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Poverty Reduction Schemes

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Schemes considered

- IRDP/ SGSY – self employment
- SGRY and NREGA – wage employment
- IAY – rural housing
- NSAP – cash transfer
- TPDS/Antyodya – subsidised foodgrains

Most schemes have been there for more than 20 years

How many poor in India?

- Hungry 1 to 5%
- Consumption poverty 26%
- Income poverty (1 \$ a day) 34%
- Malnourished 47%
- Calorie deficient 53%

In forest villages of Jharkhand, 10 to 15% people go hungry during the rains

Poverty as assessed by the Planning Commission

YEAR	Percentage below poverty line	Annual decline in percentage points during the period
1973-74	56.4	
1987-88	39.1	1974-87 1.3
1993-94	36.2	1987-94 0.4
1999-00	26.1	1994-00 1.7

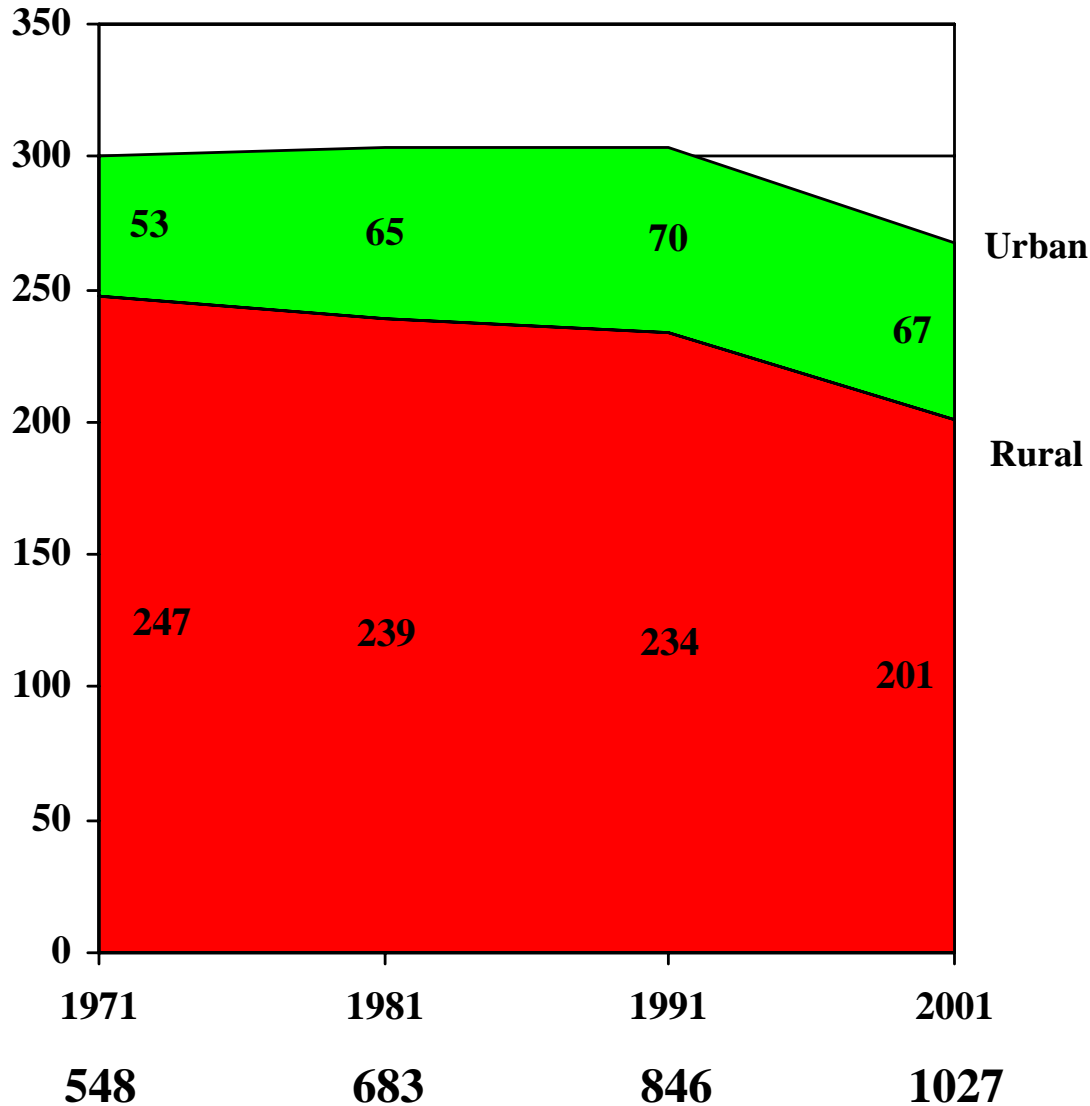
Questioning the official rate of poverty reduction in the 90s

- Employment grew by less than 1% per annum
- Rural unemployment increased from 4.6 to 7.2 per cent, and now to 9.1% in 2004-05
- Foodgrain availability declined
- Rural wages in poorer states hardly improved
- Rural non-agricultural employment growth rate declined from 4.32 per cent in 1977-88 to 2.06 per cent in 1988-00
- Rate of growth of foodgrain production is below the rate of population growth

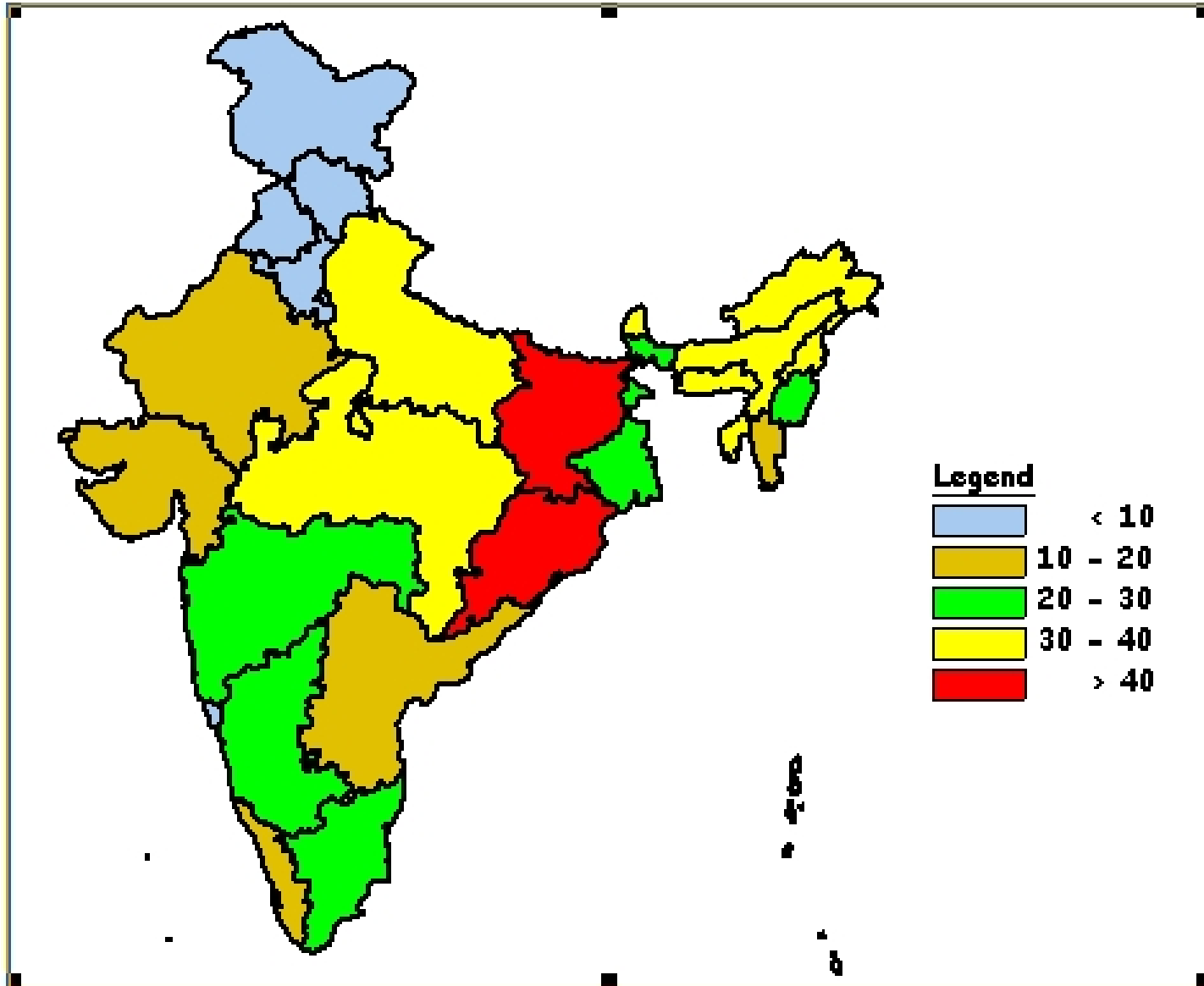
% below poverty line is therefore more likely to be around 30% than 26%

Total Number of Poor in India

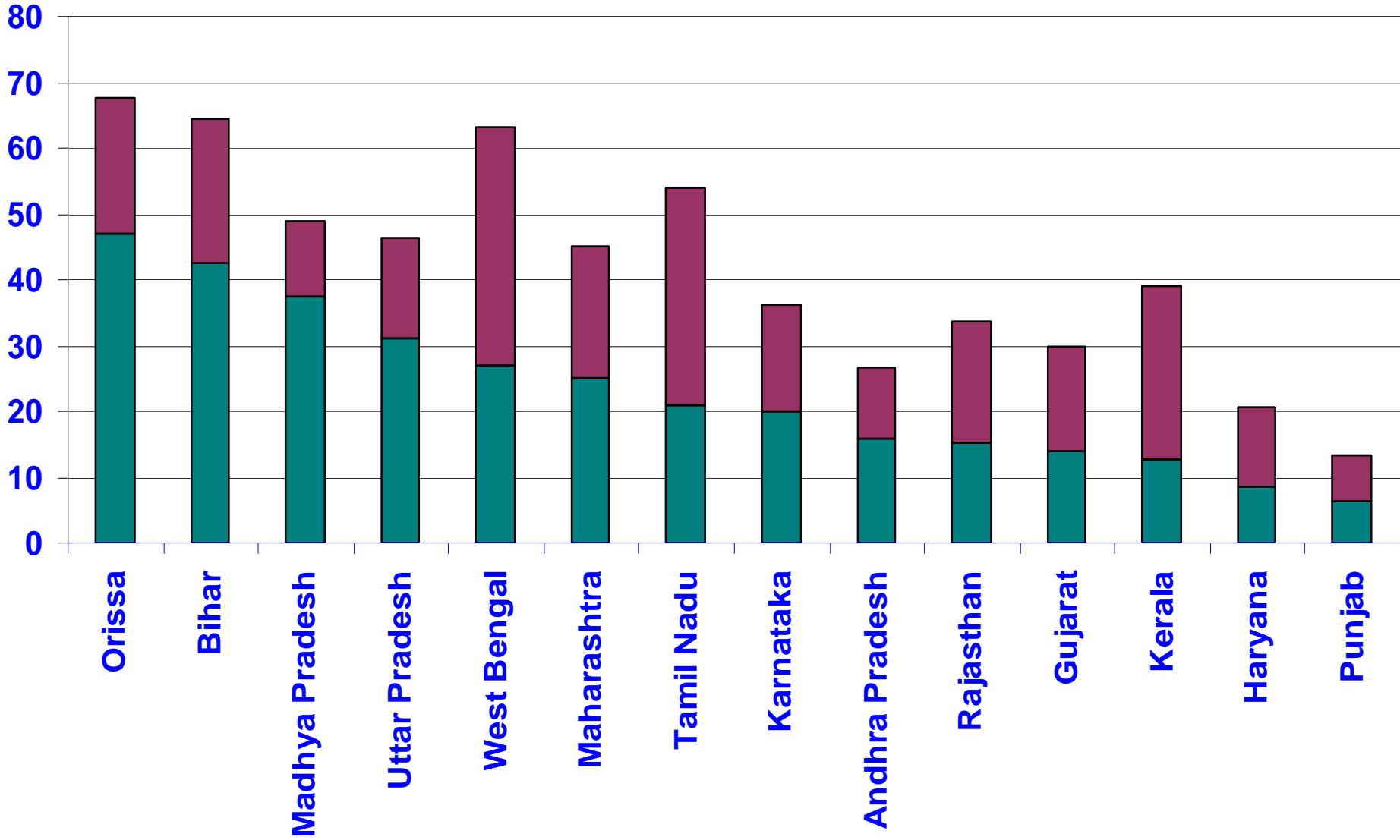
Reduction in poverty (Millions)



% of People Below Poverty Line in 1999 - 2K

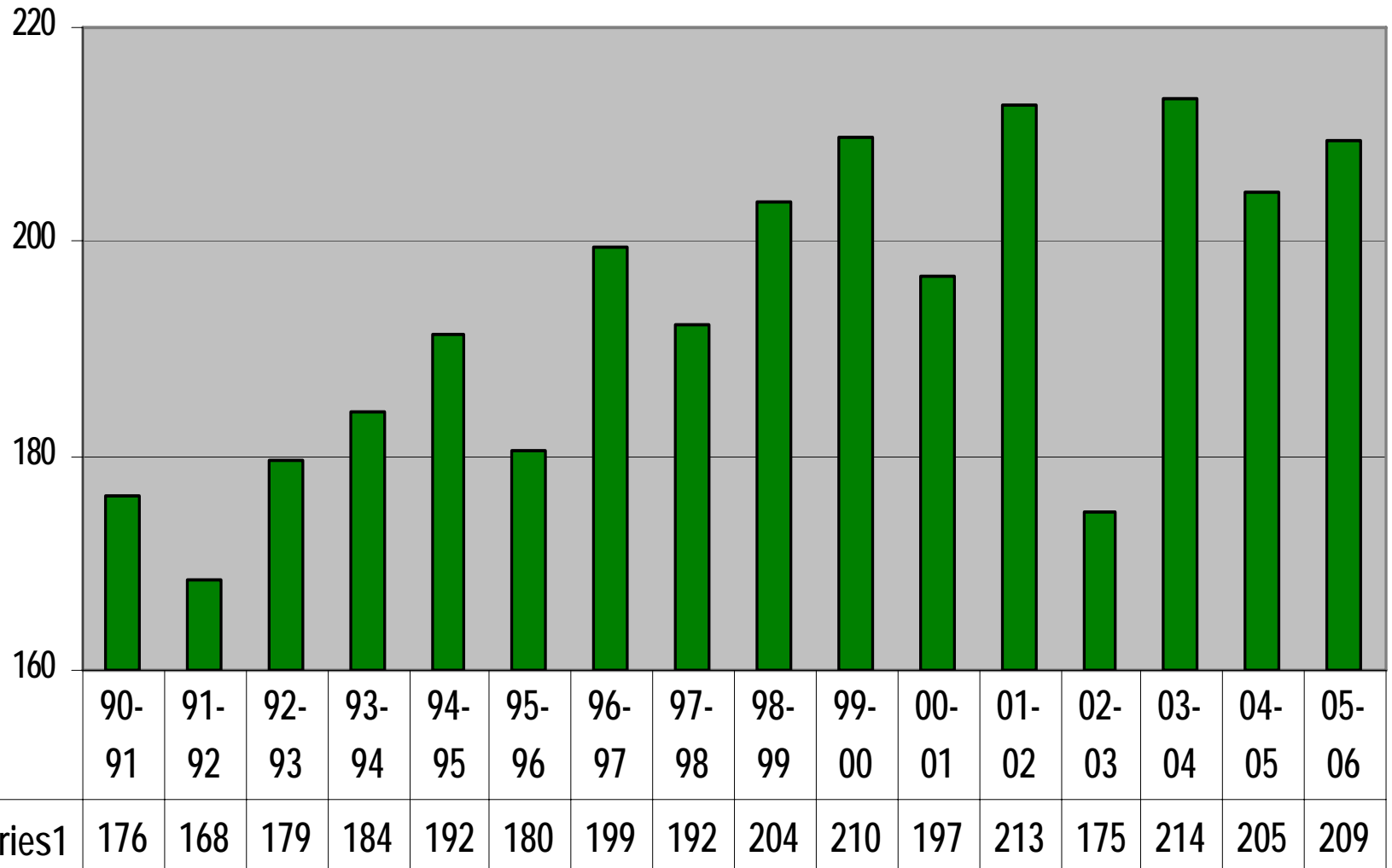


Decline in Poverty 1983-99

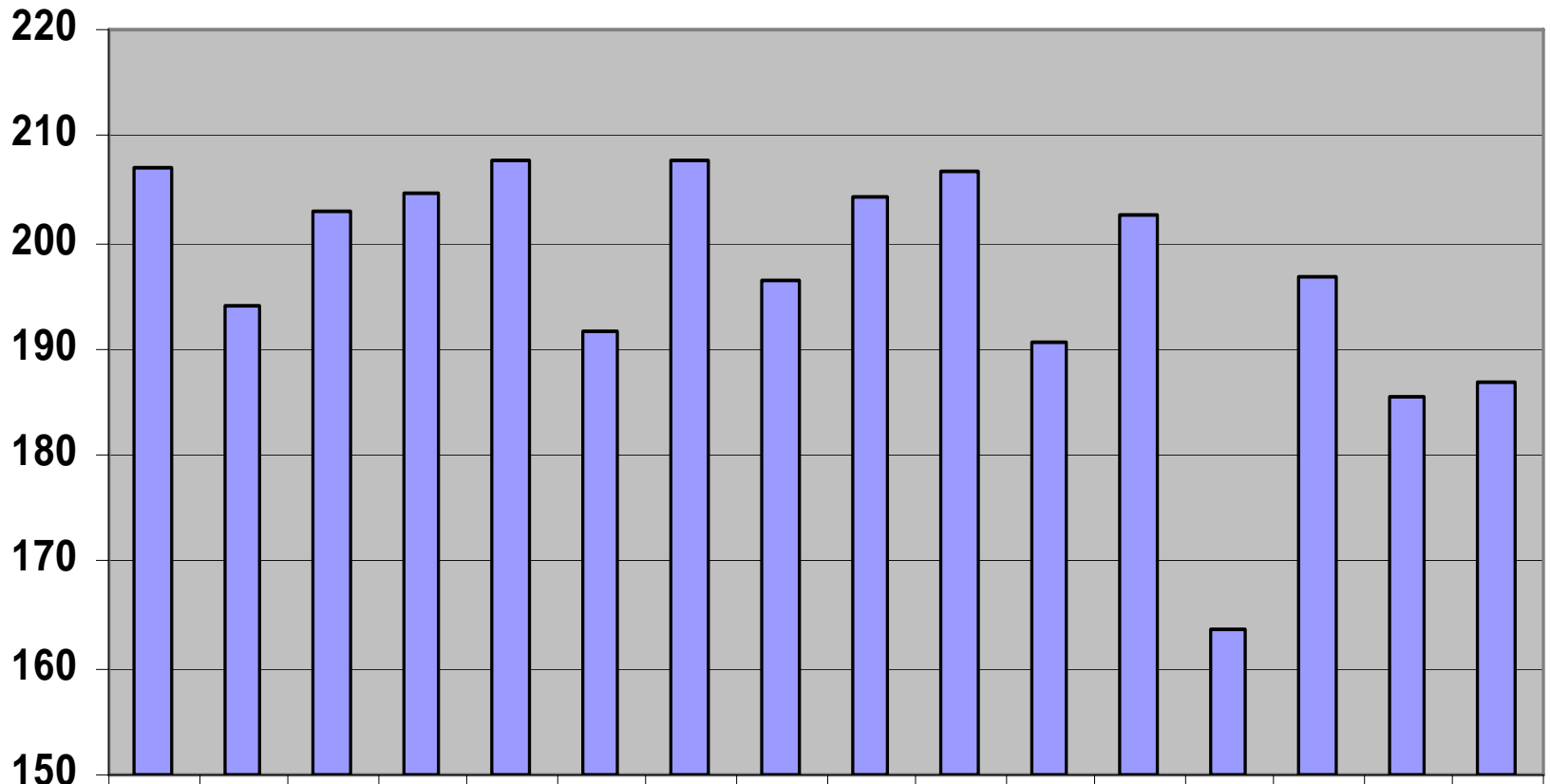


Social groups	1993-94		1999-2000	
	Percentage Share in		Percentage Share in	
	Total Rural Population	BPL	Total Rural Population	BPL
Scheduled tribes	10.8	48.8	10.5	48.0
Scheduled castes	21.1	45.7	20.4	38.4
Others	68.1	28.3	69.1	23.2
All households	100.0	34.2	100.0	28.9

Foodgrain production in MT

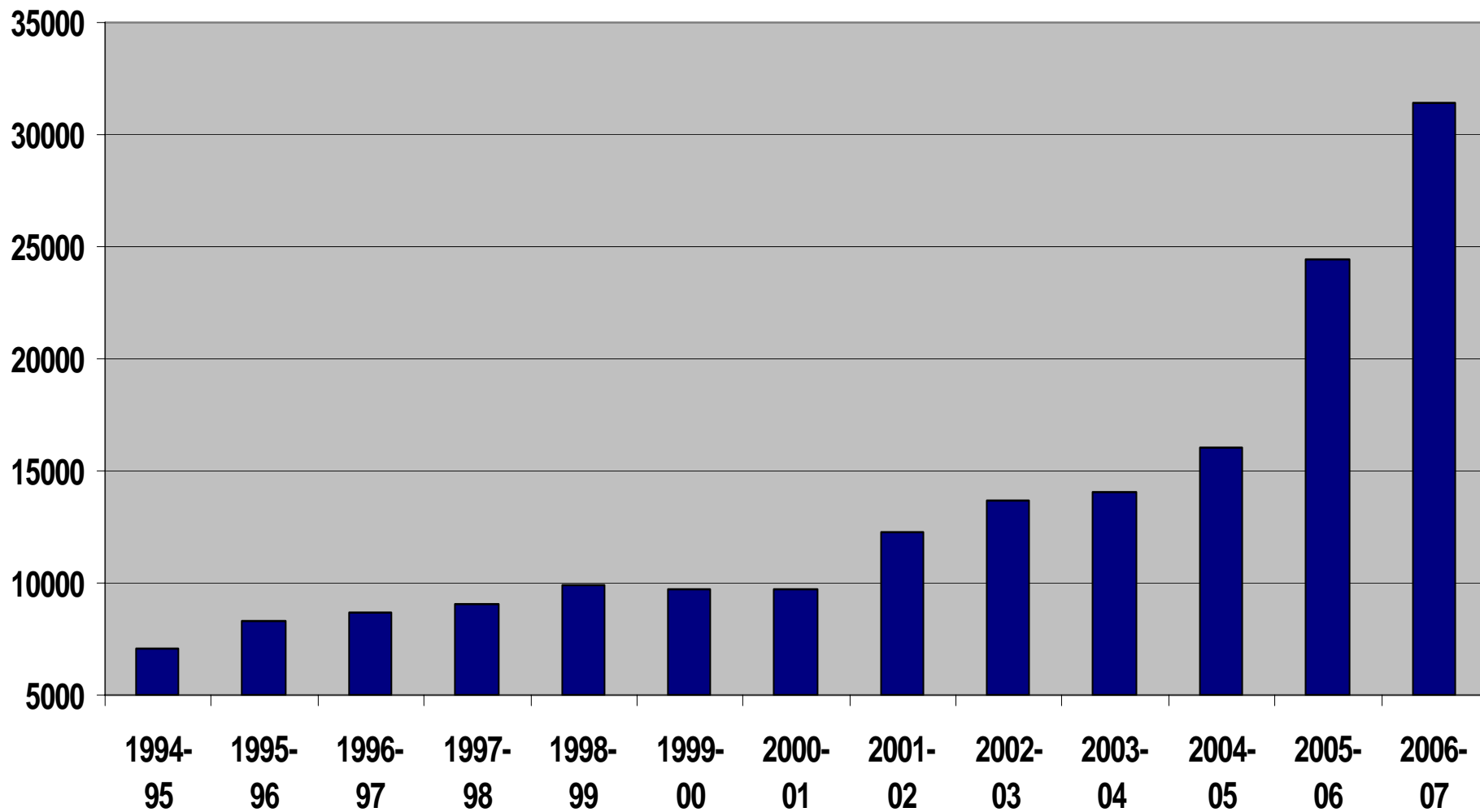


Per capita annual foodgrain production in kg

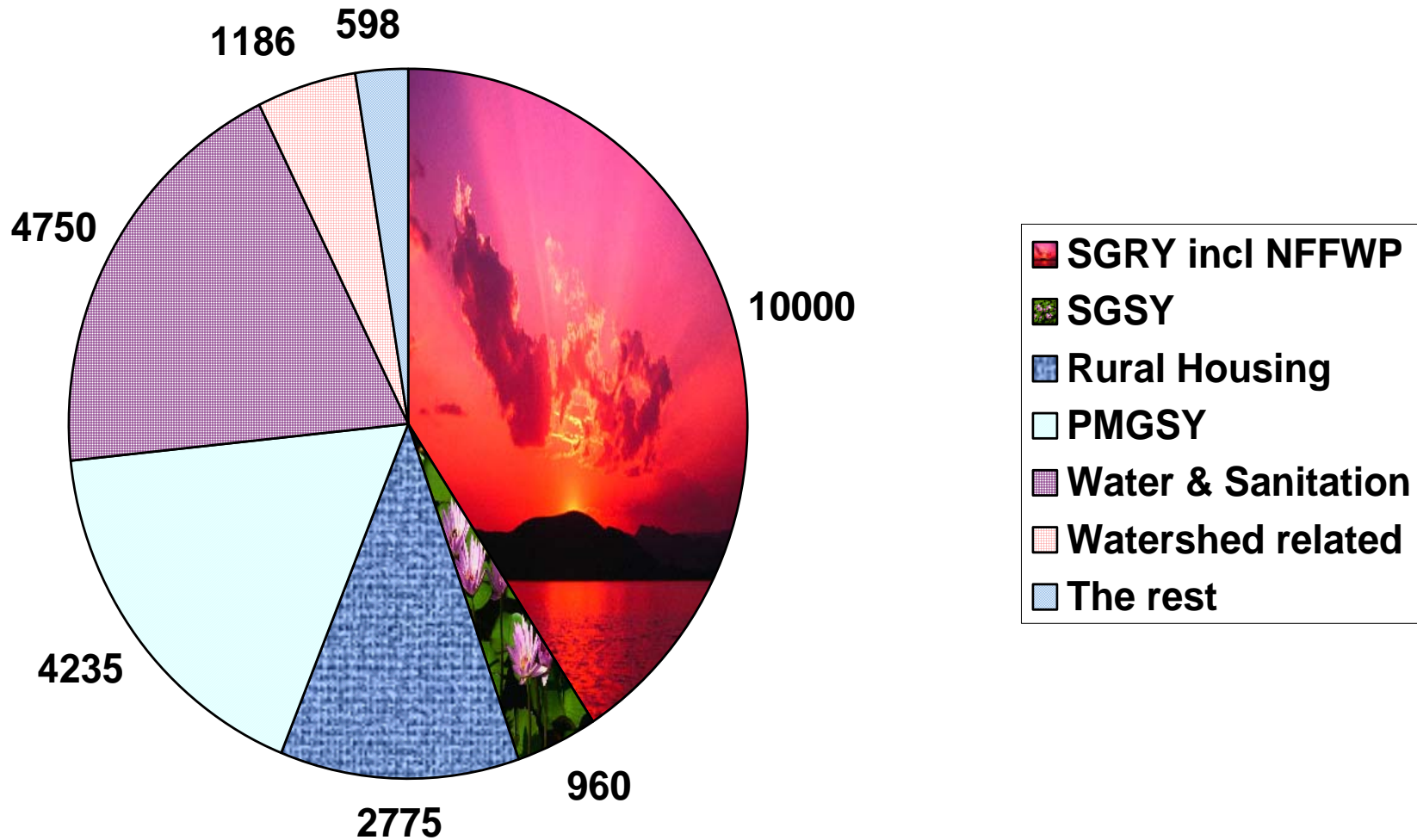


	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
Series1	207	194	203	205	208	192	208	197	204	207	190	203	164	197	185	187

RD Ministry's plan budget in crore Rs



Outlay for Rural Development Schemes 2005-06 in crore Rs)



BE, RE, and final expenditure of the Ministries for 2003-04 (in crore Rs)

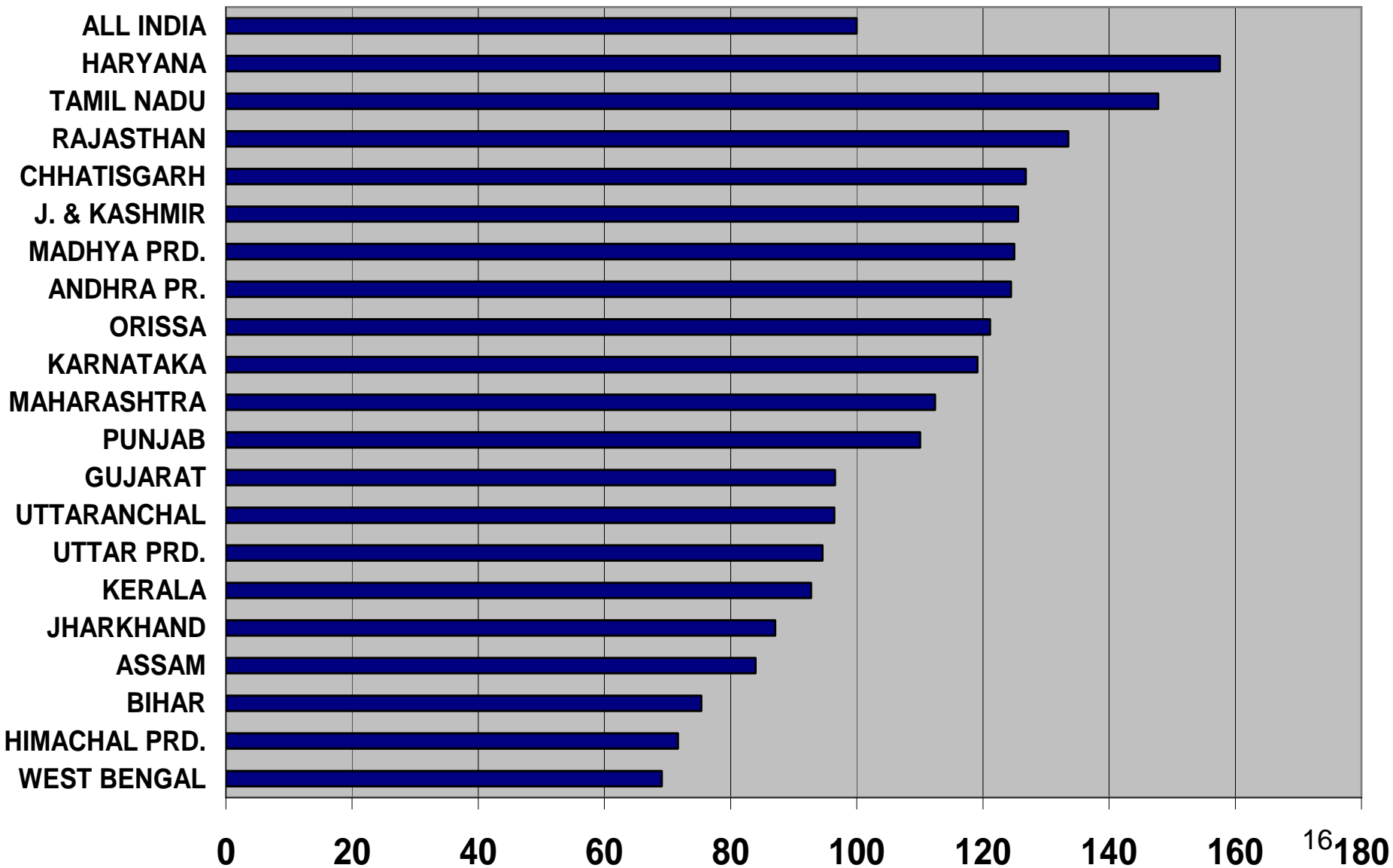
Ministry	BE	RE	final expenditure	% of actual expenditure to BE
Agriculture	3242	3170	2050	63.2
Environment & Forests	1010	950	888	87.9
Health & Family Welfare	6480	6148	5733	88.5
Women & Child Development	2600	2150	2050	78.8
RD	14070	19200	19225	136.6

Share of six poorest states (UP, MP, Bihar, Orissa) in poverty is 54.5%, but in

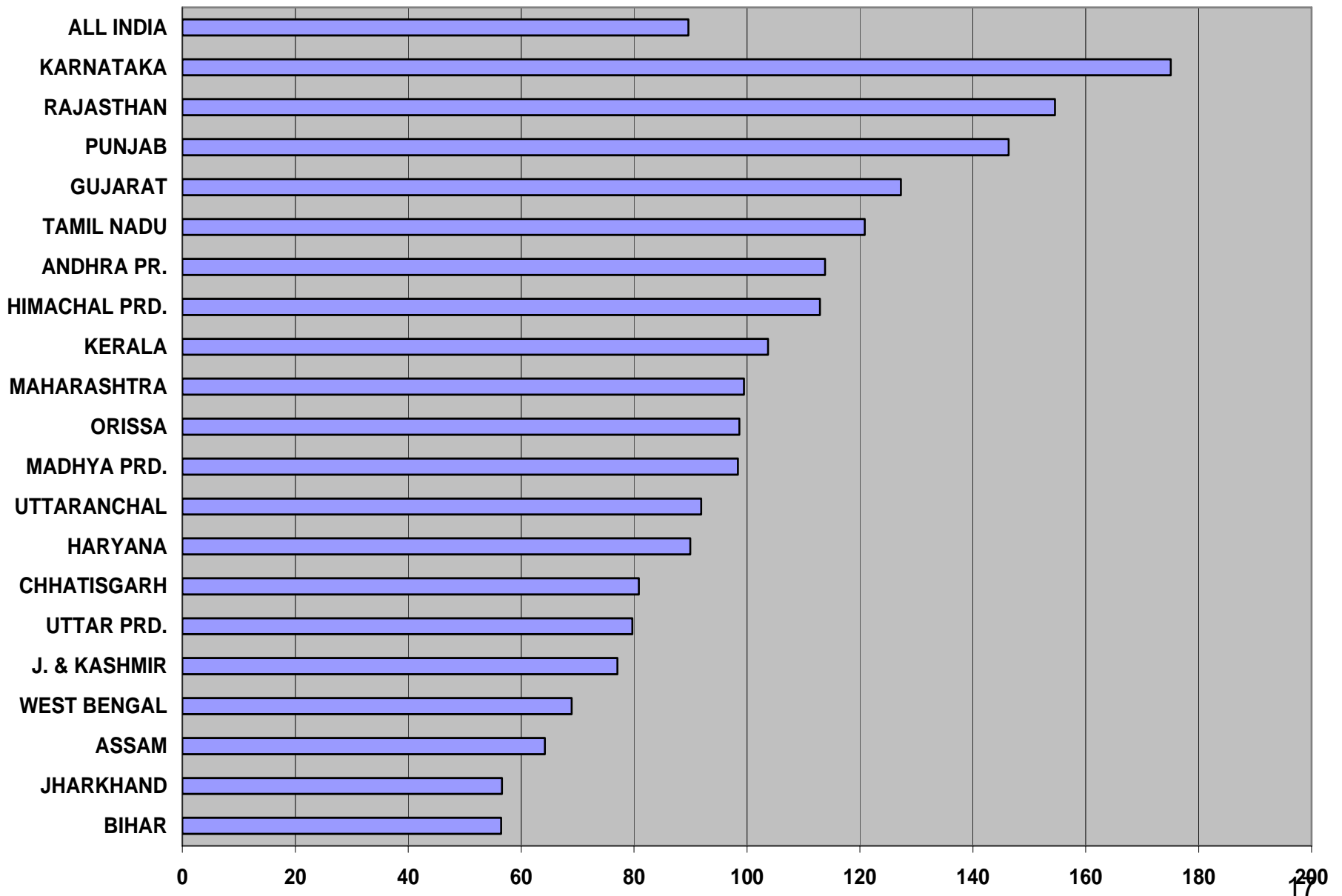
Scheme	share in allocation	share in releases
SGSY 2003-04	50.5	50.2
SGRY 2002-04	52.7	50.9
IAY 2004-05	50.6	56.5

Bihar, Jharkhand, West Bengal, Assam, Punjab, & Maharashtra are poor spenders, whereas AP, UP, Rajasthan, TN collect their quota in full

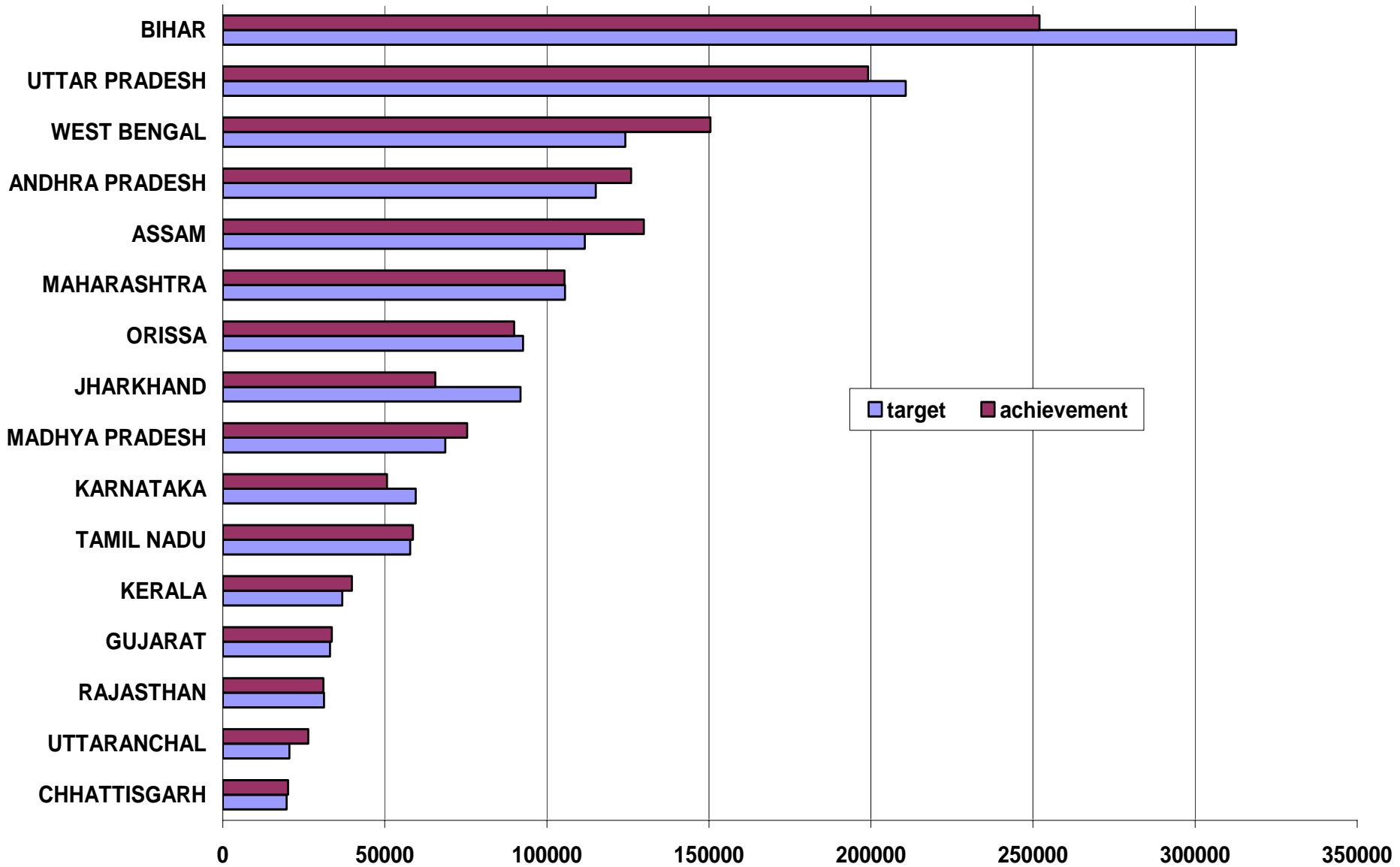
Utilisation of funds under SGRY as % of allocation for two years ending March 2004



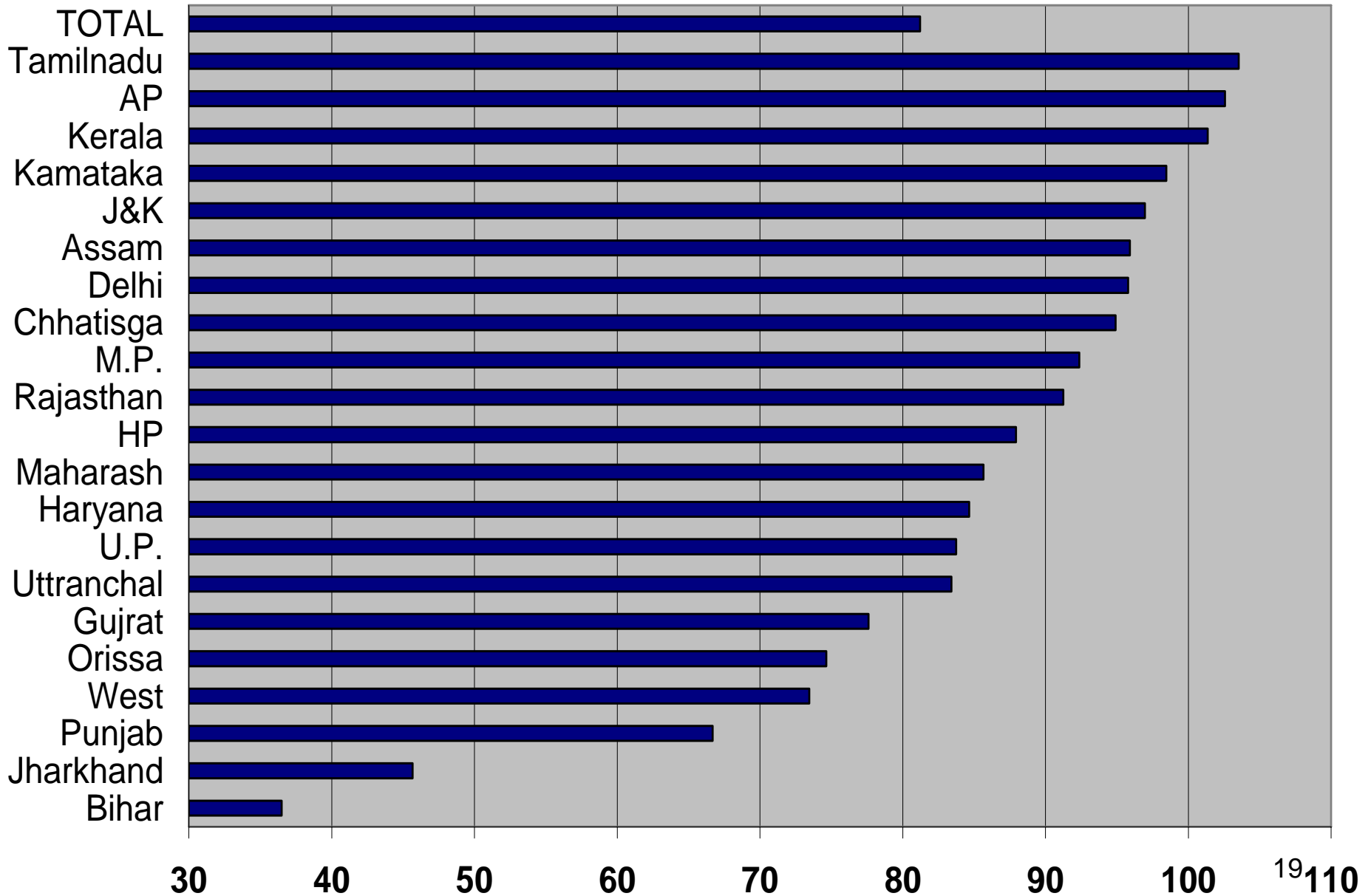
Food utilisation as % of allocation SGRY 2002-04



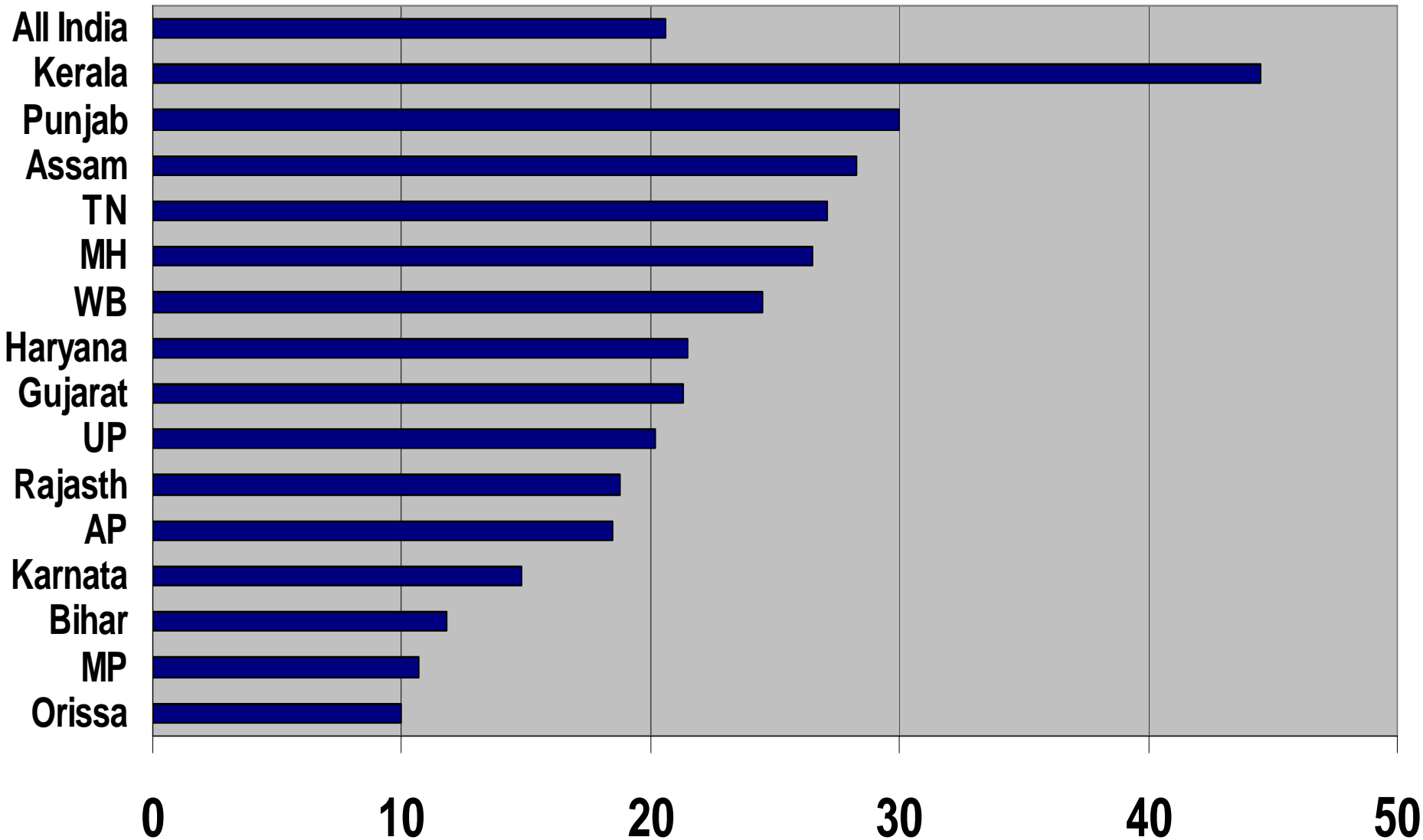
Achievement and Target under IAY in 2004-05 in unit houses



Lifting of foodgrains as % of BPL allocation 2004-05



NF Emp as % of Farm Emp



Rural non-farm employment

- Growing for men only
- Casual rather than permanent
- growth as well as a “distress” phenomenon
- Fast growth in construction, retail trade, and high skill sectors
- Traditional household industries sector is stagnant
- Fueled by agricultural prosperity, or urban pull factor
- Educated & landed get better jobs

Macro-policy framework

- Essential Commodities Act
- Mandi Acts
- Land laws
- Forest laws
- Reservation laws for small sector

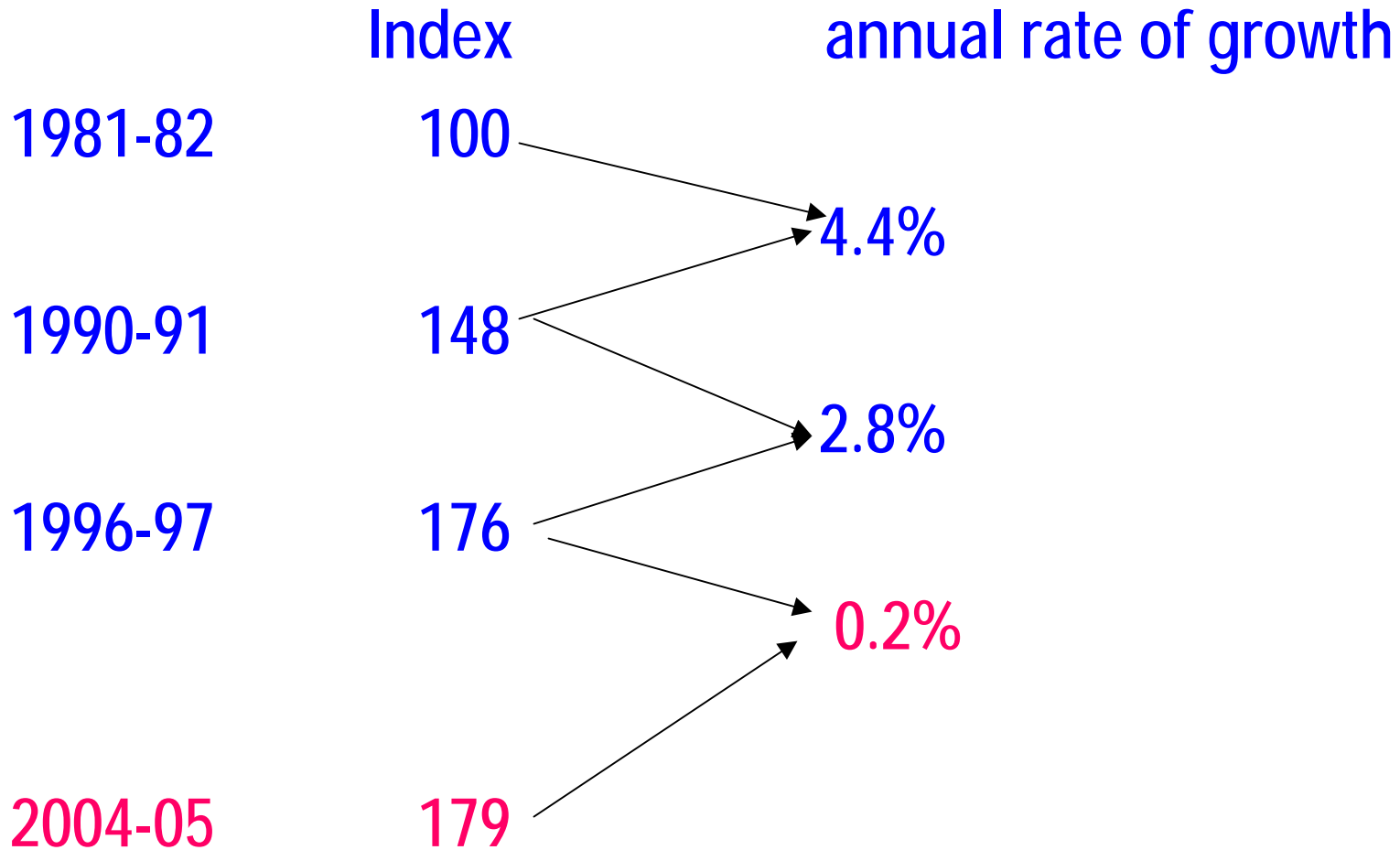
Many anti-poor regulations must be given up

Concentration of poverty

- Eastern India – East UP, North Bihar, North Bengal, Coastal Orissa, Assam & Tripura (fertile plains, with plenty of groundwater)
- Central Tribal India - Bundelkhand, South Bihar, Vidarbha, Madhya Pradesh, Rajasthan, Western Orissa, Telangana (plateau regions of low agriculture productivity with plenty of degraded & forest lands)

Critical factor is sustainable land and water management

Index number of Agricultural Production



SGSY- Expenditure, and Achievement

	Total Expenditure in crore Rs (Centre+State)	Beneficiaries Lakh Families
1992-93	694	20.7
1993-94	957	25.4
1994-95	1008	22.2
1995-96	1077	20.9
1996-97	1132	19.2
1997-98	1110	17.1
1998-99	1162	16.8
1999-00	960	9.3
2000-01	1116	10.3
2001-02	970	9.4
2002-03	921	8.26
2003-04	1044	8.93
2004-05	1288	5.05 ²⁵

Problems of Self Employment Programmes

- Lakhs of poor have become indebted
- Subsidy driven large scale corruption
- Poor have little business skills or literacy
- Lack of markets & infrastructure
- Group formation (target driven)
- Obsession with asset formation
- Consumption needs not addressed.
- Problems of existing micro enterprises not addressed.
- High transaction cost for bankers/Govt.

Suggestions for SGSY

- No subsidy
- Give grants to micro-finance institutions (MFI), encourage banks to set them up
- SHGs should help in consumption loans, as well as give loans for setting up of family enterprise
- Establish market linkages for inputs and outputs
- The scheme should be open to all non-rich people
- Involve private sector in skill development, hand over some ITIs to them (Malayasia pattern)
- Encourage digging of shallow wells and pedal pumps
- Regulate the use of groundwater in semi-arid regions

Wage Employment Schemes.

- Infrastructure and construction works are not labour intensive. Earth work is, but water harvesting and drought proofing require preparatory work, group formation, consensus building, cannot be started at short notice.
- Potential is higher in labour scarce (Uplands & hills) regions.
- Same works are taken every third year
- No funds for operations and maintenance
- Poor monitoring
- Acute shortage of technical staff
- Extensive use of outside contract labour & heavy machinery
- Planning commission estimated only Rs. 15 of every 60 Rs expenditure reached the beneficiaries [corruption SGRY.doc](#)

Suggestions

- Earmark SGRY funds for drought proofing & afforestation and planting of fruit trees on the lands of STs/SCs etc. Guidelines? Time horizon?
- Monitor quality of completed works, and not just employment
- Put the list of registered labourers, the muster of all works, payments made, absentees, etc. on website
- Use of call centers by having toll free number. STD/PCOs can provide the citizen interface mechanism.
- Payment of wages is made by account payee cheque.
- Use laminated cards to reduce leakages
- Appoint civil society for monitoring & audit



EXCAVATOR IN OPERATION AT RELIEF SITE
Village: LANGDI MOHADI, BARWANI DISTT., M.P.



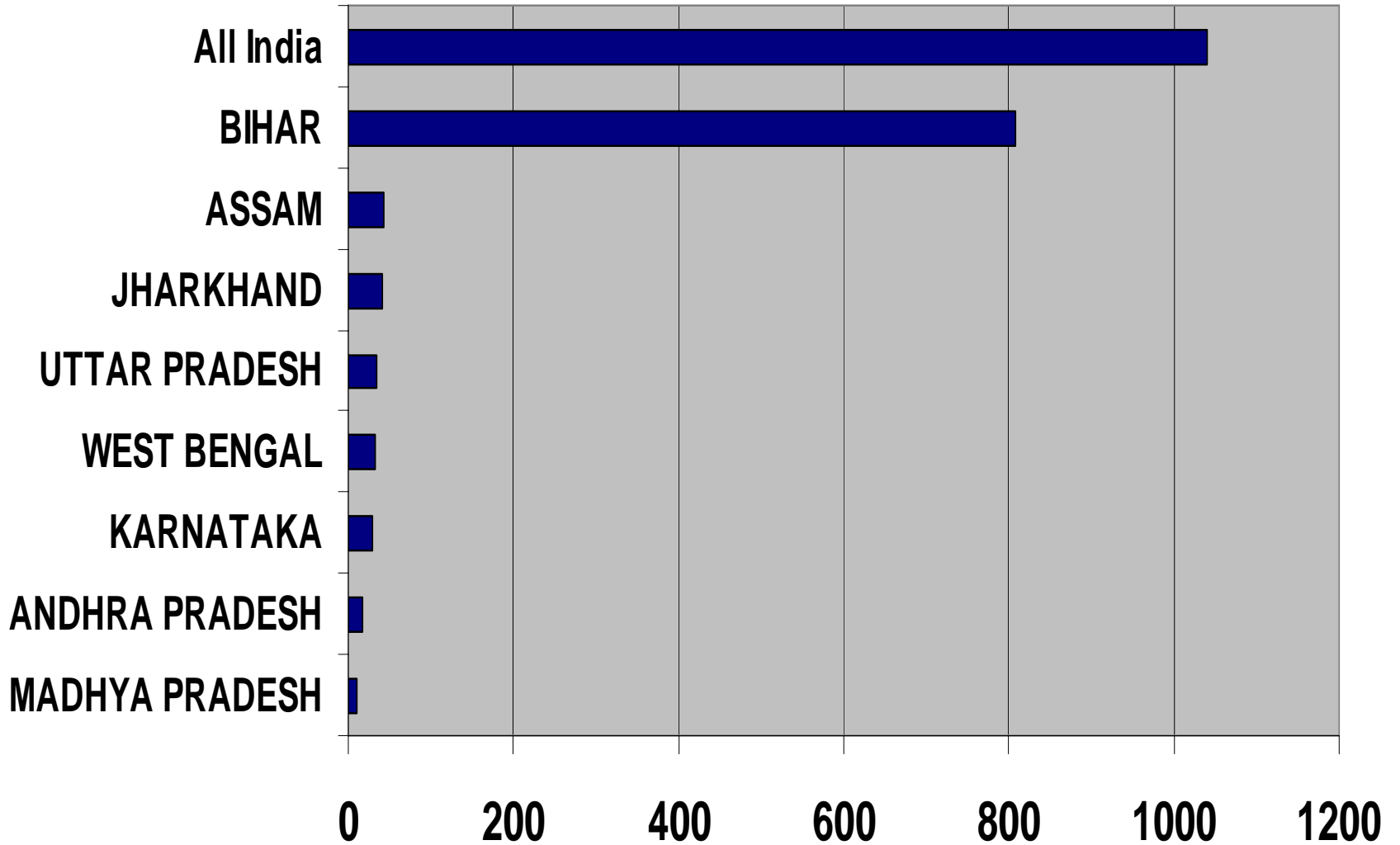
USE OF TRACTORS
SEGVI PANCHAYAT, DAWARIA FALIA
BARWANI DISTT., M.P.



Indira Awaas Yojana (IAY)

- According to 1991 Census- 3.4 M households without shelter & 10.3 million in unserviceable houses. IAY constructs 1.5 million houses every year. Why is shortage continuing?
- Scope for substantial corruption/political manipulation
- Only 30% toilets are used
- Joint ownership of male/female family members not implemented fully.
- Special Package for Bihar (June 2004)- allocation increased from Rs. 488 cr. to Rs.915 Cr

IAY Balances on 1/4/2005 in crore Rs



Conceptual problem with IAY

- Is our goal to improve social capital within the village, or is it to increase conflict within the poor?
- Rather than give only a few houses, one should saturate the poorest villages first, and give IAY houses to all deserving cases
- Link it with their performance in other schemes, SHG etc
- Put the names of beneficiaries and villages to be selected on websites
- Houses should only be in the name of the wife

At present the scheme has degenerated into a quota scheme, with huge payoffs

NSAP

- Against a requirement of 1373 crores, actual allocation fell from 850 cores in 1999-00 to 650 crores for subsequent years
- The ceiling for NOAPs should now be about 90 lakhs
- The unit cost for IAY has been increased from 10,000 to 27,500 Rs, pension amount has remained at Rs 75 pm for the last ten years!
- RD refuses to monitor this scheme!!

Scheme	Ceiling	entitlement	Required funds in crore Rs
NOAPS	68,81,000	75 per month	620
NFBS	5,71,500	10,000	572
Annapurna	13,76,200	10 kg per month	181

NSAP - suggestions

- Happily, pension amount has been increased to Rs 200 per month, but no corresponding increase in allocation
- Computerize pensions & payment records
- Transfer the money on the 1st of every month to their bank /post office account
- Ensure that the various rights are 'portable'
- Involve civil society in verification of names

Ask RD or Planning Commission to monitor the progress

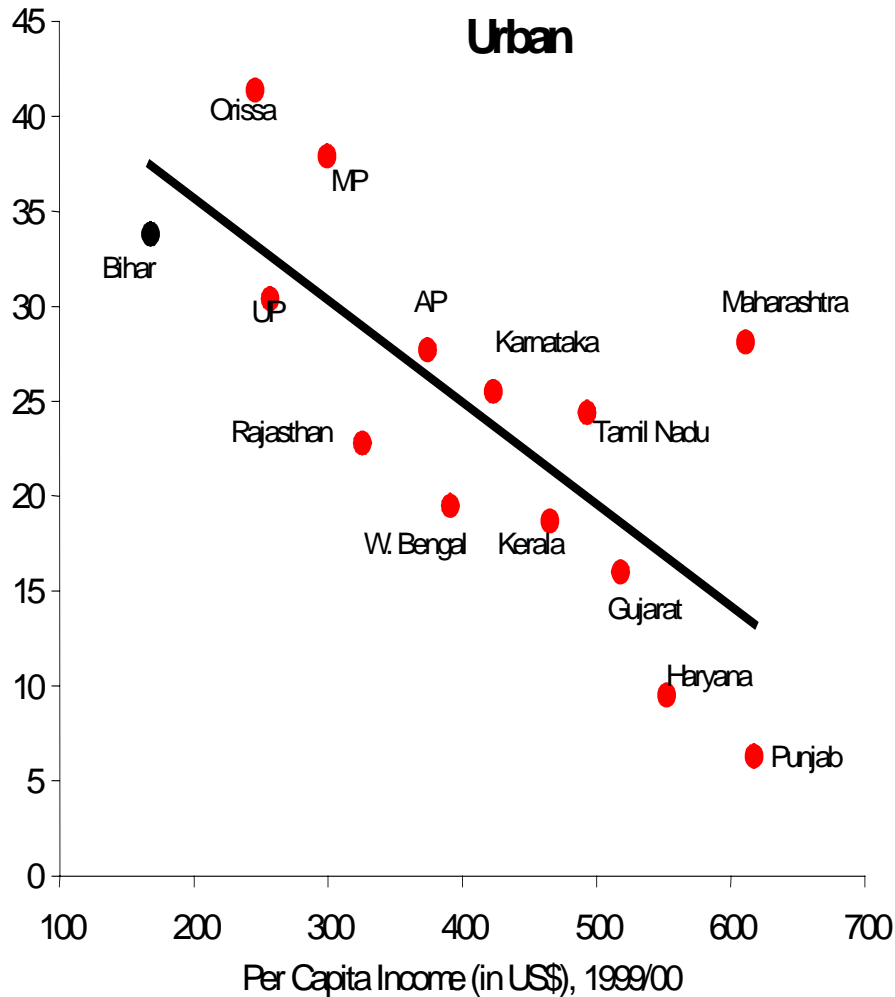
Restructuring Poverty Alleviation Programmes

Today there is huge budget for safety net programmes (314 billion Rs. annually for poverty alleviation, 260 billion for food subsidy, 100 billion for kerosene subsidy), and very little for asset creation – only 71 billion for irrigation, 6 billion for afforestation, and little for maintenance

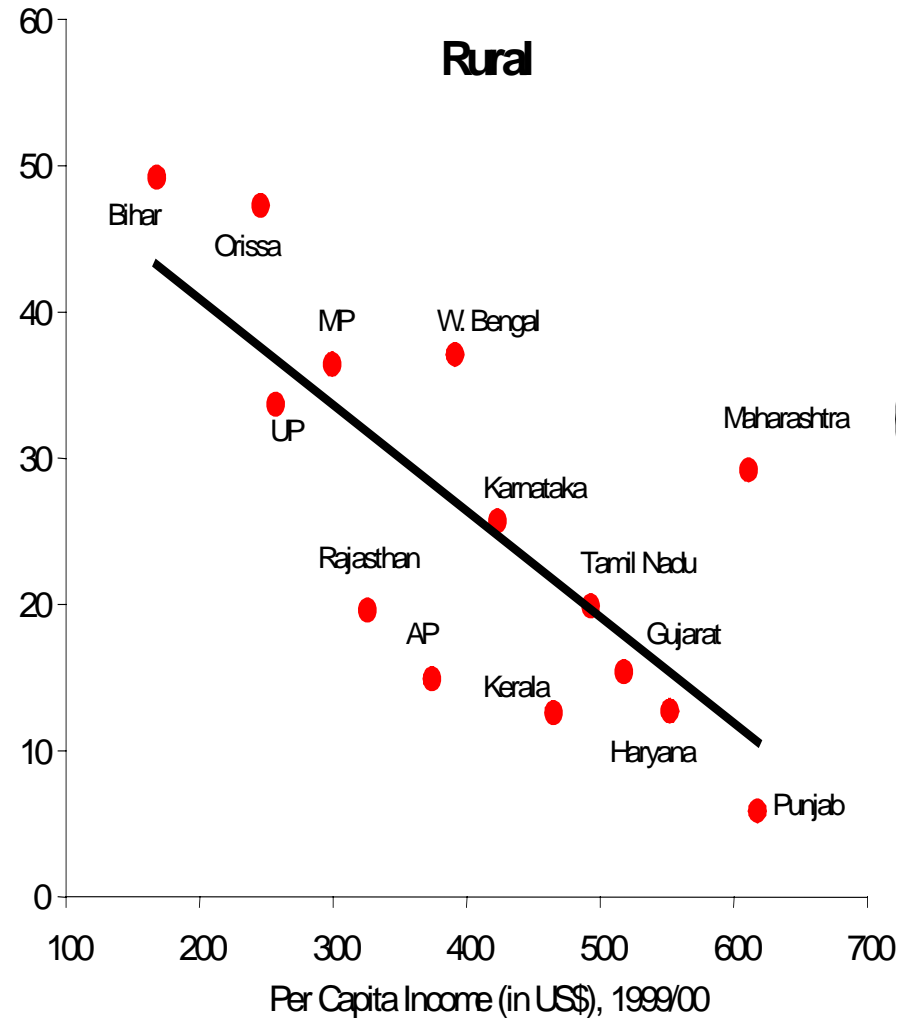
The imbalance must be corrected

Poverty Rate versus Per-capita Income

Head Count Index (%), 1999/00



Head Count Index (%), 1999/00



Offtake of foodgrains (in mT)

	1997-98	2001-02	2002-03	2003-04	2004-05
Food Subsidy in crore Rs	7900	17612	24000	27000	29,000
Through ration shops, incl AAY	16.98	13.84	20.09	24.2	29.4
Other welfare schemes	2.08	8.86	11.38	13.5	10.6
Open market sale	0.06	5.6	5.66	9.66	0.25
Subsidised exports	0	4.7	12.46	10.31	1.0

Problems with the TPDS

Inadequate storage capacity with FCI

Poor condition of the State Food Corporations

Complicated procedures

GOI quota lapses after 1 month

Low quality of foodgrains

The shop does not open for more than 2-3 days in a month

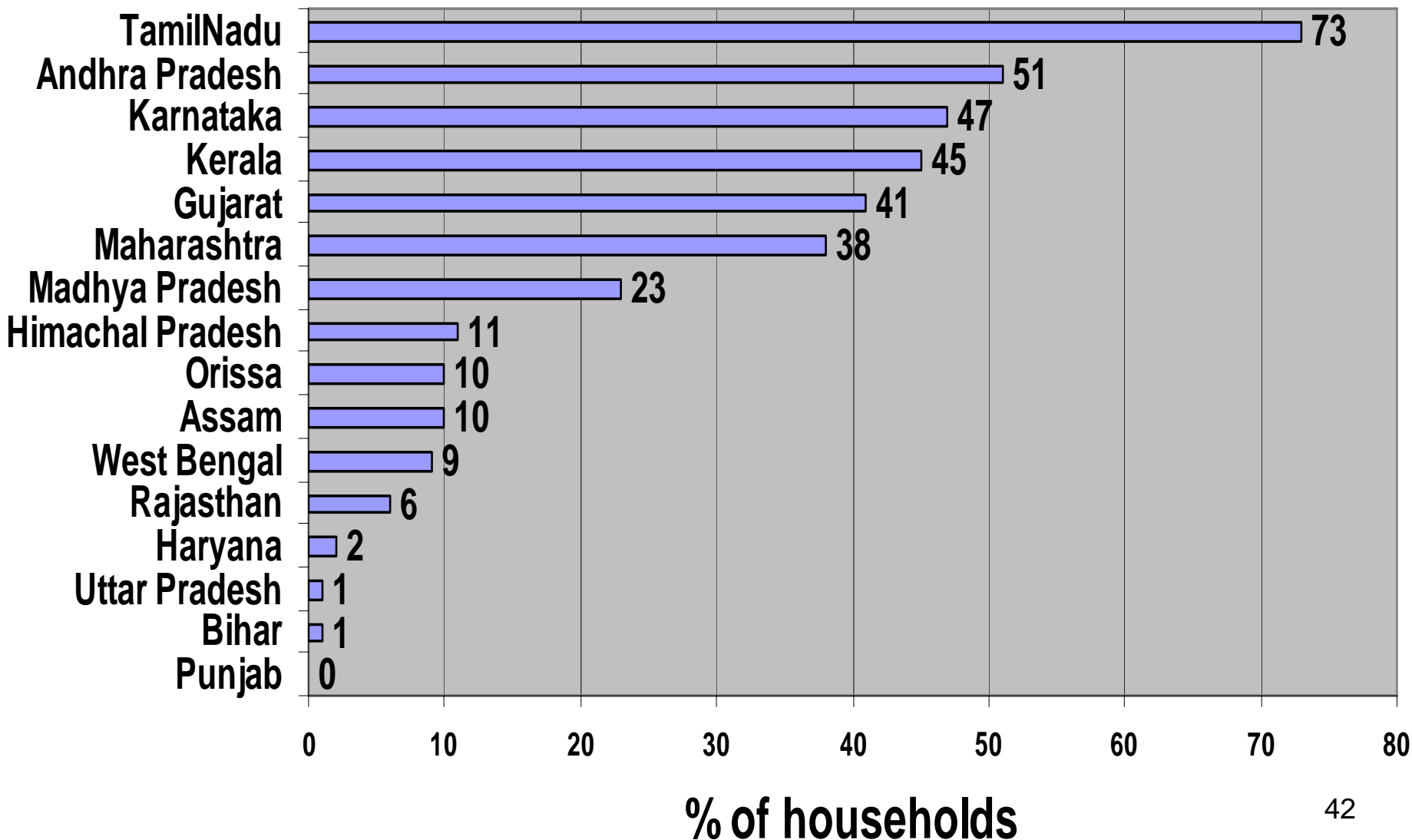
Ration cards being mortgaged to ration shop owners

Average lifting from PDS per person in Kerala was 4.58 kg per month, it was only 0.15 kg in Bihar and 0.29 kg in UP

Planning Commission's evaluation of TPDS

- 58 per cent of subsidized food grains does not reach the BPL families, 22% reaches APL and 36% sold in black
- High cost of handling, for one rupee transfer to the poor, the Govt spends Rs.3.65
- Targeting errors, ghost cards and non-BPL households
- Only 57% of the BPL households have ration cards
- FPSs are not viable, they remain in business through leakages, willing to pay huge bribes to get a shop
- Homeless often do not have ration cards

Regular Availability of foodgrains



TPDS

- Universal entitlement to all PTGs and homeless
- Replace ration cards by portable laminated cards
- Involve women's SHGs and panchayats
- Give shops to those who already have shops
- Simplify procedure

Try cash transfers as a pilot in villages next to a bank/postoffice

General issues

- Should the states have discretion in deciding the mix of poverty alleviation programmes?
- Pre-requisite is a panchayat structure that is responsive and inclusive of the poor
- No mechanism in the Planning Commission for effective monitoring of ACA schemes
- Link schemes with reforms, but reform component is either weak or not rigorously enforced, it remains a paper tiger
- Number of CSS increased from 45 in 1969 to 360 in the Ninth Plan
- Frequent changes in the names/guidelines schemes bring in confusion
- An important factor behind fiscal indiscipline is the artificially inflated approved plan of some of the states, which is often 50 to 80 per cent higher than the available resources

Approved Plans Vs Actual Availability

Ninth plan in crore Rs

Name of the State	Approved plans	Actual availability	% of actual realization
Assam	8,984	4,054	45
UP	46,340	23,058	50
Bihar	16,680	9,885	59
Orissa	15,000	9,525	63
Rajasthan	22,526	15,009	66
MP	20,075	14,333	71

To sum up

- Rural livelihoods will improve if development programmes make long-lasting changes in five key areas. These are:
- higher agricultural growth, esp. foodgrains
- Innovative poverty alleviation schemes
- improved natural resources;
- better health and education services;
- improved social capital and gender equality; and
- improved rural infrastructure (such as irrigation, power, and roads).

And above all, GOVERNANCE

These

Lead to

This

Efficient Institutions

=>

Outcomes
(and not Outlays alone)

=>

Difficult political decisions

=>

Better policies
Sound delivery mechanisms

=>

Strengthened
Civil Service/NGO/Panchayat
Co-ordination

=>

Development



This is do-able.

It is

Now or Never.

Thank you