

**Report of the XI Plan Working Group on
Poverty Elimination Programmes**

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Chapter: I

CONCEPTULISATION AND CONTEXTULISATION OF POVERTY

1. Introduction

Poverty reduction has been one of the major goals of development planning since independence and the planning process has been sensitive to the needs of the poor. Accordingly, the development efforts have been directed in creating adequate livelihoods and provision of services for a better quality life for the poor. Poverty in India is not merely an economic phenomenon but a social one as well. While poverty is an outcome of multiple deprivations, the measurement has largely dealt with economic deprivation (income/consumption expenditure). The recent body of literature highlights the multidimensionality of poverty and also the heterogeneity of the poor. It also highlights the need to go beyond income poverty by using indices of human development and overall welfare. Poverty is not simply a matter of inadequate income but also a matter of low literacy, short life expectation and lack of basic needs such as drinking water. Human Poverty concept of UNDP highlights essentially the deprivations in health, education and income. Gender inequality adjusted human development indices are helpful to trace the group and region specific disadvantages and for initiating appropriate remedial measures. Since these deprivations are inter-related, a comprehensive approach alone can eliminate poverty and ensure optimal utilization of human resources for sustainable development. Furthermore, the recent empirical research highlights the nature of hard-core poverty in India. Thus, multi-pronged and convergent approaches with proper targeting are deemed essential for elimination of poverty.

2. Design of Poverty Line in India

1.2 A Working Group constituted by the Planning Commission in 1962 recommended

a minimum of Rs. 20 per capita per month for rural population and Rs. 25 per capita per month for urban population at 1960-61 prices as the national minimum. This minimum excluded expenditure on health and education, both of which were expected to be provided by the State; the “minimum” for the urban areas assumed an element of subsidy in urban housing.

- 1.3 A ‘Task Force on Projection of Minimum Needs and Effective Consumption Demand’ constituted by the Planning Commission in 1979 defined the poverty line as that per capita expenditure level at which the average per capita per day calorie intake was 2400 kcal for rural population and 2100 kcal for urban population. The recommended poverty line was Rs. 49.09 per capita per month for rural population and Rs. 56.64 per capita per month for urban population, at 1973-74 prices. The Task Force also recommended an adjustment in the NSS based consumption expenditure levels by raising it by a ‘factor’ to make it consistent with the total level of private consumption expenditure reported in the National Accounts Statistics, which was higher. This ‘factor’ was small in the beginning but grew larger and larger over the years.
- 1.4 The Expert Group constituted by the Planning Commission in 1989 recommended the continuation of the Task Force poverty line (Rs. 49.09 rural and Rs. 56.64 urban in 1973-74 prices) as the level separating poor from non-poor. The Group recommended specially constructed statewide indices for updating the poverty line for prices. The Group also recommended abandoning the adjustment of NSS-based consumption with NAS, since the reasons for differences were diverse and the NSS survey obtained direct information on consumption and hence was more reliable. Following the Expert Group recommendation, the poverty series were revised by the Planning Commission from 1973-74 onwards. Since then the official poverty estimates are based on the methodology recommended by the Expert Group (EG). The methodology suggested by the EG is summarized in the Box 1.1

Box 1.1: Fixation of Official Poverty Line

The poverty lines are anchored to a fixed commodity basket corresponding to the Task Force recommended poverty line (Rs.49.09 per person per month at 1973-74 prices for rural areas and Rs.56.64 for urban areas). The suggested rural commodity basket by the Expert Group contained 2400 kcal per capita per day in rural areas and the urban food basket had 2100 kcal per capita per day in 1973-4. The use of calorie norm was taken as an approximation to what may be considered as an acceptable 'minimum needs'. The consumption basket is common to all states. In order to take care of the changing tastes and preferences, the Expert Group recommended that the consumption basket be revised once in five years. This was to take care of 'minimum needs' as derived from the chosen nutrition attributes as revealed by the behaviour patterns of consumers.

The consumption basket identified separately for rural and urban areas thus, is evaluated at state-specific prices to arrive at state specific poverty lines in the base year, 1973-74. The state-wise poverty lines computed for the base year 1973-4 are adjusted for prices for the subsequent years. For any year, poverty levels are estimated for each state using the state level consumer expenditure distribution. Aggregating the state-wise poverty ratios, the all India poverty ratio is estimated. Given the all India poverty ratio, poverty line is estimated using the consumer expenditure distribution for that year.

Source:

R. Radhakrishna and Shovan Ray (ed), *Handbook of Poverty: Perspectives, Policies and Programmes*, Oxford University Press, 2005.

3. State of Poverty

*Trends in Poverty*¹

- 1.5 India's achievements in reducing poverty at the national level during the period 1956-2000 have been significant. In terms of performance, the trends in poverty reveal two distinct phases. The first phase, from the beginning of planning to the mid-70s, was characterized by wide year-to-year variations with no significant trend; large proportions of the population were below the poverty line. The number of rural very poor had risen from 182 million in 1956-57 to 261 million in 1973-74, almost accounting for half the additions to rural population during the period. The failure in poverty reduction could be attributed to the poor performance of agricultural growth; agricultural production barely kept pace with population growth during the period, the annual growth of per capita output being negative. Agricultural production per rural person, agricultural wages and rising food prices were found to be the major factors underlying the year to year variations in the percentage of rural poor. In the second phase, from the mid-70s to the close of the year 2000, the country achieved substantial reduction in the incidence of poverty (Figure 1); the proportion of the country's population living in poverty declined from half to one-quarter. Even in this second phase, the decline in poverty was not smooth; poverty increased during the early years of the 1990s before it witnessed decline in the later years. Despite the decline in the incidence of poverty during 1974-94, the absolute number of poor continued to increase.
- 1.6 Due to methodological changes in the collection of NSS data in the 55th round (1999-00), comparison of the pre and post reform period trend in poverty is beset with problems. The trend in incidence of poverty depends on whether we include or exclude the 55th and 56th rounds. The exclusion of both the rounds shows

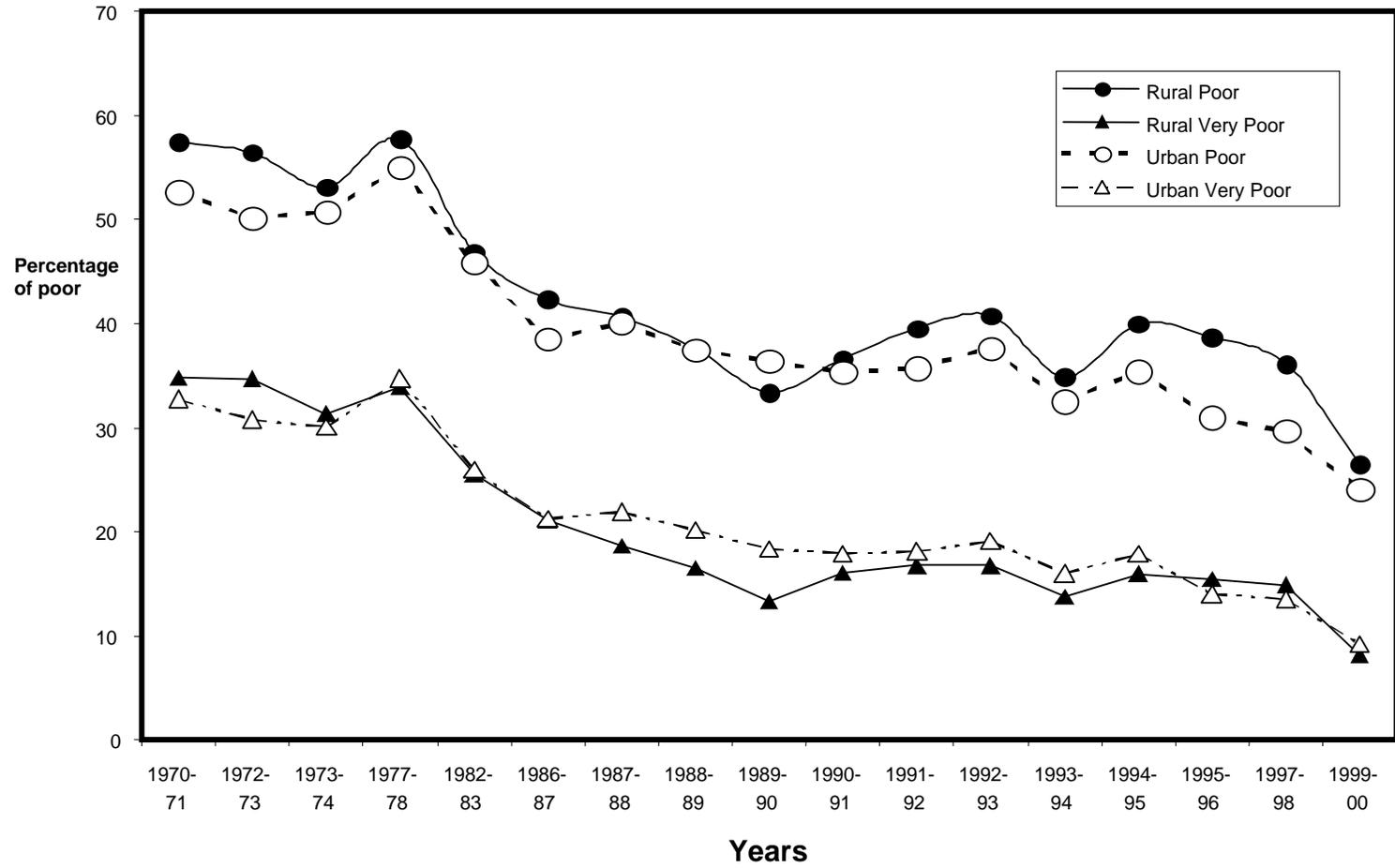
¹ ¹ For a review of trends in poverty, see R. Radhakrishna and Shovan Ray, *Handbook of Poverty: Perspectives, Policies and Programmes*, Oxford University Press 2005, and R. Radhakrishna and K.Hanumantha Rao "Poverty, unemployment and Public Intervention", *Chapter 1 in India Social Development Report*, Council for Social Development and Oxford University Press, 2006.

substantial slow-down in the rate of decline in the percentage of rural population living in poverty during 1990-98, but inclusion tends to suggest some improvement in the rate of decline during 1990-2001.

- 1.7 Whether the improvement in poverty reduction in rural areas after 1998 is due to favourable growth or methodological changes in the 55th round is a moot point. However, in the case of urban areas, the picture is very clear; and the conclusion will remain the same whether the two rounds are included or excluded; the decline in urban poverty had accelerated in the 1990s.
- 1.8 The trends in poverty are similar to those of average household consumption both in rural and urban areas. The trend growth rate in rural per capita consumption adjusted for inflation decelerated from 1.60% per annum during 1970-89 to 1.20% during 1990-01. In contrast, the urban annual growth rate accelerated from 1.92 per cent during 1970-89 to 3.01% during 1990-2001. These trends suggest widening rural-urban divide in the 1990s. Even though urban growth was accompanied by higher urban inequality, the bottom class also gained.
- 1.9 Undoubtedly, India has made some progress in the reduction of income poverty. Yet, as many as 280 million persons are living below the poverty line. According to UNDP's Human Development Report, 2003 (HDR-2003), India has the largest number of poor among the countries of the world and is home for one fourth of the world's poor. A large number of hard-core poor are located in remote and inaccessible areas. The problem of poverty alleviation is going to be far more difficult than in the past, since those who were near the poverty line might have crossed it, but leaving much below the line as the hardcore.
- 1.10 The regional differences in poverty reduction are found to be substantial (Figure 2). The decline in state's incidence of poverty ranged between 12-50 percentage points in rural areas during 1973-2000 and 20-40 percentage points in urban areas. The inter-state variations in the rural poverty reduction have been attributed to the variations in their agricultural productivity improvement. In addition, initial endowments of physical infrastructure and human resources did contribute to the inter-state variations in the

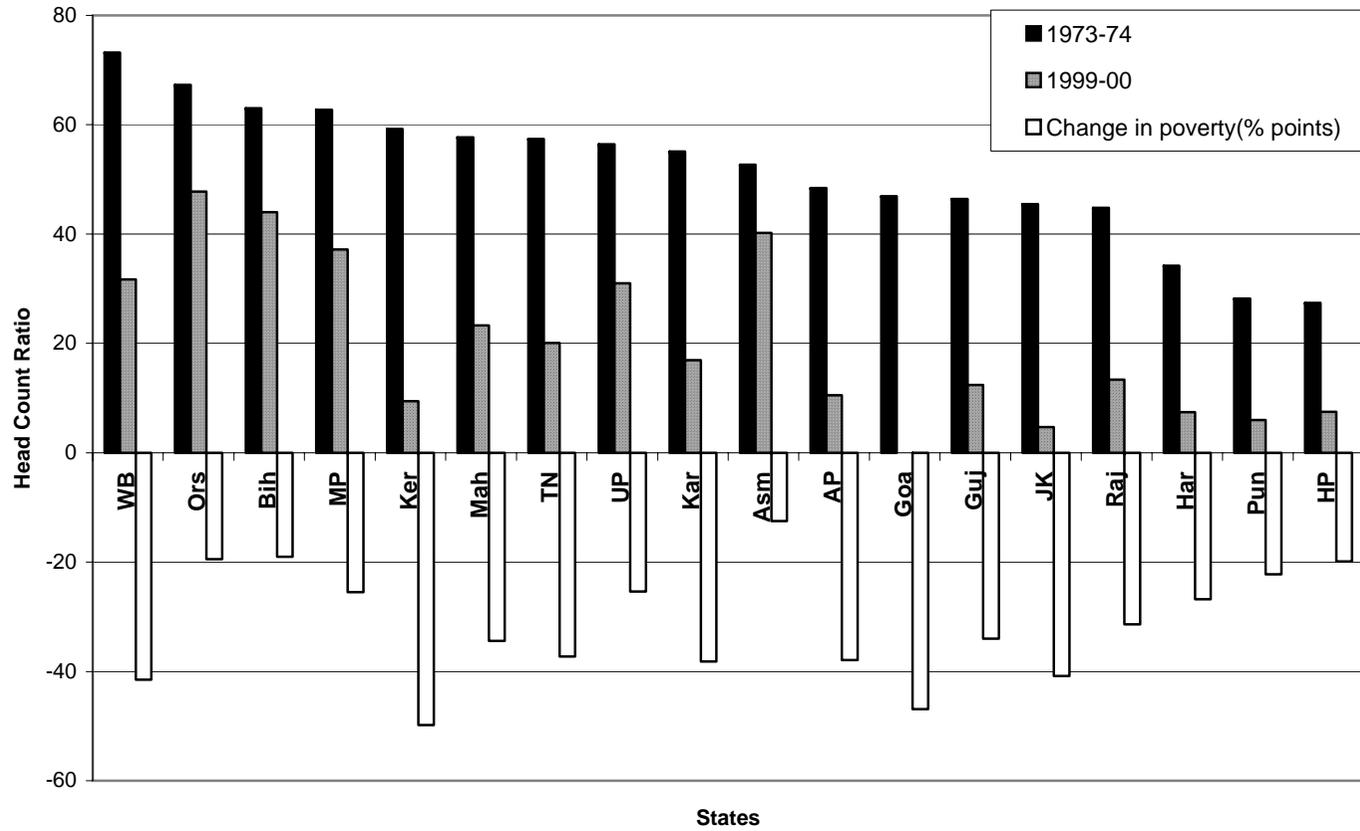
Figure 1

Trends in poverty in India: 1970-71 to 1999-00



Source: Radhakrishna and Shovan Ray, *ibid.*

Figure 2
Incidence and Changes in Rural Poverty in States



performance. States such as Andhra Pradesh, Kerala and West Bengal, which had a higher rural poverty ratio in the first phase, had lower rural poverty ratios in the second phase. Andhra Pradesh which had benefited from green revolution, and Kerala and West Bengal which had implemented land reforms, experienced significant decline in the rural poverty ratio. Despite that the rural poverty level was higher in West Bengal in 1999-00 than that of All India, because of extremely high poverty level in the first phase. Assam, Bihar, Madhya Pradesh, Orissa and Uttar Pradesh have higher incidence of poverty as well as poor record in poverty reduction.

Profiles of the Poor

- 1.11 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. 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 market as well as higher incidence of poverty among urban casual labour households. The occupational distribution of the households in the bottom quintile classes in 1999-00 is shown in Figure 3. 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.
- 1.12 The geographical landscape of rural poverty has been changing. The share of backward states such as Bihar, Orissa, Madhya Pradesh and Uttar Pradesh in the rural poor rose from 53% in 1993-94 to 61% in 1999, whereas the share of agriculturally prosperous North-Western States such as Punjab, Haryana and Himachal Pradesh declined from 3.03% to 1.26% and that of Southern

states also declined from 15.12% to 11.23%. Notably, some of the better off states such as Maharashtra and West Bengal, in spite of their higher level of economic growth, had a relatively higher share in rural poverty. The urban poor were getting concentrated in Uttar Pradesh, Maharashtra, West Bengal, Madhya Pradesh and Andhra Pradesh. Their share in All-India urban poverty rose from 56% in 1993-94 to 60% in 1999-01. It is striking that the share of Orissa increased significantly both in rural and urban poor.

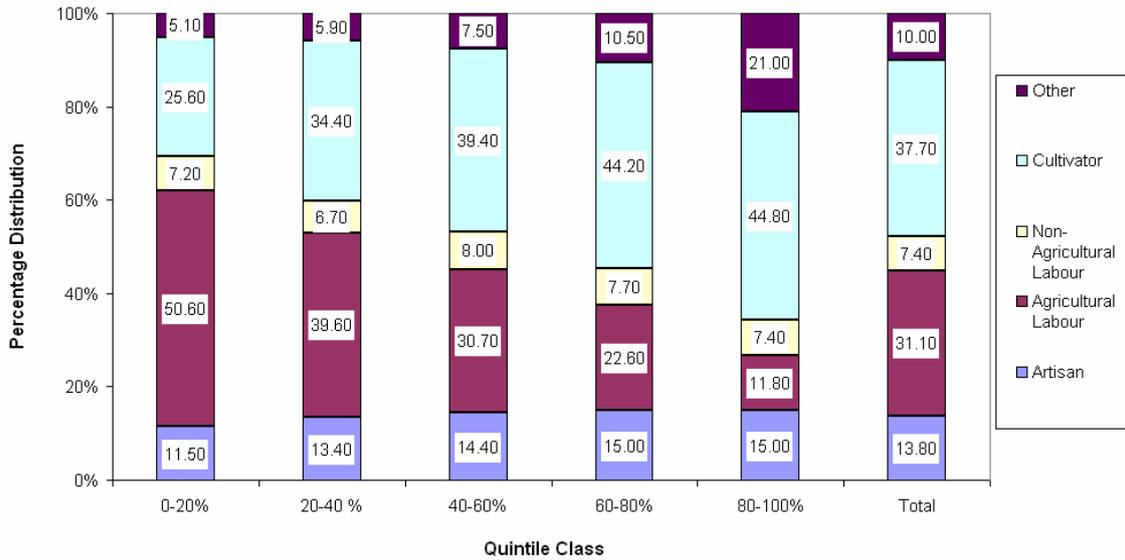
- 1.13 The occupational composition of rural poor varied across the states. In general, in developed states poverty was highly concentrated among agricultural labour households, and in contrast in backward states poverty extended to other occupational groups including self employed in agriculture. For 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.

1.14 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. The social composition of poor in quintile classes is shown in Figures 3a and 3b. 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 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.

- 1.15 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. The increase was mainly on account of comparatively slower reduction in the incidence of poverty among scheduled tribes. 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% for rural population. The composition of social groups in quintile classes is shown in

Figures 3a and 3b

Percentage Distribution of Population by Household Occupational Type in each Quintile Class and in Total Population (All-India Rural) (1999-2000)



Percentage Distribution of Population by Household Occupational Type in each Quintile Class and in Total Population (All-India Urban) (1999-2000)

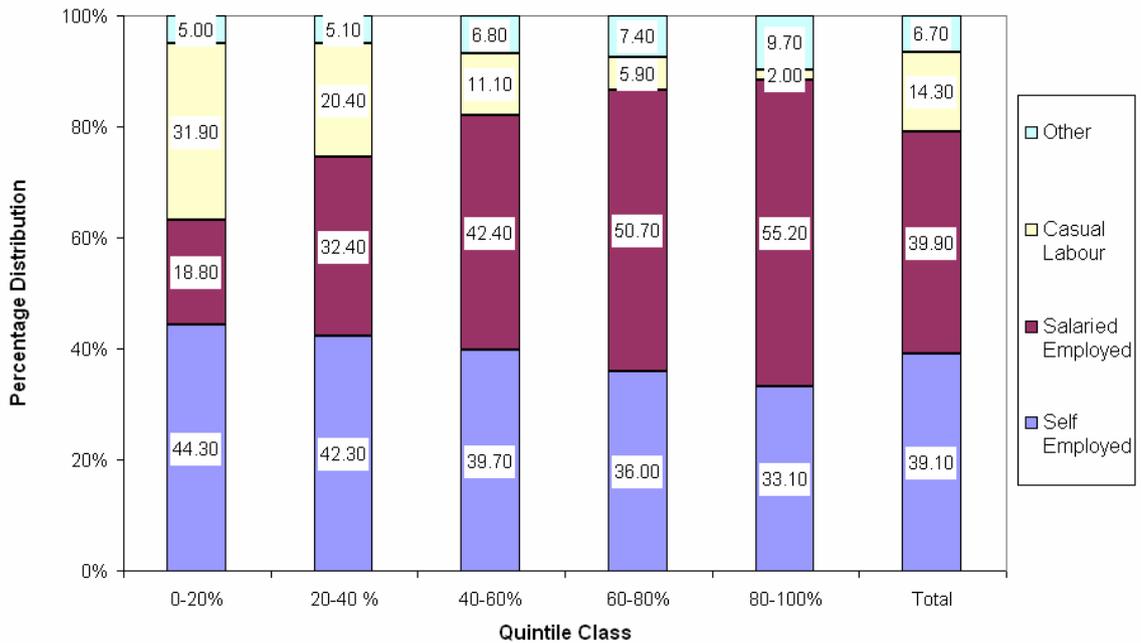


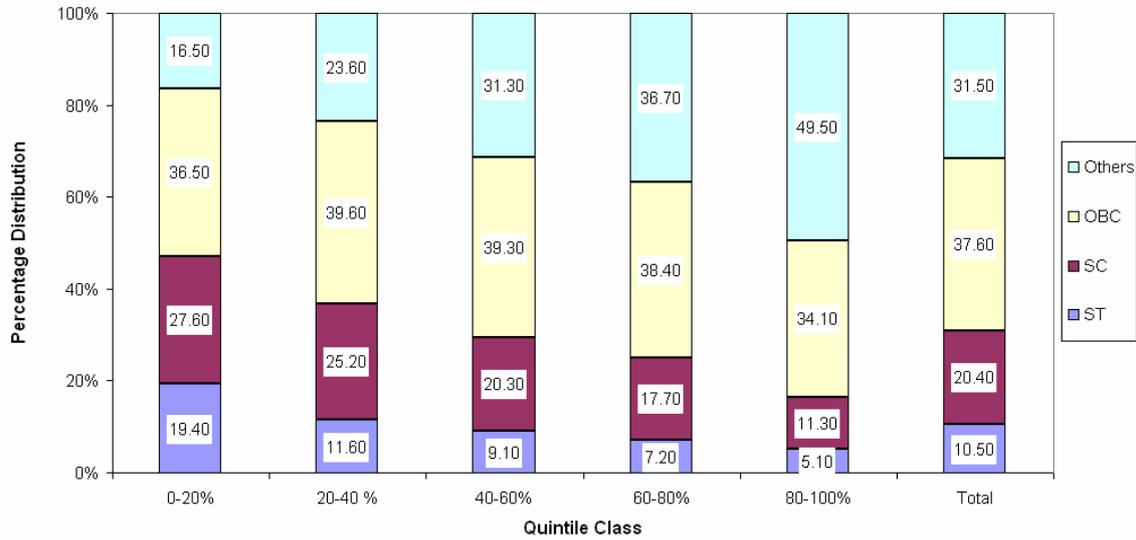
Figure 3a and 3b. Bihar, Gujarat, Madhya Pradesh and Maharashtra together accounted for 75.5 percent of the rural scheduled tribes living in poverty in 1999-00. It is noteworthy that nearly thirty percent of the poor scheduled tribe population were located in Madhya Pradesh. The poverty levels of scheduled 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 income poverty and other indicators of human development also such as education, health, etc., the scheduled tribes are at the bottom. The increasing concentration of poverty among tribals who suffer from multiple deprivations is a matter of concern.

Gender Dimension of Poverty

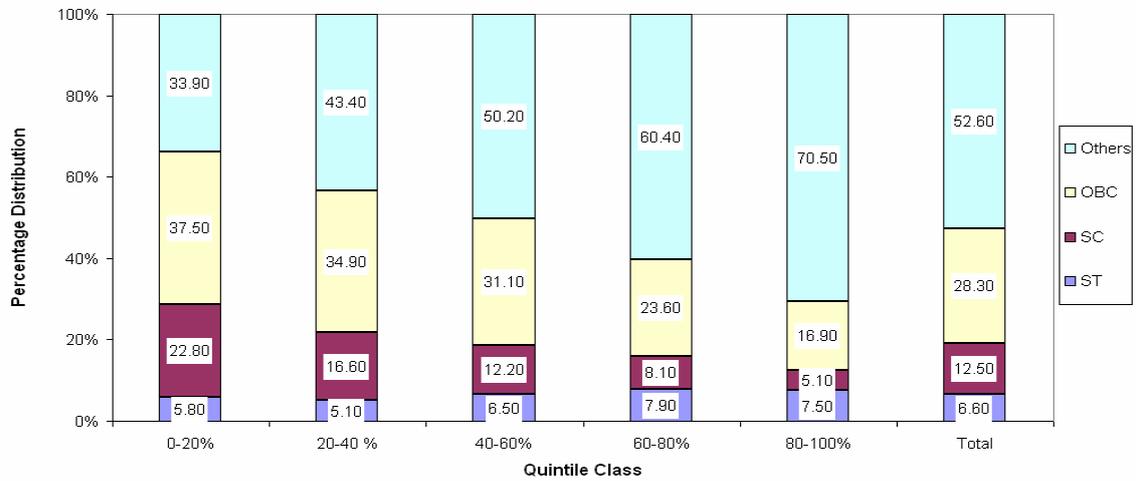
- 1.16 The incidence of poverty among females tended to be marginally higher in both rural and urban areas. The percentage of female persons living in poor households was 37 per cent in rural and 34 per cent in (urban) areas in 1993-94, and 27 and 25 respectively in 1999-00. In contrast, the percentage of male persons living in poverty was 36 in rural and 32 urban areas in 1993-94, and 26 and 23 in 1999-00. The 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 adverse sex ratio. 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.
- 1.17 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

Figures 4a and 4b

**Percentage Distribution of Population by Social Group
in each Quintile Class and in Total Population
(All-India Rural) (1999-2000)**



**Percentage Distribution of Population by Social Group
in each Quintile Class and in Total Population
(All-India Urban) (1999-2000)**



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.

Child Poverty

1.18 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 level of child poverty would result in high incidence of child malnutrition as well as undermining their future capabilities and adversely affecting equality of opportunity.

4. Macro-economics and Poverty Reduction

- 1.19 Since 1991, India has been adopting several market-oriented initiatives to liberalise the economy and make it more efficient in allocation and use of resources. These include deregulation of industry, liberalization of international and domestic trade (i.e. reduction of tariff rates and quotas), floating foreign exchange rate, reforms in fiscal policies and rationalization of subsidies.
- 1.20 The impact of these macro economic policies on poverty would depend upon the rate of growth and its distribution. If growth is inclusive then poverty reduction is expected even if the growth rate is low. On the other hand, high

rates of growth may not affect poverty much if distribution is inequitous; if the former effect dominates then poverty may fall. Since most of the poor are agricultural workers and small peasants in rural areas and casual labourers and self-employed in the unorganized sector, the effect of macro-policies on agricultural growth and informal sector would have considerable impact on poverty.

Fiscal Policy

- 1.21 The fiscal reforms with emphasis to reduction of fiscal deficit had an adverse affect on public investment in critical areas that mattered for improving the condition of the poor. 'Fiscal deficits' are sought to be contained not as much by raising tax revenues, but by deflationary budgetary constraints on expenditure even in recognized priority sectors. The tax-GDP ratio levelled off to a low level until recently due to downward revision of centre's marginal direct tax rates. The Central government capital expenditure as a share of national income declined. All public expenditure directed towards the rural areas fell both as a per cent of GDP with adverse effects on agricultural growth and rural development.
- 1.22 There was also decline in the Central transfers to states. State governments were forced to borrow in the market and other (often international) sources at high interest rates. In recent years, most state governments have been in fiscal crisis and did not have funds for infrastructure and other capital expenditures. From the point of the rural poor, State government expenditures on rural infrastructure, power, water supply, health and education are very critical, and all these areas experienced public investment constraints. Many of the poorer states could not distribute the subsidized food provided by the Centre because of their inability to meet the costs involved in food distribution.
- 1.23 Social sector expenditure on education and health are very critical for the poor. The aggregate public sector expenditure on social sector as a percentage of GDP was lower in 1990s compared to about 7 percent of the GDP in the 1980s. It was only in 2002-03, that social sector expenditure reached the level of

1980s. The main responsibility of social sector expenditure lies with the States. Either as a share in GSDP or as a percentage of budgetary expenditure, the social sector expenditure in majority of the States started showing declining trend since mid-1980s. The Central and State governments spent 1.32 and 2.87 per cent of GDP respectively on health and education during 2004-05 which was well below the desired level. Further, there were growing inter-state differences in per capita expenditure on social sector, with poorer States like Uttar Pradesh, Bihar and Orissa registering very low level, worsening the deprivations of the poor.

Financial Policy

1.24 The deflationary financial policies affected both public investment and institutional credit, especially for small enterprises and agriculture. Financial liberalization measures have affected adversely the flow of credit to rural areas. There has been decline in credit-deposit ratio in rural areas. The term lending as well as crop loans by commercial banks to agriculture fell much below the growing credit needs of farmers. The share of short-term lending to agriculture in the total commercial bank credit, which started declining from the mid-eighties, further declined from 8.6% in 1990-91 to 6.1% in 1999-00. During the same period the share of long-term credit to agriculture in the total bank credit declined from 16.6% to 8.3%. The share of small borrowers in the total bank credit declined from 22% in 1991 to 7% in 2001. There was a decline in the number of rural bank branches and the agricultural extension officers in banks also rapidly declined. The Regional Rural Banks relaxed their targeted lending to weaker sections and opened up for commercial lending with higher interest rates. The latest measure of reform in rural banking is to merge Regional Rural Banks along with their evaluation on the basis of profitability, in contrast to their original objective of extending bank credit to the poor and weaker sections at subsidized interest rates. The poor small-marginal farmers and small investors in the rural unorganized sector are the worst affected because of these reforms. In agriculture, there has been growing dependence

on non-institutional sources of credit, which comes with very high rates of interest.

Trade Policy

- 1.25 Liberalization of trade policy has brought about an increase in exports and increase in the share of trade in the GDP, but there has been no commensurate increase in employment. Growing exposure to global markets have brought in its wake more of downsizing, informalisation of employment, and flexibilization of labour regulation which together have had adverse effects on the working poor. The emphasis on Special Economic Zones (SEZs), contrary to the promises of improving secure employment, brought about uprooting of poor farmers who lost their land with paltry compensations that were hardly adequate to pursue alternative productive activity, and created enclaves of informal employment with scant adherence to labour laws and social security measures.
- 1.26 Trade liberalization in the case of agriculture has led to destabilization of agriculture in the case of several crops. The reduced tariffs on commodities like cotton, spices and edible oil which depressed domestic prices have caused serious crisis to the farming community. The imports of seeds have been liberalized, and since 1991, 100% foreign equity participation was permitted in seed industry, which have not only brought about new varieties of seeds including GM seeds, but also brought along high prices, high risk, spurious seeds, and unfair trading practices in the absence of proper regulatory mechanism. These have deepened the agrarian crisis and turned out to be suicidal especially for small-marginal farming community.

Reforms, Agriculture and Rural Poor

- 1.27 Agriculture is one of the worst affected sectors as a result of liberalization and economic reforms and as a consequence small-marginal farmers, agricultural labourers and other rural labourers are subjected to severe distress. In the name of fiscal constraint and in the false hope of higher agricultural commodity prices and higher farm profits from liberalized external trade in agriculture,

public expenditure in agriculture was severely curtailed. Public sector GCF in agriculture as a share of total public sector GCF declined from 16% in 1980-81 to about 7% in 1990-91 and to about 5% in 1999-00. Fertilizer subsidy, which amounted to 3.2% of GDP and 6% of the Union revenue expenditure in 1990-91, was reduced to 2.5 and 5 per cent respectively by 1997-98 and further to 0.69 per cent of GDP by 2003-04. Most of the States drastically reduced staff and expenditure on agricultural extension services, leaving the farmers to the mercy of fertilizer-pesticide dealers who doubled as dubious advisors to farmers. Many State seed corporations, supported by publicly funded R&D through Universities, did yeomen service to the farming community through monopoly supply of HYV seeds during 1970s and 1980s, but privatization of seed industry as a part of liberalization rendered the public seed corporations almost defunct, opening the fast growing seed market entirely to the private sector. The result has been a steep rise in seed prices along with other input prices. The depressed demand conditions in rural areas are partly responsible for hardly any growth in rural non-farm sector. The much expected market linkages to rural products with external demand are not yet in evidence.

- 1.28 It is evident that the high rate of growth without much impact on the magnitude of poverty is no longer a puzzle. The macroeconomic policies of the past decade have comprehensively affected the livelihoods of the rural poor. The Mid-term Appraisal of the Tenth Plan admits that a large part of the rural distress seen in the last few years was an outcome of failure of the growth strategy followed since the mid-1990s. The Appraisal also admits the crisis in agriculture. To overcome the crisis, there is a need for an increased investment in priority sectors along with equally important investment in improving the capacities of delivery institutions at the grass roots level. Several new schemes have recently been introduced to improve the resource flow of agriculture.

5. Current Context For Poverty Elimination

- 1.29 It can be gleaned from the above, that current poverty cannot be eliminated by the top-down approach since a substantial portion of it is hard-core poverty. Identification of such households, choosing an effective interventional mix for moving them out of poverty trap and enabling them to take part in mainstream development are better done through decentralized and bottom-up plan process. Furthermore, the poor are heavily concentrated in backward and eco-fragile regions, and are being increasingly exposed to market and non-market risks. Most of the poor are casual workers in the unorganized sector and small and less productive land / asset owners. Extension of social safety nets for risk minimisation and access to resources (quality credit, technical guidance, quality inputs) for making their self-employment endeavours viable are some of the needed immediate external interventions. It also implies that certain institutional arrangements have to be made to guide the poor in their decision making related to economic pursuits. Among the various deprivations, food and nutrition, gainful employment and access to quality social services are the pre-dominant ones largely experienced by most of the poor; and these deserve top priority.
- 1.30 The poverty elimination, taking multi-dimensional view of poverty, has to be planned in a time bound manner since these deprivations are mutually reinforcing in nature. And, if unattended to, these together may make the poverty alleviation efforts less fructuous. A better understanding of the profiles of the poor, the composite and structural factors for the prevalence and perpetuation of the poverty and the effectiveness of the existing institutions are pre-requisites for planning and execution of programmes for sustainable poverty reduction.
- 1.31 The recent shifts in development paradigms viz., liberalization, privatization and globalization, human development and decentralization offer certain tangible opportunities as well as challenges for poverty eradication. To take full advantage of opportunities and to minimize the risks, vibrancy of the institutions is necessary. Accordingly, the initiatives for institutional building

and organizational effectiveness are to be planned and executed. The SHG movement and the proposed restructuring of the formal credit and other delivery agencies, the state policies to empower the socially and economically disadvantaged etc., need to be built into the framework for poverty elimination. Given the spatial concentration of poverty and the institutional networks with varying levels of efficiency, region specific poverty alleviation models have to be evolved. Since huge databases on deprivations at household level are available through the base line surveys for identification of the poor, the planning for freeing the poor from different deprivations should be based on these databases with the involvement of the local institutions like PRIs, SHGs and NGOs . Achieving this daunting task of poverty elimination in a short period demands mission mode and (poor) people-centred approaches with total involvement of all the stakeholders. Such arrangements alone can ensure proper targeting and convergence of the safety nets / programmes as a package to maximize the impact and enabling the poor to manage themselves the schemes for their own welfare and development. As a part of such approaches, the formation and strengthening of organisations of the poor is necessary in an iniquitous society to counter the feudal elements and market forces. Further, the capacity building of the formal and non-formal institutions for inter-institutional collaborations and co-ordination as an integral part of the “change management” becomes necessary.

Leads /Strategies for Poverty Alleviation

1.32 Government has been adopting several poverty alleviation strategies over the last five decades. These could be classified into four broad groups: Institutional Reforms, Empowerment of the poor, Development of Resource Deficient Areas, Special Employment Programmes and Safety Nets. The non-government organizations (NGOs) have also been evolving several different innovative schemes with the participation of the poor to address some of the specific disadvantages/ deprivations of the poor. Some of the projects undertaken under the public- public and public- private partnerships hold promise for scaling up and replication. Some of these development initiatives

have been assessed and lessons learnt have been detailed else where in the report.

- 1.33 It is well recognized that SHGs are appropriate grass-root level institutions for attacking multiple deprivation. The number of SHGs which is about 4 million – is increasing at an encouraging pace drawing support from the central and state governments, NABARD, banks and NGOs. The groups can be supported for taking up income generating activities. A series of confidence building measures should precede their integration with the markets. There should be regular and steady training in banking and marketing. Promotion of federations around industrial / commodity clusters is a promising approach for involving the SHGs in productive income generating activities.

Identification of the Poor

- 1.34 The objective of poverty elimination makes it imperative to identify the poor by their priority needs rather than only counting the number of poor and treating them as a homogeneous group. For the hardcore poor, the priority need is for safety nets to remove their deprivations. In fact, this part of the poverty programmes needs top priority in the Eleventh Five Year Plan as the safety nets are in a very poor state weakening the very foundations of the strategy for elimination of poverty. The poor who are better off than the hardcore poor but are not yet economically productive and viable would have to be provided new livelihoods and supported with measures for credit, extension, marketing and insurance. The new livelihoods would need carefully designed training and capacity building programmes and adequate protective measures during the period required for their stabilisation. The poor who have assimilated these inputs would need information, guidance and expert advice to effectively participate in the mainstream processes and institutions. It is important to note that the identification of poor at the ground level needs to be by categories distinguished by the priority requirements of each category. It is obvious that identification by poverty line and categorisation by purely statistical norm would not be adequate for this purpose. Further the deprivations of the

hardcore poor and the initial support needed by the new livelihoods would have to be assessed by yardsticks appropriate to the locality/community/region. Uniform norms for the entire nation (e.g. the calorie norm used to draw the poverty line) would not work and the identification exercise would have to involve the ground level organisations like PRIs and SHGs.

- 1.35 The BPL survey conducted in 2002 according to the methodology and procedures suggested by The Expert Group on Identification of Households Below Poverty Line (BPL Census 2002), substantially meets the requirements of identification noted above. It provides data for all the households on deprivations suffered by them. Not only are these data useful for formulating programmes and priorities at the ground level but also through aggregation they can generate data bases needed at the higher levels including states and centre to monitor the performance of safety nets and to prepare annual plans and medium-term targets. Attention may be drawn to the innovative use of BPL survey data and their computerisation and presentation on the web in Gujarat to make the data available to all those interested in them, particularly the stakeholders in programmes for the poor (see Boxes 1.2 and 1.3). Since the BPL survey data cover all the households and the deprivations selected for the survey, there is no need for prior identification of the poor for formulating the programmes to improve the safety nets. They do permit categorisation of the poor allowing considerable flexibility in defining the categories according to the purpose for which categorisation is being done. For example, a combination of BPL survey data and data on present and past occupations, skills possessed and preferences of the household could be of considerable help in formulating programmes for self-employment, formation of SHGs and promotion in the village of occupations and professions having good links with the mainstream. Gujarat and Kerala have used BPL survey data for categorisation of the poor. This working group considers it important to bring

Box 1.2 : Identification of Poor in Gujarat

The Commissionerate of Rural Development, Government of Gujarat, surveyed 68.65 lakh households in 18,000-plus villages. Data on relative deprivations of each household was collected on 13 score-based socio-economic indicators. A workforce of about 20,000 persons conducted the survey.

The Ranking System

- **Scoring pattern:** Socio-economic indicators have scores attached to them – ‘0’ is lowest score for an indicator, while ‘4’ is highest. For example, a family which is houseless will get ‘0’ while that having an urban type of house will get ‘4’. Thus, a household can have a total score ranging from ‘0’ to ‘52’, with the latter score indicating a position of least vulnerability.
- **Cut-off scores:** Households having a total score of ‘16 or less’ are considered as ‘very poor’ households and those having a score ‘17-20’ are deemed as ‘poor’ households.
- **BPL List:** These include the ‘very poor’ households, amounting to 10.94 lakhs families. They shall be eligible for Government of India schemes of the Rural Development Department.
- **Potential for convergence:** There are 23.51 lakhs households in the 0-20 category – including the very poor and the poor. All these households shall be eligible for state government schemes. Households have been arranged according to the degree of their poverty – the poorest households top the list and they are followed by the relatively less poor families. Benefits will start accruing from the top of the list. For decision makers, this means that all efforts can be directed towards the poorest tier.
- **Dynamic:** As benefits are received, overall scores will change. The new BPL list is dynamic, and households will be automatically removed from the list as their scores improve.

Source:

Reaching the Poorest through Information Technology, Rural Development Department, Government of Gujarat, November 1, 2006.

Box 1.3: Putting the Gujarat BPL List in Public Domain

The socio-economic census for all the 68 lakh-plus surveyed rural households is available on the website (www.ruraldev.gujarat.gov.in). If information is required regarding families who do not get two square meals a day, a search using the Query Module can be done under the 'Food Security' parameter. The search results will give district-wise information about those regions facing maximum problems. At the next level, similar information is available for the talukas. Once the problem talukas are determined, the subsequent level of inquiry will yield village-wise data. Within the villages, a list of those families unable to get two square meals will be available.

This will enable the Government to target the poorest of the poor and discretion by field functionaries in selecting beneficiaries gets regulated. The website picks out actual beneficiaries on the basis of genuine needs. These automated lists can then be used by field officials. Schemes can be directly targeted to these families. There is no need to convey 'numbers' as targets. Since the names of individual beneficiaries are known, it is possible to have Wait-Lists and inform the poor when they are likely to receive benefits such as a house or income-generating assets. This facilitates better grass-roots planning and allows proper expectancy for the people. The new BPL list along with the scores shall be displayed at the Gram Panchayat for one month each year. Provisions for a two-stage appeal have been made for any objections to the list. Data will be finalized after approval from the Gram Sabha.

Source:

Reaching the Poorest through Information Technology, Rural Development Department, Government of Gujarat, November 1, 2006.

such uses to the notice of all states and PRIs/SHGs. The states should be encouraged to modify the methodology and procedures for the BPL survey to improve their content and usefulness. The Ministry of Rural Development should keep itself informed of these modifications and ensure that the data permit aggregation across states and comparability over time.

- 1.36 To judge from a recent press release of the Ministry of Rural Development, the initial experiences with the new methodology for the BPL survey seem to be encouraging: “The new BPL survey in 2007 will be taken up in consultation with the state governments...The Ministry has issued guidelines for placing the draft BPL list before the gram sabha. A two-stage appeal mechanism has been introduced. States have been advised that the final BPL list should be displayed on their website (and) also printed and kept in the form of a booklet at the Panchayat headquarters.... a provision has also been made to allow new names to be added and ineligible names deleted on a continuous basis during the period to which the list applies... for bringing more transparency, a permanent waitlist (prepared) on the basis of ranking of the BPL families is to be painted on the wall of the Panchayat Headquarters”
- 1.37 Since there is a separate Expert Group dealing with the issues relating to measurement of poverty, we only make here three points about measurement of poverty. First, if the focus in the Eleventh Five Year Plan shifts to multiple-deprivation concept of poverty and categorisation of the poor rather than the familiar Head Count Ratio, the measurement of poverty at the level of NSS zones, states and all-India would have to be compatible with the changed focus though the measures now in vogue could also remain in use. Second, time has come to seriously ponder the adequacy of linking the measurement of poverty with the calorie norm or with an income norm related to it. If the growth has picked up and the Planning Commission is serious about pursuing the objective of poverty elimination, the measurement of poverty at the aggregate level would have to reflect the growing concern felt in the country regarding

persistence of deprivations and the serious lag in employment growth. Third, The Expert Group on BPL Survey has pointed out the possibility of conflict between the magnitude of poverty as revealed by the BPL surveys and as estimated on the basis of NSS surveys. This need not be a major issue if the prioritisation and allocation of funds is done not on the basis of a single measure of poverty but on the basis of targets fixed for removal of deprivations and generation of wage and self-employment. It also needs to be remembered that the present methodology of BPL surveys would insulate to a large extent the measurement of poverty from the politician's itch to inflate poverty numbers for reasons not difficult to guess. The best course in future would be to rely increasingly on the aggregation of BPL survey data for the policy decisions at the state and central level and for monitoring the progress of poverty elimination. Measures like HCR based on NSS surveys could be used as cross checks and for validation of policy implications suggested by the BPL data.

6. *Mapping of Poverty*

- 1.38 According to Approach Paper to 11th Five Year Plan Draft Report, 27.8 per cent of the population (280 million people) live in poverty – a level which is unacceptably large. It is worth mentioning that the spatial map and social base of poverty have significantly changed over time and poverty is increasingly concentrated in a few geographical locations and among specific socially disadvantaged groups.
- 1.39 Strong population pressure and stagnant agriculture in rainfed agro-ecological areas which are largely in Central and Eastern India covering 60% of the net cropped area supporting about 44% of the population have damaged environment and affected livelihoods. A large number of poor in marginal environment survive at the brink of subsistence, being dependent on uncertain employment and meager wages. They also include areas where the deprived social groups live, particularly the STs and SCs. The real challenge lies in increasing their livelihood systems. This has to be achieved in the face of

increasing degradation of land. Rapid agricultural growth in these rainfed and semi-arid areas holds the key to poverty reduction. It is also necessary to complement it with other measures.

- 1.40 Since labour force growth has outpaced the land available for cultivation, the rural sector has experienced increasing incidence of landlessness and fragmentation of landholdings. Hence, concerted efforts should be made to increase labour absorption in rural enterprises. East Asian experience shows that the growth of rural non-farm sector is the most important factor for alleviation of poverty. The experiences of these countries illustrate how rural-based development strategy based on long-term contractual relationships between small rural-based manufacturers and agents of large urban-based manufacturers as well as relationships between rural-based manufacturers and their workers, can contribute to poverty reduction. These relationships, which are enforced by personal ties and community obligation, serve as substitute for missing markets in order to save transaction costs and reduce market risks. India can learn from their experiences.
- 1.41 Poverty alleviation programmes should go beyond their present minimal concerns of providing safety nets. There should be a substantial investment in human resource development for enhancing people's capabilities. Along with this, there should be attempts to create more economic space for the poor by equipping them with assets and skills for livelihood outside agriculture. The existing poverty alleviation programmes are essentially top down ventures heavily dependent on the bureaucracy. There have been moves towards strengthening the participation of the people through PRI and Self Help Groups (SHGs) in the planning and implementation of the programmes. However, real progress in people's participation can be found on the ground only in progressive states. Development alternatives need to be explored in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. To break the poverty trap, concerted efforts and higher levels of public expenditures on health, education and other basic needs are urgently needed.

1.42 Inclusive growth is the best contraceptive and such growth needs to be broad based. A people centered decentralization with participatory institutional structures not only can enlarge the social capital of the poor in the short run but can also make them partners in socio-economic transformation of the Indian economy in the medium term. For expediting the latter and for poverty eradication, development of human resources of the poor and transfer of eco-friendly, cost effective technologies to rural areas are some of the pre-requisites.

Chapter: II

Poverty Alleviation Programmes in India: Lessons from States' Experiences

1. Introduction

2.1 Poverty alleviation schemes and programmes have been in place for a long time now. The programmes and schemes have been modified, consolidated, expanded and improved over time. The targeted programmes fall into four broad categories: (i) self-employment programmes (ii) wage employment programmes (iii) direct cash transfers to the targeted groups and (iv) public distribution system (PDS). There are numerous centrally sponsored schemes (CSS) under the first three categories which are designed by the Centre, administered by the Ministry of Rural Development, but implemented by the States with States generally contributing 25% to their cost. In addition, some State governments have their own schemes. The multiplicity of the programs is advocated on the grounds of multi-dimensionality of poverty and regional variations in the efficacy of the delivery system. There is also a recognition that it is problematic to close a scheme even if it is cost ineffective because of adverse publicity associated with the closure. Through PDS, the Central government is supplying six essential commodities at below market prices to 160 million families through 4,50,000 nationwide fair price shops. The access to the system was near-universal until 1997. Targeting was introduced in 1997, and now the program is known as Targeted Public Distribution System (TPDS). One of the important features of the implementing strategy of the 10th Five Year Plan is the crucial role given to the Panchayati Raj Institutions (PRIs) in the delivery of TPDS.

2. Employment Programmes

Self-employment Programmes

2.2 The Swarnjayanti Gram Swarozgar Yojana (SGSY) programme was operationalized in April 1999 after restructuring and combining the Integrated Rural Development Programme (IRDP) with allied programmes into a single

self-employment programme. The basic objective of SGSY is to bring the assisted poor families above poverty line by providing them income-generating assets through bank credit and government subsidy. Formation of organizations of the poor at the grassroots level through a process of social mobilization for poverty reduction is central to the programme. The approach of SGSY is based on women's SHGs that have to act as a financial intermediary and a vehicle for women's empowerment. The Non-Government Organizations (NGOs) are expected to facilitate the formation of groups. The community involvement is emphasized in the programmes, in contrast to IRDP.

- 2.3 The programme has been conceived as a holistic self-government programme covering all aspects of self-employment of the rural poor such as organization of the poor in the SHGs, their capacity building, selection of key activities, planning of activity clusters, infrastructure build-up, technology and market support. The programme aims at establishing a large number of micro enterprises in rural areas based on the ability of the poor and potential of each area. Assistance under SGSY is given in the form of subsidy by government and credit by the banks. Credit is a critical component of the SGSY, and subsidy is back ended, a minor and enabling element. Therefore, SGSY, in contrast to IRDP, envisages greater involvement of the banks in planning and preparation of project reports, identification of activity clusters, choice of activities of SHGs, selection of individual beneficiaries and post credit monitoring including loan recovery. The interface among the DRDAs, the line departments of state governments, banks, NGOs and PRIs are necessary for the effective implementation of this programme. The programme has in-built safeguards for the weaker sections. Thus, the main tenets of the SGSY are: (a) key activities, (b) cluster approach, and (c) group method. The first reduces the number of activities; the second shrinks the geographical spread to fewer contiguous or selected villages; and the third reduces the number of clients from a large number of individuals to a small number of groups. All these are expected to reduce the burden of follow-up and the extension inputs for providing backward and forward linkages.

- 2.4 The number of SHGs has been growing rapidly; as on December 2006, about 24 lakh groups have been formed since April, 1999 and 4 lakh groups have been economically assisted and Rs. 2869 crore credit has been targeted for 2006-07. The total investment (credit + subsidy) during 2006-07 is expected to be about Rs.3850 crore. The investment per assisted family is about Rs.25,000. Evaluation studies show that only about one fourth of assisted families could cross the poverty line. During 2006-07 (till December 2006), 1.4 lakh groups have been formed and about 4 lakh individual swarojgaris have been assisted. Centre and State Governments have allocated Rs.1466 crore (66% for subsidies, 12% revolving fund, 12% infrastructure etc.) for SGSY during 2006-07.
- 2.5 SHGS have decisive impact in Andhra Pradesh, Kerala and Tamil Nadu and has yet to make its presence in the poorer states such as Bihar, Orissa and Uttar Pradesh. Most of the factors responsible for its bad performance relate to the delivery systems. These are: ad-hocism in planning and implementation process, reach of delivery systems, attitude of bankers towards credit disbursement to the poor and lack of understanding and appreciation of complexity of livelihood issues. Cluster approach has also been a non-starter in many of the states. DRDAs and the line departments of the state governments have failed in providing non-credit inputs to the swarojgaris. Above all, the building up of gender perspective in the programme has been conspicuously absent in the programme.

3. Wage Employment Programmes

- 2.6 Employment programmes have become important instruments for alleviating poverty and smoothening consumption during critical periods including drought and flood situations. They have been perceived to be both protective (via income transfer) and promotive (via infrastructure development) forms of safety nets. Until recently, three major employment programmes existed: Employment Assurance Scheme (EAS), which guaranteed 100 days of employment to rural poor, Food-for-Work programme that provided temporary

employment with foodgrains as wages, and *Jawahar Rozgar Yojana* (JRY), also a temporary employment programme with wages paid in cash which was later replaced by *Jawahar Gram Samridh Yojana* (JGSY) with emphasis on creation of rural economic infrastructure as the prime objective. These programmes were replaced in 2001 by *Sampoorna Grameen Rozgar Yojana* (SGRY), a scheme combining the various features of EAS, FFW and JGSY. The main aim of SGRY remains the same as for previous employment programmes: providing wage employment in rural areas and creation of economic assets. Under the scheme, wages are paid in both cash and foodgrains. The scheme is being implemented through the Panchayat Raj Institutions. The centre and state governments have allocated Rs.1466 crore for SGRY. Studies have shown that it provided 29 days of employment per beneficiary. Indiscriminate use of machines, under payment wages, and leakage of foodgrains are affecting SGRY.

Food-for-Work Programme

2.7 Food-For-Work Programme (FFW) was designed to ensure employment and food security to the rural people affected by natural disasters like droughts and floods. The National Food-For-Work Programme, a 100 per cent centrally sponsored scheme was launched in the 150 most backward districts in November 2004. It aims at generating supplementary wage employment and assurance of food security through creation of need based economic, social and community assets. Such programmes along with the SGRY are expected to provide 100 days supplementary wage employment to the poor households in these backward districts. During 2004-05 an amount of Rs. 2020 crore was allocated besides 20 lakh tons of foodgrains.

4. National Rural Employment Guarantee Scheme (NREGA)

2.8 NREGA was launched on February 2, 2006 in 200 backward districts with a view to extend it to all the districts within five years. The scheme subsumes both SGRY and FFW in the NREGA districts. Besides providing 100 days of

guaranteed employment in a financial year to every rural household to whose adult members volunteer to do unskilled manual work, it aims at developing rural infrastructure by undertaking generation of wage employment schemes that address the causes underlying drought, deforestation and soil erosion.

- 2.9 NREGA holds promise for strengthening SHG movement. Synergistic linkages between NREGA and SHG can be mutually beneficial. The implementation of NREGs in Andhra Pradesh shows how SHGs can be involved in the preparation of the list of persons available for work, identification of shelf of projects and executing the works under NREGA.
- 2.10 Integration of the existing Area Development Programmes with NREGA and facilitating interaction between NREGA and SHG Federations would go a long way in promoting people centric approach to poverty reduction.

5. Experiences in Poverty Alleviation: Typical Lessons from States

- 2.11 The effectiveness of the poverty alleviation programmes in targeting the poor and alleviating poverty have been very different in different states. Variations in effectiveness are largely due to efficiency or otherwise of the implementing machinery (i.e., the delivery system), strengths of the panchayatiraj institutions, existence or non-existence of community based organizations of the people and initiative and innovativeness of the states in evolving approaches and institutional arrangements in harmony with the ground conditions. In the block of northern states where the concentration of poverty is high, and which have also generally not done well in terms of economic growth, the implementation of poverty alleviation programmes has been weak. Andhra and Kerala, on the other hand, have evolved very effective institutional models for poverty alleviation efforts. The experiences from some of these states have been discussed in what follows. The intention is not to present an inventory of experiences from all the states, but to draw lessons from some of the typical experiences.

Anti-Poverty Programmes in Uttar Pradesh

- 2.12 An evaluation study of the anti-poverty programmes in Uttar Pradesh looked at the impact of selected anti-poverty programmes on the rural poor². The study revealed that a sizeable proportion of the rural poor had never been covered under any of the programmes. About 70 percent of the households in the lowest two quintiles of per capita consumption (i.e. the real poor) had not received any coverage. On the other hand, a sizeable proportion of those who had received coverage were not poor.
- 2.13 In respect of the self-employment programmes (mainly the IRDP at that time) the study largely covered individual beneficiaries, since only two self-help groups had been formed in one of the study areas and these too had not started any regular activity. At the time of the survey, only about 41 percent of the assets acquired through credit-cum-subsidy loans were surviving. The percentage of the surviving assets was only 24.5 for loans taken before 1990. The transaction costs for the borrowers were extremely high³.
- 2.14 Targeting of beneficiaries was better in wage-employment programmes (mainly because only the poor would offer for the hard work involved in public works). However, a substantial part (half, on an average) of the available limited funds was 'leaked'. This adversely affected both the quality of public works and the employment generated. Total quantum of spending on employment programme was, in any case, inadequate in providing an adequate measure of employment security to the labourers.
- 2.15 Housing programmes, which absorbed the second highest quantum of resources after the wage employment programmes, were better targeted among SC/ST. About 20 percent of the beneficiaries were ineligible. Deductions were about 15 percent. Similarly land distribution programme also appeared to be better

² *Anti-Poverty Programmes in Uttar Pradesh* by Ravi S. Srivastava sponsored by the Planning Commission, Institute for Human Development, New Delhi, 2004. The study was based on a survey of households in randomly selected 20 villages from randomly selected 10 districts of U.P. The survey was conducted in the year 1999-2000.

³ Bribes and deductions ranged from about 5 percent to 35 percent of the loans sanctioned in most cases. In a majority of the cases, loans had to be paid either through asset adjustments or further debts increasing the vulnerability of the poor household. The proportion of defaults was greater among the relatively poorer borrowers.

targeted among SC/ST/ and OBC households, though a quarter of beneficiaries would be ineligible on income criterion in this case also. However, most of the beneficiaries had to make payments to the Pradhans, the Lokhpals, Tehsil officials or Police, etc. Though the gram samaj allotted land was generally of poor quality, the programme was still much valued by the poor. The National Old Age pension scheme was also better targeted. 79 percent of the beneficiaries were correctly selected. But all the eligible did not get pensions. There were deductions from the pensions also. It is observed that “the democratic functioning of the PRIs, which is the fulcrum of their activity, is still quite weak in most of the study villages..... Electoral malpractices lay down the foundation of weak democratic functioning. Gram Sabha and panchayat meetings are irregular, minutes are not properly recorded and participation of the poor is low”⁴. In most cases, the lists of beneficiaries were prepared by the Pradhans, and in almost all the study villages, the Pradhan, the village level government functionaries and various other middlemen and bureaucrats were the ultimate arbiters of who the beneficiaries would be. Schemes to be taken up under the JRY or other programmes were rarely finalized in gram sabha meetings, and exceptions to this were few and far between. However, people expressed a little more confidence in panchayats than in the development bureaucracy in selection of beneficiaries.

Poverty Alleviation Efforts in Bihar

2.16 Implementation of Poverty alleviation programmes in Bihar presents more or less the same picture as in Uttar Pradesh. A sample survey conducted in 1998 revealed that 5.2 percent of the households had benefited under IRDP during the five years immediately preceding the survey⁵. However, the percentage of beneficiary households and average size of benefit appeared to be biased

⁴ In very few cases where the Pradhans provided effective leadership, or the village had a strong democratically functioning Panchayat, they faced problems from the development bureaucracy. In a ranking of Panchayats based on scores for democratic functioning, efficiency and transparency, 15 out of 20 of the panchayats ranked are in ‘unsatisfactory’ category (3 of these being very unsatisfactory). Of the 5 well functioning panchayats, 2 were in Hill region, and two of the best functioning 3 panchayats were headed by women Pradhans.

⁵ *Dynamics of Poverty, Employment and Human Development in Bihar* by Alakh N. Sharma, Anup Karan and Sandeep Sarkar, sponsored by ACTIONAID India, Institute for Human Development, New Delhi.

against the poor. Not only higher percentage of households from big peasant and landlord classes benefited under the scheme, but also the average size of the benefits was higher for these classes. Beneficiaries were forced to buy poor quality assets (animals in bad health or pumpsets which were non-functional), had to pay bribes and later return the loans, and hence in a sense were worse off. Only about 1.6 percentage households benefited from JRY. Targetting of beneficiaries was relatively better in case of JRY.

- 2.17 In respect of the anti-poverty programmes in general, the villagers informed that they often had to depend on some middlemen for getting the benefits of any of the government programmes. They had to pay bribes for getting the schemes sanctioned. Villagers complained about the harassment at the hands of government officials. The people saw government functionaries as inaccessible, inefficient and corrupt.
- 2.18 Although, JRY was found to be a better received programme, the works undertaken in the programme were inadequate and meager. Hence very little employment was generated. In a number of cases, the project undertaken by JRY was abandoned owing to bureaucratic problems and malpractices. Housing programme was also a popular programme, but heavy bribes had to be given, resulting in inadequate funds left for making houses. Land distribution was almost negligible. Panchayat system had been almost non-functional in Bihar.

Involvement of PRIs in Implementing Poverty Alleviation Programmes in West Bengal

- 2.19 Panchayat raj institutions (PRIs) have had a very positive role in implementing the poverty alleviation programmes, including land reforms in West Bengal. Panchayats in WB were actively involved in identification and targeting of poor which has been much more satisfactory here than in many other states. With the exception of Kerala, where panchayats are even better established and more involved with all the developmental work, West Bengal has done well in allowing the panchayats to take roots. However, even in West Bengal, certain

shortcomings exist in the working of the panchayat system, which needs to be taken note of.

- 2.20 In a well researched paper⁶, Pranab Bardhan and Dilip Mukherjee have examined the poverty alleviation efforts of West Bengal panchayats, comprising implementation of land reforms and pro-poor targeting of credit, agricultural minikits, employment programmes and fiscal grants. The study was based on a sample survey of 89 villages conducted in 1998. In respect of land reform, it was noted that (outside north Bengal), the proportion of cultivable land area distributed in the form of households that were issued land titles was of the order of 15 percent, amounting to approximately one in every three landless households. Thus the programme was significant in terms of number of households that benefited. It was found that villages with a more egalitarian land distribution, higher levels of literacy among the poor, and a greater degree of political competition experienced significantly better land reforms.
- 2.21 In respect of the IRDP programme, the intervillage allocation of IRDP credit was biased against villages, which had predominantly landless, and SC/ST households and greater incidence of illiteracy. Political concentration at the district level also affected the intervillage allocation. An increase in Left share of the zilla parishads was associated with a decline in the allocation to those villages. Similarly in intravillage allocation, higher landlessness, prevalence of SC/ST households in the village and a rise in political control of the Left over the zilla parishad were associated with increased leakages to medium and big landowners at the expense of the intended beneficiaries. Similar biases were noticed in respect of the distribution of agricultural minikits. On the whole, it was observed that the political weights of the poor declined as they became poorer and less literate. Wage employment programmes suffered less from such biases, perhaps, because they were more formula-bound and allowed less discretion to panchayat officials over their implementation.

⁶ Pranab Bardhan, Dilip Mukherjee, "Poverty Alleviation Efforts of Panchayats in West Bengal", *Economic and Political Weekly*, February 28, 2004.

- 2.22 The overall conclusion appears to be that the local democracy may not function well in some contexts, e.g., when the distribution of assets, literacy and social status is highly unequal, a tradition of widespread political participation does not exist, and political competition is lacking.

Empowerment of Women under PRIs: The Kudumbashree Strategy of Kerala

- 2.23 Kerala has two distinctions among all the Indian states – it is the most advanced state in terms of human development indicators, and it has the most well established panchayat raj system. Both of these features have helped in Kerala’s very good economic performance in recent years. Poverty alleviation programmes in the past were, however, not very effective. It was realized that the ineffectiveness of the programmes was largely due to lack of involvement of beneficiaries, the top down approach and overdependence on bureaucracy and a somewhat poor understanding of the deep-rooted causes of poverty. To overcome some of these problems, State Poverty Eradication Mission (SPEM) was set up by the Government of Kerala. “Kudumbashree” was the overarching approach of the Mission launched in the year 1998-99. The Mission Statement of Kudumbashree is: “To eradicate absolute poverty in ten years through concerted community action under the leadership of Local Self Government, by facilitating organization of the poor combining self-help with demand led convergence of available services and resources to tackle the multiple dimensions and manifestations of poverty, holistically.” Women from the poor families are organized into Neighbourhood Groups (NHG), which are the grassroot level organizations of Kudumbashree. Each NHG consists of 15 to 40 families. NHGs are then federated into Area Development Societies (ADS) at ward level and further federated into Community Development Societies (CDSs) at Local Body Level. The CDSs are registered under the Travancore-Cochin Literacy, Scientific and Charitable Societies Registration Act, 1955. Meetings of NHG members are convened on a weekly basis in which members’ problems are discussed, savings are collected, loans are sanctioned

to the members, microplans are prepared. Government officials are also invited to the meetings to explain the various schemes implemented by them. Five volunteers from the NHG are selected to act as president, secretary, community health volunteer, income generation activities volunteer and infrastructure volunteer. ADS and CDS, at their respective levels, involve the panchayat heads, all women members of the panchayat and the secretary of the panchayat. The advantage of this system is that it is managed wholly by the representatives of the poor, and has the leverage of a non-governmental organization. The CDS at local body level facilitate both autonomy and effective linkage with local self government. Thus it is a very innovative combination of community based organization (CBOs) and local self government (PRIs).

2.24 Identification of the poor families or the most vulnerable families is based on the listing of nine different kinds of deprivations for each family (on the basis of a household census). The nine deprivations are kutcha house, no access to safe drinking water, no access to sanitary, latrine, illiterate adult in the family, family having not more than one earning member, family getting barely two meals a day or less, presence of children below five years in the family, alcoholic or drug addict in the family, scheduled caste or scheduled tribe family. A family, which had four or more of the risk factors, was classified as high-risk poor. However, the risk index is subject to evolution overtime. Importance of this approach in identifying the poor is that there is more objectivity in targeting the poor. The presence of NHGs and a strong panchayat system ensures transparency in the preparation of these indices.

2.25 The Kudumbashree model has been hailed as an innovative and effective model of approach to poverty eradication. However, it is also reported that poverty persists among tribals, traditional fishermen, scheduled castes and groups of people employed in certain declining traditional industries like coir, cashew, handloom, stonecrushing etc. Nevertheless, Kudumbashree approach is effective in building confidence, building capacity, organizing social security through mutual help, tackling multiple dimensions of poverty, bringing in

demand based coverage of services and facilitating micro level interventions to reduce poverty and accurately monitor poverty reduction initiatives.

Mainstreaming the poor in a Developed Production System: The experience of Gujarat

2.26 Gujarat has a well developed industrial business environment. The milk cooperative system is highly developed, well established and is spread over the entire state. The poor in this system, is assisted (in the IRDP mode) to acquire a productive asset. He starts producing whatever quantity he can produce and is mainstreamed into the system. For instance, in case of milk production, the milk collection system covers almost all the villages, and any number of additional producers can easily put their products into the system. Also since the industry now is quite established, a lot of care and support for the individual is already available from the system. In case of milch animals, for example, the animal care system and availability of fodder, etc, is ensured. This makes the activity of even a small producer viable. Similarly there are clusters of well developed other activities in which also the poor can be mainstreamed. Thus, the poverty alleviation programmes in Gujarat have the individual-based approach largely, and this approach works well in the economically developed environment of the state. Gujarat has done a pioneering work in establishing a comprehensive data base of the poor based on a BPL census. The comprehensive data is computerised. It records the household features as well as the basic deprivations of the poor. This can be used to monitor the economic conditions and progress of the poor periodically even at the household level.

Empowerment of Women through SHGs: Poverty elimination Initiatives of Andhra Pradesh

2.27 Formation of Women's self-help groups aimed at mobilizing micro-savings and micro credit has had rather a long history in India. This movement had gathered more strength in some of the southern states of India and particularly in Andhra Pradesh. While micro savings and micro-credit helped the poor

women and their households in respect of their small but very crucial needs and to some extent, helped in improving their incomes also, in terms of its results, it was seen more as a movement of empowerment of Women. In early nineties, a UNDP assisted project namely South Asia Poverty Alleviation Project (SAPAP) was launched in a few districts of Andhra Pradesh, with the objective of using the SHG movement for poverty eradication with external financial support, higher levels of credit and technical and institutional backup for the movement. For this purpose, a special project administration of the district and the state level was created in a mission mode. Building on the successful SAPAP experience, Andhra Pradesh District poverty initiative project (APDPIP) popularly known as 'Velugu' (meaning light) which was renamed as Indira Kranthi Pathakam was launched with the support of the World Bank. The project was implemented in the most backward districts from the year 2000, and has now been extended to cover all the districts. An independent autonomous society under the Society Act was created to implement the project. The society is named as 'Society for Elimination of Rural Poverty' (SERP). There is a separate project administration for each of the districts, then and there. There is the state level project administration. The district project administrations have specialists in the areas of micro-finance, child labour, health and nutrition, disability etc. The list of specialists is flexible and could expand according to need. The frontline functionary was community coordinators (three CCs for Mandal). The district project is headed by a Project Director and has Additional Project Directors, District Project Managers and community coordinators. However, the administrative structure is evolving and has been kept flexible to cater to the changing needs.

- 2.28 Usually 10 to 12 SHGs are formed in a village. There could be more in bigger villages. Federations of SHGs formed at village level are called Village Organisation, (VOs). VOs are registered under society registration law. Then the federations of VOs are formed at the Mandal level, which are called Mandal Samakhya. Mandal Samakhya are federated at the district level and are called Zilla Samakhya. These federations at different levels play very

important and somewhat different roles, and lend great strength to the movement. The basic SHG, deals with thrift and credit activities, participatory monitoring of the SHGs, preparation of the poverty reduction plans for the group and accessing financial linkage with banks. The VOs deal with the function of monitoring of SHGs, accessing credit to SHGs and VOs, social action, village development plan, etc. The Mandal Samakhyas deal with the functions of monitoring of VOs, providing linkages to access Government departments, auditing of accounts, micro-finance and 'subject' implementation. Zilla Samakhyas have been organised more recently and perform some of the same general functions, monitoring and linkages. The three pillars of the livelihood enhancement are identified as social mobilisation, filling the knowledge gap and resource support to help the poor move up the value chain. Social mobilisation lends confidence to the poor and provides synergy for action in social as well as in economic field. Resources play a very critical role in the life of the poor. The poor need financial support not only for supporting economic activities but also for maintaining essential consumption levels and health at critical times. Imparting knowledge, skill, and training to the poor goes a long way in building up the capacity of the poor. Greater employment of women within the household enables them to participate more effectively in community level decisions. Employment has contributed to the enhancement of financial capital base of women. Access to formal and informal credit access has increased.

- 2.29 The Mid-term Appraisal of the Andhra Pradesh DPIP (2006)⁷ brings out an assessment of impact of the project, which is quite impressive. The DPIP interventions have led to the diversification of livelihood strategies, enhancement of income and enhanced assets-base, capability and the ability of poor women (and their households, in turn) to deal with shocks and risks. The programme has made a significant contribution to raising awareness among women. It has enabled them to widen their social networks. Women's decision

⁷ *Mid-term Appraisal of Andhra Pradesh District Poverty Initiatives Project* by Mahendra Dev, S. and S. Galab, Centre for Economic and Social Studies, Hyderabad, 2006.

making power with the household has gone up in general, though the process has sometimes also raised tensions within the household. But this is to be expected since the programme is pushing a change in traditions established for millennia. By and large, women are enjoying a greater degree of autonomy. This has also enabled women to participate more effectively in community level decisions. The participation of women in community collective actions against the practice of child labour is much more pronounced among women who participate in SHGs than those who do not. The programme has encouraged literacy among the women. The enrolment rates of girls in upper primary schools have gone up due to the programme. The programme has enabled women to utilise the available publicly provided facilities better, particularly the health care facilities and educational facilities as well as benefits under various government schemes.

- 2.30 The self-help groups and their federations have empowered the women and the poor. They are able to monitor all the government programmes. They play a major role in selection of beneficiaries and targeting the poor. Their knowledge and information base has gone up enormously VOs in some of the villages are now able to perform much larger tasks. Some of the VOs have undertaken the procurement operations (for paddy and other grains) on behalf of the Government or other agencies, and the entire operation is managed by volunteers from SHGs, with a little of technical training and initial guidance from the project and ministration. Some of the VOs operate of food security system through which they procure and store foodgrains to be lent to needy members in lean season. Some of the VOs have been able to workout a health insurance arrangement for the members entering into an agreement with a local Medical College-cum-Hospital. The SHG experience of Andhra Pradesh appears to be a more suitable model for most of those states which have not been able to evolve an effective poverty alleviation strategy.

Emerging Institutional Models

- 2.31 It comes out from the foregoing discussion of progress in poverty alleviation efforts, the strategies and programmes for poverty alleviation and the institutional methods and approaches for making the programmes effective, that an effective poverty eradication strategy has necessarily to stand on two legs:
- (a) A pro-poor pattern of economic growth, and
 - (b) Appropriate institutional arrangement that involves the poor themselves in the process of implementation of programmes meant for them.
- 2.32 Economic growth would certainly help the poor. But the pattern of that growth had to be pro-poor. During the decades of seventies and eighties the rate of economic growth was slow. But the pattern of growth was relatively more pro-poor. The green revolution led agricultural growth and the emphasis on community and rural development were helpful to the poor. During the decade of nineties and after, the rate of economic growth has gone up significantly. But this growth has not generated the employment and livelihood opportunities for the poor comparable to the earlier period. And hence the rate of decline in poverty has not been commensurate with higher growth. It is unlikely that high growth rate in agriculture can be sustained indefinitely. However if the phase of higher growth had planned and focussed more on massive push to the manufacturing industries including rural industries, it would have impacted the poor more. The need is to give a big push to the growth of manufacturing industries in the next phase of development. There is also the need to take a more friendly view towards rural non-farm sector, urban informal sector and unorganised industries and integrate them with drivers of growth.
- 2.33 Special programmes and schemes targeted on the poor are needed including programmes such as employment guarantee, old age pensions etc. which provide economic security to the poor when livelihood alternatives are weak. These programmes need to be strengthened and better targeted, particularly in those states where poverty situation is acute and programme implementation is

weak. People, particularly the organisations of the poor need to be involved in the local planning and implementation of wage-employment programmes.

- 2.34 A larger emphasis will necessarily have to be placed on those programmes and approaches, which open the ways for independent and sustainable livelihood for the poor. Experience shows that except in a few situations (like that of Gujarat) a poor individual is not able to make much headway in creating a sustainable livelihood, which also contributes to overall growth of the economy. A group approach has a better chance of success in this.
- 2.35 There are possibly two ways of evolving the 'group approach'. One is to work with the Panchayat Raj Institutions (PRIs). Such institutions have succeeded very well in Kerala and have done relatively well in West Bengal. However, many of those states where poverty is concentrated, PRI institutions are weak. Yet another problem is that PRI institutions are political institutions, working many times on 'political party lines', and involve people with variety of economic status and interests. They may not always work for the poor with a single-minded commitment.
- 2.36 Self-Help Groups of the poor women and their federations at village, 'Mandal' (block) and Zilla level are able to work much more cohesively for the poor with a single minded mission. Andhra Pradesh has been able to evolve one such model that has been working well. It is this SHG model which is recommended for most states. What is recommended is a people centric approach, which relies on social mobilisation and associating the poor with delivery and implementational process. People centric approach also implies addressing specific deprivations of the poor identified as an individual and not just a category. This has become a possibility now with the institutionalising the data system generated from the BPL survey. It also implies identifying relatively more deprived communities and regions and addressing their specific needs. People- centric approaches have been experimented with success in parts of the country but have not yet become universally successful because of institutional weaknesses of the delivery systems.

2.37 In the process of poverty elimination, social mobilization and empowerment of poor is the first basic step. The SHG model of Andhra Pradesh shows the possibility of such accomplishment through the formation of SHGs of poor women. Coming together in SHGs and their federations at the village level (Village Organisations), Mandal level (Mandal Samakhyas) and even at district level (Zilla Samakhyas), these poor women have gained confidence and developed capacities, which go much beyond mobilizing thrift and mic-credit. These groups are able to address some of the most neglected deprivations and disabilities of the poor such as health security for all the member households and skill formation for the disabled. They have also been able to contribute to eradication of child labour, spread awareness about AIDS, campaign against liquor, etc. There are new initiatives like enabling the members to access public distribution system (PDS) effectively and procurement of agricultural produce to ensure MSP not only to the members but also other producers. There is no doubt that AP model commends itself to States where PRIs are weak and with a few exceptions they are weak in almost all States. The discussion on the appropriate institutional arrangement for States which do not have effectively functioning PRIs and which have weak and insufficient line departments, suggest a growing consensus on AP-SHG model on a mission mode. The adoption of AP-SHG model could be in two stages. The first step is formation of SHGs around small savings and micro-credit. In the states where this process has taken firm roots, a transition to a second stage is desirable. This second stage should encourage somewhat higher level of economic activities leading to what could ultimately be described as the rural industrialisation. Rural industrialization or other rural non-farm activities are the imperatives of rural development. The capacity of agriculture to absorb additional labour has reached its limit.. In fact, in many of the regions employment elasticity in agriculture has become negative, which means more and more workers are coming out of agriculture and they need work opportunities outside agriculture, but not necessarily outside the rural areas. Urban centres have also been de-industrialising and cities are finding it impossible to manage even the normal

streams of immigrants and absorb them productively. Hence the country has to move towards massive rural industrialization.

- 2.38 A concerted effort need to be made in the direction of rural industrialization in such a way that the rural poor, their groups (SHGs, VOs etc, MS, etc.) are streamed in a rural industrial environment (like what is already happening in Gujarat). Poor groups are hesitant to get into activities where the outcomes entirely depend on the vagaries of the market (i.e., high risk) and where the infrastructural and skill and knowledge support is weak. Therefore, it is recommended that efforts should be made to develop a cluster of activities in a district/mandal or region. The type of activities to be encouraged in that area needs to be carefully identified, depending on local resources. Then infrastructure relevant for that activity (like milk collection chain, chilling plant, milk processing plant etc. for milk production system) should be developed. Even more important is to establish marketing linkages. Marketing turns out to be the weakest point of small producers. It is for giving the economies of scale, the economies of agglomeration in general and the advantage of knowledge, skills, and information and above all the advantage of an assured market, that it is necessary to develop the cluster of activities into which the poor/ their groups could be streamed into. This will lead to higher levels of economic activities and higher incomes. Hitch-hiking the SHGs into this high road of economic activities, it is estimated, would require at least a minimum of Rs. 100, 000 as credit support. This is advisable through State support and bank-SHG linkages.

Chapter: III

Safety Nets for Hardcore Poor: Need for Special Attention

1. Introduction

- 3.1 While formulating the programmes for the poor in the Eleventh Five Year Plan, it is necessary to take note of the changing perspective on poverty which now stresses the importance of taking into account the multiple deprivations caused by poverty besides low income. It is essential to recognize that the poor are heterogeneous and the strategies for elimination of poverty should be specifically designed to address the layers of poor viz., hardcore or chronic poor and moderate poor. For removal of hardcore poverty the safety nets have to be designed to free them from the multiple deprivations and enable them to be more responsive to development opportunities. Together, these programmes must strengthen the livelihood base and gradually make them productive. The moderate poor can be helped to progress along the path towards better productivity and economic viability with a wide range of programmes. Once the threshold of viability is crossed, the poor would be enabled to win a place of security and dignity in the mainstream with their own initiatives. Such an empowerment of the poor signals the completion of the process of poverty elimination. The process of poverty elimination will not achieve its objectives unless the poor play an active and responsive role and, eventually, take charge of the process and lead it. The external interveners, on the other hand, play a major part in the beginning but, gradually, transfer the initiative to the poor with a view to eventual withdrawal.
- 3.2 The first and essential step in the Eleventh Five Year Plan is to design a set of poverty elimination initiatives keeping the broad strategy outlined above and evolve mechanisms for effective implementation keeping in view the state specific context. While the mainstream poverty elimination programmes like employment and asset provision can address the moderate poor, the hardcore poor suffer from deprivations that translate into insecurities of life, livelihood, voice, agency, etc. Direct enabling assistance in the form of safety nets from

the State becomes an essential condition to prepare them to participate in poverty elimination programme

2. The Hardcore Poor: Identification for Action

- 3.3 Conceptually, the distinguishing characteristics of the hardcore poor are: continuous struggle for bare survival, isolation from the mainstream, not belonging to any group/lobby capable of protecting and promoting his interests, unable to take developmental initiatives and bearing disproportionate share in costs of growth—like environmental degradation—with negligible share in its benefits.
- 3.4 In the Indian context, identification of the hardcore poor would not be too difficult as hardcore poverty leaves many recognizable foot prints in rural areas and in rural communities. The hardcore poor would be landless, depending for livelihood on casual labour, having a kutcha house, sending even children to work to add to the meager household income and compelled to borrow from the moneylender to meet basic requirements like food. They also belong to identifiable groups like scheduled castes, scheduled tribes, women, minorities and artisans pursuing their traditional but now declining occupations. Many small and marginal farmers are also akin in economic status to casual labourers without land in several backward and eco-fragile regions. The local communities, PRIs, CBOs and NGOs together could identify the households locked in poverty trap.
- 3.5 The most serious case of hardcore poverty is presented by the North and Eastern states which carry the cumulative burden of poverty generated over decades by economic stagnation and social backwardness. These states -- which are now estimated to contain over 60 percent of all the poor and account for a much higher proportion of total hardcore poor in the country—should be regarded as victims of growth-cum- poverty-elimination strategy pursued so far by the country.
- 3.6 Two further points need to be noted while considering the approach to be adopted for elimination of hardcore poverty. First, the relative size of hard core

poor among the poor might have increased in the recent period. The process of poverty reduction pursued so far operating in top -down manner has favored the upper layers of poor and those in relatively developed states. Second, the hardcore poor depend crucially on the external support – State as well as civil society – as they are too weak to take substantive initiatives on their own to get out of the poverty trap.

Safety Nets for Elimination of Basic Deprivations

- 3.7 The poverty trap, which perpetuates the poverty of the hardcore poor, operates through an array of basic deprivations which reinforce each other and weaken the ability and motivation of its victims to get out of the poverty trap. The planning and execution of safety nets (SNs) for these groups should ensure convergence and simultaneity of support systems.
- 3.8 The safety nets play two essential roles in the strategy for poverty elimination. Their positive role is to strengthen the status of the hardcore poor and lead them to the point where they acquire capabilities and motivation to take development initiatives on their own to benefit from programmes for training, skill formation, provision of assets, participation in local governance etc.
- 3.9 The second role of the safety nets is to prevent further immiseration of the hardcore poor. This is not inconsistent with their positive role described above. The safety nets have to first arrest the downward slide and then move ahead with their positive role. It is only when the hardcore poor find that the safety nets do help in making their struggle for survival less precarious that they will respond adequately to the efforts of the safety nets to play the positive role of getting them out of the poverty trap.
- 3.10 The safety nets are programmes which seek to eliminate these deprivations. For example programmes like PDS (food security), Employment Guarantee (minimal income security) SHG for saving and thrift (social mobilization) help the hardcore poor to get out of the debt bondage; public health and nutrition programmes reduce morbidity and resulting loss of efficiency and productivity ; free and aided primary education and mid-day-meal scheme

keep children in school giving them an opportunity to grow out of poverty . Programmes for distribution of house sites and for low-income-group housing take care of shelter. Social security and social assistance programmes take care of groups like senior citizens, handicapped and challenged who need special attention and protect the hardcore poor during periods of major sickness etc.

3.11 The experiences gained so far in India and in developing countries in general is that despite decades spent in designing and implementing safety nets, the achievements are not to the desired extent .The foundation of safety nets and over all governance need to be strengthened to bring about enduring improvements in the conditions of the poor. One may have to consider the following steps in designing and implementing the safety nets.

- * Reaching the hardcore poor, establishing rapport with them and putting their problems at the top in the policy agenda.

- * To be effective, the safety nets have to operate like a package converging on the household to play the dual role indicated above. This requirement is rarely taken into account while implementing safety nets. For example, if PDS works and employment guarantee is effective but the water supply is contaminated, the poor who fall repeatedly sick would enjoy the benefits of neither of these safety nets.

- * The hardcore poor need support over an extended period .It would be reasonable to assume that the full effect of safety nets would be achieved after a few decades than in a few years. This is particularly true in the North and Eastern states where the hardcore poverty is an organic part of overall underdevelopment.

3.12 An obvious implication of these conditions and requirements needed by the safety nets is that the latter should form the predominant component receiving the highest priority in the programmes for poverty elimination in the Eleventh Five Year Plan.

Emerging Context for Safety Nets

- 3.13 The recent and current indicators, suggest that the Indian economy is likely to grow at the rate of 8% or more during the Eleventh Five Year Plan. A favourable implication is that the availability of funds for rural development and poverty elimination may not be a constraint. The focus needs to be on improving the effectiveness of the safety nets based on the weaknesses noticed so far and the lessons they provide.
- 3.14 A point of concern is the continuing low employment elasticity of growth. More important, agriculture is passing through a critical period for three reasons: continuing degradation of land and water resources along with low levels of use efficiency ; growing landlessness and casualisation of labour in agriculture; effect of globalization and liberalization on agricultural growth, food security and diversification of agriculture. It would be prudent to expect substantial additions to the numbers of hardcore poor who need to be covered by the safety nets.

Safety Nets and Mission Mode

- 3.15 There is a need to overhaul the administration of poverty elimination programmes to mission mode from the present mode of line departments. The line departments focusing on schemes and their intermediate outcomes cannot measure up to the stringent requirement of safety nets. The main lesson to be learnt from India's experience is that the safety nets operated in a top-down mode by the line departments may perform well in terms of intermediate outcomes but fail miserably in eliminating deprivation and enabling them to acquire capability and motivation to participate in development initiatives. This is an inherent limitation of this mode in the sense that while the line departments can and do improve the design and implementation of their schemes, they have no mechanisms for coordination among the line departments, convergence of schemes on the poor, checking the changing development status of the hardcore poor and tailoring the schemes in the light of this change and, above all, mobilizing the poor for participation, monitoring

and collective action. The mission mode and the much larger role for PRIs or the –SHGs, as the case may be, in poverty elimination visualized by this working group requires a new work culture taking time to evolve. The point is that the innovations being proposed for the Eleventh Five Year Plan have not only to produce results in a reasonably short time but they have also lay the foundation for new administrative modes and for closer links and partnership between the government and CBOs.

- 3.16 The mission mode suggested for the poverty elimination programmes is expected to reduce bureaucratic delays, enhance cost-effectiveness, improve the delivery system and strengthen the political commitment and sense of urgency with which the goal of poverty elimination is pursued. The other important group of recommendations relate to activation of PRI/SHG institutions to promote participation of the poor, to establish procedures for increased accountability of the development personnel to the poor and giving the poor a decisive voice in the local governance and local area development. It is obvious that these changes will take time to strike roots and the transition will be slow and uneven across rural areas and communities.
- 3.17 An important area for the PRI-SHG to operate to help the hardcore poor is to mobilize them and prepare them for collective action. Where the delivery system is indifferent in its attitude towards the poor and is not responsive, the poor should collectively negotiate the concerned organization/personnel to demand the safety net benefits. Over a period, this would certainly convey a strong message to the delivery system to become more accountable to the poor besides their accountability upwards. In the final analysis, organizing the poor and strengthening the local institutions more so of the poor is the only route to improve delivery of services like education, health facilities, institutional credit, PDS, distribution of house sites and plots of land, mid-day meal scheme etc. The other side of the coin is sharpening the motivation of the poor to benefit from the safety nets. In the situations where the delivery system works but the poor do not come forward to receive the benefits, PRIs and SHGs should be particularly vigilant to see that the different safety nets converge as a

package on the poor household giving it in full the promised benefits of the package. The mobilization of the poor and their capacity to act collectively is equally important with focus on livelihood system and human development.

- 3.18 Another area of action to improve the safety nets is decentralization of the schemes relating to safety nets. The National Rural Employment Guarantee Programme (NREGP) is trying out an ambitious model for entrusting the programme to PRIs/SHGs. NREGP could break the deadlock in decentralization which has prevailed since the Constitutional Amendments were effected over a decade back for the third tier of governance and development planning. Reports on the experience of Andhra Pradesh on the initiatives taken by the SHGs in the implementation of NREGP is worth emulation by other States for which the Mission Mode is proposed.

Making the Safety Nets Effective: Points for Action at Central and States Level

- 3.19 The points for action at the central and state levels are indicated on the assumption that the role visualized for PRIs in Kerala and West Bengal where they are successful may continue and Andhra Pradesh Model (SHGs as part of Mission Mode) may be attempted in other States for poverty elimination. The complementary role, which the centre and states have to follow, can be considered under the following headings.
- 3.20 Coordination: At present the safety nets fall in the domain of half a dozen departments and the programmes relating to them get formulated and implemented without any mechanism to coordinate the programmes to make them mutually reinforcing and working like a balanced package. The Ministry of Rural Development should be entrusted with the task of evolving a mechanism for inter-departmental cooperation and coordination.
- 3.21 Support and Facilitation: As the states have been observed to be somewhat lukewarm in their acceptance of the third tier of governance and development planning, the centre will have to take more decisive action in the Eleventh Five Year plan, taking the states along with them, to work out effective arrangements to ensure that:

* PRIs/SHGs receive the funds they need with minimum delays and hassles.

* The devolution of functions, functionaries and decision-making powers to PRIs as visualized in the Constitutional Amendments takes place quickly and smoothly.

3.22 Reconciliation: Decentralisation implies pursuit of development goals by PRI/SHGs within the parameters set by the overall availability of funds and equitable and balanced development of different areas and communities. These parameters have to be taken care of by the states and the centre.

3.23 Transition from SHG to PRI Model: Until the PRIs get strengthened, the federal structure of SHGs in the proposed Mission Mode should play the institutional role. The transition to PRI from the SHG model proposed may have to be gradual as there are many areas where these do not exist and it takes time to build them up. It would be difficult to lay down any firm time table or a blueprint for the transition. Periodic reviews and specially tailored programmes for the lagging areas could help. Meanwhile, those areas which have reached an advanced stage, should be allowed to progress without any hindrances. Their experiences could provide clues to speed up the transition in the lagging areas.

Basic Data on Deprivations

3.24 India has a wide range of safety nets with impressive statistics on amounts spent and beneficiaries covered/ facilities created. However, the statistics collected by these programmes themselves relate mostly to the immediate and intermediate outcomes leaving out the crucial information on the protection effectively received by the poor. It is of utmost importance that household level data on deprivations and indicators based on them occupy the central place in the planning, monitoring, evaluation and steering of the poverty elimination programmes by the mission personnel as well as the policy makers and senior administrators at the central and state levels.

3.25 The latest BPL survey has used 13 indicators of deprivations to identify the poor and to categorise them into hardcore poor, poor and non-poor groups. In

Gujarat these data have been computerized to make them available for all the stakeholders in poverty elimination. It is possible to develop a profile of the rural households at state/district/block/village levels, which would be sufficient for macro-level planning with specific focus on targeting the existing programmes and designing new programmes. We thus have a module for household-wise identification of deprivations under the aegis of Panchayats and Gram Sabhas and the use of these data at the highest level of policy-making. This nucleus could be further developed and used as the foundation for monitoring and evaluation of safety nets. Collection of basic data on deprivations from all households in the village should be an annual activity of the Panchayats. The enumerators should be from the village itself and the panchayats should be helped initially to make use of the data in their activities.

- 3.26 Another data base which could be developed by SHGs in the village and which can also be part of the village data system is the record of hardcore poor households in which household-wise data on participation in development schemes, changes in the economic conditions and status of the households could be entered periodically, say, once a month. This will be in the nature of panel data reflecting the time line of important changes in the conditions of hardcore poor households. This data base will enable continuous monitoring of these households by subgroups like SCs, STs, OBCs, women, minorities, female headed households etc. If the poor in the village are members of SHGs and a SHG maintains such record for each of its members, the record of poor households will automatically be maintained and updated. These household-wise records will be particularly useful in finding out how much of scheme funds and facilities actually reach the hardcore poor and the improvement they bring out. This data will be of immense use in social audit. The household records will allow an assessment done at the household level by the PRI/SHG themselves and could lead to prompt corrective measures. The other advantage of the household records is that they will provide a wealth of data on the factors affecting the economic conditions of the hardcore households.

- 3.27 The central and State governments can have their own sample surveys as at present but it will be possible to confine them to selected purposes. These purposes include reliable data for reviewing poverty trends at national, state and regional levels, allocation of resources, research studies etc.
- 3.28 The issues relating to data bases and quality and adequacy of monitoring should receive urgent and priority attention in the Eleventh Five Year Plan. A related aspect is development of a monitoring and evaluation system at the PRI/SHG level so that these institutions participate in the full cycle from planning of schemes, their implementation and using monitoring and evaluation to improve these processes over time.

Chapter: IV

RECOMMENDATIONS OF WORKING GROUP ON POVERTY ELIMINATION PROGRAMMES

4.1 One lesson which comes out clearly from the long experience of Indian planning processes in dealing with the concerns of the poor and alleviating poverty is that people-centric approaches have been more effective than programme based top-down approaches. People-centric approaches rely on social mobilisation and placing the poor at the centre of delivery and implementation processes. The approaches also imply addressing specific deprivations of the poor identified as an individual and not just as a category. This has become a possibility now with the viability of institutionalising the computer based data system generated from the BPL survey. It also implies identifying relatively more deprived communities and regions and addressing their specific deprivations. People-centric approaches have been experimented successfully in some parts of the country but have not yet become universally successful because of institutional weaknesses of the delivery systems. This Working Group recommends universalisation and strengthening of the people-centric approaches for poverty alleviation in the Eleventh Plan. Since poverty elimination is the core of development, sanctioning of funds for the schemes should be guided by the likely impact of the scheme on the living conditions of the poor. What follows is a set of recommendations consistent with this approach.

1. Comprehensive Database About the Poor

4.2 A comprehensive database for the poor based on BPL survey needs to be institutionalised. This database shall be used for the identification of the poor and categorisation of the poor into hardcore and other poor. A profile of the poor based on a number of deprivations should be built up on the basis of the database. The database should be computerised and also made dynamic by

periodical revision of the status of the deprivation. This database should be built up on the basis of already available BPL survey. It is understood that the BPL survey is to be conducted with a periodicity of five years. There should be a validation system of the database through a sample check. The database should be used for the elimination of multiple deprivations with particular emphasis on food security, employment, health, education etc. Food security and employment guarantee should get the highest priority. There should be separate list for scheduled caste, scheduled tribe, female-headed and disabled households. The list of all the BPL persons along with deprivation characteristics should be prominently displayed (preferably painted on a wall or board) at the village level. The programme based support to the poor should flow to the poorest and most deprived first proceeding in that order. There should not be any discretion in the selection of the poor for programme benefits. Selection of beneficiaries should be based strictly on their ranking starting from the poorest. Pro-active involvement of the poor in all the programmes relevant to them should be ensured. This database should be used for all the programmes meant for the poor undertaken by all the departments/ministries/agencies. This database could also be used for issuing of BPL cards and ultimately leading to issue of smart cards. The annual revision in the data base should be the basis for detailed monitoring of the progress in poverty elimination. The monitoring should be in terms of villages and households as units with a clear focus on disadvantaged groups like SCs, ST, Minorities, Women and children, Female-headed Households and Senior Citizens.

- 4.3 There is also a need for a comprehensive database maintained at one place on the programmes designed by the Ministry of Rural Development and on the programmes of other ministries / departments (women and child welfare, food and public distribution, commerce, textiles, etc.) which impact on the poor. The agency for such comprehensive and coordinated database should be located in the Ministry of Rural Development.

2. Models for Empowering the Poor and Strengthening Their Livelihood Base

a) *Kudumbashree Model of Kerala*

4.4 Kudumbashree, the participatory poverty reduction experiment under mission mode, launched in Kerala during 1998- 99, was extended throughout the State by 2002-03. This approach has its focus on building organisation of the poor under the umbrella of the Local Self Government. It is a three tier organisation viz., Neighbourhood Groups, Area Development Societies and Community Based Organisations. The neighbourhood groups identify families based on nine deprivations: kutchra house; no access to safe drinking water; no access to sanitary latrine; presence of illiterate adult in the family; family having not more than one earning member; family getting barely two meals a day or less; presence of children below five years in the family; alcoholic or drug addict in the family; scheduled caste or scheduled tribe family.

4.5 This model has been by and large successful in Kerala. It is based on the support of historically strong Panchayat Raj Institutions (PRIs). However, it could not address the empowerment and livelihood concerns of the hardcore poor communities like fisherman and scheduled tribes. The model has succeeded in Kerala environment and may be supported to continue to carry on the work in that State. Ideally, this model, anchored on democratic decentralised governance, should be the ultimate one. However, the replicability of this model to other States where PRIs are weak and where problems of weaker sections are much larger, does not appear feasible. However, this model can be tried out in West Bengal and North-Eastern States where PRIs/Local Community Organisations are strong.

b) *SHG Model of Andhra Pradesh*

4.6 Andhra Pradesh District Poverty Initiatives Project (APDPIP), popularly known as Indira Kranthi Patham(IKP), brings together the lessons learnt from earlier experiences and experiments of both the governmental and non-governmental initiatives. It builds on the strengths of a number of projects;

particularly the UNDP assisted South Asia Poverty Alleviation Project (SAPAP), which have shown that the poor have tremendous potential to help themselves and that this potential can be harnessed by organizing them. The poor have demonstrated that when adequate skills and inputs in community organization, management and action are provided they can shape their destinies. The successful institution-building model of SAPAP is being emulated in the APDPIP. Further, the project planning and implementation takes into consideration the opportunity, empowerment and security framework for poverty alleviation of the World Bank.

- 4.7 The APDPIP is a Rs. 600 crore World Bank supported 5-year poverty elimination project. An independent, autonomous society under the Societies Act was created to implement the project under the name 'Society for Elimination of Rural Poverty' (SERP). The project is being implemented in six most backward districts of the State since June, 2000. The project promotes people's projects, which facilitate the poor to play a decisive role in shaping their own destinies. Building and formation of people's grass roots institutions, starting from women's self-help groups to higher level structures forms the core functional area of the project. Social mobilization is integrated as the cornerstone for the program. This project through the massive mobilization of people and their participation ensures people-oriented development. 10 to 12 Self Help Groups in a village with an active strength of 12-15 women in each group are federated together at the village level as the Village Organization (VO). All the VOs in a mandal are federated as the Mandal Samakhyas (MS) and all Mandal Samakhyas in a district are federated as Zilla Samakhya (ZS) at the district level .This project has components to: build and nurture the institutions and improve the human capabilities of the poor; build the financial capital; improve the livelihood base of the poor; improve the human capital formation and tackle the intergenerational transmission of poverty; and improve the women empowerment. The success of this project depends on the functioning and sustainability of the SHGs and their federations. The preconditions that led to the success of the model

include: the commitment of the political regimes to address the issues of poverty on mission mode, the active civil society emerged due the promotion of the stakeholder associations, the anchoring of the project management by very sincere and highly committed government officers for a long period of time, the induction of young professionals committed to work with the poor at the cutting edge level and highly planned and relevant capacity building efforts. However, the project has to move to the higher levels of rural non-farm activities in cluster framework with necessary infrastructure and appropriate technologies.

c) *Individual Household Model of Gujarat*

- 4.8 The Gujarat model, realising that the per capita expenditure based approach to identify rural poor is susceptible to subjectivity, takes into account the multi-dimensional nature of poverty. It has used 13 score-based socio-economic parameters for assessing the poverty level of each household. Then, it groups them into poor and very poor, and prioritises the poverty alleviation programmes by putting the poorest at the top.
- 4.9 Equipped with a very systematic computerised ordinal list of the poor identified on the basis of a vector of multi-dimensional indicators of basic deprivations, the Gujarat approach of poverty alleviation programme is oriented towards assistance to individual households. The strong co-operative and business ethos of Gujarat and well knit market and other rural infrastructure, including adequate rural power supply, the model has been working well in Gujarat. But in other states it is doubtful whether it is possible to replicate such individual /household approach without strong involvement of either PRIs or NGOs or SHGs.
- 4.10 Of the above three models discussed, Kerala model is premised on the existence of well established PR Institutions, which may not be the case in many states. Similarly the business-like Gujarat model with emphasis on individual / household oriented delivery system, may not work in other States. This leaves the SHG-based Andhra Pradesh model, and could work in a

number of States where SHGs could be formed and oriented towards poverty elimination programmes.

- 4.11 However, there are some hard-core poverty States like Uttar Pradesh, Bihar, Jharkand, Orissa, Madhya Pradesh, Chhattisgarh and Assam where neither PRIs nor SHGs have any effective presence. In these states there is need to put in place institutions in a Mission Mode.

3. Special Institutional Arrangements

- 4.12 During the last one decade poverty level has declined at 0.64 percentage point per annum and the rate of poverty alleviation thus has been very slow as compared to the earlier decade. At this rate it will take more than six decades to bring even 50% of the BPL families above poverty. Moreover, poverty is getting concentrated in fewer states like Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Chattisgarh, Orissa and Assam, and in fewer social groups such as Scheduled Castes and Scheduled Tribes. The reasons for such sub-optimal performance are :

- Lack of understanding and appreciation of complexity of livelihood issues and inadequate handling of macro-level issues affecting livelihoods of the poor such as marketing, skill development, technology etc.
- Lack of commitment and leadership for implementing this complex programme is largely responsible for the extremely slow pace of poverty reduction. The States that have no faithful agents, social or administrative, have generally experienced failure.
- Inadequate capacity, reach and effectiveness of delivery systems.
- Ad-hocism in planning and implementation processes.
- Lack of comprehensive and effective monitoring.
- Lack of conducive macro policy environment.

These conditions warrant special institutional arrangements.

Livelihood and Rural Poverty Alleviation Mission

4.13 Since livelihood generation is a complex activity, requiring multiple skills and expertise along with commitment and passion, the challenge at hand is too huge and the delivery system through DRDAs is not competent, suited and tuned to this job, there is an urgent need to create special alternative institutional arrangement supported by adequate financial and manpower resources to implement this programme in mission-mode. The following steps need to be taken for this purpose:

- There should be Livelihood and Rural Poverty Alleviation Mission (LRPAM) at the National, State and District levels headed by Prime Minister, Chief Minister and District Collector respectively. Each Mission should be supported by a Livelihood Support Centre (LSC) having professional expertise and manpower to organise the poor, identify economic opportunities for the poor, and create projects and systems in coordination with different players at different levels. The Mission should be manned by young energetic officers of high integrity with a minimum assured tenure. The district level Mission should be the unit for planning and co-ordination of poverty alleviation initiatives.
- The Mission at National and State levels should monitor and synchronise the different sectoral policies from the perspective of poverty alleviation.
- The Mission should be supported by meaningful and result-oriented organisational structures having capacity and resources to handle all requirements. Sufficient number of community resource persons have to be provided at the village level to mobilise poor and build capacities of SHGs. The reputed and credible NGOs have to be entrusted with capacity building of other local NGOs for social mobilisation, organisation of the poor and facilitating organisation of the poor.
- The SHGs should be federated at the Village, Block, District, State and National levels to provide depth, strength and power to the SHG movement. However, in the States where poverty is concentrated and also

the SHG movement is weak, the National Mission should play a more proactive role.

- For effective operation of the mission mode, a transparent web-based monitoring and governance system should be developed. The community based monitoring mechanisms should be in place so that effective feedback and corrective action could be ensured. Such initiatives are desirable for the emergence of people centred governance.
- In organising the SHGs there should be adequate flexibility. At the primary stage the objective is social mobilisation, and meeting consumption needs and supporting minor livelihood activities. At the second stage the SHGs could move towards income generating activities as identified by the livelihood support centres (LSCs) through formation of Activity Groups.
- The SHGs and their federations should be able to relate with other local institutions/ agencies of the programmes like NREGS, ICDS, PDS, PHCs and PRIs .
- The mission should help evolve appropriate mechanisms to interact with banking system to provide credit to federation of the SHGs at the district and block/mandal level.

4.14 As several local level institutions are dormant, capacity building of the manpower in these institutions for effective delivery of services and also on 'change management' is an essential pre-requisite. The career promotions of the development functionaries should be linked to the quantum and quality of (tangible) final outcomes instead of immediate and intermediate outcomes/outputs.

Social Audit

4.15 Social Audit could be one of the important mechanisms for participatory monitoring and evaluation of schemes. Rajasthan and Andhra Pradesh have pioneered the use of Social Audit Process as an effective tool for achieving

accountability through peoples' participation. In Rajasthan, Social audit process has been pioneered and anchored by an NGO, which interfaces and enables the people to validate the achievements under a Scheme. In Andhra Pradesh, the department of Rural Development has anchored and supported the implementation of social audit, along the lines of Rajasthan. Social Audit has been conducted in respect of NREGA in Andhra Pradesh. The resource structure includes provision of separate budget under the NREGA-AP, for capacity building of state, district and NGO agencies so as to train and build capacity in peoples institutions to conduct social audit. The GoAP is also in the process of framing Social Audit Rules so as to provide teeth to the social audit process and to assign accountability to government functionaries. The Andhra and Rajasthan experiences clearly show significant value of social audit in empowering people and in promoting transparency/accountability.

- 4.16 There is a need to, therefore, ensure social audit as a mandatory mechanism in all the schemes/programmes of the Government and to build upon extant experiences to evolve replicable and scalable mechanisms. The State/National Mission shall ensure that social audit is undertaken and reports are monitored.
- 4.17 Media should play a proactive role in disseminating the processes to be adopted for 'social audit' and also in publicising the outcomes of social audit in successful villages/gram panchayats. The provisions of Right to Information Act should be communicated to the poor in a simple and easily understandable language. These together enable the poor not only to take part in the development process as stakeholders but also make the delivery agents accountable to the community and as a result decision making becomes more transparent.

4. Resource Requirement for Poverty Elimination

- 4.18 The Andhra experience has shown that a family needs an investment of Rs. 1,00,000 in multiple doses of credit for self-employment schemes that generate income to come above the poverty line. Since there are still about 4.5 crore BPL rural families, investment of Rs. 4.5 lakh crore will be required to bring

them above the poverty line. If the poverty is to be removed during the 11th Plan, the annual investment needed will be one lakh crore rupees. Out of this, the substantial funding will be through credit but even then some funds will be required as grants, which has been the case in Andhra Pradesh example. If we take the grant requirement at a minimum level to be 25%, a sum of Rs. 22,500 crore of grant per annum and a credit flow of Rs. 68,000 crore will be needed. Subsidy to the poor may constitute about two thirds of the above grant. Needless to say, subsidy for the poor is absolutely essential.

4.19 It is necessary to take into account the following existing programmes, which form part of the above proposal. There are at present 23.66 lakh SHGs formed under SGSY, out of which 14.2 lakh have passed Grade-I, 6.48 lakh have passed Grade-II and 3.43 lakh have been economically assisted. The SHGs, which having passed gradings, waiting for assistance are 7.72 lakh for revolving fund and 3.05 lakh for economic assistance. Rs. 4584.5 crore is required for providing assistance to waiting SHGs. The SHGs which are given revolving fund will also have to be given economic assistance and Rs. 9650 crore will be required. The 9.46 lakh groups which have still not passed any grading will require Rs. 12,771 crore to be assisted through revolving fund and economic assistance. At the current poverty levels, if one member of each rural poor family is to be brought under SHG movement, then 18.34 lakh new groups will have to be formed and assisting them through revolving fund and economic assistance will require Rs. 24, 759 crore. The present guide lines provide Rs. 50,000 per group for capacity building and Rs. 10,000 per group for formation and strengthening groups. 35.52 lakh groups have to be given this assistance of Rs. 21,312 crore. In all Rs. 73,076 crore of grant under current levels of assistance under SGSY will be required, during the 11th Plan, if every rural poor family in country is to be assisted through revolving fund and economic assistance.

4.20 A minimum of 10 per cent of the total lending of commercial banks should be earmarked to meet the credit requirements of the self-employment programmes. A senior officer preferably of the rank of general manager in

every bank be given exclusive responsibility to ensure compliance. The General Manager should also be delegated with adequate powers to sanction schemes. At least 10 per cent of the RIDF funds should be earmarked for State Missions.

- 4.21 In lending to the poor the interest rates do matter. Further there is a need to simplify the format and procedures of lending. In their induction training, the bank officers should be sensitised with the concern for the poor. In this context RBI should put its full weight to realise its stated objective of financial inclusion so as to reach mainstream financial services to the unserved and the underserved of the country. The interest rate should be at the rate of 4 per cent per annum. If needed the interest subsidy may be provided through budgetary support.

5. Demand-Based Skill Development, Marketing and Technology for the Poor

- 4.22 The lack of marketable skills, markets for the products of the rural poor producers and availability of pro-poor technologies to improve their productivity have been a major cause for the poverty of people in the rural areas. These are macro-level issues and need to be tackled at national, state and district levels keeping in view the demand-supply position and constraints-opportunities at domestic and international levels. The following steps need to be taken to tackle these issues:

- Since demand-based skill development is a major instrument to bring poor families above the poverty line in a very cost-effective and sustainable way, a special emphasis need to be given under SGSY to identify the skills in demand in different sectors, and then train people so that they can be placed in sustainable employment.
- In order to create markets and exploit national and international economic opportunities for the poor, a National Rural Products Marketing Agency be created under the Ministry of Rural Development.

- There should be appropriate initiatives for the purpose of creating markets for rural products and skills through Public–Private partnership models.
- A Technology Fund for the Rural Poor be created within SGSY to finance development of technologies for the poor. Legal provisions should be made in the contracts for penalising the violators of contractual obligations.

6. Cluster of Activities

4.23 Growth of allied agricultural and rural non-farm activities is essential for long-term poverty alleviation. This has been the process of transition towards an industrial economy in many east and south-east Asian countries which experienced significant reduction in poverty. Moreover, small enterprise clusters have emerged as hubs of economic activities in those economies. It is necessary to learn about the role of the state, local institutions and industrial organisations in the formation of some successful clusters in India such as Tiruppur Knitwear Cluster. With necessary policy and infrastructure support, they can emerge as engines of industrial growth in peripheral economies.

4.24 In the recommended model of effective poverty alleviation, social mobilization and empowerment of poor is the first basic step. This has been very successfully done through the formation of Self-Help Groups, particularly those of the poor women. It has been abundantly demonstrated that coming together in SHGs and their federations at Village Level (Village Organisations), Mandal Level (Mandal Samakhyas) and even at district level (Zilla Samakhyas), these poor women have gained confidence, developed capacities, and apart from organizing and handling micro-credit from the members' economic activities and other essential needs, have even addressed some of the most neglected deprivations and disabilities of the poor in the area of health security for all the member households and skill formation for the disabled. They have also been able to contribute in eradicating child labour, spreading awareness about AIDS, campaigning against drinking habit etc. The earlier assumption about poverty alleviation that the poor could be assisted to

enable them to raise their income which in turn would address all the multiple deprivations at one go is proving to be wrong. Income rise and its sustenance is a slow process. In the meanwhile other deprivations of the poor need also to be addressed directly. The recommended model precisely follows this approach.

- 4.25 The states/regions where this first step has not yet found the ground firmly, formation of SHGs around small savings and micro-credit is a must and this process needs to be supported and helped from the top (i.e., Government Agency as in Andhra Pradesh – the Project administration). In the states where this process has taken firm roots, a transition to a second stage is desirable. This second stage should encourage somewhat higher level of economic activities leading to what could ultimately be described as the rural industrialisation. Rural industrialisation is the imperative of rural development. Agriculture has not been absorbing additional labour. In fact, in many of the regions employment elasticity in agriculture has become negative, which means more and more workers are coming out of agriculture and they need work opportunities outside agriculture, but not necessarily outside the rural areas. Urban centres have also been de-industrialising and cities are finding it impossible to manage even the normal streams of immigrants and absorb them productively. Hence the country has to move towards massive rural industrialization.
- 4.26 A concerted effort need to be made in the direction of rural industrialization in such a way that the rural poor, their groups (SHGs, VOs, MS, and ZS etc.) are streamed in a rural and their federations industrial environment (like what is already happening in Gujarat). Poor groups are hesitant to get into activities where the outcomes entirely depend on the vagaries of the market (i.e., high risk) and where the infrastructural and skill and knowledge support is weak. Therefore, it is recommended that efforts should be made to develop a cluster of activities in a district/mandal or region. The type of activities to be encouraged in that area needs to be carefully identified, depending preferably on local resources. Then infrastructure relevant for that activity (like milk

collection chain, chilling plant, milk processing plant etc. for milk production system) should be developed. Even more important is to establish marketing linkages. Marketing turns out to be the weakest point of small producers. It is for giving the economy of scale, the economy of agglomeration in general and the advantage of knowledge, skills, and information and above all the advantage of an assured market, that it is necessary to develop the cluster of activities into which the poor/ their groups could be streamed in. This will lead to higher levels of economic activities and higher incomes.

4.27 Though more or less on similar lines, Ministry of Rural Development designed the Swarnajayanti Gram Swarajgari Yojana (SGSY) and launched it from 1st April 1999, it has taken roots in a few places particularly in the dairy sector because of already existing infrastructure ensured market and high liquidity. The guidelines suggest the identification and promotion of 3-4 key activities in a block, organise the SHGs under SGSY, provide technical, basic and entrepreneurial skills and foster cluster of activities through bank credit and subsidy. SGSY has laid emphasis on cluster approach by selecting few key activities and attend to all aspects of these activities. The choice of the activity is to be based on the local resources, the aptitude and skill profile of mapping of the poor. Impact assessment studies have brought out many shortcomings in the implementation of cluster approach: inadequate attention to the creation of required level infrastructure for a chosen activity, no well thought out project proposal prepared by any agency including, Lead Bank; no involvement of the SHGs in the design of the activity, lack of linkage and integration among various components of the chosen activity, inadequate and poor quality of training and technology exposure, and under financing by the formal financial institutions. How to position the SGSY?

- Greater degree of involvement of Lead Bank, DRDAs, NABARD, DMs and NGOs in the identification of potential cluster activities, design of plans to create the infrastructure under the umbrella of proposed State/District Social Mobilisation Mission. SHGs should be given adequate space to participate in the plan preparation and implementation. It needs to

be emphasized that preparation of project reports has to be part of the process of activity selection. The project reports should be widely scrutinized by the Public. Lead Bank and NABARD should commit manpower and resources exclusively for poverty reduction schemes. If necessary, it should engage consultants/ professional in the preparation of plans, design and execution of micro projects. Lead Bank should provide business development services to SHGs.

- Promotion of a cadre of barefoot consultants / young professional at the block level for providing escort services to the SHGs. The services of members of SHGs who acquired technical, managerial and entrepreneurial skills may also be utilized for escort services.
- The skills of the swarozgars should be periodically updated. The services of private professionals if available at affordable cost may be utilized for training the swarozgars. Funds of the SGSY may be earmarked for training and skill development. Given the illiteracy and low motivational levels, the training for the poor need not be one time affair. The experience in the NGO sector suggests that most of them need to be trained periodically for effective absorption of knowledge inputs and building confidence levels. So, the design of the training programmes for poverty alleviation – content, methods, frequency and duration – should be taken into account not only the job requirements but as well the profile of the trainees.
- DRDAs staffing pattern should be reviewed taking into consideration the requirement of SGSY and should be marked by professionally qualified and competent staff. If necessary, some of its activities may be outsourced.
- SGSY would require continuous credit support from the formal institutions. However, the non-availability of multiple doses of credit exists in a number of poor states such as UP, MP, Bihar and Jharkhand.
- Bankers have to delegate adequate authority to appraise and sanction the SGSY projects at the branch/district level. This can avoid delay.

4.28 Networking the SHGs for securing backward linkages of input markets and forward linkages of output market should be promoted. Federations of networks could enable the micro enterprises to reach even far flung markets. The ICT applications in Rural Development have demonstrated the scope and potential for poverty reduction e.g. M.S. Swaminathan Research Foundation's initiatives in Pondicherry have benefited villagers in accessing information on markets, weather forecasts etc. to plan their economic activities.

7. Focus on Scheduled Tribes

4.29 Subsistence agriculture, gathering of non-timber forest produce and wage labour are the main sources of livelihood among tribal people. They are concentrated in the least developed, rain-fed, undulating and often in remote hilly regions of the country, largely untouched by 'green revolution'. Thus, while landlessness is relatively low among tribal people compared to other poor communities, agriculture productivity is low and other farm-based avenues, such as dairy and horticulture are also poorly developed, leading to widespread food insecurity.

4.30 Over the years, with increasing focus on conservation of forests, tribal people's traditional access to forests has come under increasing strain, taking away from them a significant source of income and economic buffer.

4.31 There is widespread indebtedness among tribal people. Lack of access to institutional credit drives them to borrow from traditional moneylenders who are also their traditional trading link with the outside world. Indebtedness leads to land alienation, further reducing food security and increasing indebtedness.

4.32 Education and skill levels are low among tribal people and they remain isolated from the mainstream. As a result they are unable to access fair markets and remain poorly served by various government policies and programmes and are prone to widespread exploitation. Among the Scheduled Tribes, the Primitive Tribal Groups are particularly vulnerable.

4.33 Removing poverty among tribal people calls for empathetic and long-term engagement. A community based rather than household based, area-based rather than sectoral and focused rather than fragmented approach is required for removing poverty among tribal people. Generally, creating food security, enhancing productivity of farming systems and building community based mechanisms for fair access to markets are among promising strategies for removing poverty from among tribal people.

- There should be a sub-mission for schedule tribes as a part of the livelihood mission.
- The allocation of funds for the sub-mission of schedule tribes at the national and state level should be in proportion to their share in the number poor at national and state level.
- The rights of the tribals to the land and their access to the forest produce should be restored, protected and institutionalised. There should be representation of social activity working with and for tribals. In the context of development projects displacing tribals, the relief and rehabilitation packages have to be worked out in consultation with the tribal communities and social activities of the local area and implemented in a consultative process. Basic infrastructure facilities like irrigation technology and access to better inputs for improving tribal agriculture should be provided.
- Tribals are the most deprived of the poor and suffer from multiple deprivation particularly respect of drinking water, health, nutrition, education and employment. The mission mode must pay special attention in ameliorating the tribals from these deprivations on time bound basis.

8. Focus on Scheduled Castes

4.34 The incidence of poverty is found to be very high among the schedule caste population as most of them are landless agricultural labourers. Although some schedule caste households are owning/operating land, they are essentially marginal farmers. In case of the surplus land distributed to the schedule caste

households, it is also found that some of the households could not take the position of the land distributed to them due to the opposition from the land owning classes. It was also noticed by SC and ST commission that the schedule caste people still suffer from social discrimination and physical segregation. They are discriminated against in extending the benefits of governmental developmental programmes in village India. Many of the atrocities committed against SCs are related to land and minimum wage issues. The district level vigilance and enforcement committees on minimum wages should have representation from the poor. Further, states should revise minimum wages regularly and the wage hike should be linked to cost of living index of agricultural workers/ urban manual workers for the interim period. Treating agriculture labour and skilled work benefits several poor. Schedule caste farmers being mostly marginal farmers, and tenants without owned land and security, their access to credit is also very limited and as a result their agricultural productivity levels are low. Some times due to lack of required financial resources and also due to the fact that the land allotted to them is of poor quality, they are unable to cultivate the allotted land. Where ever feasible, consolidation of land holdings SCs and STs be attempted including the assigned land so that their lands can be developed with help of state machinery.

4.35 The illiteracy rates also found to be higher among schedule caste population and a result and their skill levels are also low. The work participation rate among the schedule caste population is slightly higher than the work participation rates among general population, but the rate of earnings are lower as they essentially remained to be agricultural labourers. Due to lack of adequate employment opportunities in rural India they were also compelled to migrate from one place to another, which is also having negative effects on their health and family welfare. This clearly indicates that although a significant economic growth rate has taken place in post-independence period, its benefits did not percolate down to the desired extent to the poorer sections such as schedule caste as socio-economic structure remain to be iniquitous particularly in rural India. Therefore the growth policy should be an inclusive

policy rather than exclusive one so that the lowest strata has also equal access to the benefits of the growth.

- There should be a separate sub-mission exclusively for schedule castes at national and state levels
- Allocations of resources meant for poverty alleviation of SCs should be made in proportion to their share in number of poor at national and state levels.
- Government should take measures to redistribute the surplus and waste lands among schedule caste households and provide required financial and technical assistance to enable them to cultivate their land and raise its productivity. Measures also to be taken to provide security of tenure by recording tenancy.
- Efforts also should be made to improve access to land by the landless SCs through specific credit facilities as in the case of A.P SERP model. A part of credit be treated as a subsidy. The loan component and subsidy may be routed through the SHG federations, which shall also be the agency for identification of beneficiaries
- Leasing of land to SHGs of SCs should be facilitated by appropriate modification of the existing tenurial laws.
- Emphasis should be placed on allocating adequate resources for their educational and skill/training in order to enable them to move from low paid occupations to skill oriented better-paid occupations.

9. Fragile Regions

4.36 The poor are heavily concentrated in the eco-fragile regions such as deserts, areas prone to floods, droughts and cyclones. The poor in these regions are vulnerable to weather induced risks, besides market aberrations and institutional biases. Most of these regions are characterised by environmental degradation, seasonal migration, heavy indebtedness of households, weak institutional networks, food insecurity/hunger and malnutrition, low and fluctuating productivity levels, etc. A comprehensive and long term

development plan of resources (human, natural resources and institutional) has to be evolved for addressing the poverty squarely and to contain regional imbalances as well.

- To minimise the external risks, an early warning system (e.g. moisture stress levels) should be evolved with community participation. Appropriate action plans have to be designed with the community involvement in the light of disaster signals. PRIs, CBOs and NGOs have to be trained in the areas of disaster preparedness and disaster mitigation for effective management of crisis. The information from satellite imagery may be utilised to track the changes in the resource base including quality aspects be analysed for decision making. The data on moisture, rainfall precipitation (weekly and cumulatively), temperatures etc., be collected and analysed with a view to develop early warning signals of disasters and also for planning disaster mitigation measures. Data on prices of essential commodities have to be regularly collected and analysed since inflation effects the poor the most. This also helps in scaling up some of the relief measures.
- Blending of indigeneous/ traditional knowledge of communities with the modern technology may generate the most effective early warning systems.
- Agricultural households need to be encouraged and guided for adoption of integrated farming systems, with crop (including tree crops) and animal husbandry as sub-systems which acts as a natural safety net.
- In the event of disasters, employment guarantee schemes have to be implemented to ensure food and livelihood security while developing infrastructure for disaster mitigation.
- Decentralised and community based PDS will focus on local staples have to be promoted to supplement the traditional PDS to ensure food and nutrition security.
- Priority in the allocation of funds for R and D for dryland crops and allied activities so as to evolve low cost, drought and flood resistant, labour intensive seed varieties in a consultative process. Such intervention

becomes an effective alternative to the crop insurance scheme which most of the farmers are unable to avail of due to non-affordability.

- Watershed programme are the core of the development strategy for soil development and moisture conservation and livelihood security. Democratic functioning of watershed committees and GIS based watershed planning could be the thrust of future strategy. The link between watershed programme and NREGS may address the concerns of resource poor in the dry land areas.
- As a part of the drive to achieve Millennium Development Goals (MDGs), the share of government expenditure on social infrastructure and services has to be stepped up considerably while ensuring a large share to the fragile regions. Skill formation and information networks should receive top priority so that economic opportunities could be availed of.
- Since the institutional arrangements are either inadequate or ineffective, investment in human capital is necessary to make them vibrant and responsive. This is more so in the context of failure of markets and state in the fragile regions.

10. Macro-Policy and Poverty

- 4.37 While growth can lead to significant reduction in poverty, such trickle down may not reach all groups and sections. Safety nets to protect the groups that are excluded or are marginalized by the growth process are needed. There is, however, need to go beyond the establishment of safety nets; focus directly on providing employment and raising the incomes of the poor through explicit policy interventions. The experience, by and large, is that countries, which are the most successful in reducing poverty, are the ones which have combined rapid growth with equity promoting growth. In such a strategy public policies influence both the distribution of income and the process of income generation.
- 4.38 Poverty reduction in rural areas has been less impressive in the 1990s. The reasons include (i) poor performance of agriculture, which is a major source of livelihood for the poor; (ii) slow down in the expansion of rural employment

and (iii) skewed and asymmetric pattern of growth – less growth in areas in which more of the poor are located, that is, Bihar, Orissa, Uttar Pradesh and Madhya Pradesh; (iv) constraints on the State Governments' expenditures on rural infrastructure, power, water supply, health and education experienced in the last decade due to their fiscal crises; and v) decline in the pace of credit flow to rural areas.

4.39 The macroeconomic policies of the past decade have affected the livelihoods of the poor. There is a need for a comprehensive mid-term course correction of macro-policies.

- There is a need to increase public expenditure on rural health and education facilities, especially in remote areas. Special efforts should be made to reach the hard core poor.
- Public investment in agriculture and rural infrastructure should be increased substantially.
- Targeted and priority institutional credit to agriculture and rural-non-farm sector should be substantially increased.
- Access to land to rural poor has a vital role in livelihood improvement and land reforms including tenancy reforms need special attention. Provision of access to waste lands to rural poor households and groups of the poor, with adequate financial support should be part of the poverty elimination strategy.
- Employment policies including the EGS should be integrated with land and water and sustainable development programmes.
- Government must implement policies of a strategic nature (tariff, price support and technology) to support crops such as oilseeds and cotton which are closely associated with livelihoods of the poor in dry land areas.

Annexure I

No. M-12018/1/2005-RD
Government of India
Planning Commission
(Rural Development Division)

Yojana Bhavan, Sansad Marg
New Delhi, 2nd March, 2006

ORDER

Subject: Setting up of a Working Group on “Poverty Elimination Programmes” for the formulation of the Eleventh Five Year Plan.

It has been decided to constitute a Working Group on “Poverty Elimination Programmes” for the formulation of the Eleventh Five Year Plan.

II. The composition of the Working Group is as under:

- | | | |
|----|--|-------------|
| 1. | Prof. R. Radhakrishna, Director
Indira Gandhi Institute of Development Research,
Gen. A.K. Vaidya Marg,
Goregaon (East),
Mumbai- 4000065 | Chairperson |
| 2. | Dr. Malini Bhattacharjee
Member,
National Women’s Commission,
Delhi | Member |
| 3. | Dr. N.C. Saxena, ex-Secretary
Government of India
NCAER,
Indraprastha Estate,
New Delhi | Member |
| 4. | Dr. S. Mahendra Dev,
Director,
Centre for Economics & Social Study,
Nizamiah Observatory Campus,
Begumpet,
Hyderabad (Tel. No. 040-6570480) | Member |

- | | | |
|-----|--|--------|
| 5. | Shri Nichiket Mor,
Executive Director,
ICICI Bank Ltd.,
ICICI Bank Towers,
Bandra-Kurla Complex,
Mumbai- 400 051 | Member |
| 6. | Prof. V.M. Rao
22, 7 th A-main CHBS
1 st layout,
Vijaynagar,
Bangalore- 56—4-,
e-mail: vmrao@vsnl.com | Member |
| 7. | Shri Deep Joshi
Executive Director,
PRADAN,
3, Community Shopping Centre,
Niti Bagh,
New Delhi- 110049 | Member |
| 8. | Shri Sarathy Acharya,
Institute of Development Studies,
8-B, Jhalana Institutional Areas,
Jaipur- 302 004 (Rajasthan) | Member |
| 9. | Dr. Renuka Viswanathan
Secretary, Ministry of Rural Development,
Government of India | Member |
| 10. | Shri R. Bandyopadhyay
Adviser (Rural Development)
Planning Commission | Member |
| 11. | Shri K. Raju, Pr. Secretary (RD)
Govt. of Andhra Pradesh | Member |
| 12. | Shri K.K. Sinha, Pr. Secretary(RD)
Government of Uttar Pradesh | Member |
| 13. | Shri Ravi Kota, Secretary
Government of Assam,
Department of Agriculture | Member |

- | | | |
|-----|--|-----------------|
| 14. | Shri T. Nandkumar, Development Commissioner
Government of Jharkhand
Nepal House, Ground Floor,
Doranda, Ranchi- 834 002 | Member |
| 15. | Shri Alok Chaturvedi
Addl. Finance Commissioner,
Government of Bihar | Member |
| 16. | Dr. Amar Singh
Joint Secretary(SGSY)
Ministry of Rural Development,
Government of India,
New Delhi | Member-Convener |

III. The Terms of Reference of the Working Group will be as follows :

- 1) Provide for a strategy for the 11th Five year Plan for Poverty Elimination and suggest a framework for removal of poverty in a time bound manner.
- 2) Suggest a framework for effective coordination of programmes of employment promotion and provision of basic services implemented by different Ministries so as to enhance their efficiency, in both rural and urban areas.
- 3) Assess the need for consolidation of poverty programmes; suggest instrumentalities for bundling them, if necessary; and suggest a mechanism to provide flexibility to different States to implement the anti-poverty programmes to suit their State specific needs and requirements.
- 4) Assess the performance of self-help movement and suggest measures for improving their effectiveness in providing sustainable livelihood opportunities.
- 5) Suggest a strategy for linking bank credit to improve the delivery of bank credits to self-help employment for meeting their requirements for income generation activities and sustainability.
- 6) Examine the role of micro finance institutions in improving the delivery of credit to SAGs and suggest measures for strengthening these institutions.

- 7) Suggest an effective strategy for capabilities development amongst SHGs and their apex organisations.
- 8) Any other term of reference that they would be decided by the Working Group.

IV. The Chairman of the Working Group may set up sub-groups/task forces, if necessary for undertaking in-depth studies and formulation of proposals for the Eleventh Five Year Plan.

V. The expenditure of the official members for attending the meetings of the Working Group will be borne by the respective parent Department/Ministry/Organisations as per the rules applicable to them. The non-official members will be paid TA/DA by the Planning Commission as per SR 190(a) applicable to Grade-I Officers of the Government of India.

VI. The Working Group may co-opt non-officials/experts/representatives of other agencies, if required.

VII. The Working Group will submit its final report to the Planning Commission by 31st July, 2006.

(Sd/-)
(Rupinder Singh)
Deputy Secretary to the Government of India

To
The Chairman and Members of the Working Group

Copy to :

1. PSs to Deputy Chairman/MOS(Planning)/Members/Member-Secretary, Planning Commission.
2. All Ministries/Departments of the Govt. of India.
3. Chief Secretaries of all States/UTs
4. Prime Minister's Office
5. Cabinet Secretariat, Rashtrapati Bhavan, New Delhi

(Sd/-)
(Rupinder Singh)
Deputy Secretary to the Government of India

List of Co-opted Members

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Prof. S.R. Hashim
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Dr. Harsh Mander
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Prof. Rajasekhar
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Annexure III

List of Sub-groups of the Working Group on “Poverty Elimination Programmes” for the formulation of the Eleventh Five Year Plan.

1. Sub-group on Governance, delivery system including PRIs and NGOs, convergence of poverty alleviation programmes and SC/STs
2. Shri K. Raju, Pr. Secretary (RD), Government of Andhra Pradesh - Chairperson
Shri K.K. Sinha, Pr. Secretary (RD), Government of Uttar Pradesh
Shri T. Nandkumar, Development Commissioner, Government of Jharkhand
Ms. Ruhi Seth, Consultant (RD), Planning Commission
Shri Deep Joshi, Executive Director, PRADAN
Shri Atul Kumar Gupta, Director, Ministry of Rural Development - Convener
3. Sub-group on Macro-economics of poverty
Dr. S. Mahendra Dev, Director, Centre for Economics & Social Study
Chairperson
Shri K. Narayana Kumar, Director, Ministry of Rural Development - Convener
3. Sub-group on agricultural labour, landless labourers and gender and poverty
Shri Sarathy Acharya, Institute of Development Studies - Chairperson
Dr. Malini Bhattacharjee, Member, National Women’s Commission
Mrs. Vanita Rattan Sharma, Deputy Secretary, Ministry of Rural Development
Convener
4. Report Drafting Committee
Prof. V.M. Rao
Chairman
Prof. S.R. Hashim
Prof. D. Narasimha Reddy
Prof. S. Galab
Shri Atul Kumar Gupta
Convener

**List of Participants in the Workshop on
'Integrating the Poor with the Mainstream Development held at NIRD
on 29th September, 2006.**

Prof. R. Radhakrishna
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Principle Secretary Rural Development Department
Government of Andhra Pradesh
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Prof. K. Hanumantha Rao
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Annexure V

List of Participants in the Workshop on 'Strategies for Poverty Reduction – Experience of Some States' held at IGIDR on 26th October, 2006.

Prof. R. Radhakrishna
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Shri Kesaran Nair
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Shri Harsh
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Department of Rural Development
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