	128.51	126.83	128.50	134.89
10	Andhra Pradesh	225.69	164.58	153.97	126.10
11	Jharkhand	—	—	—	116.39
12	Chhattisgarh	—	—	—	90.96
13	Gujarat	138.42	117.92	105.19	90.69
14	Assam	81.83	77.69	96.36	55.77
15	Kerala	135.52	106.77	76.41	49.60
16	Uttarakhand	—	—	—	35.96
17	Haryana	38.32	29.60	43.88	32.10
18	Delhi	22.84	18.39	15.51	22.93
19	Punjab	40.49	28.64	25.11	21.63
20	Tripura	8.54	8.95	11.79	6.38
21	Himachal Pradesh	9.73	7.41	15.86	6.36
22	Jammu & Kashmir	20.48	15.60	20.92	5.85
23	Meghalaya	5.52	5.62	7.38	4.52
24	Nagaland	2.90	3.50	5.05	3.99
25	Manipur	5.86	5.65	6.80	3.95
26	Pondicherry	2.74	3.28	3.31	2.37
27	Arunachal Pradesh	2.66	2.82	3.73	2.03
28	Goa	4.16	2.23	1.91	2.01
29	Mizoram	1.82	1.96	1.94	1.18
30	Sikkim	1.19	1.35	1.84	1.14
31	Andaman & Nicobar Island	0.74	1.11	1.06	0.92
32	Dadra & Nagar Haveli	0.38	0.18	0.77	0.84
33	Chandigarh	0.84	1.19	0.80	0.74
34	Daman & Diu	—	—	0.18	0.21
35	Lakshadweep	0.21	0.19	0.14	0.11
	All India	3,213.37	3,228.99	3,203.68	3,017.21

Table-5: Number of Persons below poverty line (Lakhs)					
S.No	States/U.Ts	Rural			
		1973	1983	1993	2004
1	Uttar Pradesh	449.99	448.03	496.17	473.00
2	Bihar	336.52	417.70	450.86	336.72
3	Madhya Pradesh	231.21	215.48	216.19	175.65
4	West Bengal	257.96	268.60	209.90	173.22
5	Maharashtra	210.84	193.75	193.33	171.13
6	Orissa	142.24	164.65	140.90	151.75
7	Jharkhand	—	—	—	103.19
8	Rajasthan	101.41	96.77	94.68	87.38
9	Tamil Nadu	172.60	181.61	121.70	76.50
10	Karnataka	128.40	100.50	95.99	75.05
11	Chhattisgarh	—	—	—	71.50
12	Andhra Pradesh	178.21	114.34	79.49	64.70
13	Gujarat	94.61	72.88	62.16	63.49
14	Assam	76.37	73.43	94.33	54.50
15	Kerala	111.36	81.62	55.95	32.43
16	Uttarakhand	—	—	—	27.11
17	Haryana	30.08	22.03	36.56	21.49
18	Punjab	30.47	16.79	17.76	15.12
19	Tripura	7.88	8.35	11.41	6.18
20	Himachal Pradesh	9.38	7.07	15.40	6.14
21	Meghalaya	4.88	5.04	7.09	4.36
22	Nagaland	2.65	3.19	4.85	3.87
23	Manipur	5.11	4.76	6.33	3.76
24	Jammu & Kashmir	18.41	13.11	19.05	3.66
25	Arunachal Pradesh	2.57	2.70	3.62	1.94
26	Sikkim	1.09	1.24	1.81	1.12
27	Mizoram	1.62	1.58	1.64	1.02
28	Pondicherry	1.61	1.56	0.93	0.78
29	Dadra & Nagar Haveli	0.37	0.16	0.72	0.68
30	Delhi	1.06	0.44	0.19	0.63
31	Andaman & Nicobar Island	0.59	0.84	0.73	0.60
32	Goa	3.16	1.16	0.38	0.36
33	Chandigarh	0.07	0.09	0.07	0.08
34	Daman & Diu	—	—	0.03	0.07
35	Lakshadweep	0.18	0.09	0.06	0.06
	All India	2,612.90	2,519.56	2,440.28	2,209.24

Table-6: Number of Persons below poverty line (Lakhs)					
S.No	States/U.Ts	Urban			
		1973	1983	1993	2004
1	Maharastra	76.58	97.14	111.90	146.25
2	Uttar Pradesh	85.74	108.71	108.28	117.03
3	Madhya Pradesh	45.09	62.49	82.33	74.03
4	Tamil Nadu	66.92	78.46	80.40	69.13
5	Karnataka	42.27	49.31	60.46	63.83
6	Andhra Pradesh	47.48	50.24	74.47	61.40
7	Rajasthan	27.10	30.06	33.82	47.51
8	West Bengal	41.34	50.09	44.66	35.14
9	Bihar	34.05	44.35	42.49	32.42
10	Gujarat	43.81	45.04	43.02	27.19
11	Orissa	12.23	16.66	19.70	26.74
12	Delhi	21.78	17.95	15.32	22.30
13	Chhattisgarh	—	—	—	19.47
14	Kerala	24.16	25.15	20.46	17.17
15	Jharkhand	—	—	—	13.20
16	Haryana	8.24	7.57	7.31	10.60
17	Uttarakhand	—	—	—	8.85
18	Punjab	10.02	11.85	7.35	6.50
19	Jammu & Kashmir	2.07	2.49	1.86	2.19
20	Goa	1.00	1.07	1.53	1.64
21	Pondicherry	1.13	1.72	2.38	1.59
22	Assam	5.46	4.26	2.03	1.28
23	Chandigarh	0.77	1.10	0.73	0.67
24	Andaman & Nicobar Island	0.15	0.26	0.33	0.32
25	Himachal Pradesh	0.35	0.34	0.46	0.22
26	Manipur	0.75	0.89	0.47	0.20
27	Tripura	0.66	0.60	0.38	0.20
28	Meghalaya	0.64	0.57	0.29	0.16
29	Mizoram	0.20	0.37	0.30	0.16
30	Dadra & Nagar Haveli	0.01	0.02	0.06	0.15
31	Daman & Diu	—	—	0.15	0.14
32	Nagaland	0.25	0.31	0.20	0.12
33	Arunachal Pradesh	0.09	0.12	0.11	0.09
34	Lakshadweep	0.03	0.10	0.08	0.06
35	Sikkim	0.10	0.10	0.03	0.02
	All India	600.47	709.39	763.36	807.96

1.4.2.3 In some states, the absolute numbers of the poor in the population has actually increased over the last three decades: in Uttar Pradesh from 535.7 lakhs in 1973 to 590 lakhs in 2004/5; in Rajasthan from 128.5 lakhs to 134.9 lakhs; in Maharashtra from 287.4 lakhs to 317.3 lakhs and Nagaland 2.9 lakhs to 3.9 lakhs. Quite clearly, these states need the greatest attention of policy makers, both at the national as well as state levels, given that they also contribute a very significant share of the total rural poor of the country. There are many states where the number of poor overall has remained roughly constant over the last two decades: Haryana, Himachal Pradesh, Orissa and Mizoram. However, there are also states that have succeeded in reducing the absolute number of the poor in *rural* areas over the three decades from 1973 to 2004/5: Andhra Pradesh from 178.2 lakhs to 64.7 lakhs; Karnataka from 128.4 lakhs to 75 lakhs; Kerala from 111.3 lakhs to 32.4 lakhs; Tamil Nadu from 172.6 lakhs to 76.5 lakhs; and West Bengal from 257.9 lakhs to 173.2 lakhs. (Table-5) (and Assam and Gujarat to a much smaller extent). These are the relative success stories in reducing the numbers of the poor in India. It is obvious that most of these states are in the south of the country.

1.4.2.4 Overall, the number of poor in *rural* areas in the country as a whole has declined from 2612 lakhs in 1973 to 2209 lakhs. i.e. by just 403 lakhs people over a 20 year period. That means the rate of decline in the numbers of the poor has been 20.1 lakhs per year. But in *urban* areas the numbers of the poor has gone on increasing from 600.4 lakhs in 1973 to 709.3 lakhs in 1983 and 763.3 lakhs in 1992/3 to 807.9 lakhs in 2004/5 (Table-6); this is hardly surprising since the share of the urban population in India's total population has also gone on increasing, driven partly by rural urban migration.

1.4.2.5 The fact that the numbers of the poor have slightly declined in rural areas, and increased in urban areas over the last three decades suggests that to escape rural poverty, the poor migrate to urban areas. In fact, the total number of *migrant workers* in India in 1999/2000 was 102.7 mn – a staggering number. Only China, after the reforms and the relaxation of the hukou system, has a larger number of migrant workers at 140 mn. The number of seasonal or cyclical migrants in India may be 20 mn or so. But migration,

both rural-rural (from relatively poor to relatively richer states and districts) and rural-urban, has the effect of disenfranchising the poor, leaving them without a safety net.

1.4.2.6 Despite a growing population, millions of people who were non-poor managed to remain above the poverty line. India's population went from 683 million in Census 1981 to 1.03 billion in 2001, an increase of nearly 320 million. So the fact that the absolute number of the poor has remained constant at around 300 million is a considerable achievement. It is well known that the poor have a higher fertility rate than the non-poor, for no other reason than that the poor have a higher child mortality rate, and to compensate for the latter they tend to have more children; but with some improvements in health access, the child death rate declined, but it takes longer for this fact to impact the total fertility rate (which has also declined, but not as fast as the child death rate).

1.4.2.7 The implication of the two facts – the stability of the total poor population at around 300 million over two decades and the higher fertility rate of the poor – taken together is that there has been an entire generation which is transferring its poverty from one generation to the next.

1.4.3 Geographical Concentration of Poverty

1.4.3.1 While the earlier two sub-sections examined the head count ratio and the absolute numbers of the poor, it is also useful to examine which states contribute most of India's poor. If one examines the percentage distribution of poor persons across India's major states (Table 7), we find that four states account for 50.6% of India's poor population in 2004/5: Uttar Pradesh (19.6%), Bihar (12.23%), Madhya Pradesh (8.3%) and Maharashtra (10.5%). In 1983, these four states accounted for 49% of India's total poor population.

1.4.3.2 Most states have managed to reduce over these three decades their share in the country's poor population: Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Jammu & Kashmir, Kerala, Tamil Nadu, and West Bengal. The share of the remaining states in the

total poor population of the country has remained roughly constant over this period. The states like Maharashtra, Orissa, Rajasthan, and UP have increased their share during these two decades.

1.4.3.3 Of the *urban* poor in the country, there is again concentration in a few states: Maharashtra has the largest share of India's urban poor (18.1%), followed by UP (14.5%), Tamil Nadu (8.6%), MP (9.2%), and Karnataka (7.9%). Between them these five states account for 58% of the country's urban poor. Clearly, in the case of Maharashtra, Tamil Nadu and Karnataka this is a function of their higher levels of urbanization. However, even more notable is the high degree of concentration of *rural* poverty in the country: just three states – UP (21.4%), Bihar (15.2%) and MP (8%) – account for 44% of the country's rural poor. In each of the other states, their individual contribution to the total rural poor population in the country does not exceed 8% for any particular state (Table-7)

Table-7: Distribution of poor persons by State

S.No	States/U.Ts	Rural				Urban				Combined			
		1973	1983	1993	2004	1973	1983	1993	2004	1973	1983	1993	2004
1	Andhra Pradesh	6.82	4.54	3.26	2.93	7.91	7.08	9.76	7.60	7.02	5.10	4.81	4.18
2	Arunachal Pradesh	0.10	0.11	0.15	0.09	0.01	0.02	0.01	0.01	0.08	0.09	0.12	0.07
3	Assam	2.92	2.91	3.87	2.47	0.91	0.60	0.27	0.16	2.55	2.41	3.01	1.85
4	Bihar	12.88	16.58	18.48	15.24	5.67	6.25	5.57	4.01	11.53	14.31	15.40	12.23
5	Goa	0.12	0.05	0.02	0.02	0.17	0.15	0.20	0.20	0.13	0.07	0.06	0.07
6	Gujarat	3.62	2.89	2.55	2.87	7.30	6.35	5.64	3.37	4.31	3.65	3.28	3.01
7	Haryana	1.15	0.87	1.50	0.97	1.37	1.07	0.96	1.31	1.19	0.92	1.37	1.06
8	Himachal Pradesh	0.36	0.28	0.63	0.28	0.06	0.05	0.06	0.03	0.30	0.23	0.50	0.21
9	Jammu & Kashmir	0.70	0.52	0.78	0.17	0.34	0.35	0.24	0.27	0.64	0.48	0.65	0.19
10	Karnataka	4.91	3.99	3.93	3.40	7.04	6.95	7.92	7.90	5.31	4.64	4.88	4.60
11	Kerala	4.26	3.24	2.29	1.47	4.02	3.55	2.68	2.13	4.22	3.31	2.39	1.64
12	Madhya Pradesh	8.85	8.55	8.86	7.95	7.51	8.81	10.79	9.16	8.60	8.61	9.32	8.28
13	Maharashtra	8.07	7.69	7.92	7.75	12.75	13.69	14.66	18.10	8.94	9.01	9.53	10.52
14	Manipur	0.20	0.19	0.26	0.17	0.12	0.13	0.06	0.02	0.18	0.17	0.21	0.13
15	Meghalaya	0.19	0.20	0.29	0.20	0.11	0.08	0.04	0.02	0.17	0.17	0.23	0.15
16	Mizoram	0.06	0.06	0.07	0.05	0.03	0.05	0.04	0.02	0.06	0.06	0.06	0.04
17	Nagaland	0.10	0.13	0.20	0.18	0.04	0.04	0.03	0.01	0.09	0.11	0.16	0.13
18	Orissa	5.44	6.53	5.77	6.87	2.04	2.35	2.58	3.31	4.81	5.62	5.01	5.92
19	Punjab	1.17	0.67	0.73	0.68	1.67	1.67	0.96	0.81	1.26	0.89	0.78	0.72
20	Rajasthan	3.88	3.84	3.88	3.96	4.51	4.24	4.43	5.88	4.00	3.93	4.01	4.47
21	Sikkim	0.04	0.05	0.07	0.05	0.02	0.01	0.00	0.00	0.04	0.04	0.06	0.04
22	Tamil Nadu	6.61	7.21	4.99	3.46	11.14	11.06	10.53	8.56	7.45	8.05	6.31	4.83
23	Tripura	0.30	0.33	0.47	0.28	0.11	0.08	0.05	0.02	0.27	0.28	0.37	0.21
24	Uttar Pradesh	17.22	17.78	20.33	21.41	14.28	15.32	14.18	14.48	16.67	17.24	18.87	19.56
25	West Bengal	9.87	10.66	8.60	7.84	6.88	7.06	5.85	4.35	9.31	9.87	7.95	6.91
26	Andaman & Nicobar Island	0.02	0.03	0.03	0.03	0.02	0.04	0.04	0.04	0.02	0.03	0.03	0.03
27	Chandigarh	0.00	0.00	0.00	0.00	0.13	0.16	0.10	0.08	0.03	0.04	0.02	0.02
28	Dadra & Nagar Haveli	0.01	0.01	0.03	0.03	0.00	0.00	0.01	0.02	0.01	0.01	0.02	0.03
29	Delhi	0.04	0.02	0.01	0.03	3.63	2.53	2.01	2.76	0.71	0.57	0.48	0.76
30	Lakshadweep	0.01	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.00	0.00
31	Pondicherry	0.06	0.06	0.04	0.04	0.19	0.24	0.31	0.20	0.09	0.10	0.10	0.08
32	Chhattisgarh	0.00	0.00	0.00	3.24	0.00	0.00	0.00	2.41	0.00	0.00	0.00	3.01
33	Jharkhand	0.00	0.00	0.00	4.67	0.00	0.00	0.00	1.63	0.00	0.00	0.00	3.86
34	Uttarakhand	0.00	0.00	0.00	1.23	0.00	0.00	0.00	1.09	0.00	0.00	0.00	1.19
35	Daman & Diu	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.00	0.00	0.01	0.01
	All India	100	100	100	100	100	100	100	100	100	100	100	100

1.4.4 Composition of the Poor

1.4.4.1 The composition of the poor has been changing and rural poverty is getting *concentrated in the agricultural labour and artisan households and urban poverty in the casual labour households*. The share of agricultural labour households, which accounted for 41% of rural poor in 1993-94 increased to 47% in 1999-00 (this data so far unavailable for NSS 61st Round, 2004/5). In contrast, the share of self-employed in agriculture among the rural poor had fallen from 33% to 28%. Casual labour households accounted for 32% of the *urban* population living in poverty in 1999-00, increasing from 25% in 1993-94. The increase in its share was due to both the increased dependence of urban households on urban casual labour markets as well as the higher incidence of poverty among urban casual labour households. It *needs to be recognized that the growing dependence of rural and urban households on casual labour market exposes the poor to market risks and tends to increase transient poverty*, whereby households move in and out of poverty due to fluctuations in the labour market intervention have to be designed accordingly.

1.4.4.2 Land status is a decisive factor behind rural poverty, and given that rural poverty leads to migration that increases the numbers of the poor in urban areas (as we saw above), policy-makers need to give far more attention to land reforms than has been done so far if poverty – both urban and rural – is to be attacked at its root. In general, landless casual workers are the poorest, followed by the sub-marginal land holders, who are slightly less poor, followed by the marginal land status group and so on, until you get to the top (land possessed greater than 4 hectares).

1.4.4.3 The occupational composition of rural poor *varied across the states*. In general, in *developed* states poverty was highly concentrated among agricultural labour households, and in contrast in *backward states* poverty extended to other occupational groups including self employed in agriculture. For instance, in Punjab, Haryana, Maharashtra and Andhra Pradesh agricultural labour households

constituted more than 60% of the rural poor in 1999-00, but they constituted less than 16% in Rajasthan and 28% in Assam.

1.4.4.4 Among the *social groups*, scheduled castes, scheduled tribes and backward castes accounted for 81% of the rural poor in 1999-00, considerably more than their share in the rural population (Working Group on Poverty, Planning Commission, 2006). In 2004-5, while the head count ratio of the poor in the total rural population was 28%, among the scheduled castes it was 36.8%. In urban areas, the head count ratio overall was 25.6%, but among SCs it was even higher than in rural areas at nearly 40% (39.8%).

1.4.4.5 The poor among *scheduled castes* in rural areas were concentrated in Uttar Pradesh, Madhya Pradesh, Bihar and West Bengal. These states accounted for 58% of the scheduled caste population living in poverty. In urban areas, Madhya Pradesh and Uttar Pradesh accounted for 41% of the scheduled caste population living in poverty. The incidence of poverty among scheduled castes was high in Bihar, Madhya Pradesh and Uttar Pradesh in both rural and urban areas.

1.4.4.6 There are certain occupational groups that are dominated by the scheduled castes. Among the employed category, a worker could be self-employed or hired; within the hired category, the worker may be casual labour or regularly hired labour. At the lower end of income distribution, casual work is associated with lower income than regular wage labour. *SCs and STs account for a far larger share of casual labourers than their share in population.* When the rural population is disaggregated by employment status (usual principal status) and social group, and the social groups are SC, ST, and Others, only half of all casual labourers belong to the 'Other' social group, despite the fact that both in 1983 and 1999-2000 the 'Others' group accounts for more than two-thirds of the population (Bhalla et al, 2006). In other words, half of all casual labourers are SCs and STs, although their share in the overall rural population is less than a third. Moreover, two-thirds of workers officially identified as bonded labourers belong to the Scheduled Castes and Scheduled Tribes.

1.4.4.7 In 2004/5, in rural areas, the incidence of poverty in the total population was 28%, but among the *scheduled caste* population it was 36.8%. We know from other sources (e.g. the National Family Health Surveys) that the fertility rate of the SCs is well above the average; hence we have the tragic situation whereby the SCs are caught in a cycle of inter-generational transfer of poverty.

1.4.4.8 Deprivation of SCs and STs shows itself also in the form of inequalities of wealth. Scheduled castes own fewer *assets* than the rest of the population. Most SCs live in rural areas, where land is the main asset. In the overall population, 60% of the rural households were cultivator households. But SC households are more disadvantaged among the rural SC households, only 47% were cultivators, and quarter of the SC households were agricultural labour households (NSSO, 59th Round, 2003). About 6 to 7% of the SC households were artisan households. If we examine the value of assets held by social group in rural areas, we find that in the total population about 12% of households in the 'Other' category (i.e. non-SC, non-ST and non-OBC) have assets worth less than Rs 30 000; but 22% of rural SCs have assets worth less than Rs 30 000. Conversely, only 9% of SC households have assets worth Rs 3 lakh and above, while 37% of households in the 'Other' category (who are not either SC or ST or OBC) hold such assets. This difference in asset holdings becomes sharper in urban areas, with as much as 29% of SC households with assets less than Rs 30 000. Only 16.7% of SC households hold assets worth Rs 300 000, while 43.5% of 'Other' households hold such assets in urban areas.

1.4.4.9 The proportion of *scheduled tribes* population among the rural population living in poverty has been increasing fast. It increased from 14.8% in 1993-94 to 17.5% in 1999-00 – double that of their share in the total population of India. The increase was mainly on account of comparatively slower reduction in the incidence of poverty among scheduled tribes. For rural population the incidence of poverty among scheduled tribes had fallen from 50% in 1993-94 to 44.2% in 1999-00 whereas it had fallen from 37% to 27% in the total population. In 2004/5 the

incidence of poverty among the STs stood at 47.6% for the rural population; in other words, it had barely fallen compared to a decade earlier, and it was a good 20 percentage points higher for the scheduled tribes than for the rest of the population (Himanshu-Sen, 2007).

1.4.4.10 In urban areas, the head count ratio of poverty in the total urban population in 2004/5 was 25.6%, but 33.9% of the STs in urban areas were poor. The head count ratio of the STs is higher than that of SCs in rural areas, but the situation is the other way around in urban areas; ie, of all STs living in rural areas, more of the STs are poor than is the case among SCs living in rural areas. On the other hand, of all SCs living in urban areas, more SCs are poor than all STs living in urban areas. This is perhaps a reflection of the fact that SCs in rural don't have access to land, and therefore are forced to migrate to urban areas more often. On the other hand, STs (unlike SCs) in rural areas have much better access to land especially in the forested areas, but the quality of that land, and its productivity is low, and yields low incomes. In terms of assets, unlike SCs, the Scheduled Tribes have less of a problem in respect of land. Most STs hold or have access to land even if it may not be of good quality. Thus, in the total rural population, 63.2% of households held land, and that share was 61.3% for STs.

1.4.4.11 Bihar, Gujarat, Madhya Pradesh and Maharashtra together accounted for 75.5 percent of the rural scheduled tribes living in poverty in 1999-00. It is noteworthy that nearly *thirty percent of the poor scheduled tribe population were located in Madhya Pradesh*. The poverty levels of scheduled tribes in rural areas were high in Orissa (73%), Bihar (59%), Madhya Pradesh (57%) and West Bengal (50%) and in urban areas, in Orissa (59%), Karnataka (52%), Andhra Pradesh (46%) and Bihar (43%).

In terms of both income poverty and other indicators of human development (such as education, health) the scheduled tribes are at the bottom. The increasing concentration of the tribals among those who suffer from multiple deprivations is a matter of concern.

1.4.5 Capability Deprivation by Social Groups

1.4.5.1 That women are much worse off in terms of most social indicators is quite well known. However, less attention has been paid to the fact that certain social groups – SCs, STs, OBCs, and some minorities – not only experience a higher incidence of income-poverty, but also face deprivation on the non-income dimensions of poverty. In other words, they face multiple deprivations. Girls generally have worse school enrolment rate than boys in the total population, but SC and ST girls are the worst off in terms of most *educational* outcome indicators. For instance, in the critical age-group of 15-49 years, when women are in the reproductive and most productive years, it is remarkable that 73% of SC women, 79% of ST women, and 61% of OBC are illiterate. Sixty-one percent of Muslim women were also illiterate; this percentage is relatively low compared to other socially disadvantaged groups, only because the rate of urbanization among Muslims is higher than for other social groups.

1.4.5.2 *Health* indicators by social groups are equally worrying. SCs had the worst infant mortality rates, by far, for any social group. The SC IMR was 83 and that of STs was 84, while that of OBCs was 76, and for Others it was 62 in 1998/9 (NFHS II) Muslims were somewhat better off at 59, but that again has to do with the fact that they tend to be concentrated in urban areas. Similarly, the child mortality rate (under-five mortality rate) for SCs was 119 in 1998/9 (NFHS 2), for STs was 126.6, for OBCs was 103, while for 'Others' it was 82.6. The high under-five mortality rates are hardly surprising, since three-fourths of all births among SCs take place outside of a health facility (mostly in a home), where medical support is not available; only one-fourth of SC births occur at a health facility . For STs, a significant proportion of whom live not only in remote and forest areas, the proportion of births taking place in a health facility is even lower than that for SCs, at 17%. The 'Other' segments of the population are doing much better (40% of births at a health facility, higher than the national average of 34%).

1.4.5.3 The nutritional status of women SCs remains a source of worry as well. Body mass index is a measure of a person's nutritional status (weight for height, measured in kg per square meter of height). A good 42% of SC women had a BMI less than 18.5, which is seen as the cut-off for malnutrition; 46% of ST women were similarly observed to be malnourished, while 30.5% of 'Others' were found to be so. The fact that as much as 30% of the 'Other' women were malnourished clearly indicates that there is serious problem of under-nutrition among most segments of the population, not just SCs and STs. While BMI is a measure of protein-energy malnutrition, a significant share of the country's population suffers from micro-nutrient deficiencies as well. For instance, iron-deficiency anemia was found to afflict 56% of SC women in the reproductive age group 15-49, which is a serious problem since it is correlated with low birth weight (and hence malnutrition) among the children of such women; 65% of ST women were so afflicted; while 47.6% of 'Other' women were suffering.

1.4.6 Gender Dimension of Poverty

1.4.6.1 The incidence of income-poverty among females tended to be marginally higher in both rural and urban areas. The percentage of female persons living in poor households was 37 per cent in rural and 34 per cent in (urban) areas in 1993-94, and 27 and 25 respectively in 1999-00. In contrast, the percentage of male persons living in poverty was 36 in rural and 32 urban areas in 1993-94, and 26 and 23 in 1999-00 (data for 61st Round, 2004/5 not yet available). Female persons accounted for slightly less than half of the poor, about 49 per cent in both rural and urban areas in both the years. The lower percentage of female persons among the poor despite higher female poverty ratio was due to an adverse sex ratio – which itself is a reflection of the discrimination that women and girls face over their life-cycle. It should be noted that the above measure of gender poverty ignores intra-household inequalities in consumption. There are other dimensions of poverty such as food insecurity, malnutrition and health associated more with female members.

1.4.6.2 The NSS disaggregated data on employment and unemployment bring out the gender disparities. In 1999-00, the female workforce participation rate as a percentage of the male workforce participation was 55 in rural areas and 27 in urban areas; 85 per cent of rural female workforce was engaged in agriculture and allied activities in contrast to 71 per cent of rural male workforce engaged in those activities. In rural areas a larger percentage of female workers (46 per cent in 1999-00) were casual workers compared to male casual workers (37 per cent); female wage rate as a percentage of male wage rate was 70 for casual labour in agriculture and 63 in non-agriculture. Census 2001 data show that the proportion of marginal workers was as high as 46 per cent for females compared to 15 per cent for males. In the poorest of all casual labour categories, it is women who are significantly worse off (Bhalla et al, 2004), while among casual labourers generally, women are slightly worse off than men. Poor older women typically continue working, suffer high levels of unmet basic needs and have very few assets of their own.

1.4.7 Child Poverty

1.4.7.1 Child poverty is widespread in India both in rural and urban areas. The percentage of children aged below 15 years living in households below the poverty line constituted 44 in rural and 41 in urban areas in 1993-94 and 33 in rural and 33 in urban areas in 1999-00. Among the poor population, the percentage of children increased from 44 in rural and 41 in urban areas in 1993-94, to 46 and 42 respectively in 1999-00. This rising tendency in the proportion of children among the poor contrasts with the proportion of children in the population which was constant 37 per cent in rural areas in 1993-94 as well as in 1999-00 and a marginal decline from 33 percent to 31 in urban areas during the same period. The high and rising level of child poverty is not only linked to a high incidence of child malnutrition, but also undermines their future capabilities and adversely affects equality of opportunity.

1.4.7.2 India has the largest number of malnourished children in the world. Moreover, the rate of child malnutrition in India is higher than the rate in Sub-Saharan Africa on average. While a third of African children are malnourished, nearly half of India's children are malnourished. Unfortunately, NFHS 3 (2005/6) data informs us that while the rate of child malnutrition stood at 47% in 1998/9, today it is barely one percentage point lower at 46%. We already knew from the NFHS 2 (1998/9) data that 54% of SC children and 56% of ST children were malnourished, while that share was 41% among 'Other' children. In other words, SC and ST children suffer from the similar, multiple capability deprivations and income poverty that we saw earlier their parents have been shown to suffer from.

1.4.7.3 India has the largest illiterate population in the world, at over 350 million people. In fact, India's population of illiterates is larger than the total population of the country was in 1947. This is a serious indictment of the neglect of elementary education over the first four decades after independence, which is being corrected only since 1990s. Enrolment has been increasing in the 1990s in all states, including the six most backward ones that accounted for three-fourths of India's children out of school – Andhra Pradesh, Bihar, Rajasthan, Madhya Pradesh, Uttar Pradesh, and West Bengal. However, 14 million children are still out of school, and SCs, STs and girls are over-represented in this population of children out of school. Unless this 'open tap' of illiteracy is closed, the absolute numbers of illiterate people in the country will not decline

1.5 The Growth-Poverty Nexus

1.5.1 There are difficulties in establishing causality relationships in the growth-poverty nexus. For example, despite widespread literacy within a population, many countries have not achieved rapid growth, although education is a major determinant of such economic growth. There are also examples of countries with relatively rapid economic growth but persistent income-poverty. India has experienced much faster economic growth in the last two decades compared to the first three decades after

independence, and although the share of the poor in the population has declined, the number of the poor has not. Thus, no single element can be specified as the main cause (or “development magic bullet”) for success in all areas. Hence it is likely that macro-economic level there is a synergy between public interventions: to hasten economic growth to built human capital and to enhance incomes through public assistance for the poor. Interventions that increase income and improve the quality of human capital support each other in a synergistic way or through various feedback loops.

1.5.2. This synergy can be succinctly expressed as the enhanced impact a change in an independent variable has on the rate of growth of a dependent variable, given the presence of a third variable. This leads to several important, and often overlooked, inter-related effects in terms of policy at a macro-level. The impact of a policy (e.g. to promote economic growth) on another variable (say income-poverty reduction) crucially depends on the level of a third variable (e.g. previous investment in basic social services). In other words, economic growth will be more effective in reducing (income) poverty (the elasticity of poverty reduction will be higher) when the human capital level is high and it is widespread. Thus to achieve the goals of human development the theoretical foundations postulate integration of economic and social objectives and policies.

1.5.3 There is another well-known synergy, or feedback loop, among social interventions in basic health care, reproductive health care, education, nutrition, and water and sanitation. This synergy takes place at a micro-economic level as illustrated by the positive influence of better nutrition on school attendance and learning. Better education also leads to improved health outcomes and lower fertility rates. Increased access to water also improves health outcomes and school attendance. Education improves the usage of water resources. Thus, a web or mesh of interaction takes place. For synergies to be triggered at the macro level, actions on several fronts are again needed. This should not be taken to mean that ‘everything matters’; quite the contrary. If everything matters, nothing does. While the ends at macro-level are the three objectives (economic growth, enhancing

human capital, and income-poverty reduction), priorities have to be set at the level of *means* such that there is a balance between macro-economic and social policies, rather than a hierarchy between them. That is the only way that inclusive growth will be possible.

1.5.4 To summarise, there are two synergies present. One synergy of outcomes takes place at the macro level among income-poverty reduction, human capital formation, and economic growth. The other synergy of outcomes, at the micro level, occurs as a result of interventions to provide the basic social services that are the foundation of human capital formation. These two synergies are linked by the synergies among good health, nutrition, and education – which are both ends in themselves, but also means to other ends at a macro-societal level, and hence common to both sets of synergies. This conceptually underlines the need to integrate social sector policies with macro-economic ones.

1.5.5 In order to achieve this integration, it is crucial that fiscal, monetary, and growth policies be compatible with social sector requirements. The latter must also be compatible with macroeconomic constraints and supportive of the long-term growth process. A natural starting point for discussion of this integration and compatibility is, in India's case, the Five Year Plan allocations, and annually, the Annual Plan allocations as well as the Central and State government budgets. Public expenditure must support the provision of Basic Social Services – which are directly relevant to both the poverty-reduction objective through programmes directly targeted at the poor, as well as through allocations to health and education sectors. Similarly, public expenditure should support the creation and maintenance of infrastructure as well as investment in agriculture.

1.5.6 A fundamental point about synergy between the three types of interventions is that in strategies where one is absent, the effect of interventions to achieve the other goals is less than what it would otherwise be. Policies which focus largely on *economic growth* without much regard for income-poverty reduction or human capital formation are doomed to unequal income distribution or lower levels of

human functioning (than otherwise possible), which will dampen economic prospects in the long run. Policies that focus only on *human capital formation*, but ignore economic growth and income-poverty reduction, will lead to outcomes that are not sustainable. Policies that focus mainly on direct *income-poverty reduction* (e.g. asset redistribution or food-for-work programmes, or cash transfers, or social security arrangements for formal sector workers) and human capital formation, and ignores macro-economic balances or interventions promoting technological change that are critical to economic growth run the risk of both economic and social stagnation or reversal, especially if the economy suffers from an exogenous shock.

1.5.7 The vision announced in the Approach Paper to the 11th Plan is consistent with this conceptual framework of the synergies between strategies to simultaneously promote economic growth, income-poverty reduction and human capital formation. The Approach Paper states clearly that the 11th Plan “provides an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth”. It is designed to reduce poverty and focus on bridging the various divides that continue to fragment our society: widening personal income inequality; widening inter-regional and inter-state disparities; the growing rural-urban divide; and gender-based disparities.. The first steps in this direction were initiated in the middle of the 10th Plan based on the National Common Minimum Programme adopted by the government. These steps must be further strengthened and consolidated into a strategy for the 11th Plan period. It will create productive employment at a faster pace than before, and target robust agriculture growth at 4% per year.

1.6 Directly Targeted Poverty Reduction Programmes and the Strategy for Inclusive Growth

1.6.1 Given the chronic and multi-dimensional nature of poverty in India, it is imperative that the programmes to address poverty rely on a multi-pronged approach. The preceding analysis has identified that there is a geography of poverty, with poverty being concentrated in the rural areas of certain states. It also pointed out that there is a sociology of poverty, with certain social groups increasingly

concentrated among those who are identified as poor. It also noted that there are identifiable occupational features of the poor: they are concentrated in agricultural labour and artisanal households in rural areas, and among casual labourers in urban areas. Casual labourers in urban areas are essentially distress migrants from rural areas in states where agricultural land-man ratio is very adverse, and where agricultural incomes have not been growing – reinforcing the need for both land reforms as well as measures to increase productivity. Accordingly, in the next section, the strategy and programmes directly relevant to the emerging features of poverty groups in India are discussed.

1.6.2 First, regions which are particularly likely to have large numbers of chronic poor people include tribal, forested – much of which are in the central and eastern parts of the country – comprising of arid, semi-arid and sub-humid areas. However, in many semi-arid regions, where agriculture is mainly rainfed rather than irrigated, located in the more industrial states of western and south India, there has been more dynamism. Migration from semi-arid areas may result in improvement of economic conditions for people in the rainfed areas due to better investment opportunities and market functioning compared to the forest-based regions. In forest regions, poor people's access to the resources which are located there in those regions have been limited, and their own low human capital endowment (e.g. low literacy and poor health services) have resulted in their incorporation into labour markets at disadvantageous terms. It is for this reason that the strategies that are needed for each of these agro-climatic regions have to rely upon an area-development approach. This is particularly true of rain dependent water stressed areas, where watershed development has been neglected. Thus watershed development in rainfed agriculture has to take center-stage in the poverty reduction strategy for the 11th Plan. Similar initiatives that holds promise to impart dynamism to Backward districts / regions are (a) the Backward Regions Grant Fund, (b) Border Area Development Programme; and (c) Hill Area Development Programme.

1.6.3 Second, the poor are geographically concentrated in India. They also happen to be in states where a significant proportion of agriculture is irrigated, and not

rainfed (and the where the land-man ratio is the highest in the country). In other words, without effective a. land reforms and b. agricultural services, none of these regions are likely to be able to reduce poverty. We will discuss each of these strategies in later chapters on programmes for poverty reduction for the 11th Plan. Given the argument that agricultural labour and marginal farmers are the groups where rural poverty is getting concentrated, we make the case for programmes to modernize land relations in an era of rapid industrialization. Since small-holder agriculture accounts for 80% of all farmers in the country, we also present specific recommendations on vastly improved land record management, for an intelligent and incentive-compatible approach to land ceilings, for liberalizing land markets and serious tenancy reform, for providing homesteads to landless people to incentivise household production, and policies for the prevention of alienation of tribal land.

1.6.4 Third, dependence on casual labour has grown, and a large proportion of the chronic poor are dependent on wage labour. There has been a steady increase in the share of the Indian population working as hired labour. All of the increase in recent decades has been due to the expansion of the share of *casual* hired labour. Most of these are SCs and STs. While male rural casual labourers have increasingly worked in the non-farm sector over time, women have increasingly been concentrated in agricultural casual labour and have lost jobs overall, especially in the 1990s (Shepherd and Kapur, 2006). Growth in casual labour was strong among the landless and especially rapid after the 1987 drought. In the 1990s there was an explosion of self-employed people choosing to do subsidiary work as casual labourers. The incidence of poverty among rural casual workers is greatest among non-workers who do occasional casual work and especially among women. Most ST and 40% of SC casual workers are poor, the landless casual workers being the poorest. On an average, women are poorer than men casual labourers. Clearly, this calls for an effective wage employment programme in rural areas, especially focusing on women, of the National Rural Employment Guarantee kind, which we will discuss below in our strategies for the 11th Plan to reduce poverty.

1.6.5 Fourth, the poor have to be enabled to increase their incomes by diversifying away from agriculture, and relying on non-farm sources for at least a subsidiary income. Casual labourers and artisans, especially women, can be brought together through social mobilization to form self-help groups, and with credit support, to diversify their sources of income. In certain parts of India (e.g. Kerala, Andhra Pradesh, Gujarat) the success of such efforts have already borne fruit, and it is essential to make sure that this programme goes to scale in the country in regions which need it most – in the eastern and northern parts – where it has hardly taken root.

1.6.6 Finally, the poor need a safety net, if they are to escape the cycle of inter-generational transfer of poverty. At least 18 million rural people do not have a home over their heads, and the rural housing programme needs to focus on giving a homestead to at least those who are houseless. Homesteads will not only give them a home, but also provide a small plot of land where they can diversify their income by rearing goats and poultry and growing vegetables on the family plot. Similarly, the elderly destitute, widows and disabled among the rural poor, need social assistance.

1.6.7 However, we had also noted above that the income poor also suffer from low human capital. Household size is closely related to both malnutrition of adults and children, and to the inter-generational transfer of poverty. The directly-targeted poverty reduction efforts of the government will fail in the 11th Plan if the quality of public and reproductive health services and the integrated child development services do not improve, and also if the universalization of elementary education with quality does not happen. However, an inclusive growth strategy that focuses only on human capital formation or directly targeted poverty reduction is likely to fail. The structure of growth and the pattern of production have to be employment-generating, especially outside agriculture. In other words, the simultaneous focus on a three-legged strategy – economic growth, income-poverty reduction through targeted programmes, and human capital formation – will put India on a sustainable growth path, since there is a recognized synergy between these outcomes.

2. Programmes for Rapid Reduction of Poverty

2.1 Area Development Programmes for Poverty Reduction

2.1.1 Development of Rain-Dependent Water-Stressed Areas

2.1.1.1 Rain-Fed areas in the country accounting for 60 per cent of the cultivated area and home to majority of our rural poor and marginal farmers, have suffered neglect in the past in having not received differentiated technological, institutional, infrastructural and investment support. These areas are characterized by high incidence of poverty, low education and health status, high distress in farming sector, distress migration, low employment opportunities, and vulnerability to a variety of high risks. Apart from these conditions, the population in these areas also suffers from various exploitative social structures and practices, poor attention by government departments, poor quality of service delivery and so on. It is estimated that more than 400 million of the rural population live in the rain-fed regions. Repeated water scarcities leading to large scale droughts have severely affected livelihoods of these rural poor. The challenge therefore is to improve rural livelihoods through participatory watershed development projects, reinforced by a integrated farming systems approach that would increase productivity in a sustainable manner and contribute to livelihood security.

2.1.1.2 The watershed based approaches that aim at improving the natural resource base of villages with a clear focus on “area development” would be the ideal intervention to address several of these issues and contribute directly to overall development of the rain-fed areas. In this manner, the watershed approaches for rain-fed areas could be interpreted as not just an “area development strategy”, but also contribute to “poverty reduction” in the rain-fed regions. Considering these advantages of integrated watershed approaches in rain-fed areas, it is important to strengthen institutional arrangements, improve project content and augment budget support to integrated watershed approaches in rain-fed areas.

2.1.1.3 Systematic reviews and appraisals¹ conducted on watershed development projects by various organizations and departments have established the merit of the watershed based approach. The following are the stated benefits and positive impacts of the watershed development projects, from these studies.

- Soil loss and surface runoff reduced by 52% and 58% respectively, in completed watersheds.
- Area under irrigation increased in almost all watersheds. The extent of this increment ranged from 34% to 100% in different watersheds.
- The area under sowing increased. The cropping intensity increased.
- Productivity/ yields of crops increased and the net returns also increased (up to 63%).
- The Benefit Cost Ratio of watershed project interventions was influenced by type of intervention and type of crops grown. However, all studies clearly indicated a positive Benefit Cost Ratio –which ranged from 1.10 to 15.72 (in different parts of the country), depending on the above factors.
- The availability of drinking water improved in all project villages. The ground water situation also improved in all project villages.
- Other benefits such as fodder availability, employment opportunities (and also equal wages in limited number of cases) and income generation opportunities improved significantly in all villages where watershed projects were implemented.
- Human and cattle migration reduced significantly.

¹ *These studies were conducted by reputed institutions / agencies across the country such as ICRISAT; GIDR; DSC; WASSAN; TERI; AKRSPI; TARU; Water Conservation Mission; GoAP; WOTR and others.*

Therefore there is a case for a massive expansion of the Rainfed Areas programme in the country.

2.2 Programmes during the Tenth Plan

2.2.1 The Department of Land Resources implements three area development programmes on watershed basis, namely Integrated Wasteland Development Programme, Desert Development Programme, and the Drought Prone Areas Programme.

2.2.2 The Drought Prone Areas Programme (DPAP) is the earliest area development programme launched by the Central Government in 1973-74 to tackle the special problems faced by those fragile areas which are constantly affected by severe drought conditions. With the reorganization of States, districts and blocks, at present the programme is under implementation in 972 blocks of 182 districts in 16 States. Up to the end of the X Plan an area of 8.3 m ha is estimated to have been treated under the program on watershed based approach.

2.2.3 Introduced in 1977-78, the Desert Development Programme (DDP) is presently under implementation in 235 blocks of 40 districts in 7 States, including the cold desert areas of Jammu and Kashmir and Himachal Pradesh. The main objectives of the program are to restore the ecological balance, conservation of soil and water and to arrest the formation of deserts through shelter belt plantation. Up to the X Plan an area of 4.9 m ha is estimated to have been treated under the programme on watershed based approach.

2.2.4 The Integrated Wastelands Development Project (IWDP), a Centrally Sponsored Scheme, has been under implementation since 1989-90. At present, the projects under the programme are being implemented in 443 districts of the country. Up to the end of Tenth Plan an area of 10.0 m ha is estimated to have been treated. Externally aided watershed development projects for the development of degraded and waste land areas are also being serviced by the Ministries of Rural

Development and Agriculture. Under the above projects, an area of 0.50 m ha and 1.8 m ha resp. is estimated to have been covered till the end of the Tenth Plan.

2.2.5 The integrated watershed development projects implemented since 1994 have unique strengths in project management, project content and processes which need to be reinforced. (see Box No.I) While these direct benefits are laudable, the sustainable flow of these benefits seems to be of critical concern. With successive droughts and unsustainable agriculture practices, the accrued benefits seem to be dwindling with time. There are several factors behind this phenomenon. The biggest failure has been the inability to provide sustainable livelihoods to the farmers and the rural poor. The participatory approach is still not institutionalized over wide areas and inclusiveness has remained illusive in these programmes. Post project sustainability of interventions continues to be low on a large scale even in watershed projects which are managed as per the participatory guidelines.

BOX NO. 1

Strengths and Weaknesses of Watershed Development Projects in India after 1994

- **Project Management Related:**
 - All ministries issued Guidelines
 - Community based Project Management including financial aspects
 - Support for Capacity Building Agenda (Community Organization and Training)
 - Provisions for maintenance of assets
 - Formal Role for NGO and partnerships between Government and NGOs
 - Several models emerged at operational level for project management at state/ district level
- **Project Content Related:**
 - Integrated NRM approach with a focus on area of micro watershed
 - Bilateral Projects joined the on-going projects and diversified the scope of the projects
- **Process Related**
 - Community level decision making, planning and execution of watershed projects
 - Fund management at community level
 - Specific roles of PRI and Other CBOs
 - Building Block approach (user groups, Self Help Groups form the building blocks of institutional arrangements)
 - Clear support and institutional arrangement for project facilitation (PIA and WDT)

Weaknesses

- **Project Management Related:**
 - No dedicated project management teams at state/ district levels
 - Poor delivery of capacity building services
 - Fluctuating partnerships between GO and NGOs
 - State/ district level offices gave low priority to watershed projects
 - Good experiences could not be up scaled effectively
- **Project Content Related:**
 - Strong focus on engineering treatment at the cost of integrated approaches
 - Little formal support to productivity and livelihoods related agenda
 - Post project sustainability is grossly neglected
- **Process Related:**
 - Low level of internalization of participatory approaches by project teams
 - Lip service to equity and gender concerns at operational level
 - Weak institutional arrangements at community level and reducing role of CBOs

2.2.6 Convergence between inter-related schemes of different development departments could not take place due to striking differences in the operational guidelines as well as social considerations

2.3 Principles of Participatory Natural Resource Management

2.3.1 The analysis of benefits/strengths and weaknesses of the watershed development projects implemented so far establish the following essential principles² for guiding policy and its execution in the future.

Principle - 1 Centrality of Community Based Organisations (CBOs)

2.3.1.1 Community Based Organisations (CBOs) of primary stakeholders are at the centre of planning, budgeting, implementation, and management of all NRM (Natural Resource Management) programmes. The programme design provides adequate time for capacity building of CBOs. Functioning as an empowered organisation, a CBO proves its sense of ownership of the programme by sharing the cost of the investment which is being made for its benefit. The CBOs should be closely associated with the Gram Sabha in planning, budgeting, and implementing the programme; they should also obtain the support of the Gram Panchayat so that there is convergence of all programmes in the area served by the Gram Panchayat.

Principle – 2: Equity

2.3.1.2 Watershed Development Projects should be considered as levers for achieving greater economic, social, and political equity. Several processes that enhance equity within watershed projects such as the following should be part of the approach. (i) Equitable sharing of benefits with resource poor families, (ii) Empowerment of women through their greater participation in decision-making process and institutional arrangements, (iii) Social regulation against over-exploitation of groundwater resource, (iv) social fencing against uncontrolled grazing as well as cutting of trees from common land, and (v) specific budget allocations to landless and resource poor families for livelihoods and productivity enhancement. Project Facilitating Agencies and Management Agencies have to ensure that such instruments/ processes are followed at all levels.

² Adopted from “Non-negotiable Principles of Development & Management of Natural Resources in Sustainable Manner” (Bopal Declaration 2005) – Development Support Centre, Bhopal, Ahmadabad

Principle – 3: Decentralization

2.3.1.3 Project management should improve with decentralization, delegation and professionalism. Establishing dedicated national/ state/ district/ project level institutions/ agencies would facilitate flexibility in technical, social, and financial norms to suit varying local conditions. These autonomous institutions should have required human resources with necessary professional skills and capacities. A governing board, constituted with strong representation from stakeholders and multi-disciplinary professionals with high levels of competence, can provide support to the CEO for effective decision-making. This organisation provides continuity to administration in decision-making and ensures timely release of funds as approved in the action plan of the project.

Principle – 4: Importance of Facilitating Agencies

2.3.1.4 Rural Communities require the support of facilitating agencies to organize themselves into Community Based Organization. Facilitating agencies, preferably competent NGOs, which have necessary skills and expertise, would be selected through a rigorous and transparent process. The facilitating agencies should have a multi-disciplinary professional team supported through adequate financial resources. The partnership between the facilitating agencies and government projects should be further strengthened to ensure strong community based organizations are established.

Principle – 5: Monitoring, Evaluation and Learning

2.3.1.5 A participatory, outcome/impact-oriented and user-focused Monitoring, Evaluation and Learning (M, E and L) system should be put in place to obtain concurrent feedback and undertake mid-course improvements in the programme design and implementation systems. An Empowered National Committee on MEL, should be appointed, which develops the strategy and lay down guidelines for selecting and funding independent, competent agencies to bring about continuous improvement of the programme. The lessons learnt should be available in a transparent manner, not only to the policy makers but also to the implementing

agencies and to all those interested in improved performance of watershed development programmes.

Principle – 6: Capacity Building and Software Support

2.3.1.6 Strategies have to be developed and guidelines laid down for effective capacity building through awareness creation, communication, training and hand holding support services of key functionaries in the programme. The plan for capacity building should cover from policy makers, in the centre and the states/districts, to village level stakeholders' institutions and leading functionaries of relevant Panchayati Raj institutions. The strategy should be operationalised through national and state level resource organizations from government/ voluntary/ other sectors, selected through objective criteria and funded according to the guidelines laid down by the NC.

Principle – 7: Sustained Momentum of Development and growth

2.3.1.7 Since the goal of Natural Resource Management (NRM) is raising incomes, livelihood and creating wealth for all sections of rural community, it is essential that facilitating agencies should be mandated and supported to initiate productivity enhancement and value addition during the project period and for a few years beyond. The facilitating agencies can achieve this best by organizing local groups and associations and federating them so that they can build strategic partnerships with larger private and public groups. The partnership in turn will provide access to knowledge and resources essential for sustaining the momentum of development and growth. The distribution of wealth should be based on equity and inclusive principles.

Principle – 8: Organizational Restructuring

2.3.1.8 At present natural resource development programme is being implemented by a number of ministries and organizations at different levels. Each one of them has its own set of institutional set up at different levels resulting into inadequate coordination as well as convergence. There is a need to have a common

nodal agency at each level even if funds are coming from different sources. Each of the nodal agencies may be autonomous organization registered under society act so that there could be flexibility in the operation and decision-making could be democratized as well as decentralized.

2.4 Focus upon Deserving Rain Dependent and Moisture Stressed Areas

2.4.1 Out of the total geographical area of the country of 328 Million Hectare (MH), about 146 MH is degraded. This includes degraded land not only under private ownership, but also the one with the departments of revenue and forest. There had been considerable variation in the data regarding extent of degraded land depending upon the definition of wasteland and also the source of information. It varies from 55 MH to 175 MH. The latest attempt to harmonize the above data³ has brought out that the degraded land, which has the potential for development under watershed development projects, amounts to 50 million h.a. of water eroded, 5 million h.a. of wind eroded and 9 million h.a. in notified forest³.

2.4.2 As per the 25 year - perspective plan of the Planning Commission⁴, 88.5 MH is to be developed under watershed program by the end of 13th Five Year Plan. Out of the above, 22.2 MH has already been developed during 9th and 10th Plan through a watershed approach. Out of the remaining rain fed area of 66.3 MH, it is proposed to develop 36.6 MH during the 11th Plan through integrated watershed approach. The rest of the area ie 29.7 MH would be considered for development in the subsequent two five year plans.

2.4.3 As per latest estimates of Dr. Samra (2007), 55 M.H. will be prioritized and some lands may also become degraded in due course of time for treatment and that is why the figure of 29.7 h.a. has been arrived at as balance after Eleventh Plan.

³ *Expert Group of ICAR & NRAA for Harmonization of Wasteland Data Chaired by Dr. J.S. Samra (2007).*

⁴ *Committee on 25 years Perspective Plan for Development of Rain-fed Areas under Chairmanship of Dr. S.A. Hashim (Planning Commission, 1997)*

Proposed Area for Development Under Integrated Watershed Development Approaches during 11th Five Year Plan					
S No	Type of Area	Status of Development During Different Five Year Plans			
		Covered During 9 th and 10 th Plan	Proposed for 11 th Plan	Balance	Total
1	DDP blocks	4.9			
2	DPAP Blocks	8.3			
3	Arid, Semi –arid & Sub-humid areas not covered by DDP & DPAP	6.4 + 2.6			
5	Total	22.2	36.6	29.7	88.5

2.4.4 During the 11th Plan, major thrust need to be laid on developing the untreated area in DDP and DPAP blocks. In addition, special attention would have to be paid in developing villages where ground water is over exploited. For this purpose, priority would be laid to work in 425 blocks in 100 districts, where ground water depletion is very high as well as number of dug wells is also high. The priority for integrated watershed development projects during the Eleventh Plan would be arid, semi-arid and dry sub-humid areas having a moisture index value and rainfall respectively as given in the Box below.

		Area		
		Arid	Semi-arid	Dry sub-humid
Moisture Index	Value	-66.8 to -100	-33.4 to -66.7	0 to -33.3
Rainfall		< 375 mm	375 mm – 750 mm	750 mm – 1150 mm

Note : Moisture Value Index is defined as

2.5 Proposed Integrated Participatory Watershed Management Programme (IPWMP)

2.5.1 The proposed “Integrated Watershed Approach for Rain-Fed Areas” is a major shift from the ongoing watershed projects in the country. This shift is designed after making a careful analysis of ongoing projects and innovative models across the country. This approach attempts to fill the gaps and address the weaknesses of the current watershed based projects in the country. For facilitating this process, the need for a cohesive policy framework is necessary. Common Guidelines for Integrated Participatory Watershed Management Programme (IPWMP) are being conceptualized, which are expected to provide direction to watershed approaches in the country.

2.6 Common Guidelines for Integrated Participatory Watershed Management Programme (IPWMP)

2.6.1 Rationale for Common Guidelines

2.6.1.1 At present, a large number of WSD Programmes of different Central Ministries/Departments are under implementation in different States. These programmes are being implemented under different guidelines of respective schemes. At times the implementing and the coordinating agencies for these schemes differ, while in other cases they are implemented by the same agency and multiplicity of guidelines causes confusion. The objectives of the schemes also vary depending on the mandate and area of operation. Such a fragmented approach defeats the very objectives of scientific management of watersheds in particular and that of natural resource management in general. The multiplicity of programmes and agencies operational in an area pose problems of coordination and coherence as well. In light of the experiences that the watershed development programmes have had and the learnings that have been enunciated above, it is quite clear that a set of common guidelines needs to be formulated which will cut across departments and

ministries and provide a holistic, integrated vision to the watershed-based approach to rural development.

2.7 Salient Features of Common Guidelines

2.7.1 The Common Guidelines for Watershed Development Projects would define the broad policy framework for watershed development projects in the country. The salient features of these common guidelines are the following.

2.7.2 Institutional Arrangements

- Establishment of dedicated project based institutions/agencies at national/state/district/block and village levels. These agencies would be equipped with necessary and qualified human resources.
- The Government has already set up the National Rainfed Area Authority (NRAA) for providing technical and managerial support to watershed development. It will cover all aspects of sustainable and holistic development of rain fed areas, including appropriate farming and livelihood system approaches. The Authority will be made functional during the 11th Plan and similar structures are expected to be set up at the State level.
- Focus on monitoring, evaluation and learning systems at all levels;
- Preparation of strategic plan for state/district/block for covering the area in a comprehensive and time bound manner.
- Formal Partnerships between Government agencies and Civil Society Organisations for strengthening project management (facilitation; monitoring, evaluation and learning; capacity building; research and networking).

- Diversity and plurality of institutions at community level, based on the project needs.
- Clear roles for governance institutions (Grama Panchayati/Grama Sabha) and executive/management institutions (user groups/SHG/Labour Groups/Common Interest Groups/Apex Bodies of CBOs).

2.7.3 Focus on Capacity Building

- Clear institutional arrangements for capacity building delivery at all levels
- Formal partnerships to be forged between resources organisations and national/state/district level project agencies.
- Focus on decentralized, institutionalized, continuous and profession capacity, building inputs.
- Diversified capacity building inputs: Institutional arrangements would be made to diversify capacity building inputs, which include training, exposure, sensitization, demonstration, opportunities for experiential learning, awareness generation, hand holding support to CBOs/functionaries and any other.

2.7.4 Programme Components

2.7.5 The common Guidelines for Integrated Participatory Watershed Development Projects expand the scope of watershed development projects from mere soil conservation activities to livelihoods enhancement and promotion interventions. For ensuring this, the following three categories of interventions become part of integrated watershed approach.

2.7.6 ▪ Development of Natural Resources:

This component will consist of following four sub-components:

- Conservation and development of land, water and perennial biomass
- Treatment of problem soils
- Plantation of horticulture and agro-forestry
- Development of need based NRM related infrastructure

2.7.7. Management of Developed Natural Resources:

This component will consist of the following four sub-components.

- Formal allocation of users' right over CPR
- Systems of maintenance and management of assets created on CPRs (Eg: User charges and others).
- Sustainable use of developed natural resources (eg; Social regulation of ground water use).

2.7.8 Development of Rain-fed Farming System including non-farm livelihoods:

This component will focus on the following five sub-components

- Diversification of farming systems as per typologies of farms/ families.
- Up scaling of successful experiences in diversification at family/ community level (agriculture, horticulture, livestock, fisheries).
- Focus on productivity enhancement of agriculture, horticulture, livestock and fisheries with a special reference to small and marginal farmers.
- Support to SHGs/CIGs for strengthening non-farm livelihoods through revolving fund.

2.7.9 Support to strengthen low external input supply systems (seed, local fertilizers, pest management, credit, processing, collective marketing) that are locally and community managed.

2.8 Financing the Plan

2.8.1 For this focused area approach on the basis of watershed development, in order to cover an area of 36.6 mha at current cost of Rs 6000 per hectare, the fund requirement is estimated to be Rs 21960 crore. Since these cost norms were fixed a long time back, there is a case for revising them. Various working groups and studies have recommended norms ranging between Rs 10,000 to Rs 15,000 per hectare. If a norm of Rs 12,000 is accepted, the fund requirement works out to around Rs 44,000 crore at current prices.

2.8.2 Since this is a basic infrastructure requirement, Planning Commission envisages an investment of Rs 22,000 crore for these programs (RD programs and NRAA). It is also envisage that through convergence with NREGA (implemented in 330 districts) and BRGF (implemented in 250 districts) programmes which mostly cover the focus area of this approach, a minimum of additional Rs 5,000 will be available. Lastly, external funding agencies, especially bilateral agencies, have shown interest in view of the integrated and participatory aspects of this strategy. It is expected that another Rs 5000 crore will be raised through this route.

2.9 Backward Regions Grant Fund

2.9.1 The development of backward regions has been a major concern of planners in India. However, prior to the Tenth Plan, the issue of development of backward areas was approached as primarily one of development of States through the formula for distribution of Central Assistance which was weighted in favour of less developed States and through Special Area Programmes such as Hill Area Development Programme, Border Area Development Programme, Drought Prone Area Programme, Tribal Sub-Plan etc. The emphasis was on backwardness in terms of economic performance, though the impact of historical and social factors in economic matters was also recognized. It was also observed that special development schemes should not be mere palliatives but the potential for growth

present in most backward areas needs to be tapped if these schemes are to have an impact.

2.9.2 The Mid-Term Appraisal of the Ninth Plan showed that despite these efforts, one of the most serious problems facing the country was the wide disparity and regional imbalances between States and within a State between some districts. It was these pockets of high poverty, low growth and poor governance that were slowing down the growth and development of the country. In the Tenth Plan, it was decided to have a new approach to target these areas through a specific programme for Backward Areas and the Rashtriya Sam Vikas Yojana was introduced in 1999.

2.10 Tenth Plan Review

2.9.1 The Rashtriya Sam Vikas Yojana covered 147 districts. Each district was to receive Rs. 45 crore for schemes that would address the problems of low agricultural productivity, unemployment and fill critical gaps in infrastructure. Each district prepared a 3 year Action Plan which showed the flow of funds from various schemes into the Sector which was considered for additionality. An amount of Rs. 4673 crore was released under RSVY during the Tenth Plan period. Thirty three districts received the full allocation of Rs. 45 crore during the Tenth Plan while others are in various stages of completion of the programme. Keeping in view the experience of the operation of the Programme in the first two years, it was decided that the process of implementation needed to be changed to provide a more participative and holistic approach and to involve Panchayati Raj Institutions. Thus, the Backward Regions Grant Fund was initiated with two major changes, namely, the involvement of Panchayati Raj Institutions not only in the choice of schemes but also in their implementation and supervision, and the preparation of district plans which would ensure convergence and prevent duplication.

2.11 Objectives

2.11.1 The scheme aims to help converge and add value to other programmes, like Bharat Nirman and National Rural Employment Guarantee Programme, which are explicitly designed to meet rural infrastructural needs but

which need supplementation to address critical gaps. It aims at catalyzing development in backward areas by: (a) providing infrastructure; (b) promoting good governance and agrarian reforms; (c) converging, through supplementary infrastructure and capacity building, the substantial existing development inflows into these districts.

2.11.2 The Fund will accordingly provide financial resources for supplementing and converging existing development inflows into identified districts, so as to:

- (a) Bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,
- (b) To this end strengthen Panchayat and Municipality level governance with: more appropriate capacity building; to facilitate participatory planning, decision making, implementation and monitoring; and to reflect local felt needs,
- (c) Provide professional support to local bodies for planning, implementation and monitoring their plans,
- (d) Improve the performance and delivery of critical functions assigned to Panchayats, and counter possible efficiency and equity losses on account of inadequate local capacity.

2.12 Identification of Backward Districts

2.12.1 A series of exercises have been undertaken to identify backward areas. Districts identified for coverage under the Rashtriya Sam Vikas Yojana used the criteria recommended by the “Task Force on Identification of Districts for Wage and Self-Employment Programmes” (Planning Commission, 2003). The three criteria used were agricultural wage rate, value of output per agricultural worker and SC/ST population. However, the number of districts to be covered in a non-Special Category State was based on the proportion of poor in the State while in the case of Special Category States, population was the basis. The districts under the

Backward Regions Grant Fund include all the 200 districts covered under the first phase of the National Rural Employment Guarantee Programme (NREGP) which also used the same three criteria. Fifty districts (that were not covered under the list of 200 NREGP districts) were added to make a total of 250 districts for coverage under the Backward Regions Grant Fund.

2.13 Salient Features of the Backward Regions Grant Fund

2.13.1 The Backward Regions Grant Fund will be anchored in a well conceived, participatory district plan by implementation of programmes selected through peoples' participation for which Panchayati Raj Institutions (PRIs) from the village upto the district level will be the authorities for planning and implementation. The dominant features include:(i) consolidation of sub-district plans by the District Planning Committees; (ii) convergence of all on-going Central Sector, Centrally Sponsored and State Plan schemes operating at the sub-district level; (iii) flexibility in the form of untied grants untied grant which may be used by Panchayats and Urban Local Bodies(ULBs) guided by transparent norms for filling critical gaps vital for development in spite of other major interventions, identified through the participative planning processes; (iv) capacity building grants for all stakeholders including professional support for preparation and consolidation of district plans; (v) empowerment of the district local government institutions with adequate investments for social development such as education, health, food security, etc; (vi) provision for specific social assistance programmes designed to deliver infrastructure and other financial support needed by them; (vii) concentration on pro-poor infrastructure with transparent norms for distribution of funds amongst various levels of rural and urban local bodies with focus on backward areas and disadvantaged peoples; and (viii) stress on development of assets and livelihood of the economically and socially weaker sections.

2.14 **Programme Content**

2.14.1 The scheme has two components, namely, (a) Districts' Component covering 250 districts and (b) Special Plans for Bihar State and the Kalahandi – Bolangir – Koraput (KBK) districts of Orissa State.

2.14.2 **(a) Districts Component**

2.14.3 The Districts Component of the BRGF covers 250 districts and has two funding windows, namely, (i) Capability Building Fund, and (ii) a substantially untied grant.

2.14.4 **(b) Capability Building Fund**

2.15.5 The Capability Fund of Rs.250 crore per annum (@ Rs. one crore per annum per district for 250 districts) will be used primarily to build capacity in planning, implementation, monitoring, accounting and improving accountability and transparency which would include arrangements for contracting and outsourcing. The capability building will include provision of adequate functionaries for the Panchayats for planning and implementation, technical assistance, office infrastructure, connectivity to the offices through roads, telephones, power supply, e-connectivity, adequate training, conduct of surveys, studies on backwardness, development of baseline databank, establishment and maintenance of the accounting and auditing system, securing assistance for Panchayats and DPCs for preparing and consolidation of plans, etc.

2.15 **(c) Untied Grant**

2.15.1 The allocations of funds out of the plans prepared by the Panchayats and ULBs and consolidated by the DPCs will be considered and approved by a High Powered Committee headed by the State Chief Secretary and consisting of inter-alia the Development Commissioner, Planning Secretary, State Secretary of Panchayati Raj, State Urban Development Secretary, State Secretaries in charge of sectors concerned, a representative of the Ministry of Panchayati Raj and State Plan Adviser of the Planning Commission as well as other Government of India nominees. Gap

filling under the programme would be made sensitive to achieving a few selected objectives at the National level even as BRGF aims at filling gaps in local infrastructure. Key gaps in local infrastructure under Bharat Nirman on which BRGF could focus, at the option of the Panchayats, include rural electrification, adoption of appropriate technology options for drinking water supply in hilly and tribal areas, augmenting Indira Awas Yojana, etc. Further, Panchayats will have freedom to allocate these funds for topping up partly unfunded priorities.

2.15.2 The untied grants will be distributed among the districts concerned as per the following norms i.e. a fixed minimum amount of Rs. 10 crore per annum and the balance allocation to be made on the basis of the share of the population and area of the district in the total population and total area of all the backward districts.

2.16 (b) Special Plans

2.16.1 In addition to the funding of the Districts Component of the programme, the Special Plans for Bihar and the KBK districts of Orissa, which were being funded under the erstwhile Rashtriya Sam Vikas Yojana during the Tenth Plan, will also be funded under the Backward Regions Grant Fund during the Eleventh Five Year Plan.

2.17 Special Plan for Bihar

2.17.1 The Special Plan for Bihar had been formulated, in consultation with the State Government of Bihar, to bring about improvement in sectors such as power, road connectivity, irrigation, forestry and watershed development. The prime emphasis had been laid on improvement of roads and power projects in the State under the Special Plan. Implementing agencies had been identified, in consultation with the State Government, for execution of these schemes. An allocation of Rs. 1000 crore per annum was being made for the Special Plan during the Tenth Five Year Plan period. The same allocation i.e. Rs.1000 crore per annum will continue to be made during the Eleventh Five Year Plan period.

2.18 Special Plan for the KBK districts of Orissa

2.18.1 The KBK region comprises the undivided Kalahandi – Bolangir – Koraput districts situated in the southern and western part of Orissa which has since been divided into eight districts, namely, Kalahandi, Nuapada, Bolangir, Sonepur, Koraput, Nabrangpur, Malkangiri and Rayagada. A Revised Long-Term Action Plan was drawn up for these districts and Planning Commission has been providing Additional Central Assistance to this region since 1998-99. To make the planning and implementation process more effective, the State Government has been funding Special Plan for these districts since 2002-03 using a project based approach and an innovative delivery and monitoring system. The Special Plan focuses on tackling the main problems of drought proofing, livelihood support, connectivity, health, education, etc. as per local priorities. In the Eleventh Plan, the total allocation for the KBK districts will be protected at Rs. 250 crore per annum. These districts will be funded as per the BRGF district norms and the balance will be provided under the Special Plan.

2.19 Strategies for the Eleventh Plan

- During the financial year 2007-08, districts where RSVY is continuing will receive funds as per RSVY norms till the entire amount of Rs. 45 crore (plus the existing monitoring fee) is released to each district, after which these districts will shift to the BRGF's mode of funding. The thrust will be on immediate completion of all sanctioned schemes under RSVY so that new schemes can be taken under BRGF at the earliest. The new districts will be allocated funds based on BRGF's mode of funding. In addition, Special Plans for Bihar and the KBK districts of Orissa will also be allocated funds by the Planning Commission under the BRGF as per the decision taken with regard to their funding.
- BRGF resources would be utilized by the States in evolving a comprehensive District Plans which would include nested agriculture plans taking into

account the specific agro-climatic conditions of the district, district education plans, district health plans, etc.

- BRGF funds would also be utilized in the districts, where they are available, to supplement resources available for command area development and participatory irrigation/water management.

2.19.1 It has been decided to provide Rs. 5820 crore per annum during the Eleventh Five Year Plan for the two components i.e. Districts Component and the Special Plans for Bihar and the KBK districts of Orissa. The total provision for the BRGF during Eleventh Five Year Plan would be Rs. 29100 crore.

2.20 Interventions by States

2.20.1 Simultaneously many of the State Governments are also taking action to redress the problem of regional imbalances. In West Bengal, 4612 revenue villages have been identified for special attention. Female literacy and employment opportunity were used as variables to capture the extent of poverty. Thus villages in which over 60% of the population in the working age group are either non-workers or marginal workers and villages with female illiteracy over 70% have been identified for special attention. The services to be universalized in these villages are (a) food security; (b) Social Assistance; (c) Elementary education with emphasis on enrolment and retention of girl children; (iv) Nutrition programmes; (v) Employment generation; (vi) Housing for the houseless; (vii) Formation of SHGs and bank linkages to them; (viii) Sustainable drinking water and ; (ix) Strengthened public health services. Since many of these villages are small hamlets hitherto excluded from proper connectivity and social infrastructure, they are to be given high priority now under all relevant schemes. The District Magistrates and other senior officials have been asked to visit these villages and ensure time bound implementation of these activities. In addition to sensitizing the Panchayats at all levels about the priority to be given to these villages, all Government departments have been instructed by the Chief Secretary to conduct special review of the implementation of their development programmes in these villages. The Government of West Bengal is

providing additional financial assistance since 2006-07 for meeting the critical gaps in these backward villages.

2.20.2 In Andhra Pradesh identified backward villages have been selected for saturation/universalisation under eight schemes/activities under “Indiramma” Village Scheme. These schemes are (i) Pension for all eligible old persons, persons with disability and widows; (ii) Weaker section housing; (iii) Sustainable drinking water; (iv) Power supply to every household; (V) sanitary latrines in every household; (VI) Enrolment and drop out prevention in elementary education; (VII) Anganwadi with buildings; and (viii) Improvements in primary health with 100 per cent immunization, 100 per cent institutional delivery and 100 per cent maternity benefit for eligible pregnant women.

2.20.3 The Government of Gujarat had set up a committee (COWLAGI Committee) in 2004 to rank talukas based on 44 indicators. The committee has now identified 30 talukas falling under least developed talukas in the State. They have developed a strategy to raise the level of these talukas in a time bound manner. The senior most officers of the rank of Secretary and above have been asked to voluntarily adopt one taluka each to prepare and implement development plans for these talukas with a time bound programme.

2.20.4 Thus, it is seen that from a general area approach there is a move towards more vulnerable settlements . This approach of identifying settlements which need special attention will help to concentrate development efforts in laggard habitations which either because of their isolation or the social composition of their population continue to depress the human development index and other development indicators of the district / state.

2.21 Hill Areas Development Programme / Western Ghats Development Programme

2.21.1 The Hill Areas Development Programme(HADP) /Western Ghats Development Programme(WGDP) have been in operation since the Fifth Five Year Plan in Designated hill areas. Under these Programmes, Special Central Assistance

is given to Designated hill Areas in order to supplement the efforts of the State Governments in the development of these ecologically fragile areas.

2.21.2 Areas under HADP were identified in 1965 by a Committee of the National Development Council (NDC) and areas to be covered by WGDP were recommended in 1972 by the High Level Committee set up for the purpose. After the formation of Uttaranchal in 2001, the designated areas covered under HADP/WGDP include :

- a) Two Hill districts of Assam – North Cachar and Karbi Anglong
- b) Major part of the Darjeeling District of West Bengal
- c) Nilgiris District of Tamil Nadu
- d) One hundred and Seventy one talukas of WGDP comprising Western Ghats in Maharashtra (63 talukas), Karnataka (40 talukas), Kerala (32 talukas), Tamil Nadu (33 talukas) and Goa (3 talukas).

2.22 Tenth Plan Review

2.22.1 The main objectives of the programme have been eco-preservation and eco-restoration with emphasis on preservation of bio-diversity and rejuvenation of the hill ecology. For the hill areas covered under HADP, the sub-plan approach has been adopted. The State Governments concerned prepare their total plan comprising of flow of funds from the State Plan, Special Central Assistance made available under HADP and other sources. . In the case of WGDP, the schematic approach was followed since the flow of funds from State Plan to the taluka, which is the unit of demarcation, is difficult to quantify. Under WGDP, the States were advised to prepare their plans on watershed basis. Watershed based development continued to be the basic thrust area of the programme along with a participatory approach to ensure efficiency, transparency and accountability during the Tenth Five Year Plan period. The allocation for the programme has remained almost static through the Tenth Plan period at Rs. 160 crore. It was only during 2006-07 that the allocation was stepped up to Rs. 250 crore.

2.22.2 The evaluation studies which have been carried out to assess the efficacy of these programmes have shown that while it is not possible to isolate the impact of the programme, the outcome of these programmes are visible in the form of increase in the level of the water table, preservation of forest area, increase in irrigated area ,decrease in fallow land, increase in income, etc.

2.23 Strategy for the Eleventh Plan

2.23.1 The Hill Areas Development Programme and the Western Ghats Development Programme will be continued in the Eleventh Plan with renewed vigour so that the natural resources of these fragile areas can be used in a sustainable manner based on environment friendly technologies. These programmes need to be continued as (a) Most of the hill areas lack infrastructure facilities particularly roads, power, education and health facilities. The evaluation study of WGDP in Goa carried out by the Central Soil and Water Conservation Research and Training Institute, Udthagamandalam brings out that though Goa is a relatively better developed State, the hill areas do not have commensurate facilities. Though the Western Ghats areas account for 47% of the total area of the State, they have only 32% of the health care facilities. This fact underlines the need for giving special attention to hill areas / WGDP areas. In fact these programmes may be used to invite the interest of the State Governments and to ensure that adequate funds flow to these areas. Towards this end the State Governments may be asked to give details regarding the provision of facilities, flow of funds under flagship schemes such as Bharat Nirman as a condition for release of funds. (b) As the hill areas are relatively thinly populated, their importance as a vote bank becomes only marginal. Most of the hill areas lack political power and consequently adequate funding may not be made available to them. (c) Many of the programmes are not suitable to hill areas. For example, wages are often higher in the hill areas than the wages under wage employment programmes and normally machines are required for earthwork as the rocky terrain is not suitable for manual labour. This also holds true for the norms set for some of the programmes as settlements are often small hamlets which

do not qualify for coverage or are too expensive to cover. Hence, local solutions have to be found and encouraged.

2. 23.2 The objectives would be two-fold –ecological balance and preservation as well as creation of sustainable livelihood opportunities. However, gap filling small infrastructure will also be allowed.

2.23.3 Keeping in view the existing administrative and fund requirements of HADP areas, it could perhaps be more appropriate to have a different approach for HADP areas compared to WGDP areas. In case of the HADP areas, the district planning guidelines for States not covered by Part IX of the Constitution which are to be issued shortly, should be followed. District Plans should be prepared based on the vision for the district through a participative process starting from the grassroots level. This would involve articulation of a vision in each Planning unit right down to the village level. This vision would address the three basic aspects of development, namely, human development, infrastructure development and development of the productive sector.

2.23.4 In the case of the WGDP areas, the plan for these areas should be prepared as part of the district plan as per the common guidelines for integrated participatory watershed management. While preparing the district plan, it should be ensured that WGDP areas receive priority and are brought on par with the best developed areas of the State. The ecological and biodiversity issues are to be dealt on high priority. These areas should be given priority under other schemes particularly the flagship schemes including Bharat Nirman, Sarva Shiksha Abhiyan (SSA), National Rural Health Mission (NRHM) etc.

2.24.5 The State Governments need to allocate funds to the more fragile and backward pockets of the Western Ghats talukas. Keeping in view, the increasing fragility of the hill areas, the allocation for the programme should be Rs. 2500 crore for the Eleventh Plan.

2.24 Border Area Development Programme (BADP)

2.24.1 Border Area Development Programme (BADP), introduced during the Seventh Plan, aims at making special effort for socio-economic development of the border areas and to promote a sense of security amongst the people living in these areas. The programme was revamped in Eighth Plan and extended to the States adjoining the international border with Bangladesh and it was further extended during Ninth Plan to the States which have borders with Myanmar, China, Bhutan and Nepal.

2.24.2 The programme is a major intervention of the Central Government and is a part of the comprehensive approach to Border Management. The main aim has been to meet the special needs of the people living in remote, inaccessible areas situated near the international land border.

2.25 Coverage:

2.25.1 The border block has been treated as the spatial unit for the purpose of implementation of this programme. The programme covers 358 border blocks of 94 districts in 17 States (viz. Arunachal Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tripura, Uttarakhand, Uttar Pradesh, West Bengal) along a stretch of 15,106.70 km long land border with Pakistan, China, Nepal, Bhutan, Myanmar and Bangladesh.

2.25.2 BADP is a 100% funded special scheme of Government of India. Funds are allocated annually by the Planning Commission. The Ministry of Home Affairs, Department of Border Management under whose administrative control the programme is implemented further reallocate the funds to the 17 beneficiary States on the basis of the following criterion: (i) Length of International Border (Km); (ii) Population of the border block; (iii) Area of the border block (sq. Km) which are given equal weightage; and (iv) 15% weightage to the hilly, desert and Rann of Kuchh areas.

2.26 Tenth Plan Review

2.26.1 In the Tenth Plan period, Rs. 1754.14 crore was released under the programme. Even though funding has been small relative to the area to be covered, BADP has made some contribution in creating a conducive and enabling environment for undertaking normal economic activities in border areas and enlarging development opportunities for local population by providing communication facilities such as roads, bridges and thereby easy accessibility to villages, markets, hospitals and reducing hardship of people.

2.26.2 State Governments have used the funds mostly on the following activities: construction of link roads and bridges / culverts; creation of safe drinking water facilities; construction of health centres and provision of medical equipment; construction of additional rooms in Primary, Middle and Higher Secondary schools; creation of social infrastructure such as Community Centers and Anganwadis; power generation and transmission; agriculture and allied sectors; by way of making provision of good quality seeds and better irrigation facilities; development of tourist places, etc.

2.26.3 Given the importance of the matter from logistic and irrigation point of view some schemes for Optimal Utilization of Waters of the Eastern Rivers of Indus River System have been taken up under the Border Area Development Programme (BADP) in Jammu & Kashmir (6 projects) and Punjab (3 projects). An amount of Rs. 30.23 crore (Rs. 10.29 crore for J&K and Rs. 19.94 crore for Punjab) has been released during the years 2005-06 and 2006-07.

2.26.4 The programme has been constrained due to (i) meagre allocations leading to lack of interest at the State level; (ii) neglect of village-wise and block-wise planning and (iii) lack of local participation.

2.27 Strategy for the Eleventh Plan

2.27.1 In the last decade, there has been a sea change both in economic development within the country and economic development of our neighbouring countries. While in many of our neighbouring countries economic development particularly the development of communication and power infrastructure has been rapid, visible and extends right to the borders, unfortunately our border areas have been on the periphery of the development process.

2.27.2 Apart from development issues , the people of our border areas suffer from multiple handicaps which include the threat of firing from across the border which till recently haunted the border areas of Jammu and Kashmir; the construction of fences which has disrupted the livelihoods of farmers as in Punjab; influx of illegal immigrants as in West Bengal and Assam which has even changed the demographic and social fabric of the border districts; rules and regulations which inhibit the development of connectivity in border areas; etc.

2.27.3 The main strategies for BADP in the Eleventh Plan will include :

Viewing the border areas as an opportunity for cross-border, trade, tourism and other such activities in the overall perspective of economic reforms and liberalisation. To this end the infrastructure, particularly roads, power, trade check posts, marketing facilities, etc. must conform to India's status as an emerging economy and should not only cater to current needs but also include scope for further expansion. The outpost mentality should be shed and border areas should have a high standard of living and serve as a "demographic buffer". Border areas need to be transformed from peripheral areas to being the showcase of the nation.

2.27.4 Border areas need to be saturated with facilities, particularly under flagship programmes such as Bharat Nirman for drinking water, rural connectivity, housing , nutrition, electricity, telephones and irrigation; Sarva Shiksha Abhiyan for education; National Rural Health Mission for health; etc. This will not only remove

the sense of alienation and neglect but will also prevent out-migration from these areas.

2.27.5 Encouragement of livelihood opportunities and enhancement of productive capabilities including strengthening of trade related infrastructure will be a thrust area.

2.27.6 Development indicators of border areas must be brought on par with those of the State concerned in the first phase and then at the level of developed areas of the country. For this a perspective plan for the border areas needs to be prepared within the overall framework of the district plan. The funding for the Border Area Development Programme needs to be dovetailed with all the other ongoing programmes so that critical gaps which cannot be met from other programmes are met from these funds. The circular for guidelines on preparation of District Plans issued by Planning Commission should be followed and in addition the plan for border blocks may also be prepared separately. Care may be taken to ensure that habitations near the border(say within 10 kms.) may be saturated first. This distance may be determined by the state government keeping in view local circumstances. Alternately, growth nodes may be identified within a block and a hierarchy of functions may be developed depending on the size of the habitations.

2.27.7 In addition to the Screening Committee at the State level, an Empowered Committee of the District Planning Committee may be set up with representatives of the border blocks to plan and supervise the programme.

2.27.10 The pace of development in the country has raised the expectations as well as the awareness of the people in the border areas also. The border areas therefore require an enhanced level of funding of at least Rs. 5000 crore in the Eleventh Plan.

2.28 Modernizing Agrarian Relations to Enhance Efficiency and Equity

2.28.1 Majority of the poor in India live in rural areas, and derive their livelihood from agriculture. Land is the prime resource for agricultural activities and therefore, an efficient and corruption free land administration, coupled with a dynamically adaptive land policy, has a vital role in poverty reduction and increased growth in the agriculture sector. This can change not only the current culture of exclusion so that the poor can gain access to land, credit, technology, markets and other productive services, but also become partners in the development of Government policies and programmes affecting their livelihoods.

2.28.2 Key features and trends impacting on land policy and administration are:

- There has been an increase in marginal and small holdings. The share of marginal holdings (area less than or equal to 1.00 ha) in the rural areas is 80% in the year 2003 compared to 72% in 1992 and 67% in 1982. (NSSO 59th Round). This trend of increased fragmentation has led to a larger number of small and marginal holdings. About 10% of the rural households were reported to be landless, i.e. owning land either nil or less than 0.002 ha. (NSSO 59th Round), which is not significantly different from the figures obtained in 1992.
- The growth of agriculture was at a rate much lower than the manufacturing and the services sector during the Tenth Five Year Plan Period. Credit has grown in an unprecedented fashion (30% per annum) to other sectors but not to agriculture and in particular to small and marginal land holders. The declining share of agriculture in the national GDP, without a commensurate change in the population dependent on agriculture has aggravated the ratio of per capita farm income to the non farm income.
- The opening up of the economy and the structural adjustment program has led to the small and marginal farmers being exposed to market forces. The process of commercialization of agriculture is expected to increase overall

welfare through advantage of comparative trade in the long run. However, the vast majority of Indian farmers exploit very small land holdings and have to make a transition to a high risk capitalist form of agriculture, and in the process, may be adversely affected, due to lack of timely and affordable credit, marketing and insurance facilities.

- There is a differential access to agricultural services and support systems, both in a spatial context with reference to the green revolution areas vis a vis other areas and in terms of large and medium farmers compared to the small and marginal farmers. Due to the small size of the holdings and low returns from agriculture along with the risks associated with farming, the poor risk averse farmers take ex-ante risk mitigation measures which implies investing in low investment, but less risky and low yielding crops, thus perpetuating poverty.
- Even though land has been surveyed, there are many cases where the farmers depending on their livelihood on land do not have clear cut rights or do farming on the basis of informal arrangements. This reduces their incentives to invest optimally in their land. An opaque and inefficient land administration system, absence of clear cut land titles and high transaction costs also restricts quality investment in agriculture thereby leading to low productivity and production. Inequality of landholding, landlessness, poverty and insecurity of tenures are also correlated with other factors such as caste and tribal status.
- The lack of investment and capital formation in agriculture and the lack of growth in the non-farm sector in the rural areas have led to low wages in the agriculturally backward areas. This in many cases has resulted in the landless out migrating to the urban areas. On the other hand, higher aspirations and educational levels of the landed gentry has resulted in migration of the large and medium farmers, giving rise to 'absentee landlordism'.

2.28.3 Thus adverse changes in the agrarian relations, an increase in number of small and marginal farmers and their inability to access agricultural

services, a shift to market forces, lack of investment and growth in the agricultural sector, decreasing ratio of farm to non farm incomes, a traditional and costly land administrative system are the major reasons behind the agrarian crisis. An effective land policy and an efficient land administrative system, thus has to address the following:

- a) Access to agricultural services
- b) Modernization of management of land records
- c) Reforms relating to land ceiling
- d) Reforms relating to tenancy laws
- e) Protection of the rights in land of tribals
- f) Security of homestead rights

2. 29 Access to agricultural services

2.29.1 The size distribution of ownership holdings in India is characterized by predominance of landless and marginal farmers. During 2003, the marginal holdings (less than 1.00 ha) and landless accounted for 80% of the rural households but owned only 23% of the area. Controlling for other factors such as inputs etc, the relationship between production per unit of land and farm size is commonly depicted by the U-shaped curve, indicating thereby that farm sizes at the two ends of the spectrum may have quite similar levels of productivity. The small sized farms have an advantage in using family labour and thus utilizing surplus labor and saving monitoring costs while the larger farms benefit from economies of scale and mechanization.

2.29.2 It is a well known fact that the benefits of green revolution technology were initially reaped by the medium and large farmers in states like Punjab and Haryana, which had irrigation facilities and effective implementation of support prices. Despite the significant presence in the agricultural sector and their contribution to the economy - both realized as well as potential, the small and marginal farmers are unable to access on their own major agricultural services, such as credit, extension, insurance and markets. Many of the sharecroppers and

marginal farmers are unable to access credit from the formal system and borrow at usurious rates.

2.29.3 Marginal and small farmers are highly risk averse and settle for low risk low yield risk diversified cropping pattern, thus getting low returns as their risks are not covered. Smaller and marginal farmers have lower literacy levels compared to the bigger farmers, which coupled with the fact that they are more risk averse, limits their access to and demand for technology and information sources like media, TV etc. The Government machinery too tend to focus on progressive or bigger farmers as an extension strategy. Small landholdings also make it unviable to make huge capital investments in irrigation sources and mechanization. Low surpluses and at times pledging their produce to the moneylender at less than the market price deprive many of the small and marginal farmers of the minimum support price.

2.29.4 All the above factors result in a yield gap between the bigger farmers and the smaller farmers. Though agricultural efficiency should be scale neutral, provided one controls for other factors, one observes that there is a difference in productivity related to scale dimensions of farms, and thus the case for external interventions to favour the small farm owners (in the form of public investment and support for agricultural services) to help achieve the productivity potential of such farms. Availability of capital to invest in technology and other inputs could be augmented by timely and adequate availability of credit through institutional mechanisms. There is a strong case for public intervention in favour of small producers, in order to enable them to benefit from and access the agricultural extension services. The extension network could also benefit from use of information and communication technologies. There is under investment in private irrigation sources and machinery. Designing contracts for creating water markets and rental markets for machines such as tractors will increase capital investment in agriculture sector. Mitigating risks through suitable insurance schemes, ensuring minimum support price to small and marginal farmers, availability of low interest and timely

credit farmers will go a long way in closing the yield gap and realizing the production of the small farms.

2.30 Modernization of the management of land records and titles

2.30.1 Comprehensive recording, dissemination and timely updating of land data regarding ownership, use, attributes and resources associated with it is vital to the efficient functioning of a modern economy. Correct and updated land records are crucial for the security of land rights and encourage investment, result in fewer disputes and conflicts, allow land to be used as collateral, lower transaction costs and corruption, ensure an efficient land market and help in the implementation of land reforms and planning for various development programmes.

2.30.2 The Seventh Five Year Plan laid a renewed emphasis on the need for scientific survey of unmeasured lands, recording rights of tenants and share-croppers, strengthening of revenue machinery at the grass-root/supervisory level, training programme for revenue, survey and settlement staff to improve their efficiency etc. Two Centrally-sponsored schemes, viz., (1) Strengthening of Revenue Administration and Updating of Land Records (SRA&ULR), and (2) Computerization of Land Records (CLR) were started in 1987-88 and 1988-89, respectively.

2.30.3 Land records in the country can be broadly classified into textual and spatial records, though variations exist from state to state. Efforts for systematic management of land data in different states, however, have remained focused on the system of computerization of textual land records. The performance of different states, in this context, has been varying. Computerization by itself has limited benefits, unless the land records are credible, which implies that they are accurate and updated in real time. The steps to be taken to put an effective and modern land administration system in place are:

- (a) There have been demonstrable successes in some States in computerization of textual land records. This should be done universally in all the States during Eleventh Five Year Plan period.

- (b) One of the important impacts of computerization is the benefit of eliminating duplicate systems. The process of registration and mutation should be integrated into one function of registration of deeds. The concerned officer should check before registering the deed, the legality of the transaction and the competence of the parties to take part in the transaction. Computerization should also be taken up of records of the previous 50 years, so that the title being registered is clear and uncontested.
- (c) The computerization of spatial records should be taken up in the states which complete the computerization of land records. There are various technologies like Electronic Total Systems, Global Positioning System, Satellite imagery and aerial photography, each of which has its own advantages. All new survey operations should use digital technology and wherever possible existing maps should be digitized. The cadastral maps should be integrated with the textual data so as to ensure that complete information relating to the land parcel is available and updated at the time of registration/mutation. This is necessary to remove ambiguity in the system and will result in reducing boundary disputes and increasing tenure security.
- (d) The above steps will provide a comprehensive tool for planning developmental, regulatory and disaster management activities and for any other purpose where location-specific information is needed. This could also facilitate citizen services based on land data, such as providing records of land titles with maps-to-scale; other land-based certificates such as caste certificates, income certificates (particularly in rural areas), domicile certificates, etc; information for eligibility for development programmes; and land passbooks with the relevant land information for access to agricultural credit.
- (e) The modernization of the land administration system through computerization of textual and spatial records and integration of the registration office should open the doors to exploring, by setting up a few pilot projects, the possibility of shifting to the 'Torrens' system which is 'title' based rather than the present 'deed' based system. This will ensure that the deed document is a proof of

title and reflects reality and search costs for ascertaining title will thus reduce to negligible. On the other hand, there will be additional costs to the Government in terms of payment of damages due to errors in the registry.

2.30.4 Based on the above steps for modernization of land administration, a National Programme for Comprehensive Land Information Management (NPCLIM) will be launched in Eleventh Five Year Plan in lieu of the two Centrally Sponsored Schemes, currently in operation, to gradually cover the entire country.

2.31 Reforms related to land ceilings

2.31.1 One of the basic objectives of land reforms was to bring about a more equitable distribution of land. The main instrument for realizing this objective was the imposition of ceiling on land. In line with the prescription of the Five Year Plans, laws on imposition of ceiling on agricultural holdings were enacted by several States during the '50s and '60s. These were implemented with varying degrees of effectiveness in different States. The quantum of land declared surplus is far short of land which was estimated to be surplus on the basis of various national surveys. Thus, it is clear that reform measures have not been able to achieve the desired impact. The total area declared surplus so far has been 73.5 lakh acres only, of which 53.9 lakh acres have been distributed. The distribution of the remaining area of land declared surplus is held up mainly due to litigation.

2.31.2 Further, there are widespread complaints that lands allotted to the rural poor under the ceiling laws are not in their possession. In some cases, it has also been alleged that *pattas* were issued to the beneficiaries but possession was not delivered in respect of the lands shown in the *pattas* or corresponding changes in the records of rights were not made. It has also been the experience that rural poor allottees of the ceiling surplus land are dragged into litigation by the erstwhile land-owners and against which the allottees are unable to defend themselves. Besides, a number of *benami* and clandestine transactions have resulted in illegal possession of significant amounts of lands above ceiling limits. Thus, due to several factors, the

results of implementation of the ceiling laws are far from satisfactory. The following measures can be taken up in this direction:

- (a) Since large areas of good quality ceiling surplus land are unlikely to be available for distribution to the landless poor, efforts must be made to take steps to release and distribute the land locked in litigation through speedy disposal of court cases.
- (b) In such cases where the land has been distributed but the beneficiary is not in a position to enjoy the land due to being dispossessed or not having a well defined title to the land, these cases should be surveyed and reopened and such land be restored.
- (c) A special squad of revenue functionaries and gram sabha members should be set up for identification of *benami* and fictitious transactions in a time bound manner.
- (d) There should be a survey of the government land encroached by ineligible persons and such land should be identified and distributed to the landless. An inventory of the Government lands should be made and wherever surplus land is available, it should be distributed to the landless persons.
- (e) Asset in the form of land can lead to poverty reduction. However, to the extent that distributing Government lands is not an option, acquisition of land through purchase by the State and distribution to the poor as individuals or in a group may be considered.

2.32 Tenancy reforms

2.32.1 Tenancy legislations was introduced after independence to confer ownership on the tenant and some measure of tenure security , coupled with rent regulation to prevent exploitation of tenants and increase agricultural productivity in such farms. At present, due to changing relations and conditions, there is a need for giving a fresh look at the Tenancy legislation. The objective of Tenancy legislation is to devise suitable arrangements which balance the interest of the landowner and the tenant and improves access to land, its utilization and releases the forces of

production leading to improved agricultural productivity. In essence, it should address the concerns of 'equity' and 'efficiency'.

2.32.2 Legislative provisions have been made in many States, providing for conferment of ownership rights on tenants or for allowing cultivating tenants to acquire ownership rights on payment of a reasonable compensation to the land-owners. Some States have acquired ownership of land from the land-owners and have transferred them to the tenants who have to pay a certain amount or premium to the State. Adequate provisions for conferring ownership rights on payment do not exist in some States, such as Andhra Pradesh (Andhra area), Haryana, Punjab, Tamil Nadu and West Bengal (in respect of the *bargadars*). In most of the remaining States, barring some of the North-Eastern tribal areas, ownership rights have been given to the tenants through one measure or the other. The national policy, however, permits land-owners who are members of the Defence Services, widows, unmarried women, minors and persons suffering from physical and mental disability to lease out lands to tenants without loss of ownership. Provisions for security of tenure have been made even in States which do not provide for conferment of ownership rights on tenants, sub-tenants and sharecroppers.

2.33.3 Despite ban on agricultural tenancies in most States, the incidence of some type of tenancy, particularly in various forms of crop sharing, is still substantial in some regions. As tenancy is contracted orally, and in most cases, in violation of the law, such tiller's position remains precarious; he has no incentive to cultivate land efficiently. In several regions, landowners keep the land fallow for fear of losing their rights if they let out illegally. It also restricts poor peoples' access to land through leasing in. Currently, there is no appropriate legal system for recording of such cases of tilling arrangement. Experience has shown that measures to ban tenancy are not entirely effective and large amount of oral/concealed tenancy continues to exist among all categories of rural households. Thus decrease in lease market participation with economic growth indicates that tenancy restrictions are constraining the supply of land in the rental market. Tenancy legislation has also led to the demise of longer term contractual arrangements and led to even seasonal

tenancy in some areas. This discourages the use of farm yard manure and investment which has a longer lasting effect.

2.33.5 In a majority of States landless and marginal farmers lease in land. On the other hand, in some of the states, large and medium farmers lease in land from smaller farmers, giving rise to 'reverse tenancy'. This indicates that the transactions for leasing in and leasing out pervade all along the farm size continuum and it appears that it is economic factors rather than power relationships which are defining these leasing arrangements.

2.33.6 Land tenure security is necessary for producers to have the incentive for investment for productivity and land tenure security should not be confused with ownership rights or private property. Land tenure security should signify that legitimately-held rights-to-use in land shall not be disturbed without legitimate cause and without due process, and any such contested rights shall be resolved by appropriate dispute settlement mechanism. Appropriate institution mechanisms and processes should be designed to ensure this, notwithstanding the complexity of legal and political environment. For protecting the interests of tenants and land-owners and also to increase agricultural productivity, the following reforms in tenancy legislation should be undertaken:

- (a) Tenancy should be legalized in a 'limited' manner. It should provide security to the tenant for the contractual period, which could be long enough to encourage long term investment by the tenant. It should also protect the rights to the land of the landowner so that he leases his land instead of keeping it fallow or underutilizing it. Thus while recognizing and safeguarding the interests of the tenant, it will also protect the rights to the land of the landowner. Long term tenure arrangements should thus maximize agricultural production and increase the returns to both the farmer and landlord and the tenant.
- (b) Instead of prescribed rentals, which are violated in informal tenancies, an upper and lower bound of rents may be prescribed at the State level, ensuring

- that the rents are determined by market forces, within the prescribed band, thus increasing efficiency and cooperation of both the willing parties. This will also do away with the need for illegal arrangements.
- (c) Legalizing of tenancy within the above framework will result in increasing the supply of land and encourage all categories of rural households to participate in the lease market depending upon their resource endowments, educational levels, employment opportunities, prevailing wage levels and institutional back up available.
 - (d) As agrarian conditions vary across the states, a one size fit all prescription cannot be advocated. In states where the landlords are dominant and there is every likelihood that the interests of the tenants may not be safeguarded, it may be necessary to bar the entry of large farmers in the lease markets.
 - (e) The marginal and small land-owners should be assisted with adequate institutional support and rural development schemes, so that they are not compelled to lease out land to big farmers or corporate houses, thereby creating conditions for reverse tenancy. In the case of sharecroppers, they should have access to credit, once they enter into long term contracts.

2.34 Protection of rights in land of tribals

2.34.1 Land is the primary fabric of the tribal social and economic life. Therefore, landlessness for them is not only economically depriving but socially depraving. Land is the major tangible productive asset that members of scheduled tribes possess. Tribals also have very strong emotional attachment to their land. Some of the social practices and religious rituals of tribals are also connected with land, which occupies a pivotal place in their psyche. One of the important facts is that community ownership of tribal land continues to be the dominant mode in tribal societies and takes precedence over that of individual ownership. The traditional land use in the tribal areas included shifting cultivation, however this practice has declined due to environmental concerns substantially leading to growth of wage labourers.

2.34.2 In the past few years, extremist activities have increased in many districts, the majority of which are dominated by tribals. Some of the causes for the increase in these activities can be linked to land. Some of the factors responsible for alienation of tribal land are:

1. Sale and transfer of land by tribals to other tribals and non-tribals
2. Indebtedness and consequent sale of land.
3. Forcible eviction of tribals from their land, or unauthorized occupation of tribal land by non-tribals or by public authorities
4. Conversion of land from communal ownership to individual ownership
5. Treating tribals traditionally occupying forest lands as encroachers
6. Govt. land allotted to tribals under various schemes but substantive possession not given
7. Environment-disturbing developments taking place close to tribal habitats, forcing the tribals to move out, though there is no formal transfer and acquisition of land
8. Large-scale displacement on account of development projects, such as multi-purpose irrigation and power projects, mining, industry, highways and urbanization.

2.34.3 The following measures are necessary for preventing alienation of tribal land and restoration of alienated tribal land:

1. Highest priority should be accorded to the preparation and updating of land records in tribal areas, and with active participation of tribal communities.
2. The legal provisions prohibiting the alienation of tribal land in Schedule V areas and its restoration should be extended to the non-scheduled areas also. A cut-off date should be prescribed while extending these provisions to the non-scheduled areas.
3. A complete ban on all forms of transfers of tribal lands should be enforced.
4. The district authorities should be empowered to take suo-moto action for the detection and restoration of land belonging to the scheduled tribes. It should

- be ensured that once the order of restoration is passed by the competent authority, land is speedily restored to the tribal.
5. At present PESA is applicable only to the Scheduled areas, but a large part of the tribal population lives outside the Scheduled areas. Therefore, the provisions of PESA should be applicable *mutatis mutandis* to the villages/areas where there is a sizable tribal population, or where majority of the population consists of scheduled tribes.
 6. Major alienation of tribal land in the Scheduled areas has taken place through the means of compulsory acquisition using the Govt. process of land acquisition. As provided under PESA, no acquisition should take place without the prior concurrence of the *Gram Sabha*.
 7. The present arrangements of resettlement and rehabilitation are highly detrimental and prejudicial to the interests of the tribals. The process of erosion of corpus of tribal land continues at an accelerated pace under the new economic dispensation while the policy options are being debated. There is an urgent need for Govt. to declare a National Rehabilitation Policy without further delay. The acquisition, displacement, resettlement and rehabilitation framework should be just and equitable.
 8. There is a strong need for enactment by Parliament of an enabling legislation (like PESA) regarding alienation of land belonging to Scheduled Tribes. Incorporating the provisions of the enabling legislation should be mandatory in all laws/regulations made by the respective State Governments.

2.34.4 Although, forest land encroached by tribal, were to be regularized if the encroachment is pre 1980, many states could not avail the facility. Another opportunity may be given to such states to look into all the claims using the prescribed methodology, and regularize the land if found eligible. (The provisions of recent Forest Right Bill shall be incorporated!)

2.35 Security of homestead rights

2.35.1 There are a large number of landless persons who do not have shelter of their own. An estimated 13 to 18 million families in rural India today are reported to be landless, of which about 8 million lack homes of their own. They either live in a house constructed on the land of others, or provided by land-owners in return for some forced labour. Some of these persons do not have land to construct a house, while others may have small patches of land but no resources to build a hutment.

2.35.2 The right to a roof over one's head needs to be seen as a basic human right, along with the right to freedom from hunger and a right to education. The Supreme Court, in *UP Avas Evam Vikash Parishad vs Friends Co-operative Housing Society* (List ARI, 1997, SC 152), held that right to shelter is a fundamental right. The Eleventh Five Year Plan provides the opportunity to realize this vision.

2.35.3 It is also important that the land given to each family is of a minimum size (10-15 cents), so that the average family not only has enough space to live, but also has a little space extra for supplementary livelihood activities, such as growing fodder and keeping livestock, planting fruit trees or vegetables, or undertaking other land-based economic activities (farm or non-farm) to improve their food, nutrition and livelihood security. Kerala already has a scheme of providing 10 cents of land to each landless family. This has had a notable impact on poverty reduction in the State. Similarly, in 2005, the Governments of Karnataka and West Bengal initiated schemes to give homestead-cum-garden plots to landless families. Now, it is necessary to have a more comprehensive scheme covering all the States, with support from the Central government. In any such land allotment, women need to be given priority as women tend to be the most commonly landless and are the poorest even among poor households. Moreover, women having land or a house of their own is found to make a critical difference to them and their family's welfare.

2.35.4 The following steps need to be adopted to ensure the above objective:

1. All landless families with no homestead land as well as those without regularized homestead should be allotted 10-15 cents of land each. Some of the required resources could be arranged through reallocation of the resources from existing schemes, such as the Indira Awas Yojana, SGRY, NREGA, etc. This must be completed during the Eleventh Five Year Plan.
2. When regularizing the homesteads of families occupying irregular and insecure homesteads, the homesteads so regularized should be in the joint names of husband and wife.
3. The beneficiaries should be given homestead land in a contiguous block, within 1 km or less of their existing village habitation, with proper roads and infrastructural connectivity. In such a consolidated block, essential facilities should also be provided, such as primary school, primary health centre, drinking water, etc.
4. The beneficiaries of homestead-cum-garden plot should be assisted by *panchayats* and line departments of government to develop plans and receive financial assistance for undertaking suitable economic activities, such as livestock rearing, fodder development, planting of high value trees, and if water is available.

2. 36 Guaranteed Wage Employment – National Rural Employment Guarantee Act

2.36.1 Workfare programmes have been important programme interventions in India and elsewhere in developing countries since long. These programmes typically provide unskilled workers with short-term employment on public works. They provide income transfers to poor households during periods when they suffer on account of absence of opportunities of employment. In areas with high unemployment rates and under employment, transfer benefits from workfare programmes can prevent poverty from worsening, especially during lean periods. Durable assets that these programmes create have the potential to generate second-round employment benefits as requisite infrastructure is developed.

2.36.2 We have a long history and experience in implementing wage employment programmes. Starting as pilot projects in the form of Rural Manpower Programme (RMP) [1960-69], Crash Scheme for Rural Employment (CRSE) [1971-74], Pilot Intensive Rural Employment Programme (PIREP)[1972], these experiments were translated into a full-fledged wage-employment programme in 1977 in the form of Food for Work Programme (FWP). During the 1980's this programme was further elaborated into the National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Jawahar Rozgar Yojana (JRY) and Employment Assurance Scheme (EAS). EAS and JRY were merged into Sampoorna Grameen Rozgar Yojana from 2001-02. The National Food for Work Programme (NFFWP) was launched in 150 pilot districts across the country in 2005. These wage employment programmes implemented by State Governments with Central assistance were self-targeting, and the objective was to provide enhanced livelihood security, especially of those dependent on casual manual labour.

2.36.3 Based on the experience of these programmes the National Rural Employment Guarantee Act (NREGA) was enacted to reinforce the commitment towards livelihood security in rural areas. The Act was notified on 7th September,

2005. The significance of NREGA lies in the fact that it creates a Right- based framework for wage employment Programmes and makes the Government legally bound to provide employment to those who seek it. In this way the legislation goes beyond providing a social safety net, and towards guaranteeing the Right to employment.

2.36.4 The objective of the National Rural Employment Guarantee Act (NREGA) is to enhance the livelihood security of the people in rural areas by guaranteeing hundred days of wage employment in a financial year, to a rural household whose members volunteer to do unskilled manual work. The Act further aims at creating durable assets and strengthening the livelihood resource base of the rural poor. The choice of works suggested in the Act address causes of chronic poverty like drought, deforestation, soil erosion, so that the process of employment generation is on a sustainable basis.

2.36.5 The Act is applicable to areas notified by the Central Government and will cover the whole country within five years i.e. by September, 2010. In its first phase, it was notified in 200 districts across the country. In the second phase, the Act has been notified in the financial year 2007-08 in additional 130 districts bringing the total of number of districts covered by NREGA to 330. In these districts, pre-existing wage employment programmes viz; the National Food for Work Programme (NFFWP) and the Sampoorna Grameen Rozgar Yojana (SGRY) were merged with NREGA.

2.37 Salient Features of the Act and Guidelines

2.37.1 The salient features of the Act and the operational guidelines issued are:

1. Adult members of a rural household may apply for employment if they are willing to do unskilled manual work. Such a household will have to apply for registration to the local Gram Panchayat, in writing, or orally.
2. The Gram Panchayat after due verification will issue a Job Card to the household as a whole. The Job Card will bear the photograph of all adult

- members of the household willing to work under NREGA. The Job Card with photograph is free of cost
3. A job card holding household may submit a written application for employment to the gram Panchayat, stating the time and duration when work is sought. The minimum days of employment have to be fifteen.
 4. The Gram Panchayat will issue a dated receipt of the written application for employment. Employment will be given within 15 days of application for work by an employment seeker.
 5. If Employment is not provided within 15 days, daily unemployment allowance, in cash has to be paid. Liability of payment of Unemployment Allowance is of the States.
 6. At least one-third of persons to whom work is allotted have to be women.
 7. Wages are to be paid according to minimum wages as prescribed under the Minimum Wages Act 1948 for agricultural labourers in the State, unless the Centre notifies a wage rate which will not be less than Rs 60 per day.
 8. Separate schedule of rates should be prepared for each district, to be called District Schedule of Rates (DSR). The productivity norms for the DSR should be worked out for each locale in such a way that seven hours of normal work earns minimum wages.
 9. Disbursement of wages has to be done on weekly basis and not beyond a fortnight.
 10. Panchayat Raj Institutions [PRIs] have a principal role in planning and implementation.
 11. Each district has to prepare a shelf of Projects. The instrument for providing employment is to be works selected from the list of permissible works. The shelf of projects has to be prepared on the basis of priority assigned by Gram Sabha. At least 50% of works have to be allotted to Gram Panchayats for execution.
 12. A 60:40 ratio of wages and materials has to be maintained. Contractors and use of labour displacing machinery is prohibited.

13. Work should ordinarily be provided within 5 km radius of the village or else extra wages of 10% are payable.
14. Work site facilities such as crèche, drinking water, shade have to be provided.
15. Social Audit has to be done by the Gram Sabha and a grievance redressal mechanism has to be put in place for ensuring a responsive implementation process.

2.37.2 The NREGA marks a paradigm shift from the previous Wage Employment Programmes by providing a Statutory guarantee of wage employment and not being just a scheme. Employment is dependent upon the worker exercising the choice to apply for registration, obtain a job card and then to seek employment through a written application for the time and duration chosen by her. The Legal Guarantee has to be fulfilled within the time limit prescribed and this mandate is underpinned by the provision of Unemployment Allowance. The Act is thus designed to offer an incentive structure to the States for providing employment as ninety percent of the cost for employment provided is borne by the Centre, and there is a concomitant disincentive for not providing employment, if demanded, as the States then bear the double indemnity of unemployment and the cost of unemployment allowance. Earlier wage employment programmes were allocation based. However, NREGA is not supply driven but demand driven. Resource transfer under NREGA is based on the demand for employment and this provides another critical incentive to States to leverage the Act to meet the employment needs of the poor. The delivery system has been made accountable, as it envisages an Annual Report on the outcomes of NREGA to be presented by the Central Government to the Parliament and to the Legislature by the State Government.

2.38 Funding

2.38.1 The Central Government bears the costs on the following items:

- The entire cost of wages of unskilled manual workers.
- 75% of the cost of material, wages of skilled and semi skilled workers.

- Administrative expenses as may be determined by the Central Government, which will include inter alia, the salary and the allowances of the Programme Officer and his supporting staff, work site facilities.
- Expenses of the National Employment Guarantee Council.

The State Governments bears the costs on the following items:

- 25% of the cost of material, wages of skilled and semi skilled workers (As a ratio of 60:40 is to be maintained for wages of the unskilled manual workers and the material, skilled / semi skilled workers' wages, the State Governments have to bear only 25% of the 40% component, which means a contribution of 10% of the expenditure).
- Unemployment allowance payable in case the State Government cannot provide wage employment on time.
- Administrative expenses of the State Employment Guarantee Council.

2.39 Key Issues

2.39.1 The key issues that require focus so that NREGA be optimally realised for supplementing wage employment opportunities are briefly highlighted here.

2.39.2 (i) Articulation of Demand for employment

Since NREGA is a Right based programme, articulation of demand by the rural poor is the basic premise of its operation, especially if the wage seekers are not literate and not organised. Generating awareness among local rural communities through Information, Education and Communication (IEC) becomes critical for enabling the rural poor to articulate demand. States have forged a variety of methods for communication and social mobilisation that include preparation of communication material on NREGA processes in simple local language, one day orientations of Sarpanchs / Ward Members, convening Gram Sabhas, using district teams for village level interactions, local vernacular newspapers, TV and Radio spots, Pamphlets and brochures. Local cultural forms, Information counters in local

market days, Village Information Wall, fixing a Rozgar Day in a week and establishing a Help line. The full knowledge of the Rights that NREGA confers to the rural poor is the most important pre-requisite to enable them to seek employment as per their choice of time and duration.

2.39.3 (ii) *Preparing a Labour Budget, Annual Shelf of Projects and Perspective Plan*

The Act guarantees providing employment within fifteen days of demand and the instrument for providing employment is unskilled manual work selected from the list of permissible works. This legal guarantee has implication for the way in which works have to be planned. A Labour Budget as stipulated under the Act, is required to be prepared to facilitate advance planning, whereby districts estimate their labour demand for the ensuing financial year by December end. The National Guidelines indicate the way in which the annual shelf of projects may be prepared to meet the estimated labour demand. Districts have attempted to prepare shelves of projects to keep a list of works ready to meet employment demand. Greater precision in planning works has been suggested through assigning a unique location code to each work and mentioning the plot numbers of the sites where works are to be executed. Estimated benefits in terms of person days need to be assessed, so that the employment expected to be generated through the works planned may be clearly matched with the estimated employment demand. Physical improvement envisaged (land / water conservation etc) has to be quantified so that the focus remains on creating durable and productive assets that support further self sustaining employment. Displaying the list of approved works at the Gram Panchayat Office and the details of works taken up on the work site has been stipulated so that the workers know the work opportunities locally available.

2.39.4 National Guidelines lay down the broad principles of preparing a Five Year District Perspective Pan that must have the following components viz; Village mapping of natural resources and social infrastructure, Identification of gaps and works that can be taken up as per NREGA permissible list, Assessment of Works

that respond to what local people want?, What will build a livelihood base to enable them to move out of NREGA to sustainable employment?, and Assessment of labour demand.

2.39.5 The Planning capacity of the Panchayati Raj Institutions (PRIs) and district level functionaries needs to be strengthened to infuse the Plans with a longer term vision of sustainable livelihoods.

2.39.6 (iii) *Record of work done and payment of wages*

The legal guarantee of the Act mandates that wages due to workers be paid within fifteen days of work completion. This requires that a fair record be maintained for the work done. Key factors involved in ensuring this are proper maintenance of muster rolls, timely measurement and record in the measurement books and realistic formulation and notification of schedule of rates.

2.39.7 To ensure that authentic muster rolls are used, numbered Muster rolls are to be issued for each sanctioned work by Programme Officer and maintained on the work site by the executing agency. Muster rolls must mention Job Card numbers of workers, days worked, quantum of work done, amount paid and must have space for recording inspections. Muster rolls should be read out on the work site during measurement and wage payment to prevent bogus records. Entries of the muster roll should be correspondingly recorded in the job cards of the workers. Updating of muster roll data at the Block level computers in a 15 days cycle needs to be ensured. Regular measurement and supervision of works should be done by qualified technical personnel on time.

2.39.8 (iv) *Vigilance and Transparency*

Since the Act seeks to establish a Rights based framework for wage employment, it places a strong emphasis on vigilance, and transparency. A web enabled MIS www.nrega.nic.in has been developed that seeks to place all information in public domain. It is a household level data base and has internal

checks for ensuring consistency and conformity to normative processes. All critical parameters get monitored in public domain.

2.39.9 The field verification of NREGS processes is through external and internal agencies and the feedback is shared with the States for follow up. Independent concurrent studies have also been taken up. Monitoring at the State level needs to be strengthened and States are expected to ensure 100% verification at Block, 10 % at District and 2% at the State level especially of Works Muster rolls, and Records. Guidelines for muster roll verification have been evolved and need to be rigorously followed. The setting up and training local vigilance and monitoring committees is also required for bringing in lateral transparency.

2.39.10 (v) *Public Accountability*

The Act contains specific provisions for public accountability. This has to be accomplished through the provisions made in the Act and guidelines regarding Right to Information, proactive disclosure of information and a transparent social audit process.

2.39.11 The Right to Information should be followed both in letter and in spirit in all matters relating to NREGA as stipulated in Section 4 and Schedule I, Para 17 of the Act. The Annual Reports on outcomes are to be laid before the Parliament and the State Legislature by Central Employment Guarantee Council and the State Employment Guarantee Council respectively.

2.39.12 The Section 17 of NREGA provides for social audit of all works in a Gram Panchayat by the Gram Sabha and the Gram Panchayat has to provide records for social audit. This necessitates a need for creating capacity for social audit among officials, GP members, and the Gram Sabha. A significant feature here is the active role played by Civil Society Organisations in facilitating social audit processes in partnership with State Governments as well as independently

2.39.13 (vi) *Grievance redressal*

Enforcement of the Right to employment requires setting up an effective grievance redressal system. The Act vests the responsibility for grievance redressal with the Programme Officer. To ensure prompt grievance redressal certain basic arrangements must be ensured, such as setting up a grievance redressal cell at the PO/DPC offices, preferably with a toll free Help Line. The PO and DPC must review the disposal of complaints on a Monthly basis and the persons concerned must be informed.

2.39.14 (vii) *Strengthening administrative systems*

Technical Resource Support Groups (TRSGs) are required to bring in multi-disciplinary professional expertise in Ministry of Rural Development, to provide resource support in critical areas, *inter-alia*, assisting the Ministry in formulating and codifying standard operating procedures for setting measurable outcomes, for laying down standards of programme delivery, for designing appropriate management information systems for monitoring programme outcomes. They would also carry out training needs assessment for capacity building at the State, district and sub district level and formulate the framework for training and capacity building at various levels.

2.39.15 Another issue critical to strengthening administrative systems pertains to training of different stakeholders. The requirements of training are considerable at all levels and include functionaries, PRIs and the local vigilance committees. The challenge is to design training programmes calibrated in content and process according to different target groups and to manage large scale training needs without compromise on quality.

2.39.15 (vii) *Financial Management*

A non-lapsable Central Employment Guarantee Fund has been set up to ensure availability of funds match working season demands. Districts have dedicated accounts for NREGA funds and submit their proposals based on clearly

delineated Guidelines so that funds may be revolved efficiently at each level, and adequate funds may be available to respond to demand.

2.39.16 The funds are released on the basis of Demand for employment received in a district and are based on an appraisal of both financial and physical indicators of outcomes. To meet the norms for fund release, districts need to strengthen their capacity for both preparing a Labour Budget to project an annual requirement of funds based on an estimation of labour demand as well as undertake rigorous monitoring of funds spent and the physical outcomes to track current trends of employment generation, so that adequate funds can be demanded and deployed efficiently.

2.40 Road Ahead

2.40.1 (i) *Empowering workers*

NREGA is a Right-based statute and its effectiveness lies eventually in the extent to which wage seekers can exercise their choice and assert their Rights to claim entitlements under the Act. The issues involved in empowering workers are in the range of enhancement of knowledge levels, development of literacy skills, organizing workers and enhancing social security levels of workers. Opening savings accounts of workers' in Banks and Post Offices that has been initiated needs to be supported on a larger scale so that thrift and small savings can be encouraged among workers. The inclusion of NREGA workers under the cover of various life and health insurance schemes will also raise their security thresholds.

2.40.2 (ii) *Linkages with other Development Programmes*

Empowerment of workers and creation of durable assets depend to a great extent on the linkages between NREGA and other development programmes. Linkages with human development programmes such as National Rural Health Mission, National Literacy Mission and other livelihood and infrastructure initiatives are needed to ensure basic human entitlements to the workers and to strengthen the natural resource base of livelihood. The full potential of the kind of work permissible under NREGA can be tapped if planning for these works is coordinated with other

development projects, for example watershed management, agricultural programmes, horticultural projects, etc. Initiatives for natural resource management also need to be dovetailed with income generation projects to enable workers to move from wage employment to self-sustaining employment.

2.40.3 (iii) *Exploring the possibility of other Works*

The list of Permissible works under NREGA recognizes the possibility of a need arising for works other than those specifically indicated in Schedule I which may be notified by the Central Ministry in consultation with the States. The Ministry may consider formulating guidelines for the States that may enable them to identify other works in conformity with the general principles of the Act and the rationale for them.

2.40.4 (iv) *Sampoorna Grameen Rozgar Yojana (SGRY)*

As a district is notified under the Act, the SGRY is automatically merged in the NREGA. Accordingly, SGRY has already been merged with NREGA in 330 districts of the country and since the Act has to cover whole of the country by September, 2010, the SGRY would be completely merged with NREGA in the Eleventh Five Year Plan Period (2007-12) itself.

2.41 Self-employment – Sampoorna Gram Swarozgar Yojana (SGSY)

2.41.1 Review of Experience

2.41.1.1 With the objective of improving the asset base of the poor and to involve the poor in the production/income generation processes of the economy, the *Integrated Rural Development Programme (IRDP)* was initiated and was extended all the blocks of the country since 2nd October, 1980. IRDP aimed at providing income generating assets and self-employment opportunities for the rural poor. Assistance under IRDP was given to the target groups of the rural poor belonging to families Below Poverty Line (BPL), in the form of subsidy by the Government and term credit, by financial institutions. One of the principal difficulties with the IRDP was that the subsidy being front-ended, it was abused and substantial leakages were detected. Even as the IRDP evolved into the subsequent SGSY, a few other programmes also got launched in the succeeding years.

2.41.1.2 *Development of Women and Children in Rural Areas (DWCRA)* was launched as a sub-scheme of IRDP during the year 1982-83 and expanded to cover all the districts in the country by 1994-95. The flow of benefits to poor women, under various poverty alleviation programmes viz., IRDP and TRYSEM was found not to be making much impact. Therefore, in order to overcome this situation and to involve the rural women more intensely in economic activities and matters that concern the rural community, the Government of India introduced this exclusive programme for women. DWCRA was broadly seen as a successful one, and the concept of Self-Help Groups emerged as a potentially successful development for future policy.

2.41.1.3 *TRYSEM* aimed at providing basic technical and entrepreneurial skills to the rural poor in the age group of 18-35 years to enable them take up income generating activities (self/wage employment). However, this scheme did not create the desired impact due to non-professional approach in imparting knowledge to the beneficiaries, ill-equipped training centres, non-disbursement of stipend amounts non-issuance of training certificates etc.

2.41.1.4 The scheme '*Supply of Improved Tool Kits to the Rural Artisans*' was launched as a sub-scheme of IRDP in July, 1992, with the objective of enabling the rural artisans Below Poverty Line to enhance the quality of their products, increase their production and income and ensure a better quality of life with the use of improved tools. This was also to help reduce their migration to urban areas.

2.41.1.5 *Ganga Kalyan Yojana* (GKY) was launched as a sub-scheme of Integrated Rural Development Programme (IRDP) during 1996-97 and later continued as an independent scheme. The Objective of the scheme was to provide irrigation through exploitation of groundwater (bore-wells and tube-wells) to individuals and groups of beneficiaries of small and marginal farmers belonging to the below poverty line. The individual/groups were assisted through subsidy by Government and term credit by financial institutions including SC/ST/BC Finance and Development Corporation. The beneficiaries under the scheme were small and marginal farmers living below the poverty line, other than those who had already been assisted under any minor irrigation programme of State or Central Government.

2.41.1.6 Due to the efforts made by the government to fine-tune the self employment programmes during various plan periods, especially oriented toward improving the implementation quality – some new concepts that emerged at various times got consolidated. The need to integrate the cluster approach, capacity building, skill upgradation, infrastructure including marketing development and technology penetration were felt more acutely with every passing year. Emphasis also was necessary to be laid on micro enterprise development with effective forward and backward linkages, so as to ensure best returns on the investment. Therefore, the *SGSY (Swarnjayanti Gram Swarozgar Yojana)* was launched with effect from 1.4.1999, to bring the assisted poor families (Swarozgaries) above the Poverty Line by ensuring appreciable sustained level of income over a period of time. This objective was to be achieved by *inter alia* organising the rural poor into Self Help Groups(SHGs) through the process of social mobilization, their training and capacity building and provision of income generating assets. The SHG

approach helps the poor to build their self-confidence through community action. Group processes and collective decision were to enable them in the identification and prioritization of their needs and resources. This process would ultimately lead to the strengthening and socio-economic empowerment of the rural poor as well as improve their collective bargaining power. All the above mentioned schemes therefore got merged with the SGSY from April, 1999.

2.41.1.7 The SGSY is, by design, meant to create widespread income generating activities, through the empowering mechanism of self help groups, where group dynamics are expected to compensate for the basic weaknesses of the individual rural poor and present them as credit worthy and financially accountable units. The system of grading the SHGs through a rigorous process is expected to separate the more vibrant of the SHGs and eventually give them a capital subsidy assistance so that they undertake self-employment oriented livelihood opportunities.

2.41.1.8 The SGSY scheme has been successful in delivering the outcomes in terms of poverty alleviation wherever capacity building and beneficiary mobilization have been carried out. Thrift, multiple lending, participatory process of identification and pursuit of economic activities have succeeded in states like Andhra Pradesh, Tamil Nadu and Kerala substantially because the basic processes had been grounded.

2.41.1.9 The higher performance parameter of multiple lending and increased quantum of lending have been achieved in states like Andhra Pradesh due to the SHGs having been federated at different levels from the village to the district. With the emergence of a well federated organizational base, the SHG network has been observed to acquire dynamism and versatility in activity base in states like Kerala and Andhra Pradesh. There have been diverse models of Self Help in various parts of the country, most important among them being the Kudumbashree in Kerala with active linkages with the Panchayatiraj institutions, and the A.P. model that relies on the fulcrum of federations of the SHGs that have acquired the shape of the organizations of the poor. The NABARD also sponsors SHGs.

2.42 Key Issues

2.42.1 The SGSY has been implemented since 1999. Close to 2.6 million Self Help Groups have been formed under the SGSY since its inception. Of these SHGs 16 lakh have already crossed the Grade-I stage. About 8 lakh SHGs have passed the Grade-II stage and of them, slightly less than five lakh SHGs have taken up economic activities. About 60% of the Grade-II SHGs have taken up the economic activities, the balance number waiting for financial assistance. Of the nearly Rs.25,000 crore credit flow targeted under the programme, less than 50% has been achieved. Self Help Groups have several in-built strengths, most of which are intangible, such as group cohesion, enhanced ability for articulation of common demands, better and efficient use of available local resources etc. While it would be necessary to work on the strengths of the SHGs, it is equally necessary to learn the lessons from the experience of implementing the SGSY over the past eight years. There are several issues – some conceptual ones pertaining to larger aspects of the programme, such as the role and utility of the Subsidy component, and some programme specific second generation issues such as forming federations, provision of interest subsidy, social mobilization issues, etc. Some such issues are highlighted below:

- Diverse views are being expressed in various quarters about the relevance or otherwise of subsidy-driven programmes. A rational response would have to be found for such positions. Subsidy is a form of support to the poor and stopping it entirely would be unwarranted. However, the idea of directing the subsidy flows properly and to examine if there was any case for putting conditionalities to the system of subsidy flow, so that the targeted populations are better served merits examination.
- The number of Self Help Groups formed under the SGSY is very large, but there is a feeling about whether such large numbers mean anything from the point of view of poverty alleviation. Agencies such as NABARD, SIDBI and RMK, and Ministries such as WCD have their own models of Self Help Group

formation and their sustenance. Some State Governments such as Andhra Pradesh and Kerala have their own models. There is therefore, a need for placing the SGSY programme on this large canvas and fitting it in the broader context of the SHG movement of the country.

- There is tremendous shortage of manpower in the area of technical support for rural development. Andhra Pradesh continually engages about 6.00 lakh Self Help Groups through a separate structure, SERP (Society for the Elimination of Rural Poverty) that has independent units that deal with Risk Mitigation, Food Security, Micro Finance, Institution Building, Marketing and Livelihood Promotion. At the district level too they have equivalent units that go upto the Mandal Level. The dedicated institutional machinery seems to have made a difference. There is a case for similar efforts from other states as well.
- Going by the experience of the states like Andhra Pradesh, Kerala and Tamil Nadu, federating the Self Help Groups appears essential for improving the bargaining power of the Self Help Groups and better sustainability of the Self Help Group movement. Encouraging the inter-state, inter-district networking of the SHGs/SHG Federations for marketing of the SHG products would be the next step. Current institutional arrangements for social mobilization and livelihood generation are somewhat limited in scope. Therefore, a mission mode approach to enhance facilitation, institutional building and hand holding support to SHG movement is required over a long period of time to secure sustainability of SHGs and their apex organizations. The social mobilization aspect of the SGSY programme has hitherto not been given due attention. Social mobilization is both a means and an end in itself. Expansion of political rights of the mobilized poor will have tremendous intrinsic value, not always measurable. A few of the SHGs that acquire the characteristics of good entrepreneurs may be encouraged to become entrepreneurs. SGSY is

actually lagging behind in keeping pace with the SHG movement sweeping the country.

- Credit is very important issue. It would be necessary to enhance the credit flow to the Self Help Groups in a more creative manner than what has been possible so far. The credit achievement both in terms of the total volume as well as the rate of flow of Andhra Pradesh model seems to be much higher than the national achievement. An issue that requires to be looked into is also the possibility of introducing interest subsidy as an alternative to the capital subsidy. There are no two opinions about the utility of Financial intermediation for making the lending under the programme cost effective for the banks. Federations of SHGs having their own corpus can work as intermediaries. An investment on making the SHGs credit-worthy cannot be wished away. In terms of priority, saving, followed by risk mitigation and then credit would be the natural sequence for financial intervention. Federations acting as financial intermediaries is a high skill activity and it is essential that investments are made on enhancing the skill base of the Federations. There is a need to promote institutional partnerships between the SHGs/Federations with the Bankers. Enhancing the credit flow to the poor may call for grounding several strategies and partnerships and not just one. The country is also on the threshold of a major initiative for micro finance. Again, there are diverse views on the role, utility and relevance of micro finance in poverty alleviation. The issue of harmonizing the SGSY and the micro finance models also requires to be looked at.
- New areas are emerging in view of the changes in the economies due to liberalization, privatization and globalisation. It may not be possible for the SGSY, a pure self-employment programme to capture all the aspects of poverty. Purely from a family economic security point of view, BPL families might want to have at least one wage earner among them, so as to provide the requisite certainty to their family incomes. In such a situation there may

be a case for introducing a placement-oriented skill enhancement model for youth as a sub-set of the SGSY. This programme will be a hybrid of the wage-employment and self-employment programmes.

- Special projects of the SGSY, that were expected to ground innovative and alternative ways of reducing poverty do not seem to have actually made much difference. The higher quantum of subsidy available through special projects appeared to have driven large number of projects. Often activities proposed are eligible to be funded by different schemes of the line departments of the concerned sectors. Even then funds are sought in the project proposals through special projects. States and other agencies follow up proposals vigorously till the sanction of the project and thereafter virtually no monitoring of projects seemed to have been undertaken. Of the 231 special projects that have already been sanctioned, only about 29 have been completed. Due to the indifferent performance it does not appear that there is a case for continuing with the special project component under the SGSY. There have been very wide inequities in the sanction of special projects among the States so far.

2.43 The Way Forward – Strategy for the 11th Plan

2.43.1 Eleventh Plan strategy for SGSY would have to necessarily take the best out of what has evolved in the Self Help movement across the country over the last few years and integrate it with the programme. Likewise a few aspects of the SGSY programme that have failed to give the desired results, require a fresh look and if necessary, dropped.

2.43.2 One of the most important aspects that requires examination is the institutional mechanism that had been erected to undertake the poverty alleviation programmes. The DRDAs in their current form and content do not appear to have the requisite wherewithal to handle a complex issue such as poverty. The current

administrative setup at the national level is unequal a large task such as poverty elimination across the geographical and social complexity and it requires a different order involvement of the Ministry of Rural Development. It is therefore, necessary to set up a National Agency outside the ministry to manage the National Rural Poverty Elimination Programme to achieve the objectives of the programme meaningfully and comprehensively. The need for setting up a **national level agency** with a flexible administrative structure, for better planning, organizing and coordinating the poverty elimination effort cannot be overstated. The national level organization will be the intellectual backbone and provide requisite technical expertise and capacities, while the ones at the level of the state governments will be the functional bodies. These organizations would have to be manned by people with an active commitment to poverty alleviation as well as an undertaking from the states to assure minimum tenures to the officials - prior to making any funding arrangements, if necessary, through a Memorandum of Understanding. The administrative set-up could essentially be a society attached to the Ministry of Rural Development. Undoubtedly institutions such as SERP (Society for the Elimination of Rural Poverty) in Andhra Pradesh, with independent units that deal with Risk Mitigation, Food Security, Micro Finance, Institution Building, Marketing and Livelihood Promotion and functionally extended upto the district and sub-district level seem essential if we were to achieve the objective of eliminating poverty. The dedicated institutional machinery will have the effect of providing sustained focus and can be trained to possess the requisite professional competencies to handle poverty, one ability that the DRDAs sorely lack. The national organization will coordinate with the poverty elimination agencies established by the state governments for implementing the SGSY in its revised form. It will also be the agency to document and be the clearing house for the best practices with respect to the poverty elimination programmes and strategies of the country. It should devolve funds to the state governments based on rational formulae, evolving and working out the MoUs with the state governments for the implementation of the poverty elimination programmes. The national and state level organizations so created will systematically address the key subjects of poverty alleviation like livelihood

generation, capacity building, skill upgradation, credit, international assistance etc. It will assist the state agencies in the formulation of the project proposals under the programme and give all the critical reports where necessary. It will also undertake policy advocacy to mainstream poverty elimination approaches and strategies in the programmes / schemes of their line ministries of the government of India and state governments. The state and district level organizations can broadly be expected to work within the framework of the National agency with their own assigned set of functions.

2.43.3 The experiences of various Poverty Elimination Programmes across the world demonstrate that organizing the rural poor into Self Help Groups (SHGs) and their federations through the process of social mobilization, enhancing their skills in mobilising and utilisation of funds and managing their own institutions is critical for enabling the poor to enhance their incomes and lead a better quality of life. The experience of both Andhra Pradesh and Kerala, where social mobilisation has taken place on a massive scale has proved that multidimensional issues of poverty could be addressed widely and effectively only by building organisations of the poor. Promotion and building the capacities of SHGs and their federations, with required sensitive support mechanisms in place would facilitate the poor to overcome income and social poverty and discrimination / exclusion. This approach is required all over the country. Considering the experiences and lessons learnt from various development projects, the revised SGSY Programme should aim at promoting and strengthening member-owned, member-controlled and member-managed institutions of the poor that enable them to secure sustainable livelihoods and better quality of life. These institutions should provide a wide range of services to their members as per their demand. The revised SGSY should promote and nurture a large cadre of activists and leaders from the poor for providing support services to the institutions of the poor on a sustainable basis. The approach for organising the poor stems from the conviction that there is an immense desire and latent capability within poor to come out of poverty. They have a tremendous potential to help themselves and the potential of each member can be harnessed by

organizing them. Social mobilization enables the poor to build their own organizations in which they participate fully and directly and take decisions on all issues concerning poverty elimination. Social mobilization however, does not happen in a vacuum; it would have to be induced. Integrating the NGOs and civil society organizations with the SGSY will help us achieve this. An external catalytic agency, which has strong pro-poor attitude and proven track record in poverty eradication, is crucial for social mobilisation and building the institutions of the poor. The External Catalytic Agency (ECA) could be either an autonomous Society established by the state Government or a Civil Society Organisation or a Community Based organisation or a Local Self Government. The experiences of Andhra Pradesh and Kerala confirmed that an ECA established by the state Governments could address the poverty related issues effectively, even on a large scale.

2.43.4 The current mechanism of fund flow to the Self Help Groups through a graded system requires a comprehensive review. The current scheme allows a Revolving Fund entitlement of upto Rs.10,000/- for the Grade-I Self Help Groups, that will also entitle them to draw cash credit from a financial institution. The rate of attrition between the Grade-I and II indicates that a large number of SHGs fizzles out mid-way after availing the Revolving Fund. Further, the number of the Self Help Groups that have cleared the Grade-II stage seem to wait for long periods before getting an opportunity to avail the subsidy assistance. Close to 3 lakh such SHGs are waiting in the wings for such assistance. The overall credit achievement under the programme is abysmally low. The overall credit targets are achieved only by about 50%. More importantly in a capital subsidy mechanism there is little scope to leverage higher credit flow because of the subsidy entitlements. The volume of credit extended to SHGs in one state Andhra Pradesh alone is higher than the national credit achievement under the SGSY. This calls for a serious scrutiny. In the A.P. model the Village level SHG federations take a role in ensuring that the credit flow is better leveraged using the available thrift and the Fund assistance that becomes available from the government. The SHGs rotate the funds by on-lending to its members and increase the group corpus. Money is rotated several times

before it becomes sizeable i.e., multiple small loan lending takes place within the SHGs and thereafter higher level of lending takes place with the Banks. The process of lending and repayment at a small level prepares the group members for higher levels of lending at a subsequent stage. The ratio between small and large loans appears to be about 7:1, i.e., a member takes about seven small loans before she feels confident to avail a large loan, part or most of which can come from the banks. Such a process is missing in the current SGSY. In fact, the current leveraging capacity of the SGSY is 0.75:1.

2.43.5 The SHGs can be further strengthened and stabilized by federating them at, say village or cluster of villages or block level depending upon the no. of Self Help Groups and their spatial distribution. The federations shall be formal organisations registered under the most appropriate act (Societies Registration Act, State cooperative Act, Trust, Mutually Aided Cooperative Societies Act or Mutual benefit Trust) that exist in the state. The second tier of Institution Building phase is the federation of SHGs either at Village/cluster of village's level. The Village Level Federations (VLFs) are vital for demonstrating solidarity, initiating collective action on various poverty related issues and reducing dependency on the external agency for information, technical support and resolving conflicts. The VLFs provide a forum to voice the problems of the poor in the village, exchange of experiences including flow of information from various Govt. Departments, and raises resources required to take up the appropriate development interventions in poverty reduction. It generates income by collecting share capital, membership fee, savings, interest margins and penalties and become financially sustainable in a period of 3-4 years. Based on the proposals of the VLFs, the district level agency sanctions Fund for on-lending to SHGs. Once the VLFs attain a certain level of maturity, the Block Level Federation is promoted. The Block Level federation provides solidarity to all the VLFs and SHGs. It plays a vital role in bringing all the BPL families into the SHG fold, building the capacities of the SHGs & VLFs, framing required policies and ensuring the quality of institutions etc.

2.43.5 The fund allocation to the SGSY programme requires examination. For the year, 2007-08 an allocation of Rs.1800 crore has been indicated for the SGSY which is an increase by Rs.600 crore over the previous year. While it may seem steep, it needs to be borne in mind that the programme's requirement is much higher. Since the inception of the programme in 1999, the total central allocation for the programme was Rs.8630 crore. Including the state share and the miscellaneous receipts, the programme had an approximate amount of Rs.13000 crore as funds available of which, about Rs.9000 crore had been utilized. Of the credit target of Rs.25901 crore, an amount of Rs.12104 crore had been availed (less than 50% of the target has been achieved). Total investment (Credit and Subsidy) under the programme since its inception was Rs.18,066 crore. Analytically, *a subsidy of Rs.9000 crore could only leverage a credit of Rs.12,104 crore which is an abysmally low achievement relative to a no-subsidy model of the NABARD or the low-subsidy model of Andhra Pradesh.* It cannot be denied that leveraging better and more credit for the poor has not been possible through higher subsidy model of the SGSY but through the other models where investments on raising the credit-worthiness of the poor have been made prior to getting into the credit net. Here is a valuable lesson for the SGSY. It will be necessary to reduce the accent on the capital subsidy and increase investments on building the institutions of the poor that are credit-worthy. What currently goes as capital subsidy can go as Poverty Elimination Fund (PEF) that will at the best be a corpus assistance to the SHGs starting from the poorest of the poor. In this approach the subsidies are not entirely disallowed. They go in various forms to the poor, but not directly to the members. In addition to the corpus assistance, the PEF can go for strategic supports such as capacity building of the SHGs, strengthening of the Federations, and for the creation of common community infrastructure. The effect of investing on the community is that their net credit-worthiness goes up manifold and bankers are encouraged to move in big way, which is not the case in the current programme.

2.43.5 However, in order to ensure that the existing programme is not suddenly abandoned, an effort should be made to graduate the allocations in such a manner that all further increases in the allocations to the SGSY should be based on

demand-driven model, with attendant commitments of the state with respect to erecting institutions of the poor, dedicated implementation machinery and adhering to the framework provided by the national level agency, etc. The current allocations to the SGSY can taper off over the balance plan period so that at the end of the Plan period the new model will be firmly in place.

2.43.6 The special project component of the SGSY should be closed completely. It has neither thrown up new models of poverty alleviation nor has it allowed a feeling that the investments made so far have given enough results in reducing poverty. It should be dropped forthwith.

2.43.7 To capture the opportunities that are emerging in the economy due to the processes of globalization and liberalization, it will be necessary to launch a new sub-set of the SGSY – that can be known as the placement-linked skill enhancement programme. The Ministry's experience of the Reddy's Labs initiative of the SGSY and more recently with the IL&FS, are worthy models for institutionalization and systemic action. The sectors that can be looked at are Textiles, Leather, Gems and Jewellery, Retail Chains, etc. where there is a shortage of supply of trained labour. Skill formation, by use of in-house programmes, evolving specific curriculum, independent accreditation and placement are the essential components of this process. It is suggested that a definite component of the skills programme be included in the revised SGSY programme with an earmarking of funds somewhat on the lines of the currently implemented special projects (ie., 15% of the total allocation).

2.44 Rural Housing for the Houseless

2.44.1 Housing is a basic human need. A roof over her head endows a shelterless person with an essential asset and improves his physical and mental well-being.

2.44.2 The importance of housing has been acknowledged and housing as a human right was recognized way back by the Universal Declaration of Human Rights adopted by the General Assembly of the United Nations on December 10, 1948. Article 25 of this declaration states: *“Everyone has the right to standard of living adequate for the health and well being of himself, and his family, including food, clothing, housing”*

2.44.3 Article 11 of the International Covenant on Economic, Social and Cultural Rights 1966 also required the States Parties to the Covenant to recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing and to the continuous improvement of living conditions. It further asked the States Parties to take appropriate steps to ensure the realization of this right.

2.44.4 Over the last decade, the right to adequate housing has been consistently reaffirmed as a distinct human right by various bodies in the UN System, numerous conventions and civil society organizations across the world. It also found repeated recognition as a fundamental human right in the Istanbul Declaration and the Habitat Agenda, with States reaffirming “Our commitment to the full and progressive realization of the right to adequate housing as provided for in the international instruments”.

2.44.5 India also embarked on the path of making “housing for all” a reality. The conference of Chief Ministers, 1996 recommended the Basic Minimum Services (BMS) Programme. One of the seven Basic Minimum Services requiring priority attention was “Provision of Public Housing Assistance to all shelterless poor

families”. Consequently, the BMS programme became part of 9th Five Year Plan and concerted efforts in a focused manner were initiated to make these basic services accessible to every one. Later, the National Housing and Habitat Policy 1998 stated that the ultimate goal of the policy was to ensure “Shelter to all” and better quality of life for all its citizens.

2.45 Indira Awaas Yojana

2.45.1 Though the earliest housing programme taken up by the Government of India was for rehabilitation of refugees immediately after the partition of the country, the Government started implementing its major housing scheme of Indira Awaas Yojana as an independent scheme only from 1st January 1996.

2.45.2 In the present form, IAY is one of the very popular schemes of the Ministry of Rural Development and has caught the imagination of the rural people. The popularity can be attributed to the fact that the scheme enables beneficiaries to participate and involve themselves in construction of their home. The role of the State Government is confined to mere facilitating use of local, low cost, environment-friendly and disaster-resistant technology and also in encouraging construction of sanitary latrine and smokeless chulha. There is no prescribed design or technology and no contractors are involved. Funds are released in installments directly to the beneficiaries and there is no credit portion as part of the assistance which enable timely release of funds. The beneficiaries construct the houses as per their own choice of design, technology and requirement. Not surprisingly, evaluation studies reveal high levels of occupancy and satisfaction.

2.45.3 In spite of criticism from certain quarters about IAY being a full subsidy scheme, experience reveals that houses get completed more or less on time which may not have been the case if credit was part of the assistance. Moreover the unit assistance of Rs. 25000 per dwelling in the plain areas and Rs. 27500 in the tribal and hilly areas is not adequate and beneficiaries have to contribute at least by way

of their own labour for completion of the house. This participation makes the scheme even more meaningful.

2.45.4 The funds for the IAY scheme are shared between the Central and the State Government in the ratio of 75:25. The Central budget is allocated to the States based on a 75% weightage to housing shortage and 25% weightage to poverty ratio. Similarly the district allocation is based on a 75% weightage to housing shortage and 25% to the share of SC/ST population. To introduce transparency, the selection of beneficiaries which was being done through the Gram Sabhas is now expected to be from the Permanent IAY Waitlists. These lists are prepared based on the ranking given to families as part of the BPL Census 2002. Further, 60% of the IAY funds are earmarked for SC/STs, 3% for persons with disability and 15% for minorities. It is expected that all houses will be sanctioned in the name of women or jointly with the husband. These provisions have enabled effective targeting of the weaker sections and the scheme has succeeded in empowering the poorest.

2.46 Adequacy of houses and tackling shelterlessness

2.46.1 Based on building materials used for construction of structure, houses have been classified as per Census 2001 as *pucca houses* (the walls and roof of which are made of permanent materials), *semi pucca houses* (either the wall or the roof is made of permanent material and the other is made of temporary material), *temporary house* (both walls and roof are made of materials, which have to be replaced frequently), *serviceable temporary houses* (wall is made of mud, unburnt bricks or wood) and *non-serviceable temporary houses* (wall is made of grass, thatch, bamboo, plastic etc).

2.46.2 Table 8 present the housing scenario in rural India as per 1991 and 2001 Census. The table shows the number of households, housing stock (consisting of pucca, semi-pucca, temporary unserviceable, and temporary

serviceable houses) and the houseless. To work out housing shortage for the period 2007-2012, the exponential growth rates for households, housing stock etc. can be calculated using Census figures of 1991 and 2001. Thereafter projected figures can be arrived at from the year 2002 onwards upto 2012. Table – 4 also indicates the growth rates and the projected figures.

2.46.3 Table – 8 presents the figures of houseless and the mismatch between housing stock and households and which represent aspects of housing inadequacy. The other aspects of housing inadequacy are reflected in the housing quality, number of rooms and structural condition. Trends indicate that share of pucca houses has increased and that the demand for housing is from families living in kutcha houses. Moreover, the average size of rural houses is disproportionately small compared to the average size of household. As per Census 2001, 6.5% of rural households had couples not having a room to themselves. Congestion is thus a cause driving the demand for new houses. Further, replacement needs would also add to the demand for new houses. Houses more than 80 years old and houses with a life span of 40 to 80 years of bad quality could be considered to be obsolete. As per the 58th round of NSSO, 4.3% of households is the obsolescence factor.

2.46.4 Table 9 indicates the housing shortage in the beginning of 2007 by taking the factors of (i) houseless, (ii) mismatch between households and housing stock (iii) all kutcha houses (iv) congestion and (v) obsolescence into account. The housing shortage is then assessed at 47.27 lakh houses.

2.46.5 For the XI Plan, however, focus could be on targeting the poorest of the poor as far as IAY is concerned while targeting the remaining shortage with other interventions. Hence for the purpose of IAY the shortage emerging due to factors of (i) houseless, (ii) mismatch between households and housing stock and (iii) unserviceable kutcha house could be tackled. With these factors, the estimate of housing shortage for 2001 stands at 148.6 lakh houses and for 2007 at 159.5 lakh

houses (Table 10). Hence a target of constructing about 150 lakh houses under IAY needs to be fixed for the XI Plan.

2.47 Key Issues and Strategic Interventions

2.47.1 IAY

2.47.1.1 (i) Selection of Beneficiaries

2.47.1.2 Though selection had to be done by the Gram Sabhas, studies have revealed that 25% to 50% of the beneficiaries are not being selected through the Gram Sabhas. Further, the selection as well as allocation among panchayats has been influenced by the PRIs / MLAs. The vocal and active segments of beneficiaries influence the selection process because of the limited allotment under IAY. In the process, the poorest among BPL households are left out, and non-BPL families also get selected for the IAY houses. Besides, collection of illegal gratification of selection by Panchayati Raj Institutions (PRIs) is a common complaint often heard at the field level, as brought to light by the several studies. *Moreover, only beneficiaries who have house-sites are selected and thus, the very poor who do not have a plot of land get off out from the purview of the scheme. This is a serious problem, since these are the people who are the most vulnerable. Some 8 million of the 14 million houseless are actually those who have no land, or live on homes located on land belonging to others (eg landlords, public land, etc). the focus of the IAY programme must be on the houseless (eg. such communities as the Saharyas, Mushars, the so-called de-notified tribes, those living on canal bunds or roads, and other such which are seen to be at the bottom of the social ladder.*

2.47.1.3 A more accurate targeting may result by the preparation of Permanent IAY Waitlists. These Waitlists have to be based on scores given to families as part of BPL Census 2002. This can bring about more transparency and tackle the problem of illegal gratification. Regarding provision of plots and homesteads for the landless both State Government and Panchayats have to be encouraged to play a major role.

State Government need to be incentivised and panchayats have to be appropriately empowered.

2.47.1.4 (ii) *Adequacy of Unit Cost*

Inadequacy of cash assistance for construction has resulted in poor quality of house, non-fulfilment of requirements of the disaster-prone areas and debt trap on account of the beneficiaries having to borrow funds to complete the construction of a pucca house. Several examples have been reported of poor quality of construction, sagging foundation, use of temporary materials for roofing or leaving the construction incomplete because of inadequate finance. Even after contributing their labour and borrowing from local sources, a significant number of families are not able to complete the house in all respects, and most houses remain without plastering or flooring.

2.47.1.5 There is an urgent need to increase the unit cost from the present level of Rs. 25000/- for plain areas and Rs. 27500/- for hilly areas.

2.47.1.6 (iii) *Structural facilities and provision of infrastructure*

Studies have revealed that only about 50% of IAY houses have sanitary latrines and even a lesser percentage have installed smokeless chullas. This is a serious problem. Over a million women and children not only suffer from upper respiratory tract infections due to inhaling of indoor smoke but many die as a result. In addition, India is one of the countries in the world with much of its population not having access to sanitary means of excreta disposal (despite the existence of Total Sanitation Campaign, another Centrally Sponsored Scheme, which is part of the Bharat Nirman set of programmes). Houses built as part of the Central Government's own programmes, like IAY, need to succeed in building of smokeless chulhas and of sanitary latrines.

2.47.1.7 The quality of life, may not improve despite the construction of new houses unless there is provision for infrastructure. There is a need to provide a

minimum level of infrastructure such as internal road, drainage, water supply stand post, along with the provision of houses at least by way of convergence of schemes.

2.47.1.8 (iv) *Ownership issues*

It is found that the title of the house site tends to be in the name of the male member of the household. Hence the benefit to accrue to women by allotment of the scheme is restricted only for the purpose of the scheme sanction. Some effort to ensure clear cut ownership in the name of women needs to be made.

2.48 Other strategic Interventions

2.48.1 Other than the IAY, the States have rural house construction programmes, usually targeting the poor. While IAY can focus eliminating the backlog of houselessness and temporary and unserviceable houses in rural India, the States should take responsibility for addressing any emerging needs. It is necessary to have the right kind of interventions so that programme objective of tackling shelterlessness is achieved within the target time. Hence, the following strategic intervention are suggested:

- Encourage primary lending institutions to enhance their credit flow to the rural population and actively involve the existing institutional mechanisms of SHGs and micro-finance institutions to extend loans to the rural population.
- Encourage new, flexible financial products through commercial banks geared to payback cycles of rural families to bring about a higher degree of inclusivity in institutional lending for rural housing.
- Encourage small and medium developers to take up housing in rural areas through a mix of fiscal incentives and business volumes after necessary environment and social impact assessments and clearances from the Panchayati Raj Institutions.
- Create institutional mechanisms to address the higher risk perception in rural areas.

- Consider housing at par with rural infrastructure as far as funding and concessions are concerned, in order to encourage investments in the sector.

2.48.2 Based on the aforementioned multi-dimensional approach and strategic interventions, specific initiatives can be taken up, as listed below.

2. 49 Interest Rate Subsidy Housing Loan Scheme for the poor

2.49.1 The banking sector has become highly market oriented and is profit driven. In this scenario, rural poor find it very difficult to get assistance at affordable rates from Banks. This problem becomes particularly acute when loan is required for an unproductive, non-commercial asset like a house. This situation requires government intervention. Even though in the present financial market situation, intervention to control interest rates for a particular group may not be accepted, government can still find a way to help the needy through the scheme of interest subsidy. The interest subsidy could bring down the rate of interest at affordable level in line with the agricultural loans, as well as entuse the lending institutions to operate under prevailing and competitive market conditions.

2.49.2 This interest subsidy could be extended to credit for construction using energy efficient and cost effective construction technologies. Certification that such construction technologies have been used could be provided by appropriate regional institutions, designated and linked to the lending institutions at the district and block levels.

2.49.3 Fiscal incentives could be extended to producers of cost effective and energy efficient building materials to encourage them to promote these in rural habitat development.

2.50 National Rural Shelter Fund

2.50.1 NHB could be allowed to create the National Rural Shelter Fund for providing financial assistance to primary lending institutions (PLIs) to enable them to lend to ultimate rural borrowers at lower interest rate. The proposed fund would act as the main vehicle for financing borrowers having repaying capacity as well as for housing loan scheme with livelihood. There need not be direct subsidy from the Ministry of Rural Development, GOI for the purposes as in case of agriculture lending.

2.51 National Rural Housing Consortium

2.51.1 A consortium could be created comprising nodal organisations such as NHB, NABARD, nationalised and premier commercial banks and apex micro-finance institutions to provide equity and debt for rural housing for small and marginal farmers, small village artisans, self employed, etc. MoRD could play the role of a “Key Facilitator”.

2.52 Incentivising Lending Institutions

2.52.1 Presently, housing finance companies (HFCs) registered with NHB are allowed to create a Special Reserve to the extent of 40% income earned through the long term mortgage financing (mortgage loans for more than 5 years) under Section 36(1) (vii) of the IT Act. This fiscal incentive is however, not available to banks, who are presently the leaders in the housing finance market. At present, the rural housing loan portfolios of banks and HFCs, comprise only 10-12% of their total housing loans. There is need to incentivise these institutions to increase their lending in rural areas. It is therefore, proposed that the limit under this provision should be increased from the present level of 40% to 60% for HFCs, banks and NHB. The additional 20% provisions will exclusively be for lending in rural areas. It is proposed that banks may also be allowed to create the Special Reserves on the lines of HFCs for long term mortgage financing in rural areas. This will encourage banks and HFCs to aggressively lend for housing in rural areas. Self Help Groups

and Micro finance institutions could also be encouraged to actively involve in extending housing loans.

2.53 Securisation of Rural Housing Loans

2.53.1 Encouraging Securitisation of rural housing loans to help garner surplus resources from the market for investment in housing. This requires the following measures:

- (i) Rationalisation of stamp duty across all the states on the instruments of mortgage backed securities on the lines of Maharashtra, Tamil Nadu, Karnataka, Delhi, Andhra Pradesh etc.
- (ii) Treating mortgage backed securities as “Trustee Securities” under the Indian Trust Act, 1882.
- (iii) Treating these securities as “Approved Securities” for investment purposes by Provident / Pension and Insurance Funds.

2.54 Livelihood-based Housing and Habitats

2.54.1 Credit schemes can offer more flexibility and increase the number of housing units that can be taken up in response to the demand, but their utility is limited on account of low credit-worthiness of the poor. If credit-cum-subsidy schemes are provided for construction of livelihood-based housing and habitats, these might enhance the credit-worthiness of the beneficiaries. As far as possible, local manpower – skilled and unskilled – must be employed in habitat development and house construction in villages. This will counter migration to urban areas.

2.54.2 Livelihood schemes can serve as the basis for housing and habitat development whereby the savings of SHGs could be mobilised as collateral for housing loans for members linked with banks. The case for the development of livelihood-based housing and habitats can be strengthened by the involvement of Self-Help Groups (SHGs).

2.55 Risk Mitigants

2.55.1 Introduction of appropriate risk mitigants would provide further boost to Primary Lending Institutions (PLIs) in increasing their lending in rural areas as well as would be an effective tool for residential mortgage backed securitization for rural housing loans. Risk mitigants which could be introduced, are as follows:

- (i) *Title Guarantee:* In a majority of the rural abadi areas a clear title of the land pertaining to the existing houses, is not available. In the absence of such clear titles, the PLIs find it difficult to provide housing loans on such property. Therefore to cover the risk of default / defects in the title, a simple affidavit by the borrower being the legal heir of the house property duly signed by the village Panchayats or Land Revenue Officer, can be treated as a valid document for the purpose of creation of the mortgage.
- (ii) *Rural Risk Fund:* Presently, the PLIs perceive the poor as high risk borrowers. The risk fund will provide credit guarantee cover for loans upto Rs. 1 lakh taken by the BPLs. However, for effective operationalisation of such a fund the Ministry of Rural Development could consider providing an initial corpus of Rs. 1000 crore to NHB to set up such a fund to be exclusively used for providing cover to PLIs for small loans say upto Rs. 1 lakh taken by the poor where the primary security i.e., valid collateral e.g., (title deed) is not available.
- (iii) *Mortgage Credit Guarantee:* This would cover all loans given by PLIs i.e., in urban and rural areas with loans above Rs. 1 lakh. NHB with the other institutions will bring in the required corpus of initial funds and PLIs will be paying premium for the credit cover which may be shared between PLI and the ultimate borrowers. Mortgage credit guarantee for rural micro-habitat finance for loans upto Rs. 1 lakh could be borne by the lending institutions itself as a one time premium.

- (iv) *Legislative Mechanism:* Appropriate legislative amendments can be brought about allowing village Panchayat certificate on land titles and borrower's affidavit attested by the village Panchayat to be treated as sufficient documentary evidence for banks and financial institutions to lend. Amendments allowing mortgage of agricultural land as collateral for housing loan can also be thought of.
- (v) *Rationalisation of Stamp Duty:* Rationalisation of Stamp duty and Registration charges and bring them down to a minimum token amount (0.5%) in the case of rural housing to encourage registration of mortgages and building up proper land records.

2.56 Role of Self-Help Groups, NGOs and Panchayati Raj Institutions

2.56.1 The potential of self-help groups in rural housing needs to be recognized. This could be an important way of encouraging construction and ownership of houses on a group basis. As one of its many activities, self-help groups can take up housing, with the sites and services coming under their common ownership. These self-help groups can convert themselves into housing societies in course of time.

2.56.2 NGOs have been most reluctant to enter the area of rural housing due to the cost and time factors involved in the construction of houses. However, NGOs can play the role of facilitator for all the services related to rural housing: provision of design and architecture, housing finance, and supervision of construction. Government can recognize the role of NGOs in promotion of building technology and housing finance, and provide them the necessary technical and financial support in their facilitation. A certain amount of budget can be allocated for supporting these groups in the rural housing sector.

2.56.3 Panchayati Raj Institutions are central to effective habitat development in rural areas. They must take a lead in micro-planning and prioritising habitat

development needs. They should facilitate trained local groups and enterprises to take up implementation of housing and habitat schemes. The PRIs have a key role in tracking needs and monitoring implementation at the local level.

2.57 Role of HUDCO

2.57.1 HUDCO started its rural housing activity from 1977-78 by extending assistance for construction / upgradation of rural houses. As part of its commitment to rural housing, HUDCO makes available financial assistance to State governments and their agencies like Housing Boards, District Taluka and Panchayat Development Boards, nominated by the State government for undertaking housing schemes with its assistance.

2.57.2 HUDCO's normal rural housing programme by and large caters to Economically Weaker Sections (EWS) (with a monthly household income less than Rs. 2500). In rural areas, the three types of schemes financed by HUDCO include:

- (i) EWS rural housing schemes for landless persons
- (ii) EWS rural housing schemes for land owning persons and
- (iii) The village abadi scheme including house repair

2.57.3 Under the first two schemes, the cost ceiling per dwelling unit is Rs. 60000. The maximum extent of finance is 90% of the project cost or Rs. 40000 whichever is less. Under the first scheme HUDCO supplements effort of State governments to provide free house sites by extending loans at low interest rates. The third scheme envisages improvement of existing houses as well as environmental improvement of surrounding areas by providing for sanitation, drainage, water supply, link roads, etc. Most of the HUDCO's sanctions pertain to the second scheme.

2.57.4 Over the last 28 years, HUDCO has sanctioned 2472 schemes with a loan amount of Rs. 5807 crore for construction of 86.11 lakh dwelling units in various States in the country (as on 31st March, 2006). There is need to utilize the services of HUDCO to increase construction activity in rural areas.

Table 8
Housing Scenario in Rural Areas
(Projected Figures from 2002 onwards)

Houseless (Growth @ -0.1.60%) (in million)		House Hold (Growth @ 2.1%) (in million)		Housing Stock (Growth @ 2.09%) (in million)	
1991 [^]	0.305	1991	111.53	1991	108.65
2001 [^]	0.259	2001*	137.11	2001*	134.01
2002	0.255	2001**	138.27	2001**	135.09
2003	0.251	2002	141.17	2002	137.93
2004	0.247	2003	144.14	2003	140.82
2005	0.243	2004	147.17	2004	143.78
2006	0.239	2005	150.26	2005	146.80
2007	0.235	2006	153.41	2006	149.88
2008	0.231	2007	156.63	2007	153.03
2009	0.228	2008	159.92	2008	156.24
2010	0.224	2009	163.28	2009	159.53
2011	0.220	2010	166.71	2010	162.88
2012	0.217	2011	170.21	2011	166.30
		2012	173.78	2012	169.79

Pucca Houses (Growth @ 4.00%) (in million)		Semi-Pucca Houses (Growth @ 2.6%) (in million)		Unserviceable Temporary Houses (Growth @ 1.0%) (in million)	
1991	36.43	1991	37.20	1991	10.26
2001*	54.95	2001*	47.89	2001*	11.40
2001**	55.43	2001**	48.32	2001**	11.41
2002	57.65	2002	49.58	2002	11.52
2003	59.95	2003	50.87	2003	11.64
2004	62.35	2004	52.19	2004	11.76
2005	64.85	2005	53.54	2005	11.87
2006	67.44	2006	54.94	2006	11.99
2007	70.14	2007	56.37	2007	12.11
2008	72.94	2008	57.83	2008	12.23
2009	75.86	2009	59.33	2009	12.36
2010	78.89	2010	60.88	2010	12.48
2011	82.05	2011	62.46	2011	12.60
2012	85.33	2012	64.08	2012	12.73

Source:

(i) The figures of 1991 & 2001 are obtained from the Registrar General of India - Census Report on Housing 1991 & 2001

(ii) *Figures excluding J&K, so as to use along with 1991 figures which also do not include J&K.

(iii) **Figures including J&K is also from Registrar General of India - Census Report of 2001 on Housing, so as to calculate for further growth i.e. upto 2012.

(iv) Figures of 1991 on Pucca Houses, Semi-Pucca Houses, Unserviceable Temporary House & Serviceable Temporary Houses are calculated by applying the definition given in the Registrar General of India - Census Report on Housing 2001.

(v) ^ Figures of 1991 and 2001 of Houseless households is from Primary Census Abstract 2001 of Registrar General & Census.

Note :- Growth rates are exponential growth rates calculated from the 1991 and 2001 figures. These growth rates have been used for projecting the figures from 2002 onwards.

Table - 9
Assessing Rural Housing Shortage

S.No	Factors taken into account for assessing Housing shortage	Calculation	Shortage in million
1	No. of Houseless	No. of Houseless in 2007	0.235
2	Mismatch between households and housing stock	No. of Households projected for 2007 – No. of Housing Stock projected for 2007 = 156.63 million - 153.03million	3.60
3	All Kutcha Houses	No. of Housing Stock – No. of Permanent Houses (Pucca + Semi Pucca) (153.03 million – 126.51 million)	26.52
4	Shortage due to Congestion	6.5% x No. of Households projected for 2007 = 6.5% x 156.63 million	10.18
5	Shortage due to Obsolescence	4.3% x No. of Household projected for 2007 = 4.3% x 156.63 million	6.74
	Total Rural Housing Shortage 2007-2012		47.275

Table – 10

Assessing Rural Housing Shortage in the Year 2001

S.No	Factors taken into account for assessing Housing shortage	Calculation	Shortage in million
1	No. of Houseless	No. of Houseless in 2001	0.259
2	Mismatch between households and housing stock	No. of Households projected for 2001 – No. of Housing Stock projected for 2001 = 138.28 million – 135.09 million	3.19
3	Dilapidated Houses	Unserviceable Temporary Houses 2001	11.41
		Total Rural Housing Shortage	14.859

Assessing Rural Housing Shortage in the Year 2007

S.No	Factors taken into account for assessing Housing shortage	Calculation	Shortage in million
1	No. of Houseless	No. of Houseless in 2007	0.235
2	Mismatch between households and housing stock	No. of Households projected for 2007 – No. of Housing Stock projected for 2007 = 156.63 million - 153.03million	3.60
3	Dilapidated Houses	Unserviceable Temporary Houses 2007	12.11
		Total Rural Housing Shortage	15.945

2.58 Social Assistance – National Social Assistance (NSAP) and Associated Programmes

2.58.1 The Constitution of India (Article 41) states: ‘The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to *public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want*’. Social assistance refers to public assistance and protection in all cases of underserved want. It provides human security to the poor and the destitute.

2.58.2 For the first time in India, the National Social Assistance Programme (NSAP) was launched on 15 August 1995. The basic aim of this programme was to provide social assistance benefit to the rural poor in case of old age, death of primary breadwinner and for poor women during maternity. It aims at providing them with medium of dignity and support thereby ensuring a minimum quality of care and attention from the community. It provides an opportunity for linking the social assistance package to schemes for poverty alleviation and provision of basic needs. It was a Centrally Sponsored Scheme with 100 per cent Central assistance provided to States/UTs. The programme is implemented through a synergistic partnership with State Governments and under the direct supervision of District Rural Development Agencies (DRDAs) in close collaboration with the various Panchayat Raj institutions. This programme included for the time being three schemes viz., National Old Age Pension Scheme (NOAPS), National Family Benefit Scheme (NFBS) and National Maternity Benefit Scheme (NMBS).

- Under the National Old Age Pension Scheme (NOAPS), *old age pension* of Rs.75 per month was provided to persons of 65 years and above who are destitutes. This amount has since been enhanced to Rs.200 per month from the year 2006-07, The response for this scheme has been overwhelming from the poor as well as the State governments. Many States are matching these pension amounts equally and many more are extending the coverage of this scheme to all those identified from among below poverty line families.

- The National Family Benefit Scheme (NFBS) provides a *lump sum family benefit of Rs.10, 000 to the bereaved household in case of the death (natural or accidental) of the primary breadwinner (male or female) whose earnings contribute substantially to the total household income.* This scheme is applicable to all the eligible persons in the age group 18 to 64. The bereaved household should belong to families below poverty line to qualify for this benefit.
- Under the National Maternity Benefit Scheme (NMBS) there is a provision for payment of Rs.500 per pregnancy to women belonging to poor households for pre-natal and post-natal maternity care upto the first two live births. This benefit is provided to eligible women of 19 years and above. The objective of the scheme is to extend financial assistance to pregnant women from below the poverty line households, for the first two live births. To ensure better linkage with nutrition and national population control programmes, NMBS was transferred to Department of Family Welfare and is renamed as Janani Suraksha Yojana in 2001-02. It is now part of the National Rural Health Mission.

2.58.3 On the recommendations of the Group of Ministers a new scheme called *Annapurna* was launched on 1-4-2000 as a Centrally Sponsored Scheme (CSS). It aims to providing food security to meet the requirement of those senior citizens who though eligible, have remained uncovered under the NOAPS. Under the Annapurna scheme the beneficiaries should be 65 year or above and must be destitute. The beneficiaries are entitled to 10 k.g. of food grains per month free of cost. The ceiling on the total number of Annapurna beneficiaries will be at least 20 per cent of the persons eligible to receive pension under NOAPS.

2.58.4 These schemes continued to be administered by the MoRD upto 2001-02 as CSS, until in 2002-03 these schemes were transferred to central assistance for State plans on the recommendation of the National Development Council (NDC) with the requisite flexibility in the choice of implementation.

2.59 Key Issues

2.59.1 Various studies conducted in respect of the National Old Age Pension Scheme (NOAPS) indicate that the criteria of destitution is difficult of application. Many States have adopted the poverty line itself to define destitution. This is, in fact, reasonable since a BPL family can hardly support itself and would not be in a position to support the aged. It is, therefore, necessary to extend the NOAPS beyond the destitute to include all BPL families.

2.59.2 The National Policy for Older Persons (1999), recognizes that a person becomes a senior citizen at the age of 60 and would be eligible for the facilities and concessions available to senior citizens. Indeed, the aged over 60 years, from among the poor families, can hardly participate in the workforce and support given to them will be more useful when above 60 years, than if given only after 65 years. Therefore, the scheme of NOAPS needs to be made applicable to persons of the age of 60 years or more.

2.59.3 The rate of pension under NOAPS has recently been enhanced to Rs.200 p.m. The State governments have been urged to top it up with another Rs.200 so that every pensioner would get a minimum of Rs. 400 p.m. Currently, ten States/UTs are already providing an additionality of Rs.200 per month or even more. Other States need to be encouraged to supplement the Central Government's Old Age Pension, so that a minimum of Rs.400 p.m. is provided to the deserving aged.

2.59.4 NSOP requires to be extended to two more categories of deserving poor in dire need of this assistance viz., persons with severe/multiple disabilities and widowed women. Similarly, national schemes for maintenance of orphans, street children, and other sections of the poor in distress are needed.

2.59.5 The poor require comprehensive access to strengthened public health system and facilities. In addition, they need suitable instruments in the form of health insurance in cases involving serious illness requiring hospitalization, which are not provided in institutions of public health.

2.59.6 In the execution of National Social Assistance Programme, greater professional support is needed for ensuring quality, delivery and for suitable monitoring and evaluation purposes, both at the Centre and State levels.

2.60 Recommendations

2.60.1 National Social Assistance Programme (NSAP) during the Eleventh Five Year Plan should comprise the following:

- 1) Since the criteria of destitution is difficult to apply, National Old Age Pension Scheme (NOAPS) should be made applicable to all old persons Below the Poverty Line (BPL) as identified in the quinquennial survey of Ministry of Rural Development. NOAP need to provide pensions to all old persons above the age of 60 years from among the BPL families (in accordance with the National Policy on Older Persons – 1999). with a minimum pension of Rs.400/- per month funded by the Centre and the States. Person with severe/ multiple disabilities and widows from the below poverty line families need to be made eligible under NOAPS.
- 2) National Family Benefit Scheme, which provides an emergency support of a lump sum benefit of Rs.10,000/- to the bereaved household in case of the death (natural or accidental), is applicable to the eligible persons in the age group of 18 to 64. This scheme should continue during Eleventh Five Year Plan with support enhanced to Rs.10,000 to Rs.25,000 as suggested in the report of National Commission for Enterprises in the Un-organised Sector (2006).
- 3) Adequate number of shelters/ homes should be established for elderly persons, orphans, street children, deserted women and persons with severe disabilities, who have no guardians or no one to fall back upon.

- 4) The quality and standard of primary health care available to poor families needs to be strengthened and access of the poor to these facilities should be improved. In addition, insurance cover or hospitalization in instances of serious illness is a dire necessity to these.
- 5) The National Maternity Benefit Scheme which has become a part of National Rural Health Mission would continue to be administered by the Ministry of Health, but should be recognised under the overall umbrella of national social assistance in India.
- 6) The Annapurna Scheme, which provides 10 kgs of food grains to senior citizens, who remained uncovered under NOAPS can be discontinued soon after these beneficiaries are covered under the NOAPS.
- 7) Advisory Committees comprising of professionals and voluntary organisations should be set up at Central, State and District levels for continuous review of policy and performance of NSAP. Technical support groups should also be established at all level to ensure smooth implementation and closer monitoring of NSAP.
- 8) The National Commission for Enterprises in the Unorganised Sector (NCEUS) has proposed a National Social Security Scheme for all agricultural and unorganised agricultural workers operating less than two hectares of land or earning less than Rs. 6500 per month (as on 1.1. 2006). The scheme is intended to cover all eligible workers within a period of five years and proposes a package of the minimum benefits comprising of (i) an old age pension of Rs. 200 for all BPL workers over the age of 60 years, and a contributory provident fund for all other workers; (ii) life and disability cover for all registered workers (Rs. 30,000 in the case of natural death, Rs. 75,000 in the case of accidental death or total disability; and Rs. 17,500 in the case of partial disability); (iii) hospitalisation insurance cover of Rs. 15,000 per family and Rs. 10,000 per episode, maternity

benefit for worker or spouse of Rs. 1000, and sickness cover (for 15 days of hospitalisation, beyond the first three days) of Rs. 50 per day.

The National Social Security Scheme as proposed by NCEUS, even through appropriate phasing, would strongly complement the existing schemes of social assistance of the Central Government.

3. Decentralisation and strengthening of Developmental Delivery Systems

3.1 Introduction

3.1.1 The host of development programmes and schemes for local level development and rapid eradication of poverty outlined in the previous chapter are mostly in the realm of local government functions as envisaged in the Constitution. Of course, national initiatives and investment in these are justified on their potential impact on reduction of poverty so critical for achieving inclusive development notionally

3.1.2 At the same time, in spite of massive flow of funds in the past there is widely shared concern that the results have not been commensurate with the investments. A critical assessment of the performance of Centrally Sponsored Schemes reveal the following deficiencies:

3.1.3 Most of them exist as silos planned and implemented as stand-alone schemes without any horizontal convergence or vertical integration, resulting in multiple district plans, unrelated to each other, often mutually conflicting, prepaid without any integrated vision or perspective.

3.1.4 The schemes are often too rigid and do not provide flexibility needed for adaptation according to the differential development needs at the local level.

3.1.5 There is no consistent approach in the design of delivery mechanisms. Often independent structures are created for each scheme resulting in multiplicity of such structures at the local level with no interaction or co-ordination among them.

3.1.6 The professional support to the design, implementation and monitoring of these schemes is quite weak at the national, state and local levels. Often line departments with generalist approaches control the implementation process without having the necessary competence.

3.1.7 There is too much attempt at micro managing without any mechanism to understand the local situation and respond to it properly.

3.1.8 In spite of stated objectives aiming at quality of outputs and outcomes the programmes are mostly expenditure oriented.

3.1.9 Therefore the architecture of the continuing and new Centrally Sponsored Schemes needs to be radically altered and the instrumentality of implementation fundamentally changed. In this context there are series of valid arguments in favour of giving local governments a central place in the Centrally Sponsored Schemes in keeping with their Constitutional mandate of economic development and social justice. These arguments are summarized below:

3.1.10 By their very nature Local Governments are the most democratic systems especially through the vehicle of Grama Sabhas and Ward Committees. They are laboratories of multi-level pluralist democracy. It is easiest to achieve consensus on development issues at the lowest level of Government as local needs are stark and clear. At the local level, groups learn to co-exist, cooperate, negotiate and arrive at acceptable decisions and even marginalised groups can gain confidence and move on from token participation to higher forms of direct social action for collective good. Local Governments have the potential of nurturing a political class which understands local problems and which has a chance of learning by doing.

3.1.11 Local Governments are in a better position to appreciate problems holistically and come out with cross-sectoral solutions. They are better suited to exploit local production possibilities and adopt technologies, which can be handled locally. They also have quicker outreach and can provide faster feedback.

3.1.12 As Local Governments are closer to the people, they are capable of identifying local priorities and entering into partnership with communities for management of assets and facilities. Though they may not be efficient tax collectors,

Local Governments are generally competent in mobilizing resources in the form of contributions and user charges. Local Governments provide a good entry point to reforms to bring about responsive and responsible governance, as they are new institutions facilitating a zero-base approach for developing governance systems.

3.1.13 These arguments show that there is a strong case for strengthening PRIs so that they could bring about the desired results through effective planning and implementation of the Centrally Sponsored Schemes. But these arguments do not mean that things would happen naturally. Assiduous preparation is called for and a conscious strategy of capacity building is needed, accompanied by intense monitoring.

3.1.14 In order to achieve good results a shift to integrated planning at the grassroots level leading to the preparation of District Plans if needed. The Centrally Sponsored Schemes which lend themselves to effective grassroots level planning are:

- (a) Poverty reduction programmes like SGSY, SGRY, NREGS
- (b) Human Development schemes like Sarvashiksha Abiyan, Mid-day Meals, Literacy, Rural Health Mission and ICDS.
- (c) Social Assistance Schemes like NSAP/NOAP
- (d) Schemes for provision of minimum needs like ARWSP and Swajaladhara, Total Sanitation Campaign, Indira Awas Yojana, Pradhana Manthri Grameen Sadak yojana and Rajeev Gandhi Grameen Vidyuthikaran Yojana.
- (e) Area development schemes like BRGF, Hariyali, NWDPRA, Western Ghat Development Programme, DDP and DPAP.
- (f) Schemes in the productive sectors like agriculture, horticulture and animal husbandry.

3.1.15 Such schemes need across the board restructuring to facilitate the following:

- a) Assignment of responsibilities to different levels of PRIs for planning implementation and monitoring.
- b) Harmonization of existing planning and implementation arrangements and institutions with the Panchayati Raj set up.
- c) Evolution of criteria for allocation of funds to different levels of PRIs as may be appropriate.
- d) Introducing enabling provisions to make available technical support for planning and implementation.
- e) Introduction of a common planning process facilitating integrated approach to identification of problems and preparation of plans for tackling them by pooling resources from the relevant schemes. This has to be attempted in the XI Five Year Plan.

3.2 **Decentralised Planning**

3.2.1 The Report of the Expert Group on Planning at the Grassroots Level outlines such an action programme for the XI Five Year Plan. This Report gives flesh and blood to the constitutional concept of planning for economic development and social justice, which is the core responsibility of Local Governments. Decentralized planning is essential for ensuring that there is harmony between developmental needs and developmental investments yielding better results. Typically the process of decentralized planning would involve the following steps:

- i) Needs assessment and priority setting through participatory for like Grama Sabhas and SHG networks.
- ii) Situation analysis using locally available data through simple methods supplemented by Participatory Rapid Appraisal techniques.

- iii) Resource assessments from the following sources.
 - Own resources of PRIs
 - Untied grants from State and Central Governments
 - Partially tied funds from schemes like BRGF and NREGA
 - Schemes devolved for local level planning and implementation.
 - Peoples contribution in cash, kind and labour
 - Credit linkages
- iv) Formulation of a vision of development as well as strategies for attaining the vision by the PRIs through a process of interaction with stakeholders and local experts.
- v) Development of project ideas based on the need assessment and situation analysis by expert Working Groups at different levels of PRIs.
- vi) Consolidation of development proposals of the Working Groups.
- vii) Prioritization of proposals and allocation of resources to the prioritized proposals.
- viii) Preparation of project reports in detailed formats.
- ix) Vetting of project reports on technical and financial aspects by Technical Advisory Groups of District Planning Committees (DPC)
- x) Integration of projects into plans by PRIs.
- xi) Consolidation of PRI Plans into District Plans
- xii) Clearance of the Plan by the DPC.

3.2.2 In order to ensure that the proposals of different PRIs merge into a District Plan it may be necessary to develop a framework both sectoral and cross-sectoral at the district level through a multi-level and iterative planning process with assessment and prioritization being made at the lowest level and then consolidated at higher

levels and consensus obtained through dialogues and discussions which is then transmitted downwards for actual plan preparation. For decentralized planning to happen the following are essential:

- (1) The District Planning Committees need to be fully strengthened. They need to function not just as Committees but as full-fledged institutions. They need a separate office and a technical secretariat, which can be manned by the officers of the Planning, Statistics and Town and Country Planning Departments who have to be transferred to the control of the DPC. Ideally the district unit of the National Informatic Centre should also service the DPC.
- (2) DPCs should be assisted by Technical Advisory Groups for different sectors consisting of professionals from government, academic institutions and non-government organizations as well as the civil society.
- (3) DPCs should be allowed to network with academic and research institutions within the district.
- (4) With the approval of line ministries, Planning Commission has to issue common guidelines for preparation of plans in a converged manner utilizing the resources of Centrally Sponsored Schemes in the functional area of local governments.
- (5) State Governments should issue detailed guidelines for decentralized planning leading to District Plans within the framework stipulated in the report of the Expert Group.

3.2.3 In order to support decentralized planning Planning Commission could do the following:

- 1) Provide assistance to States to set up offices of the DPC as well as to provide technical support as was done to strengthen the district planning machinery in the Fifth Five Year Plan.

- 2) Over a period of time, generate a local statistical system by increasing the sample size of National Sample Surveys so that interpretation is possible at least at the level of the Block, if not the Village. Further, detailed data from the Census as well as Economic Census could be released to the DPC for local dissemination after removing the details which could lead to identification of the samples.
- 3) Identify one expert institution in each State as was done for preparation of State Development Report, and assign it the task of preparation of pilot district plans through action research, in partnership with the States and Local Governments.

3.3. Decentralisation and Improved Delivery of Services

3.3.1 Development is not just new investments and programmes but also includes delivery of quality of public services.

Public Services could be classified into the following broad categories:

- 1) Basic Services like shelter, drinking water, sanitation and electricity.
- 2) Human Development Services like nutrition, health and education
- 3) Welfare services like social security, pensions, distribution of essential commodities etc.
- 4) Extension services of conveying development messages to the stakeholders concerned.
- 5) Governance-related services like issue of certificates and licenses, provision of information etc.

3.3.2 Quality of public services has been deteriorating and there is an urgent need to arrest and reverse this trend, as provision of these services in a proper manner is

absolutely essential for quality of life, especially to the poor and weaker sections of society. Decentralization is one of the methods by which the quality of services could be improved. The steps required in this regard are: -

- i) Unbundle different types of services within different development sectors.
- ii) Assign clear responsibilities for different aspects of service delivery to different agencies including PRIs – the role could range from planning and full provision, or partial provision to supervision and feedback.
- iii) The resources required for service delivery, both human and financial, have to be placed with the PRIs.
- iv) Service Delivery standards have to be set for services both institutional and otherwise. This has to be modulated according to available facilities and manpower.
- v) Based on the standards set centrally, PRIs should be asked to prepare participatory Service Delivery plans in respect of each service, in consultation with the stakeholders and in accordance with the resources and facilities available. Milestones in upgradation of services in respect of quantity and quality should be part of this plan.
- vi) The Service Delivery Plans could be prepared by institutional committees consisting of stakeholders, officials, elected representatives and experts in respect of institutions like hospitals, schools and anganwadis. In respect of other services, the plans could be prepared in consultation with user groups.
- vii) The elements of Services Delivery Plans should be published in the form of Citizen Charters which would indicate the levels of assured services; measurement and feed back systems and grievance redressal systems.

- viii) A community based monitoring system including user groups, SHG networks and civil society groups could be put in place to monitor the implementation of Service Delivery Plans and provide inputs for further improvement.

3.3.3 It would be useful if the State Governments would come out with an overarching Service Delivery policy outlining the framework within which each department could lay down detailed guidelines for preparation of Service Delivery Plans.

3.3.4 To start with Service Delivery Plans would tend to be general and a bit hazy. But through a continuous process of experimentation, they could be refined and made sharper with performance indicators. Ultimately, a quality certification system needs to be evolved for the public services based on standards for processes and outputs.

3.4 Decentralisation and Good Governance

3.4.1 For effective local planning and service delivery, a strong foundation of good governance is an absolute necessity. Decentralization involves radical restructuring of governance systems to bring them in tune with the requirements of local governments, which are very close to the people. This affords space for basic governance reforms, which are difficult even to attempt at higher levels. Some of the good governance features, which can be integrated with decentralization, are enumerated below:

3.5 Participation:

3.5.1 Decentralization allows direct citizen participation in different aspects of development and governance. Grama Sabha is, in a sense, the fourth tier of governance facilitating direct democracy and face to face accountability. This critical institution of Panchayati Raj has to be further strengthened through action research and semi-structured processes of developmental dialogue, needs assessment, priority setting, over-sight, monitoring and social audit.

3.5.2 In addition to Grama Sabhas, several for a could be set up to widen and deepen participation and enhance accountability. They include:

- Parent-Teacher Association in schools
- Hospital Management Committees for hospitals
- Mothers' committees in Anganwadis
- Self-help Groups of farmers, poor women etc.
- User Groups in water supply and irrigation schemes
- Multi-disciplinary groups consisting of elected leaders, stake holders, experts and activists for preparation of development programmes
- Social audit fora for different projects and programmes.

3.6 Transparency

3.6.1 In addition to the natural transparency of an institution which is very close to the people, it is possible to structure a disclosure system in PRIs conforming to the highest standards of transparency in accordance with the letter and spirit of the Right to Information Act. This would include budgets, expenditure details and vouchers, public works records including muster rolls, beneficiary selection records, records on decision making and so on.

3.7 Due process

3.7.1 For prioritizing needs and for identification of beneficiaries for different programmes due process and clear cut norms can easily be prescribed in the decentralized system. For example, simple wealth ranking methods could be introduced in schemes following the Antyodaya approach so that the poorest get identified in a transparent, normative and socially acceptable manner. Likewise in determining development priorities simple problem matrices could be developed through interaction with stakeholders.

3.8 Responsiveness

3.8.1 As Panchayats are in direct contact with the people, responsiveness naturally increases. This can easily be institutionalized through people-friendly procedures in provision of administrative services like issue of certificates, permits and distribution of benefits.

3.9 Efficiency

3.9.1 By earmarking resources for local priorities, PRIs tend to achieve allocative efficiency. Also the costs of providing services and overhead costs of development are normally much lower in PRIs resulting in expenditure efficiency.

3.10 Accountability

3.10.1 A powerful accountability system focusing more on downward social accountability as well as setting up independent umpiring institutions, needs to be put in place right from the beginning. This would include strengthened Grama Sabhas and effective social audit systems, independent Audit Commissions and appropriate audit systems focusing on results and efficient Ombudsman arrangements to deter malfeasance.

3.11 Strengthening of Panchayati Raj Institutions

3.11.1 PRIs in their present status may not be capable enough to handle the new institutional responsibilities of effective planning, quality service delivery and good governance. A conscious policy, well thought out strategy and a clear action plan are essential for strengthening PRIs.

3.11.2 Though the Constitution speaks of institutions of local self government it is surprising that, even after a decade and a half, there is no clarity on what a local government means from a political or institutional or developmental sense. It is high time that there is clarity at the level of policy as well as academic discourse on what a local government should mean, in the Indian context. Only such an understanding

will enable local governments, both rural and urban, to emerge as the third tier of governance, from their current status of being creatures defined by disparate State Acts dealing with PRIs and Nagarapalikas.

3.11.3 Five Fs – the Basics.

3.11.4 It is well worth revisiting the basics of democratic decentralization so that the devolution is proper and purposeful.

3.12 Functions:

3.12.1 There has to be absolute clarity on assigning functions to PRIs and different tiers of PRIs. This is the essential first step, which has not yet been taken effectively by a number of States even now. Therefore, the first step in strengthening PRIs calls for demarcating sharply the responsibilities, which each level of PRI is expected to perform in respect of the subjects, listed in the 11th Schedule of the Constitution. The assignment of responsibilities should be on the basis of rational considerations like economies of scale, efficiency, capacity, congruence of service area, proximity and equity, keeping in mind the overarching principle of subsidiarity. To do this it is necessary to unbundle subjects into functions, sub-functions and activities and assign them to the three tiers, with the bundle of responsibilities for each tier clearly demarcated. This 'activity mapping' or 'responsibility assignment' is the foundation of decentralisation.

3.13 Functionaries

3.13.1 For discharging the functions transferred to PRIs, they need the required functionaries. Thus staff could be transferred on the principle of "work and worker going together". People who were hitherto carrying out the work transferred to PRIs should be placed under the administration, supervision and control of PRIs. In order to lessen the resistance of staff and smoothen the transition a compromise can be struck – that of dual control. The existing cadres need not be disturbed in relation to their recruitment, placement, terms and conditions of service and career

advancement prospects. At the same time while they are working under a Panchayat they could be assigned any work, their work reviewed, their performance evaluated, fiscal accountability enforced and discipline enforced through proper procedure.

3.13.2 Simultaneously future staffing issues may be planned for, so that within a reasonable period, own cadres for PRIs could emerge. Even in the future scenario there should be clear norms for determining the manpower requirements, transparent and merit based recruitment and clear terms and conditions of service appropriate to local government cadres.

3.13.3 To start with, it may not be possible to provide all the technical staff required for PRIs especially the Village Panchayats. Therefore it is necessary to put in place a system of accessing technical expertise through concepts like chartered engineers and chartered accountants. It would be a good idea to harness the services of voluntary technical experts and give them a place within the PRI set up to provide technical service.

3.14 Finances

3.14.1 For fiscal decentralization to be effective, finances should match expenditure assignments related to the transferred functions. This calls for a two fold approach – first of demarcating a fiscal domain for PRIs to tap resources directly, both tax and non-tax, and the second, devolution of funds from the State and Central Governments.

3.14.2 In the Indian context the concept and practice of local government taxation has not gone much ahead after the early days during the British rule. Still most of the revenues accrue from Property Tax, Profession Tax and, in some cases, Entertainment Tax, as well as non-tax revenues like rent from property and fees for services. It is high time that a national consensus emerges on broadening and deepening the revenue base of local governments. This could be one of the Terms of Reference for the Thirteenth Finance Commission.

3.14.3 The second, of course, is devolution of funds from higher tiers of Government. Basically such transfers should be unconditional so that PRIs have the freedom to determine local priorities in the application of funds. The transfers should be quantified to enable Panchayats to attain a set of prescribed standards of services and facilities and attainment of certain minimum levels in poverty reduction, education, health care etc. This is an enormous task as setting standards and attainment levels and costing them would be intricate and challenging. But such an exercise is necessary for ensuring results-based performance by PRIs. Funds should be devolved only according to formulae and their predictability and assuredness should be ensured through bringing out a separate budget document for transfers to local governments.

3.15 Freedoms

3.15.1 PRIs need a set of freedoms to exercise their functions freely, to control the functionaries properly and to utilize the finances productively. For these freedoms to be exercised positively there has to be a basic administrative and fiscal framework conducive for good self-governance. The administrative operating systems related to office management, financial management, procurement, execution of public works and MIS were all designed for centralized governance years ago. They need to be radically restructured to suit local governance and this has to be done without sacrificing efficiency, transparency and accountability.

3.15.2 Modern tools of E-governance can contribute significantly to meeting the new demands of local governance . The National E-governance Action Plan needs to have a distinct component for comprehensive E-governance applications in PRIs.

3.16 Fraternity

3.16.1 Decentralization is a process and it is full of unpracticables and risks as lakhs of local governments exercise their powers. In such a scenario mistakes are bound to be made and slippages natural. But these should not result in usual knee-jerk reactions of withdrawal and relapse into statusquo-ante. For decentralization to strike root and survive, it is necessary to develop the fraternity with faith in people and democratic process. It would be very useful to set up platforms with Local Government Associations in the central place and having the participation of political leaders, academia, activists and different kinds of civil society groups. Such a pluralist support base which can be utilized for taking stock of the successes and failures and assessing problems and possibilities, is essential for grooming the PRIs in the early stages of growth.

3.16.2 For PRIs to develop, a clearly articulated strategy for capacity building needs to be developed by each State. Ideally training institution co-owned by local governments should be in the nodal place. Since the demands for capacity is so huge and repetitive in five year cycles, this nodal institution needs an outreach system preferably in every district, set up through networking with existing institutions. Also Trainers-On-Call have to be developed at the level of each block and district.

3.16.3 The above system could be enriched through innovative methods like tele- training, help desk, mobile teams, hand books and materials for self learning. Further, capacity needs to be defined in a larger sense. In addition to acquiring the capacity through training there has to be a process of accessing capacity by normative and transparent outsourcing.

3.16.4 In the initial days of decentralization, capacity building requirements are very high. This calls for a high level of financial support from State and Central Governments. States should be encouraged to develop comprehensive capacity

building plans for their local governments and funded from a corpus which can be created by pooling funds from different mega schemes related to the functional areas of local governments at the rate of 2% from each such scheme.

3.16.5 The Ministry of Panchayati Raj has evolved an excellent 150 point Action Plan in consultation with State governments. A framework has to be put in place to push implementation of these action points and monitor the implementation. This could be incentivised by linking at least 25% of the mega scheme allocation for institutionalizing decentralisation with the evaluation of progress being done independently.

3.17 Harmonising Community Based Organisations with PRIs.

3.17.1 For PRIs to be effective, they have to reach out to communities especially the poor and involve them in the development process. So their relationship with various people's groups becomes important. Over the last two decades several Community Based Organizations (CBOs) have sprung up, sometimes as spontaneous people's groups for developmental action or as consciously-organized ones as part of a development project or programme. The former groups are really autonomous social groups which augment social capital and deepen democracy. They are entitled to absolute freedom of action and can justifiably challenge PRIs through adversarial public action. However the latter groups which are recipients of public development funds have to be considered differently. The objectives behind setting up such groups include:

- Participatory planning
- Local resource mobilization
- Efficiency in implementation
- Inculcating culture of self help
- Facilitating NGO involvement
- Ensuring sustainability through take over of operation and maintenance functions

- Potential to develop as interest groups
- Empowerment of communities.

3.17.2 These are all valid and legitimate objectives. But unfortunately these Community Based Organizations, which includes Self-help groups and user groups, are loosely equated with PRIs as people's institutions and, sometimes even proposed as efficiency substitutes of "weak" or "partisan" PRIs. This is problematic. The project-based CBOs are largely uni-dimensional socio-economic groups and focussed on benefits from a project. They can certainly be efficient delivery vehicles for development programmes. But PRIs are local governments performing a range of governance and developmental functions; they are political entities. Their function entails reconciling and satisfying the development aspiration of different groups of people and as such they are accountable to the entire population within their jurisdiction and not to a small circle of beneficiaries of a project or a programme.

3.17.3 In the purported interest of project efficiency and beneficiary participation the creation of CBOs has often ignored PRIs and pushed the larger constitutional agenda of devolution of functions and powers and democratic decentralization to the back ground. It is in this context, that CBOs tend to become parallel bodies competing for developmental and even political space with PRIs.

3.17.4 It is often not understood that CBOs can perform their stated objectives even more efficiently without devaluing their social capital or reducing their capacity for public action, if they are seen as thematic and functional sub-systems of PRIs and conceptualized as community wings of PRIs. The creation and strengthening of CBOs could become the next step in democratic decentralization, after the strengthening of PRIs.

3.17.5 Conceptually, structurally, and procedurally CBOs should draw their powers and resources from PRIs not in a relationship of subordination or agency-functioning but in a spirit of social contract. This would ensure accountability to PRIs even while protecting the autonomy of CBOs; in such a scenario, CBOs could

complement and strengthen PRIs even while carrying on their social action to retard negative tendencies like partisanship and corruption.

3.17.6 It has to be admitted that for sustainable social development, especially poverty reduction, public action is absolutely essential. When the delivery systems are distant and bureaucratic, public action often turn adversarial pitting the people against the Government. On the other hand public action can become cooperative and collaborative when there is scope for participation and citizen intervention in the development process. There is higher possibility of this happening in PRIs where a symbiotic relationship between CBOs and PRIs could release synergies for improved development performance. But this cannot happen suo moto. It needs activist facilitation by government through a careful mix of policies, incentives and procedures. The framework for partnership between PRIs and CBOs is outlined below:

3.17.7 Conceptually the framework envisages that the CBOs would act as sub-systems of PRIs in respect of functional areas like poverty reduction, women empowerment, natural resource management or in respect of provision of services like water supply, energy, waste management or in management of institutions like hospitals, schools and anganwadis or in management of specific projects. In this relationship the CBO would have absolute autonomy in its functioning and decision making. At the same time the PRIs would have absolute right to information over the functioning and performance of CBOs without any right to direct intervention. PRIs would, as far as possible, utilize the CBOs for execution of works and implementation of schemes for which transfer of funds on the part of PRIs and rendering of accounts on the part of CBOs would be properly structured. There would be joint systems for monitoring and conflict resolution.

3.17.8 Emanating from the approach and concept outlined above the following specific plan of action is suggested:

3.18 Bringing about structural linkages between PRIs and CBOs.

3.18.1 Formal linkages between PRIs and CBOs could be achieved as follows:

- i) The organization of the CBOs could be done in such a way that jurisdiction is co-terminous with the PRIs or its sub-units so that formal interaction with the elected body is possible.
- ii) The CBOs can be made Functional Committees of PRIs, ideally by introducing legal provisions in the Panchayat Raj Act or relevant Rules.
- iii) The elected head of the Panchayat, and Chairpersons of Standing Committees concerned could be invited to meetings of CBOs especially at the time of plan preparation, monitoring etc.
- iv) The CBOs could be made authorized implementing agencies for the Village Panchayat enabling them to take up execution of public works on a community contracting mode.
- v) The CBOs could assist in identifying beneficiaries for different programmes and the preliminary selection made by the CBOs could be finalized in the Grama Sabha.
- vi) Wherever departments and line agencies use CBOs as their delivery mechanism, they should involve the PRI as the nodal point for routing assistance as well as getting feedback.
- vii) An MIS system has to be put in place whereby the CBOs transfer information on critical parameters of their functioning to the PRIs. Also audit and other financial reports of CBOs should be provided to the PRIs.

- viii) The CBO should have the right to social audit in respect of PRI activities related to their area of functioning.

3.19 Bringing about development linkages.

- i) The CBOs could be formally and actively involved in planning of development programmes of the PRIs.
- ii) The PRIs could hold joint meetings of different CBOs as a platform for eliciting opinion on developmental performance and suggestions for future development.
- iii) The CBOs could be directly involved in community based monitoring of different programmes and indicators of their outcomes.

3.20 Capacity building

3.20.1 For achieving the linkages between PRIs and CBOs, massive capacity building efforts are required. The PRIs should be trained on the role and mode of functioning of CBOs especially entry norms, procedures of functioning, MIS norms and accountability systems. The CBOs should be sensitized on the legal and functional role of PRIs and on the need to work closely with them.

3.21 Preparation of Anti-poverty Sub Plan.

3.21.1 In order to cement the relationship between PRIs and CBOs it would be useful to launch the preparation of a comprehensive Anti-poverty Sub Plan for the XI Five Year Plan. The PRIs could be given the central role in the plan preparation process with the CBOs given the role of bringing about the participation of stakeholders and consolidating their demands. For preparation of this plan it would be necessary to generate a movement where the leaders of PRIs work hand in hand with the functionaries of CBOs.

3.21.2 It is possible that in many States where the PRIs are weak the CBOs may justifiably feel that they have nothing much to gain from partnering with PRIs.

They may feel that the linkage can, at least temporarily, put a brake on their momentum. But in their long term interest, especially in the case of the poor, it is necessary that they have to participate in the local democratic processes. They should not continue to remain as project managers and self-help entities. They have to get their legitimate share of power for which by engaging PRIs they would be in a better position to learn about the power relations and the working of democracy through a “learning by seeing” process. Therefore the CBOs would stand to gain by linking up with the PRIs; at the same time the PRIs would also gain considerably from the possibilities of outreach and feedback which the CBOs provide as well as social capital generated by them.

3.21.3 If CBOs and PRIs work in parallel the democratic gains cancel themselves out. But if they work together, with each having a well demarcated functional sphere and a properly structured working relationship, then the democratic gains would multiply. Such is the dynamics of this relationship.

KUDUMBASHREE -

Example of a CBO working in partnership with Local Governments

Kudumbashree is the Poverty Eradication Mission programme of Kerala. As part of this programme every family below poverty line, with each family being represented by a woman, is organized into a three tier networked structure. At the local level 15 to 40 families get organized into a Neighbourhood Group (NHG); all the NHGs in a Ward of a Village Panchayat or Urban Local Government get networked into an Area Development Society (ADS); and all the ADSs in a Village Panchayat or Urban Local Government get federated into a registered body called the Community Development Society (CDS). Now there are 1.82 lakh NHGs in the Kudumbashree network covering around 36 lakh families functioning in all the 999 Village Panchayats, 53 Municipalities and 5 Corporations.

The following points make clear the relationship between the Local Governments and the CBOs of the poor.

- (1) Norms for identification of members and the procedures for their functioning are clearly laid down.
- (2) The NHGs, ADSs and CDSs are fully autonomous in their functioning. The local governments cannot interfere in their decision making process.
- (3) At the level of the ward as well as at the level of the local government, there are joint committees to share information and views and monitor performance.
- (4) The CDS system is fully involved in the outreach activities of local governments especially in health, education and poverty related services.
- (5) The CDS system provides the first level of screening in selection of beneficiaries for different programmes.
- (6) Members of the NHGs actively participate in Grama Sabhas and Ward Sabhas.
- (7) The CDS is empowered to take up execution of small public works through a community contracting mode.
- (8) 50% of the facilitators for Grama Sabha and Ward Sabha are selected from the CDS system.
- (9) CDS system prepares the draft Anti-poverty Sub Plan through an intense participatory process starting from the NHG through the ADS.
- (10) Representatives of the CDS are made members of the Working Group for different sectors like poverty, social security, SC/ST development, women and child development etc., which prepare the draft projects of local governments as part of People's Plan.
- (11) ADSs at the ward level are made responsible for organizing works under NREGA.
- (12) CDS system is empowered for community based monitoring of local government development works.

The fact that 1408 out of the 7230 women elected members of local governments in Kerala have come out of the Kudumbashree network and the fact that nearly half of the development budget of local governments goes for anti-poverty programmes are indicative of the positive relationship between local governments and CBOs of the poor. CBOs have created a powerful demand factor in favour of the poor.