



Chronic Poverty
Research Centre

Working Paper

No. 113

Suggesting effective policy frames for chronic poverty alleviation in India

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What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty.

Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation.

This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.



Abstract

This is a continuation of an earlier paper (2005) by the author which dealt with policy implications based on the work done by CPRC in India. We do not yet have a map of chronic poverty in India, but have an approximate idea of numbers and communities where it has a significant presence. We have used surrogates like tribal populations, senior citizens and women self-help groups to draw broad conclusions. We feel these are unlikely to be invalidated if work is done in the future using more precise data about the chronically poor in India.

Poverty alleviation programmes in India have tried four approaches: citizen's rights in the Employment Guarantee Act, contractual commercial relations in joint forest management, co-creation of value in micro credit and welfare transfers in pension schemes for the elderly. The structural problems in all of these are similar, indicating that there is a need to rethink the policy making philosophy.

Post positivist policy analysis and evaluation, which advocates participatory policy making and provides voice to the concerned citizens outside the administrative structures, could provide some useful guidance. The recent experience with the National Employment Guarantee Act of India seems to indicate that mere design excellence, including provision of legal rights, is no solution for ensuring the delivery of entitlements. Traditional public administration systems need to be tempered by powerful community countervail, which is not always easy to build.

Keywords: chronic poverty, employment guarantee, tribal policy, post positivist policy analysis, micro finance, justiceable rights, welfare transfers.

Acknowledgements

To the Indian Institute of Public Administration, New Delhi for providing support. To Dr. Aasha Kapur-Mehta and Ms. Julia Brunt for editorial suggestions which made the paper more reader friendly.

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1 Objectives

India has an extensive array of State programmes and policies for dealing with poverty. Some of them are only programmatic while others cover all aspects of policy making, including legislation and rights. Some of them have been effective and others, less so. In almost all cases, the concept of poverty is a binary one: those above and below a line of demarcation (the poverty line).

Poverty condition is far more complex. The Chronic Poverty Research Centre (CPRC) in India has studied the position of the chronically poor (CP), who are those who have remained in poverty over a long period of time. Its research indicates that many of the policy initiatives have had little or no effect on this sub-set of the poor, for whatever reason.

The CPRC's research has given us a basic understanding of chronic poverty, and its researchers have also suggested specific policy initiatives in their papers. These are discussed in the paper, 'Policy Implications based on the work done by CPRC India' (Nath, 2005). The present effort is an extension of that work.

It is suggested that the paper will cover the following aspects:

- A critical evaluation of the poverty alleviation policy of the Government of India, its alignment or the lack of it, and of the various elements of the policy traverse, from the articulation of the understanding of the problem, to a formal policy statement, the necessary legislation and programmes for implementing the legislation. Not all the policy initiatives of the government have followed this pattern. Some have been more programmatic. Using current methods of policy analysis, we would like to develop the necessary ingredients and their sequencing for effective policy.
- An inventory of all legislation, which could influence the lives of the chronically poor: there is considerable legislation both by the centre and the states, which could influence poverty alleviation programmes. Not all of them come under the heading of poverty alleviation as is traditionally defined.
- Consider why the current initiatives have by-passed the chronically poor. It is likely to be more than implementation problems.
- Learn from the policy initiatives of other countries that have more effectively dealt with the problems of the chronically poor.
- Write policy briefs for chronic poverty alleviation among the following subsets: the tribals, those affected by mineral development effort and senior citizens both men and women. The list is indicative and could be changed.
- Suggest feedback systems so that policy effects are monitored and shared with the community.



2 Background

In an earlier paper (Nath, 2005), the conclusions of the research by CPRC India and their implications for chronic poverty alleviation policy were presented. We had attempted two things: one, to briefly mention a six-component learning loop in policy formulation and to create an indicative table relating policies and programmes in poverty alleviation efforts. In this paper, we will carry this effort further by going into details of the policy-programme nexus in critical chronic poverty areas and also draw on the theoretical developments in positivist policy analysis.

We do not, as of yet, have a map of chronic poverty in the country that show spatial and community concentrations. What we know are the approximate numbers and communities which have a significant proportion of the chronically poor.

Our analysis covers the following:

- agricultural labour which is multi-community;
- forest dwellers of whom the tribals are a significant part;
- the elderly who are a vulnerable group and who do not have a voice;
- micro-credit effort, which has promise.

Each of them has a distinct policy concern and represents a specific learning opportunity.

We have not specifically dealt with Scheduled Castes, the urban slums, displaced persons, the disabled and children who are also significant for our purpose. Some of their concerns get covered in the focus areas we have chosen and some will be covered in a subsequent paper. We opted for a focus rather than a general coverage so that insights can be presented sharply. Numerically, they cover a significant proportion of the chronically poor.

Of the 260 to 320 million people who are below the poverty line ... a large subset consist of those who are substantially or severely below the norms identified as necessary for survival. In 1993-94, 15.2 percent of the rural population and 14.9 percent of the urban population were estimated to be earning incomes that were less than or equal to three quarters of the poverty line (severely poor) a total of approximately 134 million people in 1993-94. (Mehta and Shepherd, 2004).

Extrapolating it to 2006, there are approximately 160 million chronically poor who are in need of sensitive and effective policy intervention.

We also identified that the spatial concentration of this population is primarily in the Hindi heartland: specifically the undivided states of Uttar Pradesh, Bihar, and Madhya Pradesh, the states of Maharashtra, West Bengal and Orissa as also districts with concentration of tribal populations.



Vulnerable groups are Scheduled Castes, Scheduled Tribes, urban slum dwellers and specific groups like the elderly, children and the disabled. Women and girl children in these communities are discriminated because of their gender and their traditional low status in intra-family decision making.

Effective policy intervention needs simultaneous action at two levels: a general effort to reduce poverty and specific programmes targeting the chronically poor. The two are not mutually exclusive but are supportive of each other. While Indian policy has used twin alleviation approaches in the past, specific efforts have been relatively limited. In this paper, we assume a level of general programmes and concentrate on what is needed for focused effort. There is a relationship between communities/groups and occupations/household characteristics among the chronically poor. We present them in the following matrix:

Table 1: Identifying multiple disadvantage

Community/Group	Agricultural worker	Unskilled	Dependent	Food insecure	No assets
Scheduled Castes	*	*		*	*
Scheduled Tribes	*	*		*	*
Elderly	X	X	*	*	*
Women	*	*	*	*	*
Non S.C./S.T.	*	*		*	*

The * mark indicates the relationship, e.g. a Scheduled Caste agricultural labour is likely to be chronically poor or an elderly person who is dependent is likely to be chronically poor. The sign X indicates that the relationship is not generally indicated but could be in specific cases such as when the elderly are compelled to work for a living. Elderly dependents are a special category. The relationship between other dependents and chronic poverty is less specific where boxes are left unmarked.

There is an overlap among the unmarked boxes and those at multiple disadvantages, which are groups such as Scheduled Caste women agricultural workers or elderly Scheduled Caste casual agricultural workers. This raises a number of issues. Ideally, policy should deal with the long-term poor, who are a unique set. Though distinct in one sense, they are not a homogenous group and consist of disparate groups. In the Indian context, there is a further complication that data about the chronically poor is not available. So, much of Indian discussion, perhaps not very appropriately, uses surrogates of extreme poverty and social exclusion for chronic poverty. In a purist sense, policy should deal with the long-term poor as a group and expect disparateness of the constituents to be taken care of in programme details. However, it does not seem that simple. For instance, take the elderly as a constituent of the long-term poor. Given the intra-household discrimination they suffer, it may be more appropriate to deal with them as a distinct group most of whom are also chronically poor. This will be discussed later in this paper. Policy needs to recognise this phenomenon and devise specific schemes for them with necessary safeguards in the interim. When we have



better details about chronic poverty, we will be able to work out a better picture. In the interim, the following table gives the magnitudes of the subsets among the chronically poor.

Table 2: Chronic poverty: estimating magnitude

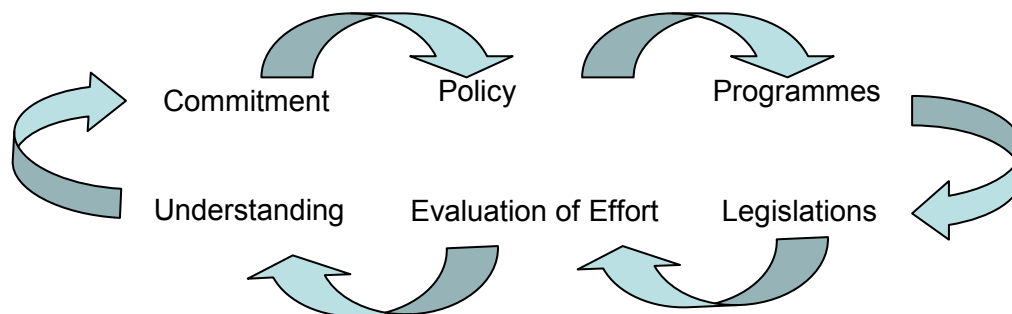
Category	Population in 2001 in millions
Scheduled castes	167
Scheduled tribes	84
Agricultural workers	132
Elderly	71
Disabled	?
Slum-dwellers	?
Estimated chronically poor	At least 160?

Note: The proportion of the poor varies in each group from 30 percent to 50 percent. We can use this as a surrogate for the chronically poor as a first approximation

If we can successfully analyse policies for agricultural workers, tribal people and the poor among the elderly, we would have covered a substantial proportion of the chronically poor. That is the justification for our focus in this paper.

Policy analysis and evaluation has a growing literature representing various philosophical points of view. We had presented a simple learning loop to represent the policy formulation shown below.

Figure 1: Learning loop representing policy formulation



This figure represents an ideal state. In reality, the emphasis on poverty alleviation policy is on programmes. Some of them are a result of declared policy, some are stand alone efforts where electoral advantages played a role. Similarly, the nexus between legislation and programmes has also been tenuous. The full sequence, policy – legislation – programmes, is even rarer. Perhaps the NREG Act of 2005 is an exception. Learning from evaluations has been selective, knowledge about field inadequacies has been with us for many years but it has influenced policy formulation only marginally. The disconnection in the learning loop has been a matter of concern. It is critical for policymaking but more so when dealing with populations whose need for help is great and their political clout is limited.



We present a table relating policies and programmes in poverty alleviation as an illustration of the model. For example:

Table 3: Poverty alleviation: policies and programmes

Policy statement	A few related programmes
Process dynamics: - Social Security Policy - Micro-credit policy - National Health Policy	Swarnajayanti Gram Swarozgar Yojana Self-help groups - Bank Linkage Programme National Rural Health Mission and related programmes
Forest-dwellers: - Forest Policy - Joint Forest Management - Community Forestry Policy - R&R for displaced persons - Mineral Development Policy - Natural Resource Policy	Integrated Tribal Development Projects
Farm sector: - Land Reform and Distribution Policy - Agricultural Wage Policy - Employment Guarantee Policy	Food for Work Programme Employment Guarantee Schemes Sampoorna Grameen Rozgar Yojana
Urban poor: - Slum Development and Rehabilitation - Informal Sector Policy	Swarna Jayanti Shahri Rozgar Yojana
Special groups: - National Policy for Older Persons - Policy for the disabled - Child rights including for girl children	National Social assistance Programmes State Pension Schemes for the elderly ICDS
Welfare transfers Subsidized Food Supply National Hunger Policy	Targeted PDS Annapurna

Source: Nath (2004)

Policies and programmes could either come from the central government or the state governments or both. They are rarely dovetailed with each other. A full listing of all the policies, legislation and programmes in the relevant areas would be a voluminous task and contain many overlaps. In this paper, we have confined ourselves primarily to the central government policy.

The contribution of agriculture to the Indian National Income has been declining, but agricultural policy is important for poverty alleviation. A fuller analysis should deal with land reform and distribution, agricultural wage policy and rural employment guarantee. We have used employment guarantee as a surrogate. Land reforms, which were visible a few decades ago, do not seem to attract the same attention.

For focus groups, we have attempted to link the total learning loop from understanding to learning from evaluation. This exercise could be done with all other groups for completeness but learning at the margin may not be significant. We may be wrong in our assumption.



3 National Rural Employment Guarantee Act of 2005 and its implementation

India has a long history – at least four decades after independence – of wage employment programmes. Their performance has varied. Of them, the one with the longest history of over 30 years and which is most visible is the Maharashtra Employment Guarantee Scheme (EGS) of 1972.

Learning from that experience, the United Progressive Alliance (UPA), particularly its major constituent, the Congress party, has undertaken a massive employment scheme in the rural areas of India. The National Rural Employment Guarantee Act (NREGA) of 2005 was first implemented in 200 of the most backward districts of the country in February 2006. It was extended to another 130 districts in 2007. With effect from 1 April 2008, the Act would cover all of rural India. It is said that it is the largest of its kind in the world.

The objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

The goals specified in its guidelines (2008) are more ambitious. They are:

- Strong social safety nets for vulnerable groups by providing fall back employment sources, when other employment alternatives are scarce or inadequate;
- Growth engine for sustainable development of an agricultural economy. Through the process of providing employment on works that address causes of chronic poverty, such as drought, de-forestation and soil erosion, the act seeks to strengthen the natural resource base of rural livelihood and create durable assets in rural areas. Effectively implemented, NREGA has the potential to transform the geography of poverty;
- Empowerment of the rural poor through the process of a rights based law;
- New ways of doing business, as a model of governance reform anchored on the principle of transparency and grass roots democracy.

This ambition, desirable in itself, needs to be seen with reference to the evaluation of earlier experience. Commenting on the earlier wage employment programmes, the Administrative Reforms Commission (2006) has observed that these programmes had shown the following persistent weaknesses (Mehrotra, 2008):

- low programme coverage;
- more than 50 percent beneficiaries, not from the most needy groups;
- bureaucracy-dominated planning; little participation of the community in planning



- work for women lower than the stipulated norm of 30 percent;
- only 16-29 days of employment provided to households;
- assets created are not durable;
- corruption, reports of false muster rolls, contractors persisted, payment less than the prescribed wages.

While there is large literature on the EGS of Maharashtra, there is a point of view that a comprehensive review of its experience and impact has not been done and that investigative field researches are surprisingly limited (Moore and Jadhav, 2006). Moore and Jadhav have said that there are three reasons why labour intensive public works programmes find it difficult to achieve their twin objectives of providing employment and creating good quality local infrastructure that will last. These are corruption, the problem of a weak client and complex scheduling problems.

Perhaps aware of these problems, the NREGA provided many new design features like a rights-based framework, time-bound guarantee to provide employment once it is demanded with incentives and disincentives, accountability of the programme through social audits, to mention a few. Perhaps the most remarkable feature is a complete ban on the use of contractors, who have been a source of exploitation. Community participation and social audits have added new dimensions in development administration.

We have an experience of over two years with the NREGA. There is a growing literature on its implementation and impact, including an audit report by the Comptroller and Auditor General of Government of India (CAG) in 2007. It was confined to the initial 200 districts and covered a period from February 2006 to March 2007. It examined records relating to 68 districts, 128 blocks within the selected districts and 513 Gram Panchayats. While there have been some comments on the focus of its enquiry, it perhaps covers the largest area compared to any other study. There are also a large number of studies done by academic institutions and civil society organisations with varying coverage and depth of investigation. As the purpose of the paper is to suggest effective policy frames for chronic poverty alleviation, we will draw on this literature to identify areas of continuing strengths and weaknesses in Indian poverty alleviation administration.

Compared to the objective of the act, providing 100 days of guaranteed wage employment in a financial year to every household whose members volunteer to do unskilled manual work, only 10.2 to 10.8 percent of household completed 100 days of employment in the two years, 2006 to 2008, on an all India basis. The experience varies from state to state. Rajasthan has the highest achievement at 42 percent (a decline from earlier 52 percent). The lowest is recorded in two disparate states of West Bengal (0.8 percent) and Bihar (0.7 percent). Two facts emerge: that we are a way behind achieving the goal that is articulated and that there



are wide interstate variations. When all the districts complete their one year operation in 2009, only then are meaningful district-wise comparisons possible.

The number of days of employment provided was 43.1 days in 2006-07 and it declined to 41.8 in 2007-08. Here also, inter-state variations exist, from the lowest of 6.6 days in Arunachal and 10.5 days in Punjab, to 75 days in Rajasthan (a decline from earlier 85.4). But these however, compare favourably with achievements under Swarnajayanti Gram Swarozgar Yojana (SGRY) of 26 person days per household which covered all non-NREGA districts till 31 March 2008. With greater awareness about the programme and planned improvement in its implementation, the numbers are likely to improve. Depending on personal perceptions, the achievements are seen as creditable for a start, or dismal, reflecting a deeper malaise in development administration in general and poverty eradication in particular.

The following comment is eloquent:

...there can be no denying that the disappointments of NREGA come as no surprise to any student of the history of rural development, especially public works programmes, in India. It is clear that as far as implementation of public works programmes are concerned, there has been no discernable improvement since independence. If anything, progressive deterioration has occurred, especially in the most backward regions, where such interventions are needed and matter most. How did we then expect NREGA to do any better when we entrusted its implementation to the same ossified, decaying structure that has deeply institutionalised corruption, inefficiency and non-accountability into the very fabric of Indian democracy at the grass roots? (Ambasta, Shankar and Shah, 2008).

As NREGA has raised great expectations, the comments on its performance tend to be understandably high on emotions. A critical review of all the available comments is a large task; we have instead put together a comparative table on typical reactions covering major concerns for policy formulation. As it is a personal choice, it has limitations. Perhaps a different set of comments could reveal yet another nuance and point of view. It is best to preface the table of detailed comments on NREGA implementation by a quotation from the report of the Comptroller and Auditor General of 2007. Their central finding is as follows:

the main deficiency was the lack of adequate administrative and technical manpower at block and Gram Panchayat levels...it adversely affected the preparation of plans, scrutiny, approval, monitoring and measurement of works, and maintenance of stipulated records....Besides this also impacted adversely on transparency, and made it difficult to verify the provisions of the legal guarantee of 100 days of employment on demand.

The table below gives comments on twelve concerns which we have identified.



Table 4: NREGA implementation: some concerns

Concerns	Santosh Mehrotra	Ambasta, Vijay Shankar, and Mihir Shah	Poorest Areas Civil Society Programme (PACSP)
Awareness of the programme	The lack of awareness has had a telling effect: will be better only if staff are recruited and trained in adequate numbers in all states		Not yet truly demand driven
Centre-state issues	Putting administrative staff has not happened in many states	Each state government was to appoint exclusive staff but this has not happened in many places	Patchy performance of states' obligation
Planning and public participation		In many places there is little effort at social mobilization. In spite of ban on contractors and use of machinery, they have been used.	Little people's participation: non preparation of plans
Wage related issues	Village people will have to be involved in the way work will be measured and paid: transparency in wage payment needed like payment through post-offices or banks	Shortage of staff leads to delays in execution and wage payment: Schedule of Rates problems	Like in earlier programmes, complaints about wages and payment abound: even in a 'model' district like Dungarpur in Rajasthan, project wage is below minimum wages.
Muster rolls	Despite all provisions, the act does not answer the issues of grievance redressal	Provision of mandatory muster roll preparations not always followed	Improper maintenance of muster rolls contributor to wage frauds
Corruption	While there are many reports of irregularities, those of us who have visited the field gather that the risks of getting caught in the case of irregularities is greater than in other programmes	Corruption is a major contributor to quality of rural works	
Transparency			Vigilance committees do not exist or only on paper
Monitoring process	The monitoring provisions are more elaborate but they need improvement	Critical role for information technology: There is scope to take Management Information Systems (MIS) further	
Adequacy of professional staff	The CAG report has shown that it has been run for all practical purposes with little professional input: it requires serious	A radically new programme demands dramatically new systems: "additional charge" does not work. Government has failed to recognise the diversity of	Separate institutional framework envisaged



Concerns	Santosh Mehrotra	Ambasta, Vijay Shankar, and Mihir Shah	Poorest Areas Civil Society Programme (PACSP)
	professional support, not government business as usual.	the tasks and skills involved. Professionalisation is not a cost, it is an investment	has not happened
Social audit	Social audit needs to be institutionalised, regularly carried out once in six months	All partners of our consortium report that there is no real social audit process taking place nor is there a system in place. Some NGO social audits are of poor quality	
Sabotage	Some officials do not prefer to take on the responsibility of this programme	Existing bureaucratic machinery in many places is unwilling to take chances with the strict provisions of the programme. Some adopt methods of suppressing demand for work	
Asset Type and quality	Without technical and professional support there is little likelihood of the quality of works improving	Given the low level of support infrastructure it is not surprising that the quality of works undertaken is uniformly reported poor	Bias towards roads

Source: Mehrotra (2008); Ambasta, Shankar and Shah (2008); Poorest Areas Civil Society (PACS) programme web site.

The advantages which the NREGA had for successful implementation are many. It had:

- enviable political support of all the coalition partners of the Government of India;
- a design with almost text-book perfection learning from the long experience of implementing large employment programmes in the country;
- even though implemented in stages, each stage a covered large enough area to have significance;
- national and international civil society institutions actively participated in the effort;
- many administrators supported it and looked on it as a likely success;
- a substantial amount of investment of resources and time.

Even the most sympathetic of observers and evaluators, at the end of over two years of implementation, felt that the achievements, given the programme's advantage, could have been better. What does this unique experience suggest to us in designing effective policy frames for poverty alleviation in general and chronic poverty alleviation in particular? As the programme is a composite of providing wage employment, using labour to create assets of quality which in turn will provide further regular employment and start a development cycle which in due course limits the need for distress employment guarantee scheme, we will examine the implications both for components and the totality.



3.1 Nature of beneficiaries: self-selection

NREGA is not a programme aimed only at the chronically poor in the country. Like many which preceded it, it deals with poverty as an inclusive concept, consisting of different layers of distress. A comment made by a reviewer about this paper that the identification of the chronically poor shifts from chronic poverty to extreme or acute poverty, to vulnerable groups which are problematic, applies equally to the design and experience of the NREGA. Given the non-availability of chronic poverty data, both policy makers and analysts have to use surrogate groups of extreme and acute poverty, which have among them large numbers of chronically poor. Post fact when detailed impact studies are available, it will be possible to draw the necessary distinctions.

As the programme is designed, beneficiaries self-select themselves and ask for wage work. Given the nature of work – unskilled and physically demanding – candidates who raise work demand are perhaps those to whom other ‘better’ opportunities are not available. Twenty-seven percent of those employed are from Scheduled Castes, 32 percent from the Scheduled Tribes, and women constituted 46 percent. This speaks of the effectiveness of self-targeting as a method of reaching beneficiaries. But not being the fittest to work, this composition has a secondary effect in terms of quality of asset creation.

3.2 Asset Creation

While the beneficiary selection has been effective, asset creation, type, quality and future maintenance have not been the strong points. Using public works programmes of limited duration to build quality long-lasting rural development infrastructure combines many policy frames in one. It is in this area that the programme has achieved least. While many suggestions like planning, professionalisation and management systems are all useful and will perhaps be attempted in due course, it is not an easy policy intervention, even with the best of will and knowledge. Administratively, it requires putting together many interrelated and complex arrangements: using checks and balances as self correction mechanisms and tempering technical virtuosity with popular need perceptions. Skill-base, dedication and investments are one part, design skills to make the system work is another. While our experience of the last two years has thrown up some successful effort, NREGA systems need to be exponentially large if they have to cover the whole of rural India. That is the challenge for Indian development administration.

3.3 Transparency and administrative values

Participatory policy making and evaluation has been suggested in public administration literature as countervail against arbitrariness and corruption. The NREGA experience with social audit and participation of civil society institutions is both an achievement and caveat on



their limitations. Indian civil society institutions have neither the size, the reach nor the technical expertise to participate consistently in the massive design effort that is needed for an all-India development effort. While these will always be a desirable catalyst, effective people participation needs a political effort. It is only when the demand for employment guarantee becomes a people's movement that one can see distinct changes in the administrative value system. This has not happened in spite of the support of many political parties to the programme.

The pulls and pressures of a federal polity, the compulsions of coalition politics make designing administrative delivery systems less easy than in unitary states. In Indian public administration, we have yet to achieve a balance between the three tiers of governance, the Centre, the States, and the Panchayat Raj Institutions. Anecdotal information holds out an interesting promise. It has been reported from more than one state, that where a District Collector (not a very senior official) took interest, NREGA programme implementation has been very effective. One wonders if the District Collector can be made an important node in the design.

We had mentioned earlier inter-state variations in the programme success, reflecting the non-homogeneity of the rural areas. If the district-wise experience is analysed in due course, it is likely we will be able to identify different typologies of best practice. But it is unlikely that one best practice will be useful in all cases. One hopes that a systems reform of NREGA will attempt this and not just a single nor always appropriate solution. Some of these typologies perhaps would deal with chronic poverty issues.

3.4 Search for alternate policy frames

The administration system that is being suggested for NREGA does strike one as complex and needs considerable design and human relations skills for it to work effectively. It is also possible that simpler variations may not work. A relatively new idea in Indian policy making is considering direct cash transfers as an alternative (Kapur, Mukhopadhyay and Subramanian, 2008). The first reactions have not been favourable and needs to be thought through more carefully. We may perhaps hear more about this in the future. If it works, much of the administrative overload may be reduced.

4 Post-positivist policy analysis

The practice of traditional policy analysis has long come under fire by policy science theorists. The main line of attack has been on positivism and the related objectivist epistemological foundations of the practice of policy analysis. According to critics, the influence of logical positivism and the resulting 'decisionism' and 'empiricism' has contributed to poor analysis of complex issues. The secondary attack has been on the nature of analysts



as experts who allegedly serve the powerful and thwart aspirations toward more widespread participation in important policy decisions (Durning, 1999).

In the place of traditional analysis, numerous policy theorists have championed an array of alternatives based on post positivist perspectives that incorporates some form of subjectivism as their epistemology. The competing perspectives have ranged from interpretative analysis to critical theory with its emancipatory agenda that would dismantle the present practice of policy analysis as it radically changes society.

Positivist and relativist debate is an old debate in social sciences, sometimes taking the form of qualitative/quantitative divide. This controversy is more at rest today with both sides taking conciliatory positions. In policy sciences, the full effect of the changes that have come in social sciences is not fully reflected. It is more 'business as usual'. The critique is that we should move away from dyadic and top-down communication to a wider multi-actor dialogue. For example, in policy evaluation, there has been an ongoing debate between participatory evaluation and positivist evaluators. Participatory policy analysis (PPA) methods are designed to involve the stakeholder and/or the public in formulating policy advice. They include such methods as science courts, scenario workshops, decision conferencing, citizen panels, citizen juries, and consensus conferences (Mayer, 1997). Post positivist critics dispute that the assumption that analytical tools are value free, that analysis can function as objective outsiders, and that fact can be separated from values (Hawkesworth, 1988).

Several alternative post-positivist perspectives have been proposed to replace positivism. They include hermeneutical, interpretative, action and critical theory. Guba's (1985) definitional frame work clarifies that,

post positivism asserts a relativist ontology on the assumption that all reality is mentally constructed and that there are as many realities as there are persons to contemplate them; that there are no general or universal laws that can be counted on in every situation but that the action or behaviour noted in any context is uniquely determined therein; and that all elements of a context are continuously involved in "mutual simultaneous shaping" in ways that render the concept of cause-effect meaningless. Further, the emerging paradigm assumes a subjective epistemology, so that inquirer and respondents mutually share their constructions in a hermeneutic circle throughout the inquiry and thus creates the 'reality', which the inquirer may finally mirror.

This is more than 'speaking truth to power' (Wildavsky, 1979) a bilingual exercise when science (facts) and policy (political contingency) communicate with each other intelligibly.

This debate in the West is still not settled even though the extreme positions are being abandoned. For chronic poverty policy making, this has a meaning. If the 7th link in the learning loop, independent civil society institutions, is to have mandatory authority, much of our analytical methodology has to change. It needs to hold a mirror to a complex reality, 'warts and all', as seen by the analyst and as experienced by the communities. One is not necessarily more relevant. Much of Indian policy analysis has been repetitive counselling of the same solutions, apparently logical, which somehow do not seem to become effective.



Philosophical debate in policy analysis is a growing area of learning. We have briefly brought this in to highlight the fact that when communities do not have a voice and when the social reality is complex, traditional positivist (scientific) analysis has limited use in changing the ground reality. With unchanged paradigms, we will continue to discuss policy successes and failures circularly and not move towards effective policy regimes. Participatory policy making and implementation tries to foster a ownership of effort primarily by the target groups whose participation in turn will clarify the thinking of the other agencies involved.

5 The problems of forest-dwellers: tribal population in particular

The number of people who are dependent on forests for livelihood at least partially are estimated to be 275 million or 27 percent of the population. Roughly one in four Indians is forest dependent to some extent. They come from all communities and the tribals whose relations with the forest are symbiotic and have been in existence from antiquity were 84 million in 2001. They represent 8.2 percent of population and live in 15 percent of the geographical area. They are a non-homogenous group consisting of a number of tribes each with its separate language, customs, cultural practices and lifestyles. Tribal policy has to deal with this immense diversity.

A large segment of tribal population lives below the poverty line and development investments made in the last six decades have not produced proportionate results. The HDI of tribal populations is lower than that of other sections of society. In addition, they suffer from geographical exclusion, which is not reflected in the HDI figures. Under-development coupled with lack of access to proper administrative and judicial machinery in tribal areas, further increase their deprivation.

There is lack of clarity about their numbers. For example, the official National Tribal Policy draft talks of 700 state specific tribes. The Anthropological Survey in its report, The Scheduled Tribes, indicates that India has 636 tribes in all. The number of tribes on the government list is 461. Ranjit Sau (2006) argues that there are a large number of non-Scheduled Tribes, numbering as many as the Scheduled Tribes, 84 million. There is a need to get the numbers right before effective policy can be formulated.

The Constitution of India contains several provisions for ensuring a better quality of life for the Scheduled Tribes based on a policy of affirmative action. In addition, there are Articles exclusively devoted to safeguard the interests of the tribals (Art. 244, 244A, 275(1), 342, 338(A) and 339. The fifth and sixth schedules of the Constitution give government powers to make special legislation for their protection.

While general development effort is aimed to integrate the tribals with the mainstream economic development, forest policy and related legislation has critical significance for them.



The policy, legislation, and programme matrix covering tribals and forests is complex, as Table 5 shows.

Table 5: Policy, legislation, and programmes related to forests and tribals

Forest related	Tribal population related
<p>Policy</p> <p>Forest Policy of 1952 Forest Policy of 1988 Report of the National Forestry Commission due 2006</p>	<p>Policy</p> <p>National Tribal Policy of 2006 (draft) National Rehabilitation Policy of 2004 National Mineral Policy of 1993 and its proposed revision 2007</p>
<p>Legislation</p> <p>Indian Forest Act of 1878 Indian Forest Act of 1927 Indian Wildlife (Protection) Act of 1972 Forest Conservation Act of 1980 Biological Diversity Act of 2002</p>	<p>Legislation</p> <p>Articles 244, 244(A), 275(1), 342, 338(A) and 339 of the Indian Constitution Land Acquisition Act of 1894 Coal Bearing areas (Acquisition and Development) Act of 1957 Panchayats (Extension to Scheduled Areas) Act of 1996 Mineral Concession rules of state governments Legislation Nationalising the Trade in Forest Produce The Scheduled Tribes (Recognition of Forest Rights) Act of 2006</p>
<p>Programmes</p> <p>Joint Forest Management (JFM) circulars of 1990 and 2004 State adaptations of JFM</p>	<p>Programmes</p> <p>Tribal Sub Plan (TSP) of the Five Year Plans Access to NREGA and JFM Programmes State tribal development plans particularly where tribal population is significant</p>

Such a complex legislative effort over a long period in a federal set up, has inevitably resulted in a voluminous case law. Together, they are either a support or a burden (depending on the point of view) to poverty alleviation programmes of the tribal population.

The following aspects of policy seem significant:

- Recognising the uniqueness of the tribal situation;
- Resolving the conflict of law issues;
- Preventing land alienation;
- Coping with displacement;
- The Panchayats Extension to Scheduled Areas Act (PESA) and governance issues;
- Forest rights;
- Improving the JFM programme;
- Building development around core strengths.



Saxena (2005) has a very perceptive comment on tribal development policies. He says,

Tribals are at the bottom of social and political ladder in India. Development projects have not only bypassed them, but they have often harmed them by taking away their lands and other resources on which their livelihood was based. Unless the processes which result in their proletarianisation are identified and corrective action taken to prevent it, chances are that the new programmes will continue to ignore their interest as in the past...need to sensitise field officers who hold a negative stereotype about the tribals...inability to cope with their integration with the main stream economy, society, cultural and political system...found themselves at a profound disadvantage with respect to the influx of better equipped outsiders into tribal areas...devastating repercussionson loss of livelihoods, land alienation to hereditary bondage...the small clutch of bureaucratic programmes have done little to assist.

There is no unanimity in the approaches to tribal development. One school of thought would like to preserve their uniqueness and build development around it. There is another, which cautions against treating them as museum pieces and advocates a speedier integration with the mainstream. If the first is the viewpoint of the anthropologist, the second is that of the economist. The clash of viewpoints became evident in discussions on the Forest Rights Bill (Arnab Sen and Lallhriepui take the position of anthropologists and Ranjit Sau as an economist in the EPW December, 2006). The draft National Tribal Policy of 2006 produced by one of the ministries, which is critical of earlier government policy, takes a middle ground. It says,

The dilemma in preparing any policy for the Scheduled Tribes in India is how to strike a balance between the preservation of tribal identity and culture and values, protecting the tribes from being swamped by mainstream life-styles, while increasing and ensuring their access to mainstream education, health care and income generation so that the quality of their life is improves.

Significant alleviation of chronic poverty among tribals will not happen until the direction and speed of integration is agreed upon in consultation with them. This is the first priority.

It is estimated that about 50 million persons have been displaced since 1950 on account of various development projects, of which more than 40 percent are the tribals. Bewildered and pauperised by this, they are pushed into a vortex of increasing assetlessness, unemployment, debt bondage and hunger due to loss of access to traditional sources of livelihood – lands, forests, rivers and pastures. Development for the nation has meant displacement, pauperisation and at its very best peonage for the tribals as unskilled fringe workers.

Resettlement & Rehabilitation (R&R) efforts in India have a poor record and prolonged civil society agitation, like the Narmada Bachao Andolan, have only marginally helped. The current agitation against the West Bengal Government against land acquisitions in Singur and Nandigram are symptomatic of the depth of despair of the displaced.



The National Rehabilitation policy has been promulgated in February 2004, but is considered an unsatisfactory document on many counts including insensitivity to tribal concerns. The author of an earlier draft which seems to have had concurrence of the civil society institutions and the Committee of Secretaries of that time felt let down on many counts including no provision for livelihood support. Table 6 shows the differences.

Table 6: National resettlement and rehabilitation policy: comparison with what was proposed

	2004 Resettlement & Rehabilitation Policy	What was proposed earlier
Objectives	To provide better standard of living to PFAs	To ensure that displaced families have a standard of living superior to the one before their displacement and have a sustainable income above the poverty line Gains to the displaced should be of the same scale as to the project beneficiaries
Definitions of family	Includes spouse, minor sons, unmarried daughters, minor brothers and unmarried sisters, father, mother and other members residing with him and dependent on him for their livelihood	Every major adult member, her (his) spouse along with minor children below the age of 18 years. For a single adult without spouse or children, all benefits would become half. Adulthood to be determined by the date of displacement or date of payment of compensation, whichever is later.
Minimise Displacement	Administrator to identify non-displacing or least displacing alternatives in consultation with the requiring body, and hold consultations with the project affected families only for preparing a resettlement and rehabilitation plan	Project to form a high level committee with NGOs, PRIs and representatives of PAFs before section 4, full consultation with PFAs in options for the project and resettlement site selection so as to minimise displacement. Procedure laid down by the ministry of Rural Development for consultation for Scheduled Areas under PESA to be followed for all cases of acquisition in tribal areas
Land	Only if government land is available, and only to those who lose their entire land	Mandatory allotment of land for all in irrigation, hydroelectric projects, and for tribals in all projects. Land to be acquired from rich farmers in the command areas.
Housing site	Only for those who owned house	Housing site for all (at least 50 sq m per adult); whether they owned the house or not, constructed houses for BPL families.
Job opportunities	Commits itself to providing training only, silent on wage employment	Each PAP must be made literate and trained for semiskilled and skilled jobs. All unskilled new jobs and semiskilled direct employment created would go to the PAPs only. Even those private enterprises (such as ancillary industries and contractors) that benefit from the project would be charged in the same manner with responsibility for providing skills and jobs to such people. The displaced people should be resettled as near as possible to the development project sites so that they get multiple access and facilities as well as economic benefits generated out of development projects.
Links with land acquisition	No link	Make policy justiciable by linking with Land Acquisition Act Amend the Act suitably to make it people oriented and consensual. Include land for land principle.
Basic amenities	Government would decide what amenities are to be provided.. It is desirable that drinking water, electricity, schools and dispensaries are provided at the new site.	Twenty-six basic amenities were identified in the draft that had to be mandatorily provided at the new site. These include roads, safe drinking water, and plantation of inhabited areas, educational facilities, community hall, and basic irrigation facilities at project cost.

Source: Saxena (2005)



The National Tribal Policy draft of 2006 also felt that the above NPRR-2004 suffers from various shortcomings *vis-à-vis* the Scheduled Tribes including *inter-alia* absence of a mechanism for clearance of proposals which displace people, lack of an effective nodal agency to monitor the implementation of the R&R plan, multiplicity of agencies/authorities clearing projects adopting different modalities, multiplicity of rehabilitation policies, non-inclusion of corresponding amendments in the relevant legislation such as the land acquisition Act 1894, absence of compulsory consultation with Gram Sabhas in Scheduled area as provided in the PESA Act, absence of a legal ban on going ahead with land acquisition without clearance of R&R, under-valued cost of land, the non-existence of any provision for land for land, absence of any provision for the Scheduled Areas, no legal compulsion to ensure the rehabilitation and resettlement upfront before executing project among others. They have recommended a 19-point amendment.

From the chronic poverty alleviation point of view, an inadequate displacement policy will both add to the numbers of the chronically poor and keep those already poor in that state for a long time to come. The criticality is that the policy needs to become tribal population friendly.

Forestry is the second largest land use in India after agriculture. All the forest land is owned by the State. Half of the tribal population lives in forest fringe areas and they tend to have close economic and cultural links with the forests. Tribal friendly forest policy would make a lot a difference to their well being. Indian forest policy has a long history from the pre colonial to present time, and much legislation. The World Bank Report (2005) has a succinct presentation of the changes and the genesis of the Joint Forest Management Programme (JFM). It reads:

Before and immediately after independence in 1947, forest management in India focused on commercial plantations, with little regard for the development needs of forest communities. In the early 1980's, a strong shift towards conservation occurred, with the Forest Conservation Act. As a supporting strategy, West Bengal and a few other progressive states experimented with allocating a specific area of forest along with limited management responsibilities to communities in return for a share of forest revenues from timber and better access to non-timber forest products. The National Forest Policy of 1988 led to a policy circular in 1990 that formally adopted this model of JFM. It is now a principal element of forest management strategies in India. Since 1988, JFM operations have continued to evolve, with greater attention paid to rural livelihoods. The programme currently spans 27 states, represents 85,000 village committees, and covers more than 17.3 million hectares of forestland.

Much has been said about the JFM, some of it laudatory, some critical. At its simplest, it is an assignment given to forest fringe communities to do watch and ward duties of some areas by the landlord, the State. The quid pro quo is some wages are paid in cash, some deferred wage in kind as minor forest produce and profit sharing in the long-term from the sale of



timber grown in the guarded area. At its most ambitious, it is a public-private partnership and a part restoration of the usufruct rights of the tribal communities. There are many evaluations of the JFM but the major emphasis is on its effectiveness on increasing the forest cover, an understandable concern of the 'owner' of the resource. But the other concerns of the 'owner', like poverty alleviation, have been secondary.

It might be useful to compare the effectiveness of the NREG scheme and the JFM in terms of their ability to increase the incomes of the poor. Productive asset formation is a desired objective; in the JFM, it is improving an asset, which is already in existence. Both attempt to create an institutional framework for people's participation through the use of existing or new community organisations with varying degrees of success. The first one is a justiciable citizen's right and the other is a contractual arrangement between the landlord and his employee. The first one is an Act of the Parliament and the other is a regime of circulars with no legal rights to the participants. Both the administrative groups involved in the programmes, the revenue department and the forest department, are not known for their friendliness to the people. A formal appraisal of the JFM as a poverty alleviation programme, particularly in its ability to reach remote areas, will help in a comparative study. It is possible that some of those who have benefited through the JFM are also beneficiaries of NREG.

The JFM has been in operation for many years and the World Bank's evaluation of the project makes for interesting reading. They said,

Communities, including those with large tribal populations, often view as imposing external rules that ignore existing management institutions governing prudent uses of natural resources that incorporate local knowledge and cultural contexts. Many villagers view JFM formation as top-down, non-participatory process that can exacerbate existing social tensions between tribal and non-tribal people. Meaningful participation of communities in micro-planning process is often quite weak, with insufficient regard given to people's subsistence forest requirements and broader development needs.

Despite many positive reforms by some states in recent years and a number of highly committed staff in both state and national forest agencies, in its current form JFM is unlikely to lift poor people in most forest communities out of poverty. Accelerated reforms must place forest livelihoods within a broader mix of livelihood opportunities, particularly improving agricultural performance, building stronger partnerships, and improve budget and collaboration between state forest departments and other rural development agencies...these broad policy thrusts need to be supported by more efficient and flexible regulatory, monitoring, and control systems and a transformation of roles and responsibilities among key actors, in particular state forest departments and the communities (The World Bank, 2005).

The potential of a reformed JFM is attractive, 'for the area presently under JFM alone, a simple analysis shows that total forest income ... could rise from US\$222 million in 2004 to approximately US\$2 billion per annum in 2020...many communities could earn up to Rs1



million or more in cash income each year using existing technology and management options...'. It could be more (World Bank, 2005).

In the JFM the ownership, rights remain unchanged and the owner continues to be the State. There is another initiative, which grants limited ownership rights (2.5 hectares to tribal families which qualify. There are obligations that go with ownership, which is heritable but not saleable. The forest rights bill to tribals is a progressive legislation passed on December, 2006. The draft National Tribal Policy said, 'Due to faulty processes of declaring forests in the past, the rights of the tribals over their traditional land holdings in the forests have gradually been extinguished'.

The Forest Rights Bill did not have an easy passage. The first major change was on the definition of forest dwellers. The revised version has an inclusive definition of not only the tribal communities. However justified, it may pose problems in keeping out 'vested interests'. The differences have been around the impact these entitlements will have on conservation effort. A Joint Parliamentary Committee had to sort out the concerns of the conservationists and the controversy was temporarily set at rest and it has become law. It is too early to say how it will be implemented, but it will give the tribal households an advantage that most chronically poor do not have a minimum land ownership of 2.5 hectares of land as a legal entitlement even if it is not very productive. Chronic poverty alleviation among the tribals should build income generation programmes around this entitlement As of now we do not know how much of a difference this will make.

Paradoxically, while new legislation confers rights on the tribal population, a large number of them face eviction from the lands they thought they owned. The large-scale threat of eviction affects 1.5 million tribal families. It was so large that the Inspector General of Forests had to issue a letter in October 2003 assuring that no evictions will be done. It is a complicated legal and administrative tangle and it is hoped that judicial intervention and the new law will sort out this problem.

Tribal poverty alleviation issues will have to contend with the larger issues of governance in addition to programme inadequacies. The 1996 PESA Act is a progressive piece of legislation. It was meant to give tribal communities control to preserve and conserve their traditional rights over natural resources. The National Tribal policy draft has a significant comment to make about the implementation of the Act. It says,

PESA requires the state governments to change their existing laws, wherever they are inconsistent with the central legislation. In reality, however, in the decade since its passage, very little has happened. Many state governments have passed laws or amended the existing ones, but not fully in conformity with the Central law. The implementation of the law has been severely hampered by the reluctance of most state governments to make laws and rules that conform to the spirit of the law.



Saxena (2005) has given a detailed table on the functional devolution of powers on Panchayats under PESA, comparing the mandatory provisions and the present status. The real danger is that unless the legislative intentions are translated into action, it will remain a dead letter leaving the embattled tribal communities with yet another problem. It is a massive reconciliation exercise covering nine Acts as diverse as Land Acquisition Act and Money Lenders Act. Only one state government, M.P, seems to have done it satisfactorily.

Sometimes, well-meaning legislation, which seeks to limit the damage unscrupulous middlemen can inflict on the less powerful in marketing transactions, can also create the opposite effect. This is the case with the monopoly procurement rights given to the Forest Development Corporations in the trade in forest produce particularly, the NTFPs (Non-Timber Forest Produce). Poor management of these public enterprises have not helped to improve the returns to the tribals but have deteriorated the terms of trade. There are, however, exceptions like in the case of Gum Karaya trade in Andhra Pradesh where the efforts of a committed administrator made a difference for a while. But by and large, it is felt that the tribals will be better off without them. Public enterprise the world over is being replaced by privatisation supervised by state regulatory authority. This change in law and policy has the potential of increasing incomes of the tribals significantly.

One of the major hurdles that confront tribal economic development and poverty alleviation is the historical growth of the tangled skein of legislation, the contradictory case law that makes for unfettered administrative 'discretion'. While many attempts have been made to put some order into this, little rationalisation has taken place. Perhaps there is a case for a Commission of sorts, which navigates this contentious terrain. The example we have given in the paper of the National Rehabilitation Policy gives a measure of the problem.

Most economists who advise policy makers tend to look at the tribal problem as that of helping a deprived community to join the mainstream as soon as possible. Normally, this should have been an acceptable solution. In the case of the tribals, it becomes a simplistic set of solutions. Tribal policy, of which chronic poverty alleviation is a part of, has to recognise the uniqueness of the ground reality and build on core strengths. The core strength of the tribals is their relation with the forest since antiquity. It is said that pre-colonial forest management left the tribals very much alone in their habitat. The colonial concept of forests being the property of the Crown, which was borrowed from British practice and the dominance among early foresters of 'commercialists', upset the balance of power. The result has been a controversy as to whom the forests should primarily belong to, the tribals or the nation. This permeates much of forest and forest dweller policy dilemmas. The conservationist-forest rights differences we mentioned earlier are an example. The draft National Forest Policy by the Ministry of Tribal affairs is a candid document which does not hesitate to criticise the colleague ministries when the need arose. This is yet to be a national policy.



Chronic poverty alleviation efforts among the tribals need a sensitive setting of policy direction, dealing with conflict of laws, empowering them and getting maximum benefit from their connection with the forests. This is a different order of policy making effort.

6 National Policy for Older Persons

When we deal with the chronically poor among the older persons, we deal with a different scene altogether. Comparatively, they are small in number and do not have any advantage voice or vote bank promise. Having done their best in their younger years and having contributed to development in their time, they are totally dependent on others, their families or the state.

The population of senior citizens, aged sixty and above, in India has increased from 42.5 million in 1981 to 55 million in 1991 and is placed at 70.6 million in the 2001 census comprising of 6.9 percent of the population (one in fifteen). The numbers are likely to increase as is their relative size. By 2031, it is likely to be 179 million and cross 300 million by 2051. The numbers of the chronically poor among the elderly is proportionally larger than the general population. There are no confirmed figures, but it is likely to be nearly 50 percent. Thus, the chronically poor of this special group are likely to be currently 35 million. (The estimates of the population of senior citizens is from Irudaya Rajan (2004), who due to non-availability of age and sex distribution of the 2001 census, has used earlier census data and made assumptions regarding future fertility and mortality. The estimate of the poor among them is made using the National Sample Survey data (52nd round). Given their non-earning status within the families, it may not be inappropriate to categorise them as long-term poor.)

Traditionally, the Indian joint-family system assumed a responsibility of sorts for the elderly and the distress was perhaps less. The emergence of nuclear families and changing values has affected their status and prospects. The National Sample Survey of 1995-96 has reported the following:

- Five percent of the Indian elderly live alone;
- Another 10 percent live with their spouses only;
- Yet another five percent live with their relations and non-relations and not with their children;
- Six percent have no surviving children to look after them.

In 1999, the government announced the National Policy on Older Persons. It promised an array of state interventions from providing financial security to special focus on older women and protection against exploitation and abuse. It is difficult to take these grand promises seriously (Sujaya, 2000). The policy also refers to the legal rights of parents without any means to be supported by their children who have sufficient means. These are enshrined in



the Criminal Procedure Code and the Hindu Adoption and Maintenance Act of 1956. It is to be further strengthened if the Older Persons (Maintenance, Care and Protection) Bill of 2005 is passed. Given the cultural ethos, these are unlikely to be used by parents against their children to any large extent.

Given the other priorities of the government and limitation of funds, the policy statement can be seen as a statement of intent. The following table gives the present status of effort:

Table 7: Older persons: policy - legislation - programmes

Policy	Legislation	Programmes
National Policy on Older Persons of 1999	Articles 21 and 41 of the constitution Criminal Procedure Code Hindu Adoption and Maintenance Act of 1956 Older Persons (Maintenance, Care and Protection) Bill of 2005	National social Assistance Scheme (NSAS) of 1995 Of which the National Old age Pension Scheme (NOAPS) is a part Annapurna scheme for elderly destitute of 1999. State level pension schemes

Uttar Pradesh was the first to introduce an old age pension scheme for the elderly as early as 1957 and today all the states have similar schemes with entitlements ranging from Rs 75 to 300. Annapurna is a scheme for the elderly destitute who have no-one to take care of them. They are provided with 10 kilograms of rice or wheat per month free through the Public Distribution System (PDS). Rajan (2004) reports that one can safely conclude that a quarter of India's elderly already receive some social assistance from the state. If one assumes a 50 percent poverty ratio the balance is another quarter of the population. The problems are not only coverage but adequacy of support, correct targeting and providing a dignified life to those who have done their bit in their younger days. Part of the problem is also the lack of saving possibilities during their working years. Many of the vulnerable old continue to work long after their prime years. The implementation experience of the NREG programme also points to it. It is difficult to predict any major change in the scenario given the 'weakness' of the group and more pressing demands on state funds.

7 Micro Finance as a Chronic Poverty Alleviation Effort

Nobel laureate Muhammad Yunus said in 1994 that, 'If we can come up with a system which allows everybody access to credit while ensuring excellent repayment – I can give you a guarantee that poverty will not last long.' Micro-credit has spread beyond Bangladesh and is considered an effective means of poverty alleviation. There are many national and international evaluations of this 'face-to-face' banking which has made lending to the poor more secure than traditional industrial credit. There is both promise and hype. It would be useful to contextualise this initiative to set limits of its effectiveness for our purpose.

The Grameen model of micro finance is essentially a response to the nature of the commercial banking system in Bangladesh. On the other hand, the Indian efforts have been



built on the earlier social banking legislation (nationalisation of banks), which required commercial banks to give priority to lending to the poor. Their state-mandated efforts (most Indian commercial banks are state owned) ran into massive defaults because the borrowers, for their own reasons, did not distinguish between grants and loans from the government. Learning from earlier experience, Indian effort has attempted to involve public banking network for provision of micro-credit. There are three variants. First, where the bank acts as a self help group promoting institution; second, where the banks and the borrowers (self-help groups) are linked through facilitating agencies like NGOs or government agencies; third, where both the facilitating and intermediating roles are played by NGOs. All the variants have worked and have advantages and disadvantages. The third variant is likely to be the most popular judging from current experience.

Micro-credit has two functions in poverty alleviation: to provide production support and to bridge support for consumption. Production credit is still limited in the Indian micro-credit portfolio. It is for a large part, consumption credit, either as a tide over or a proponent ahead of earning, with the result that the employment creation is limited. An evaluation of international experience showed that while micro-credit programmes have generated a positive change in the incomes of the borrowers, it has been marginal and their performance in the generation of wage employment has been poor. Its small size also has limited impact (Chavan and Ramakumar, 2002).

Legislation affecting micro-credit is derivative of the banking regulation legislation of the Reserve Bank of India. The linkage with the mainstream banking sector also makes the dependence inevitable. Another stream of legislation deals with the organisational forms of micro-credit institutions. The new co-operative legislation, which is a part of the reform of the co-operative sector, has given a distinct identity to these institutions different from the society form adopted by the civil society institutions. The Moneylenders Act, which limits the rates of interest, is considered an obstacle in the operation of these institutions as some of them charge interest rates of up to 24 percent or more. While there have been efforts to streamline the law governing credit, there are still some areas of concern. Given a less intrusive administration, this has not particularly affected the growth or usefulness of these institutions for poverty alleviation. Even at its most effective, micro-credit is a fringe effort for alleviation of chronic poverty, being limited to providing a bridge facility.



8 Conclusion

This paper has covered a wide terrain and examined many aspects of policy formulation and implementation experience. Drawing together the various strands, the findings are as follows:

- Chronic Poverty is essentially a classificatory concept based on ones duration in a state of poverty. Its alleviation needs a more decomposed database linking the condition with ethnic groups, spatial concentrations, and special groups. As we do not have such a database, the analysis uses approximations which have led to valid comments about the use of surrogates. Once we have such a database, some of our findings will undergo some changes. We feel that the paper's significant findings are unlikely to be invalidated.
- Chronic poverty alleviation needs both a general approach (e.g. development programmes available to all poor) which covers the entire category and a focused programme which deals with specific groups. We seem to need both: the one without the other will be less effective. Indian efforts recognise this. But its focused programmes have been less successful, such as those aimed at Scheduled Castes or Scheduled Tribes. The lacunae could be both conceptual and operational.
- Programme formulation has not always been thought through. Very few of them have a justiciable rights regime. Being *ad hoc* they do not flow from a declared policy. The NREGA experience shows that a rights regime by itself is no solution. We need to have a rights regime followed by active awareness building.
- There is voluminous evaluation of programmes and ostensible efforts are made to set things right but shortcomings like improper targeting, administrative insensitivity and corruption continue to be features even in the new well thought out programmes like the NREG scheme, at least in some places.
- The policy making system, political leadership and the administrative authority by itself does not seem to include self correcting mechanisms to any large extent. This would need the mandatory introduction of institutions outside the chain of command as auditors and a voice of the beneficiaries. This would add to the learning loop of policy, making a seventh link.
- Civil society institutions, where they are active, can help. But their effectiveness depends on the societal ambience. Not all parts of India have effective civil society institutions. They are thin where they are needed most for chronic poverty alleviation, like in the Hindi heartland. Creating this necessary countervail has to be built into policy making effort. This may not always happen because those in power are least likely to be inclined to create alternate power nodes.
- The experience of the NREG seems to indicate that mere design excellence including provision of legal rights in legislation is no solution for ensuring the demanding of entitlements. Poor communities need hand holding which civil society institutions can provide.



- Post positivist policy analysis and evaluation recognise the need for participative policy making for poverty alleviation efforts where the beneficiaries do not have a voice. It is necessary to have an effective countervail.
- Poverty alleviation has tried four approaches: citizen's rights in employment guarantee; contractual commercial relations in joint forest management; co-creation of value with customers as in micro-credit; and welfare transfers in pension schemes for the elderly. The structural problems in all of them are similar, pointing out that there is need to rethink policy making philosophy. It is too important to the left of the chain of command of politicians and administrators.
- Indian federal structure and coalition politics of recent years seem to have affected the implementation of exiting laws. The implication of this fractured power needs upfront discussions in public administration.
- Very few policy initiatives have been total failures. Most have been successful in part. The concept of partial success, which is used in technology evaluation, is a useful method. For example, it is likely that if present trends are any indication the NREG will be successful as a mechanism to provide additional incomes to those who are not in the main job market like old men and women. It may not help to limit migration out of the rural areas.
- Poverty alleviation among tribal communities needs a comprehensive reformulation. It is now without a direction, is dogged by much conflict of laws and disconnect between forest conservation effort and income generation for the poor. They are not just another community of the poor but a unique group with a major national asset, the forests.
- Special groups like the elderly, disabled and children are not a priority for chronic poverty evaluation. The investments in this area are likely to produce more than proportionate benefits. Their vulnerability arises from two sources - being members of poor households and the intra-family discrimination which assigns them a dependent status.
- Indian micro-credit has its own distinctive structure and relations with the main stream banking system. It has potential to alleviate a general poverty condition and there are a number of policy impediments. These can be removed, however, this again is not centre court in development policy. Some Indian micro-credit institutions have devised products especially for those in long-term poverty. Their suitability is yet to be evaluated.
- If we can create alternate frames of policy making, which is possible and necessary, chronic poverty alleviation can be made more effective. It is not more of the same (old) thing.



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