Poverty and Development Policy

A Vaidyanathan

It is an honour to be invited to deliver the Rao Bahadur Kale Memorial lecture and I would like to express my sincere thanks to the Gokhale Institute of Politics and Economics and the Servants of India Society for giving me the privilege of delivering the lecture this year. Gokhale Institute was founded on the basis of the generous donation from Rao Bahadur Kale. This lecture series is a fitting way to honour his memory. Under Professor D. R. Gadgil's leadership the Institute grew into one of our finest research institutions. The range and depth of its scholarly output has gained widespread recognition in academia. I have been privileged to have long and close friendships with V. M. Dandekar, Nilakanth Rath and Vikas Chitre and others from the Institute.

Unfortunately I did not have the opportunity to know Professor Gadgil personally. But his scholarly work, his pioneering role in fostering the cooperative movement and his active involvement in public affairs have been a source of inspiration for me like many others of my generation. This year happens to be his birth centenary and I would like to take this opportunity to express my tribute to him for his rich and varied contributions as a scholar and a respected public figure. The subject of my lecture, namely "Poverty and Development Policy", is one in which Professor Gadgil was deeply concerned.

I Background

The idea that eradication of abject poverty must be a central concern of public policy has gained wide currency in current academic and public discourse on development. Time was when the focus used to be on the rate and pattern of growth, and on inequalities in distribution of income and wealth. Even as these continue to be important concerns, increasing attention is being given to the extent to which people in individual countries and the world at large are deprived of the minimum requirements for a long, healthy and fulfilling life.

The idea is not new. In India it dates well back into pre independence era - recall Naoroji's book "Poverty and Un British Rule" - and was prominent in the deliberations of the Congress party. The National Planning Committee report in fact spelt out in concrete terms the concept and content of minimum living standard. The 15th Indian Labour Conference which deliberated on the basis for fixing fair wages also spelt out the constituents of a living wage. A committee on economic policy (headed by Nehru) appointed by the AICC suggested that assurance of a national minimum standard in respect of "all the essentials of physical and social well being" to every family within a reasonable period of time" should be the practical goal of all schemes of development. The Constitutional provisions on the Directive Principles of State Policy specifically enjoined the government to ensure adequate livelihood and employment, health and nutrition, education and security to the citizens.

However it took a long time for government to define its developmental objectives and policies with reference to these principles. The first three five year plan documents saw


**Emeritus Professor, Madras Institute of Development Studies, Chennai 600 020.
sustained high rates of growth as the principal means to alleviate malnourishment, unemployment, illiteracy and other manifestations of poverty. There was much talk in political rhetoric and in policy pronouncements about reducing inequalities of income and wealth through land reforms, public ownership and control of key sectors, and progressive taxation. But with actual growth proving to be much slower than expected, and redistributive measures proving to be ineffective, the appalling conditions in which the bulk of the population continued to live and the necessity to address their problems seriously came into sharp relief. The late Ram Manohar Lohia dramatised it by calling attention of Parliament to the fact that more than half the population subsisted on less than six annas per head per day!

In 1962, an unofficial seminar, in which several leading economists, political figures and social activists participated, gave a fresh impetus to the idea that planning should aim at ensuring a minimum standard of living to every one within a reasonable period. They suggested that the national minimum should include a time-bound target of minimum income (Rs.20 per capita per month in rural areas and about Rs. 25 in urban areas); expenditure on education and health to be provided by the state according to the Constitution transfers and social welfare expenditure to ensure minimum for the poorest 20 per cent of the population who are not likely, for various reasons, to benefit automatically from growth.

Soon thereafter the implications of planning for this minimum living were worked out in a paper prepared by the Perspective Planning Division of the Planning Commission and further elaborated entitled "Notes on Perspectives of Development India's 1960-61 to 1975-76". (GOI, PC, 1964). The latter was considered but not formally approved by the Planning Commission. In the event, for a variety of reasons (including Nehru's death, the aftermath of military engagements with China and Pakistan, and the droughts) it was shelved. The Fourth Five Year Plan did not even mention minimum living standard or basic needs!

The late sixties witnessed a spurt of interest among economists in the study of poverty both at the conceptual and empirical levels. At the conceptual level, questions began to bee raised about the validity of using per capita GDP or per capita consumption as a satisfactory measure of well being. A strong case was made for a much broader concept of 'quality of life' which would include nutritional status, life expectancy and literacy. Attention was also focussed on the possibility - based on the example of Kerala in India and Sri Lanka - that the quality of life in the broader sense is not necessarily contingent on high level of income. The factors - largely social and political - which made this possible have attracted much attention and discussion (United Nations, 1975; Sen, 1981; Bhalia, 1988; Streeten and Burki, 1978).

The findings of the Mahalanobis Committee (GOL, PC, 1964, 1969) and Hazari's study (1967), as is well-known, found no reduction in inequalities in consumption, incomes or in concentration of economic power. A number of researchers took up empirical and theoretical studies focussed on absolute poverty and strategies to eradicate it. Dandekar and

1 It merits noting that (late) Pt. Hamar Pant, who was then personal assistant to Nehru on his capacity as Chairman of the Planning Commission, was the moving spirit behind the seminar on Planning for Minimum Living and, as head of PPD, the preparation of a perspective plan based on its recommendations.

2 Interestingly this was followed by a phrase "in the light of its other commitments" which in effect diluted the force of this commitment.

Rath's (1974) well-known monograph "Poverty in India" argued for defining the poverty line on the basis of the minimum income required for nutritional diet and other essentials, provided estimates of the number of people who fell below this line, and outlined a strategy (based on a massive public works programme) to give them the needed additional incomes to reach the minimum. Around the same time a number of others discussed estimates of inequalities in income distribution, incidence of and trends in poverty, conceptual and measurement problems involved, and strategies for tackling poverty.

This research highlighted significant differences in estimates of mean incomes and consumption, inequality indices and poverty incidence obtained from different sources. There was a major controversy over whether or not poverty incidence had declined during the 1960's. This stimulated serious investigation into theoretical aspects of concepts and measurements, the merits and weaknesses of different sources of relevant data, the inter-relation between growth, distribution of assets and income, employment and poverty; and different strategies for rapid reduction of poverty. All these themes continue to figure prominently in the ever growing literature on this subject both nationally and internationally. The discussions have of course become more detailed, technically more refined and wider in scope.

By the early seventies, development economists, both within the country and abroad as well as in international agencies, had veered round to the view that overall growth, while necessary, would not by itself be able to take care of the needs of the poor. The pace of growth is unlikely to be uniform across regions; all segments of the economy and sections of the population are not integrated into the wider economy; and large sections are not equipped (for a variety of reasons) to take advantage of the opportunities arising from growth. Therefore, programmes for "direct attack" on poverty came to be accepted as desirable even by agencies like the World Bank.

This perception did not long remain a matter of academic interest. In India, the set back to the economy during the late 60's, (slow growth, cut back in investment, inflation), heightened apprehensions of increased inequalities, growing unemployment and worsening of poverty. It happened to coincide with the struggle for political power in the (then dominant) Congress party. "Radical" measures, (like bank nationalisation and abolition of privy purses) ostensibly meant to contain the rich, were tried but they were limited in scope and did not mean much to the poor. In this conjuncture, Mrs. Gandhi sought to broaden her political base by adopting the "Garibi Hatao" slogan and launching a number of poverty alleviation schemes.

Apart from a Minimum Needs Programme, a number of other initiatives - notably special schemes for small and marginal farmers (later replaced by Integrated Rural Development, IRDP for short), rural employment schemes, midday meals for school children, and subsidised public distribution of food and other essential commodities - were launched. Some were new; others essentially were refurbished versions of older schemes. That they did not remain slogans, but were backed by substantial financial allocations made them politically credible. That it struck a positive chord among the people is evident from the resounding electoral success of Congress Party under Mrs.Gandhi's leadership.

For the first time, assurance of basic minimum needs found an explicit and prominent

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4 Much of the work of this period is published in Srinivasan and Bardhan (eds) 1974.
5 Notable subsequent collections include Baath and Srinivasan (ed.) 1988; Harris et al (eds.) 1992; Dreze and Sen, 1995; Krishnaswamy (ed.) 1990; Bhattacharyya et al 1990; and Rao (ed.).
place in the Fifth Plan. The concept included not only an assurance of purchasing power sufficient to procure a collection of basic items of consumption deemed to constitute "basic" or "minimum" collection, but also elementary education for all children up to 14 years of age; minimum public health facilities integrated with family planning and nutrition for children; protected water supply; amenities for land less labour and slum improvement in larger towns; and rural roads and rural electrification.

The idea of direct, targeted poverty alleviation programmes quickly took root and gained widespread acceptance across the entire political spectrum. Governments, at the Centre and in the States, have since vied with each other in increasing allocations and devising new schemes (or the same schemes under different names) under this rubric. Along with the number and variety of schemes, financial allocations have also increased progressively. Motivations were of course not as high minded as the slogans made out. They reflect cold political calculations. That the programmes provided opportunities for large scale, widespread and diffused patronage, as well as, opportunities for personal gain for political leaders and cadres obviously made them highly attractive to parties in power.

Having reviewed, briefly, the evolution and acceptance of minimum living standard among the objectives of policy in the agenda of political parties, as well as, governments, we now turn to a consideration of some important issues concerning concepts and measurement of poverty, as well as, the design and implementation of policies to tackle the problem.

II Conceptual Issues

In India, there is a broad consensus that the minimum should include (i) a nutritionally satisfactory diet, a reasonable standard of clothing, housing and other 'essentials' and (ii) access to a minimum level of education, health care, clean water supply and sanitary environment. Norms for specific elements under both categories have been specified. The income necessary for people to afford the elements constituting the first category defines the 'poverty line'. Ensuring the minimum standards for various social services and amenities are deemed to be the responsibility of the State. These concepts, as well as, the specific content of the minimum standard have gained wide currency in public discourse on development policy. Minimum living standards and poverty are, however, deceptively simple notions. Complex and contentious issues are involved in deciding the basis on which the minimum bundle is to be determined and valued; whether the status of individuals or households is to be judged in relation to affordability of the bundle as a whole or on the basis of actual consumption/use relative to the norms for individual items; whether the bundle should be uniform or allowances be made for differences in need and circumstances across space and between classes.

Of the various ingredients entering minimum income consumption, food has received the most attention. The emphasis on food is obviously justified. The fact that nutrition experts have worked out the level of nutrients (calories, proteins, fat, etc.) necessary for healthy, active functioning of human beings would appear to give an objective basis for determining minimum norms. The normal practice has been to work out the per capita norm for a reference population of specified composition (in terms of age, sex, body size and activity) in rural and urban areas. The appropriateness of a uniform per capita calorie norm has been questioned on the grounds that the relevant characteristics of the population (age

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6 For a review of the evolution of these programmes and their problems see Vaidyanathan, 1994.
and sex composition, body mass and activity) vary across and even within regions and there are biological mechanisms which enable individuals to adapt to lower intakes, over a sizeable range, without any adverse effects on health or activity. Nevertheless, there is a strong case for such a uniform norm and it rests basically on four grounds:

1. The purpose of the norm is to help define a standard of consumption which is socially accepted as the minimum desirable. This standard covers not only food but also other items. A uniform standard provides a common yardstick for comparisons across regions and of directions and relative rates of its change over time. It is also essential for meaningful discussion of the public policy for poverty alleviation and their effectiveness in different regions. This consideration acquires added force when poverty incidence (or the numbers of poor) is used - as it has come to be used - as an important criterion in deciding the sharing of central tax revenues, Central Government assistance for state plans and also of allocation for poverty alleviation between and (increasingly) within the states. (3) A standard for different regions. This consideration acquires added meaningfulness of the public policy for poverty alleviation and their effectiveness in different regions. (4) The levels and composition of non food items included in the minimum are taken to be whatever happens to go along with the fulfillment of the calorie norm at the national level. Together they also used to determine the value of per capita consumption expenditure which defines the national poverty line for rural and urban areas. This procedure for determining the nonfood components of the minimum is obviously quite arbitrary. Hardly any thought has gone into working out norms for clothing, housing and other elements under this category. The necessity to consider explicitly and systematically the basis for determining levels and components of non-food consumption to be included in the minimum and the need to review and revise the specification of the minimum bundle at periodic intervals hardly needs emphasis.

While there are good reasons for adopting a standard commodity basket comprising the national minimum, there are no good reasons to ignore differences in level and structure of prices between states (and also between rural and urban area), as well as, their behaviour over time. On the contrary there is a strong case for taking these into account as much as the income necessary to afford the minimum consumption bundle is a function of price level and structure. There may also be a case for taking regional difference into account in fixing norms for social amenities. Following the recommendations of the Lakdawala Committee (GOI, PC 1993), the earlier practice of using a single national level poverty line and deflator (to adjust for price changes) for state level estimates has been given up. Instead state level poverty lines, adjusting for differences in base year price levels and deflated on the basis of state-specific price indices, are used.

Ensuring that households have sufficient incomes to acquire the minimum consumption

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8 For a detailed and critical discussion of this procedure see Rudra 1974, 1978, and Dandekar 1995.
standard and that norms for publicly provided schools health care and water supply and connectivity are met, does not automatically ensure that people actually obtain and consume the bundle of goods and services or use the amenities as envisaged in the standard. Actual consumption patterns depend on individuals' decisions which are influenced by numerous personal, familial, environmental and cultural factors. If they choose not to acquire the normative minimum bundle the state can do little about it. Furthermore, consumption data, which usually are obtained for the households do not tell us much about what individual members get and whether it meets the minimum standard for them. The extent to which the poor and the underprivileged actually use and benefit from social services and amenities to be provided by the state also depends to a considerable degree on the decision of individual households which in turn is influenced by the economic circumstances and socio-cultural attitudes, as well as, by the quality and cost of services provided by these public facilities. Because of these factors, the actual position of households, including poor households, may differ substantially from the potential for achieving to minimum living standard even where growth and state policies enable them to do so. Such deficiencies cannot be attributed to failure of government policy except in so far as they are the result of deficiencies in design and implementation of government programmes.

At a more fundamental level, minimum incomes and minimum standards of social amenities are not all desired solely or even mainly for their own sakes but for what they do to peoples' well-being. Amartya Sen, who has done so much to clarifying the complex issues involved in the assessment of well being and suggesting ways to deal with them in a practical way, has strong and persuasive arguments to show that well-being of persons cannot be judged only on the basis of their incomes or access to education and other amenities or of the volume and composition of goods (and services) they have. While these are indeed important, goods and services are not sought for their own make but as means to achieve desired states of what he calls "being and doing" (such as, leading a well nourished, healthy and long life, being well-clothed, mobile, able to take informed part in community life etc). The particular combination of functionings which individuals choose depends on the resources (income) available to them, the different combinations of goods from which they can choose and the kinds of functioning they make possible. Together they define the domain of choice effectively available to individuals which Sen calls "capabilities".

The choice within this domain reflects the valuation which individuals place on different kinds of functioning which in turn depends on their personal and social characteristics. Choices are constrained not just by resources at their command, as well as, by social conditioning. The availability and quality of education, healthcare, sanitation, transport/communication networks and other facilities - which are not determined solely by individuals but depend to an important degree, on the efforts of society and community, governments and non-government organizations - have a direct bearing on peoples' well-being, the choices open to them, as well as, their perception of the choices. One must also bear in mind that people often have a tendency to restrain their aspirations within limits of what they consider realistically feasible.

The assessment of well being in a society needs to take into account not only individuals' choices but also assess different social states. The problems involved in doing this are at the heart of the continuing debate among economists and social philosophers. This

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* The ensuing summary of Sen's arguments is based on Sen, 1985.
debate has highlighted the limitations of the market as the arbiter of social states and the difficulties in arriving at a generally acceptable consensus on desirable social states based on a consistent and complete evaluation of available alternatives.

A satisfactory general solution to this problem remains elusive. However, this is much less of a problem in the context of poor countries where large sections do not have adequate and nutritious food, are prone to disease and relatively low life expectancy and are not equipped to access the knowledge and skills needed to function in a complex economy, take advantage of economic opportunities and participate in community life. Under these conditions, it is not surprising that assurance of adequate food (in quantity and quality), basic education and healthcare facilities and connectivity with the outside world figure prominently in the concept of 'minimum living standard' in India and other similarly placed countries. Though, as noted earlier, concretising this and relating it to well-being is a difficult task.

Moreover, if our concern is 'well-being', conventional indicators such as the proportion of population below the poverty line, mean calorie intake, mortality rates, literacy and school enrolment are inadequate basis to assess progress towards poverty eradication. Important as these are, one needs to supplement them with assessments of nutritional and health status, duration of education as well as quality aspects, and gender and group disparities. This calls for considerably wider and more detailed information through surveys to ascertain people's perceptions of their state, as well as, direct, non-market observations of access to basic goods and functionings at the individual level. There is also a good case to broaden the scope of 'well-being' to cover such aspects as freedom, fresh air, absence of crime, child and women abuse, social peace.

Broadening the notion of well-being and the indicators used to evaluate it has gained currency thanks to the United Nations' Human Development Reports put out by the UNDP. Even those, like the World Bank, who have reservations about preoccupations with poverty and minimum standard of living as the main focus of policy, now include them in their list of development indicators. Increasingly researchers outside government are also broadening the scope of their investigations. However devising objective and measurable indicators for this purpose is daunting and fraught with great difficulties.10

III Measurement Issues

Conceptual problems are compounded by problems of empirical Measurement. The Indian statistical system generates an extraordinarily vast and rich amount of data on different aspects of economy and society. The most important and richest source for assessment of poverty and levels of living is the National Sample Survey (NSS). The NSS, which has been in existence for nearly 50 years, has conducted large scale sample surveys on a variety of subjects relevant for this purpose (ownership of land and other productive assets, household consumption, employment, educational levels, school enrolment, morbidity, health care, access to and the benefit from various programmes meant for the poor and the underprivileged, disability, housing, water supply sources and sanitation). Several of these surveys, particularly those relating to employment and consumption, have been repeated periodically. Published reports provide estimates of mean value of key characteristics and

10 The theoretical and measurement problems involved are discussed in the Development Reports and their background papers published by the UNDP.
their distributions, as well as, their composition for rural and urban areas of the country as a whole and in most cases at the state level. Until recently, these were the principal basis for estimation and analysis outside the government. The recent policy decision to make primary household level data available for researchers makes possible vastly more intensive and detailed analyses.

Large scale sample surveys of household incomes and consumption, education and health have also been done by the National Council of Applied Economics Research (NCAER)\(^1\), though at a lower frequency. The National Nutrition Monitoring Board (NNMB) has been conducting for over 20 years detailed surveys of actual food intake and nutritional status of individuals on a small sample basis in several states\(^2\). The National Family Health Survey (NFHS) provides detailed information especially on children and women\(^3\). The ICRISAT survey of 26 villages in semi-arid tropical regions of the country, and a common set of households for a period of 12 years provides a rare and rich body of panel data on practically every aspect of rural economy\(^4\). In addition, there are a large number of micro studies assessing the impact of government's poverty alleviation programmes and exploring particular aspects of nutrition, health education and social amenities.

Published reports on NCAER surveys are generally less detailed and give less information on design, concepts and comparability compared to NSS. Far more detailed information and analyses based on them is available for the ICRISAT survey and the NFHS. The primary data from both of them are also freely accessible to researchers. The ICRISAT survey data in particular have been extensively used - in a degree of detail and depth not feasible with published NSS (and more so NCAER) reports - the characteristics of the poor, adaptations to fluctuations and shocks, transient and permanent poverty, participation and impact in employment schemes and other related issues. Of late the NSS has greatly liberalised access to its primary data which can now be purchased at nominal cost on cd-roms and diskettes. NCAER is also giving researchers access to its primary data.

On the whole, the use of these data have, until recently, tended to focus heavily, if not exclusively, on definition of the poverty line and estimating poverty incidence and its trends. Factors underlying regional and temporal variations in these respects and policy interventions have also been explored but not to the extent one would expect. Other aspects such as gender discrimination, educational participation and attainment, health and nutrition are beginning to greater attention among scholars but do not figure at all in official assessments of the poverty situation.

The methodology of poverty estimates has long been the subject of debate. The first time this came into prominence was in the context of sharply divergent estimates of trends in poverty incidence during the 1960's: one estimate pointing to a significant rising trend in the

\(^1\) Noteworthy among these being the All India Household surveys of income, savings and consumption conducted in 1967-8 and 1975-6; panel surveys of sample rural households in 1970-71 and 1981-2; Market Information Surveys of Households (done more or less regularly since 1985); a survey of social indicators (1998); and a household survey to assess macro impact of macro adjustment policies.

\(^2\) Reports of NNMB's annual nutrition surveys, which are being conducted more or less regularly since the mid seventies, are published by the National Institute of Nutrition, Hyderabad. Unfortunately these reports, not to speak of the primary data, are not easily accessible.

\(^3\) International Institute of Population Studies, 1995.

\(^4\) A description of the scope, aims and methodology of the surveys is available in Walker and Ryan, 1990.
head count ratio and another to a falling trend. It was apparent that much of this different was traceable to the different estimates of mean consumption used by them: one relying on the NSS and the other National Accounts estimate. Systematic differences between the two sources in the estimated consumption expenditure, both overall and for major commodity groups, as well as, their time profiles was brought out in the course of that debate.

This led to a critical scrutiny of the assumptions and procedures underlying NSS and official estimates of consumption per head (Kansal 1965, Srinivasan et al. 1974; Vaidyanathan 1986; and Minhas 1988). Significant differences in scope, coverage, data sources and basis of evaluation were identified. Minhas and Kansal (1989) attempted a systematic assessment of the effect of these differences and more importantly the relative merits of estimates for various specific items from these two sources verifying them in some cases with other independent data sources. They also offered several important suggestions to reconcile the differences and for ensuring greater comparability in future. Useful as these are, problems remain.

For one thing the differences in scope methodology and basic data sources are too large to permit reconciliation or even reasonable degree of comparability. To the extent this is possible, it can be done at best for aggregate private consumption for the country as a whole; nothing can be done about rural-urban or state level estimates. Assessing the relative merits of the two time series in capturing changes over time is problematic; the scope, concept and assumptions underlying NAS and NSS have both changed over time; and both are prone to errors of observation and estimation of unknown magnitudes.

There have been significant changes in the scope, design and procedure of NSS consumption surveys. The fifties were a period of experimentation about sampling, questionnaire design, reference periods and the relative merits of single versus multi purpose surveys, which continued into the sixties when consumption data were for a while compiled through integrated household surveys. There is much greater comparability after the early 70's when NSS switched to quinquennial consumption-cum-employment surveys. But as we shall see presently, some changes in sampling design and reference periods have raised doubts about comparability of more recent data.

Changes have also been made in the NAS estimates. The changes were no doubt implemented after discussion with experts with a view to ensure firmer empirical base and minimising arbitrary assumptions. While the general consensus is that these have led to significant improvements, serious gaps and weaknesses in basic data remain: the system for obtaining output data for agriculture and even organised industry has visibly deteriorated. State level estimates suffer from even more serious deficiencies in basic data. The basis for back-casting the series for earlier periods at every revision, though transparent, can hardly be called robust. The arbitrary manner in which estimates for agriculture have been revised recently hardly helps to increase confidence. In view of the above, the revised NAS series can not be accepted without question and there is certainly no basis to assume that they are

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15 One could compare SDP per capita estimates and per capita weighted mean consumption from NSS at the all India level. But output originating is not a good proxy for incomes accruing to the population in a state, which is more relevant for determining consumption. In the case of rural areas SDP in agriculture may not be a good indicator of total output originating (let alone income accruing) in rural areas. At the all India level, there seems to be a significant positive correlation between official estimates of agricultural GDP per head of rural population and NSS estimates of per capita real consumption (both at constant prices) in the post-1973 period. But at the state level in many cases agricultural GDP per rural population is not strongly correlated with per capita real consumption.
better than the NSS.

During the 70's the Planning Commission - which puts out the official estimate of poverty - reviewed and revised the 'poverty line essentially by refixing the calorie norms, but did not address the problem of discrepancy between NAS and NSS estimates. Instead it used NAS estimates of Consumption expenditure, and NSS estimate of the distribution of population by level of consumption to estimate poverty incidence. That the NAS does not provide separate estimates of consumption for rural and urban areas at the national level or estimate of even total consumption expenditure of the state level, did not deter them from providing disaggregated estimate of poverty. The highly arbitrary and questionable assumptions underlying this procedure were highlighted by the Lakdawala Committee (GOI, PC, 1993).

This committee examined the possibilities of cross validation of NAS and NSS estimates. They noted that even if one could find a satisfactory procedure for reconciling the differences in estimates of aggregate consumption and making appropriate adjustments to in the estimate of size distribution, problems arising from "... differences in coverage, time period classification schemes and implicit prices..." will remain. Adjusting NAS to get state level estimates and estimates for rural and urban areas would involve far too many arbitrary assumptions. They noted that the NSS gives state wise estimates of size distribution and commodity composition of consumption for rural and urban areas separately derived from surveys which are carefully organised, use uniform concepts and procedures across the country and sampling is rigorous. While NSS data are not free from errors and sustained efforts to improve their quality is essential, it remains the best available source for assessing poverty incidence and characteristics of the poor across space and time. They, therefore, suggested that "if estimates of incidence are to be made with minimum recourse to adjustments based on arbitrary assumptions, the best course would be to base them entirely on the NSS". The Planning Commission has since accepted these recommendations and official estimates of poverty are based entirely on the NSS.

During the 1970's and 1980's the NAS and NSS showed similar, though not identical, time profiles of change in mean consumption at the national level. Using NSS estimates of inequality, both showed a declining trend in the head count ratio. However, the NSS, whose estimate of mean consumption was lower and its rise considerably slower than the NAS, showed poverty incidence to be higher and declining much more slowly than the official estimate. But since both showed a decline, the relative reliability of the two sources did not figure prominently in the debate.

But after 1987-88 the NSS began providing annual estimates of mean consumption as well. This shows no significant trend in either inequality or mean per capita consumption in rural areas, and therefore in the incidence of poverty. In urban areas according to NSS poverty has declined largely because of an increase in per capita real consumption. Overall poverty incidence in the country has not changed significantly. That this happened during the decade of major changes in economic policy and despite the relatively high rate of overall growth indicated by NAS is cited by critics of the reforms as evidence of its anti-poor character. The reliability of NSS data in capturing changes in consumption levels and

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16 For details of these revisions see GOI PC (1993), Ch.3.
17 According to official estimates poverty incidence fell progressively from 51.5 per cent in 1972-73 to 29.9 per cent in 1993-94; while the NSS based estimate showed a decline for 54.9 per cent in 1972-73 to 39.3 per cent in 1993-94. (GOI, PC, 1993).
distribution has therefore, again become an issue.

While the NAS estimate of consumption no longer enters poverty estimation, the striking difference between the time profile of consumption growth during the 1990's obtained from it and that of the NAS deserves notice. This comparison, which is possible only at the national level, shows that while according to NAS, per capita real consumption expenditure increased progressively at an average annual rate of over 2 per cent during the 1990's, the NSS showed an erratic trend and a much smaller rise\(^{18}\). However, using the same deflation procedures, the movement of the two series based on the quinquennial data from 1973-74 to 1993-94 turn out to be more or less similar. Therefore the divergence between two in the 1990's seems unlikely to be due to deflation procedure. We have to look for other explanations, in terms of changing designs, procedures and biases in the NSS itself.

One aspect of the post 1988 NSS series which has attracted notice is that, except for 1993-94, they are based on so called thin samples. In the quinquennial surveys, whose primary focus is consumption and employment, the sample size is large enough to provide state level estimates at an acceptable margin of sampling error. In other years consumption and employment data are canvassed on a much smaller sample, and subsidiary to the main theme which varies each year. Sampling and survey design being the same, the smaller size of the sample in the annual surveys by itself should not make any difference to the reliability or comparability of their national estimates, with those of large samples. The fact that the primary focus of annual surveys is on other subjects could, however, affect the quality of consumption data obtained through them. Being secondary themes the investigators and their supervisors may not give as close an attention to this part of the survey as for the primary theme.

While this may increase the scope for non sampling errors, there is no basis to suppose that they would affect the nature or extent of such bias NSS data may be generally prone to. There is a widespread belief that richer households tend to be less co-operative and tend to underestimate their consumption more than the poor. But we do not have information to test the validity of this supposition and how large its magnitude is. Unfortunately, despite repeated suggestions NSS does not provide information on the relative incidence of non response or the characteristics of non responding households, nor the investigator's impressions about the co-operativeness of the respondents and their willingness to provide information. Unless the under reporting bias of richer households in the thin sample rounds is higher for either of these reasons, and has increased over time, there is no reason to question comparability of the series on this ground.

It is also arguable that the underestimates of consumption by the rich does not affect the poverty estimates so long as the not-so-well-to-do people report their consumption correctly. The rich may have an incentive to under state much more than the poor. While this is true, it needs noting that if NAS estimate is correct, and the poor accurately (or at least far more accurately than the better off) report their consumption to NSS, the degree of under estimation by the rich, and, therefore inequalities, must have increased. But this is pure conjecture\(^{19}\).

\(^{18}\) A point-to-point comparison shows that the mean per capita consumption (in real terms) during the trimestium ending 1997 was about 14 per cent higher than during 1989-91 according to NAS and only 3 per cent higher according to NSS.

\(^{19}\) If the conjecture is valid, the criterion that the reformers have accentuated inequalities would stand vindicated.
Changes in sampling, reference periods, questionnaire design, and interview procedures can however make a difference. A significant change in sampling design allowing for stratification of households according to broad income class, and a higher sampling fraction of richer households, did take place in the 1980's. But this should not affect the comparability of the series from the late 80's through 1998 unless -let me repeat - the degree of non-response or non-cooperation of the better-off can be shown to have increased.

Another source of non-comparability is changes in reference period. That the length of the reference period affects the respondents' estimate is well-known. After some initial experimentation, the NSS decided on a uniform 30 day reference period for all items of consumption and kept to this practice for nearly 30 years. In the eighties this aspect was again reviewed. The effect of changing reference period from 30 days to one year on the responses to consumption of clothing and durables was tested by canvassing two independent sets of sample households. The differences were expectedly substantial. Subsequently, from 1991, this experiment was extended to all commodities getting information from two independent subs samples one on the basis of a 30 day reference period for all commodities and another using different reference periods for different commodity groups. This was expected to assess the direction and magnitude of difference in reported consumption with different reference periods. Reference periods did indeed make a difference, more in some commodity groups and less in others. The difference in reported consumption of food, drink and tobacco based on a 30 day reference and seven day reference period turned out to be quite large, the latter being much higher. In the case of clothing and durables, the figure reported with 30 day reference period was lower, and substantially lower in the case of durables, than for the 365 day reference period. Such exercises are essential to provide a basis, after systematic analysis and, if need be, further experimentation with different sets of reference periods, to improve the survey design. So long as this is done on independent sub-samples we get a comparable series using the prevailing practice and the difference changes make to the magnitude. When the prevailing practice is changed we also have a clear basis to link the earlier and the new series without losing comparability.

While these precautions were taken care of up to 1998\textsuperscript{20}, the large sample survey of 1999-2000 made a significant departure by canvassing information on consumption using two different reference periods, on all sample households. This, it has been rightly pointed out, vitiates the estimates obtained from the latest survey and makes it difficult to compare them with those of earlier surveys including the 1993-94 surveys. Those, like me, who believed that a comparison of the 1999-2000 results with those of 1993-94 ratio provide a better basis to assess the impact of reforms on consumption levels, inequality and poverty at the national and state levels are understandably dismayed!

As already mentioned large scale surveys of household income, consumption and several other aspects have also been done by NCAER. Estimates of mean consumption, inequalities and poverty incidence reported on the basis of these surveys differ significantly from the ones widely in use: For instance 1968-69 survey (Bhatt, 1974) found per capita consumption close to the official estimates, but there were large differences compared to NSS rankings of states by levels of consumption expenditure and inequalities. Based on panel survey of rural households at two different time points (1970-71 and 1980-82), NCAER concluded that incomes have grown considerably across all classes; (and more so at

\textsuperscript{20} These points are discussed at length by Abhijit Sen (2000) and Visaria (2000) and in an as yet unpublished note by Deaton.
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the lower end) and that poverty had declined substantially more than shown by NSS (NCAER 1987). There are obvious and large differences in scope, aims design and methods between NSS and NCAER surveys (See Bhaty 1974) and between NCAER surveys at different points of time (Bhalla, 1988, Pradhan et al. 2000). These differences have not attracted the degree of critical scrutiny which one would have expected.

That different sources, using different methods, give quite different estimate is confusing. Much greater attention must be given to assessing the purposes, concepts and methods underlying different data sets, their reliability and suitability for generating reasonably and comparable estimates of mean consumption and inequality. The scope for confusion could be reduced if these details were available for critical scrutiny by scholars and informed analysis of the reasons for differences in the estimates. Better still if different survey organisations get together and agreed on minimum degree of comparability in scope and concepts in the conduct of such surveys.

With the best of efforts, however, these issues cannot be fully resolved. The fact is that here is nothing like perfectly accurate and reliable data. The challenge is to make ingenious use of imperfect, incomplete information subject to sizeable, and often unknown, margins of error, and to squeeze such insights as we can legitimately extract from them. Plurality of data sets is useful as cross checks. If independent sources reveal the same or similar patterns we can be more confident of the patterns they indicate. But it is necessary to recognize and allow for defects and non-comparability and to maintain pressures to ensure the integrity and transparency of the statistical system.

An equally important lesson to be drawn is not to be preoccupied exclusively, or even primarily, on poverty incidence as the sole index of well-being. It is necessary to broaden our inquiries to cover other aspects which affect and reflect well being; and to pay much more attention to the characteristics of those at the bottom of the socio economic pyramid, how their conditions are changing and how effective public interventions are in improving their conditions and opportunities.

It is for these reasons that the Lakdawala Committee recommended that, apart from estimates of the proportion and number of poor, a fuller picture of the living conditions and well-being of the poor must cover the following aspects:

(i) The composition of the poor population in terms of dominant characteristics, i.e., there distribution by region, social group, family characteristics (e.g., size, education, age, sex of household head, dependency ratio) and the way this is changing over time. Much of this can be done by appropriate tabulation of NSS employment and consumption survey data; (ii) Nutritional status of the population; levels of intake of principal nutrients, incidence of malnourishment, anthropometric measurements and activity patterns by age, sex and socio-economic categories. This can be done by the National Institute of Nutrition; (iii) Health status: mortality (overall, infant and child, maternal); morbidity; access to and use of health services (public and private) and costs. The quinquennial surveys of public consumption as well as mortality indicators based on the Sample Registration System and the

\[\text{The aims, scope and design of these surveys vary. Some were focussed primarily on household incomes, other or market for branded manufactures and yet others on social indicators. This and the fact that, in some cases, two different surveys give very different estimates raises serious questions as to their comparability and reliability especially for assessing changes in inequality and poverty incidence. Even in the case of the panel survey of 1970-71 and 1981-82, more than one fourth of the 1970-71 sample could not be traced in 1971-72; and not all the panel responded. The characteristics of the missing households is not indicated.}\]
morbidity surveys of NSS need to be put on a systematic and continuing basis; (iv) Educational status: school enrolment by region, sex and age group and by economic social class; reach and quality of public education services and costs. Here again information from the NSS social consumption enquiries and the all-India Education Surveys suitably restructured would provide the basic data and (v) Living Environment: distribution by density of settlement: living space per head; type of houses; access to safe drinking water and sanitation; access to amenities (post office, telephones, railway, pucca road, markets, etc).

The committee further suggested the preparation of a "State of Poverty" report every five years covering the above aspects and highlighting the condition of the poorest 30 per cent of the country's population. Unfortunately there area as yet no signs of these suggestions being implemented by the Planning Commission.

IV Correlates and Determinants

Having discussed the problem of data and measurement at length and cautioned about assessments of changes in overall poverty incidence, I would like now to turn to what we have learnt from the available data, and from studies based on them, about incidence of poverty, its characteristics and determinants.

It is indisputably clear that a large proportion of the country's population cannot afford the bundle of good and services including food, education, health which constitute the currently accepted norms of minimum living standard. The deficiencies both in absolute and relative terms are considerably larger in rural India than in urban areas. It is also evident that in rural India asset-poor households, those dependent mainly on wage labour, and those with relatively large families and a high proportion of children relative to adults figure far more prominently among the poor than those with land (especially those with relatively large holdings), self employed in non-agricultural activities and those with better education. Scheduled castes/Tribes households, being disadvantaged on all these counts, have a considerably higher incidence of poverty than other groups (Visaria,1978,1979; Lipton,1981).

Poverty incidence shows large variations across states. In 1993-94, rural poverty incidence varied from about 12 per cent in the Punjab to 58 per cent in Bihar. Broadly speaking the proportion of rural population living below the poverty line is higher than the national average in east and central India and well below the average in the southern states. About two fifths of the country's rural poor are concentrated in Bihar, Orissa, MP and West Bengal. The NSS data also show the rate of poverty reduction in these states to be much slower than in others. This implies an increase in the geographical concentration of poverty.

Overall poverty incidence in rural areas seem to be largely a reflection of differences in mean per capita incomes across states and less to inequalities within states (Bhattacharya, et.al. 1988). More detailed analysis using household level data from an NCAER survey (Gaiha, 1988) suggests that the likelihood of a household being poor is influenced by the social and economic infrastructure of the village they live in, some characteristics of agricultural technology and the demographic and other feature of the household. The effect of agricultural technology being the largest followed by household characteristics. Both are seen to have a more marked influence on poverty incidence among cultivator households than other categories. The relative importance of factors varies between different groups.

Tendulkar and Sundaram (1988) constructed and estimated a model to assess the impact of demographic pressure on land (the principal productive resource of rural areas), the
value of productive assets per head, and the inequality in their distribution, the productivity of land, wage labour incidence, employment and the interactions among them in accounting for variations in rural poverty. Estimates of the reduced from of the model showed that poverty incidence tends to be lower (to a statistically significant extent) in regions with relatively low demographic pressure (low land man ratio), higher productive assets per head and more equal distribution of these assets. Other things being the same, the higher productivity per unit of land goes with lower poverty incidence. This line of approach to understanding determinant of rural poverty, with refinements to take into account price differentials, the determinants of land productivity, diversification of employment and such other elements seems promising. But not much further work on these lines has been done since.

Attempts to explain trends in rural poverty incidence in terms of trends in agricultural production and prices have given some useful insights. The factors underlying them have also been extensively examined but for reasons already cited the conclusions are much less robust. An early attempt along these lines (Ahluwalia, 1978) found that at the all India level there was a significant negative relation between the value added by agriculture per head of rural population and rural poverty ratio; and that there was also a significant element of secular decline over time on account of other (unspecified) factors. Subsequently Ahluwalia (1986) showed that the price index for the poor relative to the average for the population also has a significant bearing on rural poverty trend: the higher this index, the higher the poverty. But in this case there is no time trend independent of production and prices. At the state level the inverse relation between agricultural production and poverty was found to hold in several but not all states.

The rationale for inclusion of price and its specification has evoked a lively debate. (see Mellor and Desai ed. 1986). The argument for taking the overall inflation rate as an explanatory variable is not clear. Presumably it would impact on poor via the wage rate. But this depends on the extent and rapidity with which rural wage rates adjust to changes in the general price level. Very little is however known about this. Moreover, as many have pointed out, changes in consumer price index for the poor relative to that of the better off may be more relevant than the general rate of inflation. A better specification (and one used in several recent studies) would be the relative price of food to non food items in as much as food dominates the poor's consumption and accounts for a much higher proportion of expenditure than the better off.

Till recently the debate on rural poverty focussed mainly on agriculture and has been marked by an underlying concern that emerging patterns of technology and production tend to increase inequalities and that therefore agricultural growth may not automatically reduce poverty. The HYV-fertiliser-irrigation centred strategy was, and to some degree still is, widely believed to be biased against small and marginal farmers and the growing class of wage labourers. Relatively small farms can not afford the resources needed to make effective use of the new technology. Also the new technology does not generate fast enough increase in employment opportunities to absorb the growth of labour force particularly for the burgeoning class of wage labourers. This led to predictions of increased unemployment.

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20 Significantly during the period covered by his study, the rate of decline in poverty is not significantly correlated with the rate of agricultural growth. Punjab-Haryana, which recorded among the highest growth rates in this period, showed no significant fall in poverty.

21 Two recent examples being Ravillion and Dutt 1995 and Abijit Sen 1996.
reduced real wages and worsening inequalities in rural areas. And in the context of relatively slow growth in the rest of the economy, this tendency was expected to spill over into the non-agricultural sector and urban areas as well. The evidence from actual experience is mixed. Access to irrigation has traditionally been relatively higher among small holdings compared to large ones. But during the last three decades irrigated area has increased much faster than average among larger farms. This would tend to accentuate inequalities. There is also evidence of increased inequality in the distribution of operational holdings in some areas due to dispossession of tenants and the spread of "reverse" leasing. On the other hand the adoption ratio of HYV and fertilisers, which used to be relatively low on small farms compared to large farms in the early stages of their spread, is no longer so. This narrowing difference in adoption of bio-chemical technology offsets the impact of large farmer bias in irrigation, though to what extent remains an open question.

Agricultural employment has increased much slower than agricultural output partly because of the spread of mechanisation. Over time this tendency seem to have intensified. While the share of wage labour in total rural labour force has increased rapidly, agricultural employment has remained virtually stagnant. However, the expected worsening in rural unemployment and in real wage rates has not materialised. On the contrary, non-farm employment has risen at a surprisingly rapid rate during 1970's and 1980's and real wage rates have everywhere risen.

This has led to broadening the scope of the explanatory hypotheses regarding determinants of rural poverty to include the extent of non agricultural employment (which captures differences in the degree of diversification in the rural economy), commercialisation, real wage rates and public development expenditure. But specifications vary in terms of the variables included without a convincing a priori basis to choose between them. Most of them do well in terms of the proportion of variance explained (R squares exceeding 85-90 per cent) in both national time series and pooled state cross section and time series. The coefficients for individual variables have the expected signs and are statistically significant (see Ravillion and Datt op.cit. and Abhijit Sen op. Cit.).

It is noteworthy, however, that inequality in distribution of productive resources or determinants of labour supply and demand do not figure in these exercises in the manner attempted by Tendulkar and Sundaram. There are also data problems arising from the marked deterioration in the system for compiling official agricultural statistics. The levels and, more importantly, time profiles of change in agricultural output per rural person and NSS estimates of real consumption per capita are often dissimilar. Also as noted earlier, changes in scope, methods and basis of estimation, which affect both NSS and official estimates, vitiate comparability across different periods and raise questions about the validity of time series analysis especially for long periods as done in some world bank studies.

Poverty studies deal mostly with rural areas. Urban poverty has received comparatively less attention even at a descriptive level. Available surveys show urban areas to have a higher level of mean per capita consumption, as well as, higher inequality. Mean per capita consumption in urban areas is higher and more unequally distributed than in rural India. Regional variations in both respects are marked: poverty incidence being higher than average in Bihar, MP and Orissa and less than average in Assam, Punjab-Haryana and West

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24 The relevant data are summarised in Vaidyanathan 1994, 1996.
25 For a recent overview see Rakesh Mohan and pushpa Thottan, 1988 and Minhas et. al. 1988. Also GOI FC 1993.
There seems to be no significant association, across states, between poverty incidence and mean consumption. However, states where urban poverty incidence is persistently higher than the national average, price levels as well as inequalities are higher than average; the contrary being the case in those where urban poverty rate is persistently below national average. In both cases differences in inequality are more important than price differentials (Minhas et al., 1988).

NSS data points to a progressive decline in urban poverty since the early seventies reflecting a modest rising trend in mean per capita consumption without any significant change in the inequality index (Datt 1999). The trend towards urban poverty reduction is noticed in all states but in varying degrees. The differences largely reflect differences in the pace of increase in mean per capita consumption; there seems to be no significant urban trend in inequality in most states.

Factors underlying regional and temporal variations in urban poverty have not been explored even to the limited extent attempted in the case of rural areas (Minhas et al., 1996). Very little is known about the characteristics of the urban poor. There are isolated location specific studies of the informal sector, slum and pavement dwellers. But these need to be considerably expanded in scope and integrated into a wider framework to better understand urban poverty. Here, perhaps, the focus of comparative studies could be on towns of different sizes and different degrees of economic dynamism. Understanding urban poverty naturally would also require greater attention to the migration patterns and more generally to the nature of rural-urban linkages in terms of commodity, income and labour flows.

Refinement in mapping and analysis of income poverty is necessary but not sufficient. Their scope needs to be widened to include different aspects of the poor's well-being in its broader sense. Also deeper investigations are necessary to understand how the poor and the underprivileged cope with vicissitudes how they adapt to reduction in employment and incomes how far they are able to take advantage of opportunities opened by the growth of the economy and various poverty alleviation and affirmative action policies of the government.

Some aspects - notably food intake and nutrition, transient and chronic poverty, gender disparities, literacy and educational levels, and access to health care - have been the subject of study based both on macro data and in depth micro level studies. But there is much room for extending and refining such work and making them an integral part of the effort to better understand the nature and role of socio economic deprivation. Trends in level and composition of food intake, both overall and for different fractile groups, intra-family allocation of food (especially between males and females), the effectiveness of special nutrition programmes and subsidised food supply and the relation between food intake and nutritional status have attracted much attention (Sen 1999). Despite their limitations, the mean level of calorie intake and the proportion of population with intakes below the calorie norm continue to be widely used as an indicator of nutritional status of the population. The NSS data show a trend decline the intake in calorie intake of the better off and the very low elasticity of calorie consumption even among the poorer groups, whose calorie intake remains well below

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25 Abhijit Sen's (1996) attempt to explain trends in urban poverty incidence at the all India level in terms of changes in agricultural incomes per head of rural population, per capita non-agricultural incomes, commercialization, etc are not as convincing as in the case of rural areas both in terms of the underlying logic and the consistency, significance and stability of the estimated coefficients.

the norms. There have also been significant shifts in the pattern of consumption, including especially among the poor, from food to non-food items, from cereals to more costly non-cereal foods and, within cereals, from cheaper to more expensive grains. But there has been hardly any serious investigation of the factors underlying these changes or their impact on health and nutritional status.

If the data on food consumption trends of the poorer segments is correct, one must explain why, despite near stagnation of calorie intake, there are no signs of deterioration in height, weight, health or activity indicators even in states, which, by all indicators are very poor. Surprisingly this apparent puzzle has not attracted much attention.

Nutritional status obviously cannot be judged by food intake levels alone. Education, safe drinking water, hygiene, incidence and control of infections - all of which have a bearing on how efficiently food is utilised - must be taken into account. While the standards in all these respects are no doubt far below desired levels, improvements have taken place partly as a result of public policy and partly the spread in availability and use of antibiotics. Both may have contributed to an overall improvement in indicators of nutritional status despite stagnation in calorie intake at low levels. This is only a conjecture whose validity (especially for the poorer socio-economic groups) needs much closer investigation.

On other aspects of living standards e.g., clothing, housing, education, water supply/sanitation, and health facilities - considerable amount of information is available in numerous surveys and studies based on them. Literacy rates, enrolment and intention of children in school, mean years of schooling, costs, inter group disparities and other aspects of education are well documented (PROBE Team, 1998; Vaidyanathan and Nair ed. 2001). So are mortality rates, morbidity, availability and use of public and private health care facilities in different regions and socio-economic groups. We know that, while considerable improvement has taken place in most of these respects, they are generally inadequate and highly uneven with rural areas and poorer sections of the population invariably reporting lower access and use the facilities and at a higher cost relative to their incomes, than the rich. These data sources, and analytical studies to interpret factors underlying spatial and temporal variations, need to be given a much more prominent place in the study of poverty and well being. Another example relates to the attempt at differentiating between different types of poverty (seasonal and annual; transient and persistent; poor and ultra poor). Macro surveys can tell us little, it at all, on these matters or of the process underlying them. Only detailed micro level inquiries and panel type surveys can provide the needed information. We do have some micro studies which give an idea of diverse strategies that poor people adopt to tide over bad years and lean seasons. They include maintaining emergency reserves, borrowing, sale of assets, migration, changing nature, and intensity of activity and altering intra-fairly food allocation. Panel surveys have been used to focus on households who are

28 State level time series for education and mortality indicators compiled from official sources are collated in Nayyar 1992. Information on morbidity and access to medical care is available from the social consumption surveys conducted by the NSS in 1986-7 and in 1996-7. NNMB surveys give data, for small but representative sample of households in major states, of measured food intake, anthropometric measurements and assessment of clinical signs of nutrition deficiencies. There has been little analysis of the NNMB data. For analysis of nutrition data from the ICRI SAT village surveys see Walker and Ryan 1990.

29 See Vissaria and Gumber 1996 for a comprehensive and comparative analysis of NSS data on morbidity and health care utilisation and expenditure pattern in different states in 1986-87.

30 See for example Lipton 1983; Chambers 1988; and Sahn ed. 1989.

31 Notable and pioneering works on this subject include Guhan 1988; Chen ed 1998; Dreze and Sen 1989.
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Persistently below the poverty line (Gaiha 1988).

The role of formal and informal social security mechanisms to take care of the aged, disabled and widows among the poor is attracting increasing attention in research and policy discourses. The coverage, organisation and scale of arrangements for the organised sector are best documented. Descriptive accounts of informal and traditional social mechanisms (family, kin networks, charitable institutions), as well as, of various government sponsored pension and insurance schemes for the poor are available. But critical studies of their working and impact have not received as much attention.

The nature, extent and manifestations of persistent gender disparities in access to family resources for food, education and health care have been extensively documented and commented on. The deprivations and disadvantages suffered by underprivileged social groups (especially scheduled castes and tribes, artisans) are also well documented. That they figure prominently among the poor and are prone to various forms of "exclusion" which handicaps them in taking advantage of opportunities generated by growth and that they are specially vulnerable to the introduction of new products and processes is well-known.

There is compelling evidence that the position of these groups in terms of practically every indicator of well being remains much below the average. However, the evidence also shows that there have been substantial improvements and in some respects at least a substantial narrowing of the gap between them and the rest of the population. The extent of this phenomenon however varies considerably between and within regions. The reasons for these variations in the extent and manner in which some segments of this excluded groups are able to improve their condition while others continue in chronic deprivation; the way affirmative action and other government interventions meant to mitigate their disadvantages actually work; and the reasons why, even when basic amenities are in place, some groups do not make effective use of them deserve far more attention than they have received so far.

V Policy

Some people - especially among those who see rapid overall economic growth as both a necessary and sufficient condition for eradicating poverty and who see excessive state intervention as the major impediment to growth - consider this obsession with poverty, and counting the number of poor, as distracting attention and resources from growth promoting policies. The government according to them should confine itself to ensuring law and order, enabling markets to function freely, facilitating free trade and capital movements and providing universal elementary education, health care, water supply, sanitation and essential infrastructure. On the other hand they question the efficacy of various poverty alleviation


33 The censuses and the NSS collect and publish data separately for scheduled castes and tribes in respect of demographic features, education, vital rates, employment and land ownership. They show that while their position in all these respects remain well below the average, there have been substantial improvements both in absolute and relative terms. The large variations in these respects between and within regions and in particular the underlying factors (including the effect of affirmative action policies) have received surprisingly little attention.

programmes and, by implication, the justification for spending huge amounts on social programs. These arguments are fundamentally flawed.

Growth - necessary as it is - does not 'benefit' automatically and in equal proportion to all regions and sections of the population. For a variety of reasons - historical factors, resource endowments social and political conjunctures and, of course, government policy - growth happens to be very uneven across regions. This fact is beyond dispute. It also happens that regions which are poorly developed to begin with have also grown at a slower rate than average. This tendency cannot be dismissed as an inevitable but transitional phase which will get corrected over time. Nor can one accept the proposition that so long as there is no decline in level of development in any region and all record some improvement, there is no need for intervention. Such a proposition, apart from being questionable on merits, is politically unacceptable in a democracy. Concern for equity and political necessity are compelling arguments for government intervention to correct the imbalance.

This argument acquires even greater force in relation to people: Both as a proportion of the population and in absolute terms, those who do not have and cannot afford even the quite modest minimum living standard currently accepted as the norm in the Indian context are very large. And they happen to be concentrated in the poor regions, among sections of the population who suffer the cumulative consequences of systematic exclusion and the attendant social and economic disadvantages. That basic needs and minimum living standards figure so prominently not only in rhetoric of all political parties but also in the sizable public resources committed for this purpose is a reflection of both moral and political compulsions.

The evolution of policies and programmes meant to tackle this problem may be haphazard and in some respects even incoherent. Nevertheless one can see a clear pattern in the way they seek to recognise and address differing needs of backward areas with special problems, and of different segments of the poor and under privileged. Broadly they can be divided into the following groups:

(1) Affirmative action by way of reservations for scheduled castes and tribes in elected bodies, public sector jobs and educational institutions supplemented by special programmes, with earmarked allocations, for their development and welfare. (2) Programmes (notably IRDP, TRYSEM, DWACRA) designed to help poor segments to acquire or add to their productive assets and enable them to make more productive use of such assets. (3) Various special programmes to provide additional employment to the poor. (4) Schemes to ensure that all villages have access to a minimum standard of educational and health facilities, safe drinking water and roads. (5) Various forms of direct transfers by (pension and insurance schemes for aged, disabled and widows), school feeding and child nutrition programmes and subsidised distribution of food grains and other essential commodities to the poor. (6) Special programmes for the development of production potential for hill tracts, deserts and drought prone areas.

For the most part these programme are conceived and funded by the Central Government which determines the criteria for allocation between states (and in some cases within states). Actual implementation is left to the state government agencies subject to guidelines (sometimes quite detailed) regarding the scope and content of schemes, and their targeting and implementation procedures. Only a few (notable being the Maharashtra Employment Guarantee Scheme and Tamil Nadu's Midday Meals Programme for school children) have been taken up entirely at the initiative of states.
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Over the years the functioning of these programmes and their impact on the poor has attracted a great deal of attention. Numerous studies—several under the auspices of the government, and many more based on independent surveys, micro studies and analyses of available macro data—have highlighted their achievements as well as weaknesses. A healthy and wholesome feature is the extraordinarily free and open discussion of deficiencies of particular schemes, the relative merits of different interventions and suggestions for restructuring and reorientation.

Official claims of the number of beneficiaries, works carried out, additions to productive assets and employment generated are unreliable and exaggerated. Poor targeting is reflected in the high proportion of non poor and other non eligible persons among the beneficiaries. Leakages due to inappropriate works, in efficient implementation and corruption are high. Quality of assets provided/created under these programmes is poor and their impact on income level of beneficiaries dubious. Assets and schemes are frequently not appropriate to the needs and potentials of particular regions or groups. There is little consultation with, not to speak of involvement, of local communities generally, and target groups in particular, in deciding and implementing schemes. Lack of accountability remains a major problem. The structure, content and funding of these programmes remain mostly in the hands of the Central Government. There is considerable overlap among these schemes, as well as, between them and development schemes included under the normal state plans. Typically each programme is administered by a separate agency each with its own line hierarchy and operating independently. These features, taken together with the rigidity of central guidelines, make for fragmentation and duplication of schemes. Co-ordination is difficult; so is monitoring of accomplishments in terms of efficacy of targeting, quality of works actually completed and impact on the beneficiaries.

The programmes tend to emphasise loans and subsidies and provision of current wage employment rather than ensuring that they are used to augment productive capacity for achieving a higher level of employment and incomes on a sustained basis. The selection of beneficiaries, the distribution of loans and subsidies, and the recovery of loans offer much scope for patronage and corruption at the political and bureaucratic levels.

The Public Distribution System does not accomplish its ostensible aim of ensuring essential consumer goods to the poor at reasonable prices. Large parts of the country (especially states which have the largest concentration of poor) simply to not have a distribution network to reach the supplies where they are most needed. In states (Kerala, West Bengal, Tamil Nadu) which have such net works, the coverage is not limited to the poor. And attempts to ensure better targeting have been thwarted by administrative difficulties and political opposition. The efficiency of PDS as a poverty alleviation measure and the desirability of continuing it in the present fair is being questioned. Supporters of PDS, who see it as a major instrument for ensuring food security for the poor, strongly oppose this prescription even as they recognise the need for restructuring the programme.

For a recent and thorough discussion of issues see Krishnan and Krishnaji (eds), 2000, and Swaminathan (2000).

The estimate for the 4th plan includes outlays on area development, village industries, backward areas, slum improvement, social welfare and special area programme. That for the 5th plan includes rural development, scheduled caste and tribes, social welfare, nutrition and village industry. Including outlays on minimum needs programme, for which separate as figures are available the total is substantially higher bringing the total outlay on targeted PA programmes to 17 per cent of the public sector plan outlay.
These widely known and documented deficiencies have given poverty alleviation programmes a bad name. Critics argue—some explicitly and more by implication—that the effective contribution of these schemes to sustained poverty reduction is not commensurate with the resources spent on them. That given the high level of fiscal deficits and the severe shortage of resources for infra-structural investments needed for overall growth, the country can ill afford this luxury.

It is certainly true that outlays on targetted poverty alleviation programmes have increased rapidly both in absolute terms and relative to total public sector plan outlay. Prior to 1970, these were limited to special schemes for nutrition Scheduled Castes and Tribes, social welfare, backward areas, and a miniscule rural works programme during the Fourth Plan (1969-1974). Total outlay for these was Rs. Six billion, or less than 4 per cent of public sector plan. During the Eighth Plan (1992-1997), the outlay on a vastly larger and more varied poverty alleviation programme amounted to Rs.460 billion (about 11 per cent of the total public sector plan)\(^7\). Also, outlays on PA-programs have grown considerably faster than total plan outlay in a period marked by severe infrastructure shortage and bottlenecks. However large these figures might seem, the fact remains that they account for barely One per cent of the GDP, and barely a sixth of the gross fiscal deficit of the centre and the states put together. The public sector resource crisis cannot be laid at the door of PA programmes. The more important and deeper causes lie in the falling tax to GDP ratio, the inability to contain run-away increase in revenue expenditures and the huge and burgeoning deficits incurred in providing public services\(^8\). All of these are due to policies—be it taxation, salaries and allowances of public sector employees, subsidised supply of water and power—which largely benefit the better off segments in fact the top quintile of the population. A disproportionate share of the food and fertiliser subsidies also accrue to the better off. Under these conditions cutting back the allocation for poverty alleviation is no solution to the fiscal problem; and it is certainly not justified morally or politically.

This is not to deny the need and immense scope for improving the efficacy of poverty alleviation programmes by better targeting, reducing waste and corruption, making the programmes more meaningful in terms of relevance to local needs and priorities, and creating institutional conditions for greater accountability. The focus should be on rationalising the approach, organisation and priorities of the PA programmes rather than on cutting back the outlays\(^7\). The number of PA programmes can, and should, be drastically reduced and streamlined to minimise duplication and fragmentation. We need distinguish only between three or four basic PA programme categories: (1) Those which are meant to ensure that all communities in the country have a minimum standard of school, primary health care, water supply, sanitation and connectivity; (2) Those which are meant to enable resource poor segments of the population to acquire productive assets and to use them effectively; (3) Programmes to provide additional employment opportunities to those poor who do not have productive assets and depend on wage employment and (4) programmes to enable scheduled castes and tribes to take advantage of educational and health facilities so that they are better equipped to take advantage of growing opportunities.

There are already accepted norms of minimum standards mainly in terms of distance of

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\(^7\) In 1994-95 un recovered costs of publicly provided goods and services are estimated at Rs.1370 billion which exceeds the public sector plan outlay by 30 per cent and overall fiscal deficit by 40 per cent.

\(^8\) The subsequent arguments draw heavily than earlier paper of the author, Vaidyanathan 1998.
each community from each facility, as well as, physical facilities and personnel at delivery points. The norms may in some cases need review and redefinition. Once this is done, a comparison between existing ground situation and the norms world provide an objective basis for identifying, fairly precisely, the areas and locations which are deficient, as well as, quantify the extent and nature of the deficiencies. Investment in physical facilities to make up these deficiencies should of course be part a national Minimum Needs Programme. But creating physical facilities will not suffice. The tasks of ensuring that the prescribed staff are in position, that they function regularly and well, that the underprivileged segments can readily access them and get proper attention are equally important. These will need action in the sphere of administrative reform and social mobilisation.

Category 2 covers the present IRDP and also special area programmes: The former, which provide loans and subsidies for purchase of non land assets by the poor, has proved to be wasteful and far less effective than expected. The latter are meant to develop productive resources in drought prone, desert and hill areas to facilitate more effective use of resources and open up opportunities for increased production in a variety of activities. These two have not been effective partly because they overlap with schemes which are part of the sectoral programmes and also because of poor design and implementation. All these schemes are in need of drastic change.

IRDP in its present form deserves to be scrapped. Identification of poor, the kinds of assets to be provided, ensuring the back up needed for their programme cannot, as experience has shown, be managed efficiently by government. The difficulties are compounded when they involve heavy subsidies and are implemented by a bureaucracy to political interference. Instead, public investment ought to concentrate on providing infrastructure to facilitate overall development and in each region according to its resource potential thereby opening up greater and more diverse opportunities for employment and entrepreneurial activity.

The poor of course need special help by way of information, technical advice and training to take advantage of growing investment opportunities. The government has a key role in providing this help. But it is neither necessary nor desirable for the government to decide what assets are to be provided, to whom and on what terms. These tasks are better left to individual's choices. Those who want to invest in any enterprise can seek credit from financial institutions who must be left free to judge the viability of the loan and the borrowers. The government's role here would be essentially to lay down guidelines (such as priority sector lending) and providing interest subsidies or insurance of loans given to the poor.

There is also a strong case for including land among the assets eligible for institutional credit for the rural land less and land poor. Redistribution of land through conventional approach to land reforms has not worked and seems unlikely to make much headway. However, the spread of education among the bigger farmers is leading to increasing migration to urban areas; they are also seen to be investing their surplus in non-agricultural activities. The resulting weakening of their economic stake, as well as, their power in the village communities is creating a situation where they are willing to sell their land. This process has already occurred on a significant scale in several parts of the country and seems to be spreading. In such a situation, asset poor households wanting to acquire land - the most important productive resource in rural areas- deserves as much emphasis in poor-oriented credit programmes as for the acquisition of other assets or setting up other enterprises.
The rationale for special area programmes as a separate category is also questionable. Practically all the components of these programmes figure in the sectoral programmes. Scrapping the special area programme and merging them into sectoral and area development programmes will make for more effective use of public funds by eliminating dysfunctional and wasteful fragmentation of resources and effort. From the viewpoint of poverty alleviation, agriculture and related activities are the most important. The scale and content of these programmes should however be tailored to the diverse resource potentials in different regions and constraints impeding their realisation. This is the rationale for watershed development and planning on the basis of agro-climatic regions. But these are at present no more than in name. If these are pursued seriously and the organisational arrangements for planning are recast on that basis, there is really no need for special area (or for that matter special crop specific) schemes.

In implementing integrated regional resource planning, it would be perfectly legitimate to earmark allocations, and even provide special extra funds, for use in regions which rank low in terms of per capita income and employment. The distribution of funds between regions must, however, be based not only on needs but also potential for development of land, water and livestock resources as part of integrated area development plans.

Employment schemes can all be merged into one and allocations between and within states determined on the basis of the magnitude of poverty incidence, magnitude of unemployment and development potential. There is considerable room for refinement to get disaggregated estimates of poverty and unemployment (which is feasible with available NSS data by pooling central and state samples and in some cases pooling across years). Information available in the population, agricultural and livestock censuses together with studies of the kind which the agro-climatic regional plans can provide indications of potential for development and interventions needed to exploit them. This would, however, call for a shift from the current preoccupation with generating additional employment in the present as the over riding objective to giving much greater emphasis to creating assets which by augmenting production and improving socio-economic infrastructure can lead to a sustained higher level of employment and incomes.

Within the framework of the above broad approach, it is possible to provide earmarked allocations for schemes to ensure minimum standard of amenities and acquisition of assets for scheduled castes and tribes; and for assistance (by way of subsides or loans) to enable them to finance higher education and skill acquisition. These would make better sense and be more effective when they are part of an overall regional plan.

Targetting

The other, and in many ways more important, issue is targeting. The search for ways to reduce chances of mis-targetting has largely focused on more effective monitoring of beneficiary selection; creating credible checks against mis-targetting; and creating incentives for "self selection". Incomes are notoriously difficult to ascertain. And once it is known to determine eligibility for benefits, there is a strong general incentive to understate incomes. It is better to rely on more easily verifiable attributes (family size, land holding, caste, etc.) associated with poverty. Though this does not eliminate scope for falsification, it certainly reduces the scope for it compared to the income criterion.

Clearly, targeting errors can be reduced if conditions of eligibility and/or the scale of benefits are so defined as to reduce the incentives for those above the poverty line to get into
the programme. Insisting on a certain portion of beneficiaries being drawn from poor/vulnerable groups (SC, ST, Women) and providing wage employment in employment schemes at wages somewhat below the market/minimum wage rate and at locations away from the residence would be a more effective way of reaching target population than relying on discretionary authority. The reservation idea is now incorporated in the guidelines for all Ministry of Rural Development projects. But the idea of lowering wage rates on works programmes below the legal minimum is not favoured: The government cannot violate its own laws!

Targetting has not only a class/individual dimension but also a spatial aspect. The poor being unevenly distributed between regions, spatial targeting is an important, but relatively neglected, aspect. Except in Jawahar Rojgar Yojana, allocations of PA programme outlays between and within states are not systematically related to poverty, unemployment or deficiency in basic amenities. Richer states generally tend to have larger resources and plan outlays per capita. One would expect the PA program allocations to correct this imbalance at least to some degree. Data for the early 1980's (Subbarao,1992) suggest that, if anything, states with low incidence of poverty had higher outlay on PA programmes both in absolute per capita and terms and as a proportion of total state plan outlays.

There is a thus a strong case for rationalising the criteria for spatial allocation along the following lines. Allocations for all employment and production oriented PA schemes should be pooled and distributed between states, and within states, in proportion to the absolute number of poor or preferably, income deficit and the number of unemployed. Funds for programmes to ensure a minimum standard of basic amenities (elementary education, health care, water supply and access to roads) can be similarly pooled and distributed in proportion to the magnitude of deficiency in relation to the accepted minimum levels of facility. This would greatly add to the transparency of the programme and its effectiveness.

Accountability

Public accountability for ensuring proper choice of beneficiaries and proper use of funds remains a serious problem. Efforts to publicise the scale and nature of PA programmes in a particular block or district, the criteria by which beneficiaries are selected, the specific benefits to which they are entitled under each programme, and the procedures for availing of them have not been effective. Even when the information is available, there are no institutional mechanisms for making complaints or seeking redressal of grievances. Involvement of MLAs, MPs and other local leaders - whether formally as members of advisory committees or because of their ability exert informal pressure - has not helped. On the contrary. Irrespective of their party affiliation, politicians tend to use the opportunity to influence choice of schemes, locations and beneficiaries under these programmes as a source of power, and as instruments for consolidation their political base and often for personal gain. Surprisingly, neither elected representatives nor local cadres of political parties (even when they belong to the opposition) have shown much interest in taking up these issues.

Non-governmental organisations do take up such issues, but they are far too few to make more than a localised impact. Though numerous, they greatly in terms of focus, motivation, effectiveness. Some are concentrated on particular activities like education, social welfare and watershed development. Some are concerned with development activities covering several sectors. Funding sources differ. Most use their contacts with sympathetic government officials to secure support and resources for activities in their area. Some get
funding from institutional agencies and foreign foundations. Several have innovative programmes to mobilise beneficiaries and building local institutions to make more effective use of government programmes.

NGOs also play a role in making people aware of the various PA programmes and benefits available under them; and interceding with concerned government agencies to secure benefits for eligible people. Some have taken the role of mobilising public opinion to assert peoples entitlements under various PA programme or to press the government to allocate more resources and permit greater flexibility in programming to adapt scheme to local conditions. NGOs have played an active role in lobbying for freedom of information concerning details of public development schemes, entitlements to their benefits and the beneficiaries.

All this has contributed to raising peoples’ consciousness of entitlements under government programme, including PA programmes. There is also growing awareness, especially among the poor, of their importance in influencing the outcome of electoral politics. There is greater assertiveness on their part in articulating general demands in the political arena. But there is as yet no organised attempt to see that the choice of beneficiaries and implementation of local programmes in particular communities is improved. This does not seem likely unless both the power and the resources for local development are fully devolved to elected representatives of local governments.

The necessity and the wisdom of democratic decentralisation has been a recurrent theme of debates on the structure of government in India. The Constitution did not recognize or provide for representative local government institutions. By the late 1950's a review of the experience of the Community Development programme emphasised the need for democratically elected local governments for vigorous and equitable development in rural areas. Legislation to create Panchayati Raj bodies were passed by most states soon thereafter. However, few are keen to devolve powers and resources, and there was no legal or political compulsion to do so. Many did not even hold regular elections.

But some states (notably Karnataka and West Bengal) have tried to make it work. After a promising start the Karnataka experiment has stuttered. West Bengal's record in holding regular elections is the longest and most sustained though the devolution process has not gone as far as expected. Nevertheless both experiences have demonstrated the benefits of consultation and participation of local communities in making schemes more relevant to local felt needs, reducing duplication, ensuring that schemes are completed on schedule (often below estimated costs) and also in terms of the functioning of schools and PHCs.

The passage of the 73rd and 74th Constitutional amendment which provides for a three tier system of local government, mandatory elections every five years and devolution development functions with authority and resources from the state to these bodies, has created a space and opportunity for decentralised participatory local development effort with in built pressures for accountability. Implementation of these provisions is far from complete. Several states have not held local body elections as required by the Constitution. Even those which have, show a strong unwillingness to hand over to the elected bodies the authority and the resources to decide and implement local development. They have no power over the staff assigned to them nor the flexibility to hire any personnel on their own; schemes continue to be decided and implemented by the government and its bureaucracy; practically everywhere opposition state and central level politicians and the bureaucracy are resisting the process vigorously and in most places successfully.
This is evident even in Kerala which has made by far the most serious and determined effort to implement the spirit of the 73rd and 74th amendments in all its essential respects. Legislating a statutory transfer of 40 per cent of state plan resources to local bodies - Kerala is the only state to have done so - is a revolutionary step. Efforts to prepare elected members of local bodies for their new role through mass mobilisation and public education, training programmes and innovative ways to promote active and meaningful people's participation have been as impressive as they are unprecedented. The process, however, is being impeded at every step by strong rearguard opposition from those with a vested interest in the current dispensation. That this is being increasingly contested by local leaders cutting across party lines and insisting on effective devolution of resources and power to them gives basis for optimism that this opposition will be overcome in due course.

A number of reasons are advanced to justify the opposition. One is the argument they given the highly stratified and unequal socio-economic structure of Indian villages, the dominant landowning caste elites would effectively control power and that they are unlikely to be concerned about the welfare of the poor and the women. Reservation of a specified, substantial proportion of elected positions for SC/STs and for women is meant to give a secure space for the disadvantaged to articulate their needs in the decision making bodies. Skeptics doubt whether this space can and will in fact be used effectively in all cases and soon. However pessimism on this account seems unwarranted, at any rate exaggerated, for several reasons.

The growing political consciousness of the so called lower castes, as well as, the scheduled castes and tribes is bound to express itself in local government as well. Secondly, villages/blocks differ greatly in caste/class composition: Some villages are no doubt dominated by better off upper castes, but this is by no means the case everywhere. One must expert the outcome of decentralisation will be far from uniform. Even if initially only a fraction of elected local bodies do well, their superior performance will over a period of time act as spur to improvement in others.

The growing economic differentiation of rural society, the rapid diversification of activity and its commercialisation have loosened traditional social structures. The process will if anything intensify and lead to a significant realignment of the power structure in substantial parts of rural India favouring the disadvantaged groups. Such realignments will not of course occur in all cases spontaneously and in a manner which gives effective voice to the poor and promote their interests. The process initiated by PR and the potential for change created by it are much more important than the immediate outcomes. Interventions in the process must, therefore, focus on creating conditions which will facilitate, and encourage, the realisation of its potential. In this context three aspects deserve special attention.

First, a great deal of knowledge and expertise is needed to assess local resources and their potential, different ways of exploiting the potential, the costs involved and raising resources. This knowledge, much of it technical in nature, is often not available locally. Strong support from state agencies and/or non-government organisations (including educational institutions) is necessary to make it accessible to the communities and their leaders. A major change in the role of government agencies is also necessary. Instead of planning, deciding and implementing schemes on their own, as they now do, the agencies will have to play a supportive role by providing expertise, helping elected bodies to take

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For a detailed, illuminating and self-critical assessment of the Kerala experience see Isaac, 2000.
informed decision and facilitating coordination between related schemes of different communities and in the larger regional context.

Second, the creation of democratic institutions of local government and assured representation for disadvantaged groups are necessary but not sufficient conditions to ensure that the latters' interests are safeguarded. The determination of priorities, in the context of limited resources, inevitably involves a process of bargaining between different groups. In order for this to work in favour of the poor/vulnerable, the latter have to articulate their needs and actively persuade and/or pressure the relevant forums to take necessary action to meet their needs. None of these occur easily or automatically. Conscious measures to encourage and strengthen institutions of civil society are essential.

Non-governmental and voluntary organisations have a particularly key role in obtaining and disseminating information on the working of government (including local government), making people aware of their entitlements and obligations, and enabling them to vent their grievances and seek redress. Besides interceding with the concerned authorities to secure benefits for the eligible and minimise leakages, they have a role in motivating and organising local communities to take active interest in the working of specific programmes and persuading bureaucracy to work with the community for improving the effectiveness of programmes. Over time they can help promote a process of more broad-based changes in institutional mechanisms for funding/managing local development activities to meet the specific local conditions. Active encouragement of NGOs and giving them ample public space is, therefore, highly desirable for healthy evolution of local government.

Third, rising expectations and assertiveness of the people vis-a-vis government and bureaucracy increases pressures on the latter to perform. But better performance often requires a significant change in the relative roles of the three elements involving, among other things, reduced power and increased accountability of bureaucracy. It also involves shifts in the relative power of those who hold political office at different levels and of different segments of the bureaucracy. Reform therefore invariably encounters resistance. Moreover, if the elected Panchayat Raj institutions merely generate demands for larger devolution of resources from the state and central governments there is little stake or incentive for them to address the task of efficient use of resources. It is therefore imperative that local bodies should be required to mobilise their own resources to meet a significant part of the costs of their programmes and given greater control over their staff engaged in various activities.

All this implies a basic change in the relations between the state and local governments, the role of the bureaucracy and the attitudes of local governments. There are no standard blueprints for accomplishing the change. A great deal of experiment and learning from experience is inevitable. The upsetting of existing power balances between the various groups involved creates an opportunity for engineering desirable changes through a combination of sustained pressures on the system as a whole via the general political process along with grass roots efforts to initiate and sustain a discussion of the problem of restructuring among the concerned groups (namely the local and state level politicians, the bureaucracy and its trade unions and non-government organisations).

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